

SRF'S UP

A Newsletter for the Clean Water SRF



Clean Water
State Revolving Fund

NEWS AND IDEAS FOR THE NEXT 20 YEARS OF THE CLEAN WATER SRF

SUMMER 2008

Tapping the Untapped Potential of the CWSRF

2007 was another great year for the Clean Water State Revolving Fund (CWSRF)! The program provided \$5.3 billion in assistance (2,050 loans)—the highest ever—and cumulative assistance provided is now \$63 billion (20,700 loans). After 20 years of growth and success, EPA is engaging states in a discussion to explore what more might be done to further improve the already successful program. To encourage discussion the Clean Water SRF Branch recently issued the draft white paper entitled: “The Clean Water State Revolving Fund Program: Tapping its Untapped Potential.” One goal of the white paper is to explore CWSRF financial flexibilities and project eligibilities with the intent of encouraging states to make greater use of the CWSRF program to solve their water quality problems. The paper introduces regions, states and assistance recipients to a wide range of projects and financial structuring approaches that are possible under the CWSRF program, highlighting the types of eligible assistance that have remained relatively unexplored by states to date and the financial structures that make it possible to do more without jeopardizing the repair and replacement of our aging infrastructure. The paper is not new policy or guidance; it simply aims to take a fresh look at the potential of the program after 20 years of successful wastewater infrastructure financing.

The white paper is available at the CWSRF Discussion Forum under the “Tapping the Untapped Potential” topic. The discussion forum can be accessed at <http://cwsrf.invisionzone.com/>. The examples below present a sampling of what is eligible under the broad scope of the Clean Water State Revolving Fund Program. The white paper provides a compilation of possible uses of CWSRF funds under existing statutory authority. To view the full list of program eligibilities supported under the CWSRF, please read the white paper in its entirety.

Program Eligibilities

Projects are eligible for CWSRF funding under three different sections of the Clean Water Act (CWA): §212 for Publicly Owned Treatment Works (POTW), §319 for Implementation of a Non-point Source Management Plan, and §320 for Development and Implementation of a National Estuary Comprehensive Conservation Management Plan (CCMP). EPA took a close look at each CWSRF authority to identify untapped funding opportunities to meet pressing water quality and public health needs.

Welcome to the new and improved SRF's Up newsletter! The CWSRF celebrated its 20th anniversary in 2007 so this newsletter will focus on the next 20 years of the Program. This edition of SRF's Up highlights EPA's recently released draft white paper “The Clean Water State Revolving Fund Program: Tapping its Untapped Potential,” that discusses the full range of program eligibilities and assistance options available under the CWSRF. The newsletter also explores CWSRF strategic management and marketing activities that will help states reach high priority water quality projects and make the program even more accessible to potential assistance recipients.

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Highlights of program eligibilities under sections 212 and 319 include:

- Publicly owned municipal stormwater projects under section 212 and both publicly and privately-owned stormwater projects under section 319. In addition to traditional pipe, storage and treatment systems, green infrastructure and wetland protection and restoration can also be funded. Land is eligible only if it will be an integral part of the treatment process.

Rockville, MD received a CWSRF loan to fund the planning, design, and restoration of a stream, which included the stabilization of eroding stream banks and enhancement of existing wetlands.



Watts Branch in Rockville, MD. The restoration of Watts Branch was funded with CWSRF dollars.

- Water conservation and reuse. In addition to that, effluent can be treated to whatever level of reuse a system desires, even to drinking water standards.

Cheyenne, Wyoming used a CWSRF loan to renovate and upgrade water reclamation facilities to remove ammonia, and used the reclaimed water to irrigate ball parks, golf courses, and greenways in the community.

- Energy conservation and efficiency, including power production onsite at a Publicly Owned Treatment Works (POTW), green energy production at a POTW, and the pro-rata share of capital costs of offsite publicly owned clean energy facilities used to power a POTW.

Atlantic County, NJ used a CWSRF loan to install 2,700 solar panels at five locations across a wastewater treatment facility and now has a projected energy cost savings of \$115,000 per year.



The Atlantic County Utilities Authority used CWSRF funds to install solar panels at its wastewater treatment facility.

- Water quality trading. Funding can be provided for projects at POTWs or nonpoint source projects that generate water pollution control credits.
- Water quality related Best Management Practices (BMPs) at animal feeding operations (AFOs) that are not regulated as point sources.

Missouri's Nonpoint Source Animal Waste Disposal Project loans money to small and medium sized farmers for implementation of agricultural BMPs.

- Where there is a causal link between manmade air pollution and water quality, projects with a direct water quality benefit that prevent the emission of air pollutants in excess of Clean Air Act requirements are eligible.

Project eligibilities under §320 of the CWA represent significant opportunities for the CWSRF program. As discussed in the draft white paper, CWSRFs can fund projects located within a National Estuary's watershed study area if provided for in the §320 Comprehensive Conservation Management Plans (CCMP). If a broader geographical scope than the study area typically defined in existing CCMPs is allowed, §320 projects potentially are eligible within the entire watershed of a National Estuary. The CCMP would need to be revised to reflect

this change by describing any new activities or water quality problems addressed by these eligibilities. This could allow a wide range of publicly or privately-owned, point source or nonpoint source projects to be eligible for CWSRF assistance. Additional information on those areas that have been designated as participating in the National Estuary Program is available at <http://www.epa.gov/owow/estuaries/>. States interested in additional information should contact Sheila Platt at platt.sheila@epa.gov.

Financial Options and Incentives

In addition to highlighting program eligibilities, the white paper evaluates how states can gain greater benefit from the CWSRF program by implementing strategic financing options. There are a number of unused or underutilized approaches that demonstrate the flexibility of the CWSRF and ways in which the program can leverage its financial position to increase lending capacity, including:

- Tiered interest rates to encourage more projects that help meet state water quality needs;
- Loan fees that can be used with fewer restrictions than standard funds, such as for providing planning and design loans or grants;
- Extended term financing to allow for longer term

financing than 20 years for the purchase of local debt obligations;

- Alternative loan structures, such as linked-deposit loans and sponsorship programs;
- Loan guarantees or insurance to significantly expand the assistance provided by CWSRFs and to reduce the cost of conventional bank loans;
- Refinance or purchase local debt.

The inherent flexibility of the CWSRF is a hallmark of the program, but EPA recognizes that many of the options discussed above may not be feasible or even appropriate for every state. The goal of the white paper is to present the broadest view of what is eligible for CWSRF funding, so states can continue to ensure that money is directed to the highest priority water quality projects in the most efficient way. 🌍

DID YOU KNOW?

- In 2006, Massachusetts combined an SRF loan with a section 319 nonpoint source grant to pay for the installation of 45 rain gardens and several vegetated swales in the City of Cohasset to treat stormwater runoff prior to it entering the town's stormwater collection system.
- Maine provides CWSRF loans for environmentally friendly logging equipment through the Maine Forestry Direct Link Program. Applicants must be certified sustainable loggers and abide by Maine Forest Service BMPs. This linked deposit program has generated \$2,600,000 in loans since April 2007.



The Columbia River is part of the Lower Columbia River National Estuary.

MARKETING YOUR CWSRF: WHY IS IT IMPORTANT?

OVER the last 20 years, the CWSRF has experienced significant growth and success. At this important milestone, several states have been reevaluating the role of the CWSRF. They are asking themselves whether the CWSRF is achieving maximum positive impact on water quality. This process led to the EPA white paper, which highlights well-established as well as relatively unexplored CWSRF program eligibilities and financing options. Planning and marketing efforts can provide the ideal opportunity to consider how the CWSRF's program eligibilities and financial options can be beneficial to a state's Program. Actively reaching out to communities and encouraging these types of projects can help states achieve greater gains in water quality. EPA is currently developing a comprehensive marketing guide to help states develop enhanced strategic planning and marketing approaches for their CWSRF programs.

While all states market their CWSRF through websites, presentations and brochures, several states have begun to take a more comprehensive look at their outreach activities. They are using marketing as a tool to direct their funds to the water quality issues and the communities where it is most needed.

Some of the objectives of a comprehensive marketing approach are to:

- Increase demand for CWSRF financial assistance so that available funds are fully used;
- Reach more entities eligible for assistance by promoting the wide variety of funding options, particularly those highlighted in the white paper, and by building awareness of the benefits of the CWSRF;
- Direct funds so they achieve state water quality goals by increasing awareness of the types of projects eligible for financing under the CWSRF;
- Publicize successes to community leaders, citizens and legislators;

Since 2006, several states have undertaken efforts to better understand current and potential borrowers and to develop new outreach techniques. In a number of these states, the efforts have begun with a survey or focus group of current and potential borrowers. In the last two years, 10 states have conducted surveys or focus groups to better understand the perceptions that stakeholders have of their CWSRF. These information gathering exercises have resulted in new outreach strategies (to be highlighted in this and future issues of SRF's Up). This issue covers Iowa's focus group, New Mexico's marketing plan, New Jersey's website, and Arizona's one-stop shop. In addition, there are other examples of interesting activities and tools being used in some states. For more information on marketing in your CWSRF program, contact Sheila Platt at EPA at platt.sheila@epa.gov.

Iowa: Putting Program Improvements to Work

In recent years, Iowa's CWSRF has implemented several improvements to their program. They added 0% planning and design loans, rolling applications, assistance with the environmental review, and extended term financing to their program offerings. In addition, they recently updated their outreach materials, including designing new brochures, which were sent to all communities in the state, and reformulating the Intended Use Plans and Annual Reports to serve as comprehensive documents aimed at the wider public, rather than just EPA.

The program, which is jointly managed by the Iowa Department of Natural Resources (DNR) and the Iowa Finance Authority (IFA), was looking for new opportunities to market the program and its recent improvements. In July 2007, IFA and DNR, with EPA's assistance, held a half-day focus group of potential borrowers. The seven focus group participants were community leaders who have decision-making authority for water and wastewater infrastructure financing.

Focus group participants discussed their perceptions of the CWSRF, the criteria upon which they base their financing decisions, and the best ways to reach communities about the opportunities provided by CWSRF financing. CWSRF managers learned that many communities were unaware of the recent program improvements, were surprised by the range of assistance types available through the CWSRF, and were eager to learn more about requirements, timeline and other features of the programs. A summary of the findings from the focus group can be found on the CWSRF Discussion Board, <http://cwsrf.invisionzone.com>.

Focus group participants were impressed by IFA's new marketing materials and thought they were eye-catching and professional. IFA's new brochures, one of which includes a "calculator" that displays the cost savings of the CWSRF compared to bonds, received high marks from the group. The brochures contain marketing messages that are thought to be effective in motivating potential borrowers to pursue CWSRF loans and financing, such as "below-marketing interest rates" and "30-year terms."

Iowa has begun implementing many of the suggestions offered by the focus group participants. DNR and IFA are currently:

- Developing a "brand" for their CWSRFs, which integrate the elements and opportunities of the programs;
- Jointly designing new brochures and developing case studies of successful and interesting projects;
- Continuing to promote DNR's environmental review coordinator, who reduces the applicant's workload by taking over the federal crosscutter process;
- Reaching out to communities by conducting workshops around the state, and distributing the Intended Use Plans (IUPs), Annual Reports and brochures widely.

Iowa's comprehensive and proactive approach to marketing will ensure that the impact of the CWSRF on state water quality will continue to grow. For more information, visit Iowa's website at www.iowasrf.com.

Rethinking Marketing in New Mexico's CWSRF

2006 marked the development of the first marketing plan for New Mexico's CWSRF program. During its annual strategic planning meeting, the Environment Department's Construction Programs Bureau (CPB), which administers the CWSRF, determined that a successful marketing strategy was essential to the continued growth of their program.

CPB has been focusing on implementing its marketing strategy, a large component of which is to identify new potential customers and improve program pace. Some of the new activities being carried out include:

- Visiting communities to provide information about CPB's funding programs;
- Attending conferences and workshops;
- Coordinating with other agencies that provide wastewater infrastructure financing; and
- Partnering with engineering firms, Councils of Governments, professional organizations, and other groups.

New Mexico's efforts have been paying off so far: CWSRF assistance as a percent of funds available (pace) increased from 70% in 2005 to 84% in 2007. State CWSRF managers plan to continue evaluating their outreach efforts to ensure that they remain effective.

Effective Marketing: An Example from New Jersey

The New Jersey Environmental Infrastructure Trust's website (www.njeit.org) provides a good example of how a website can be an effective SRF marketing tool. New Jersey's CWSRF program is a partnership of the NJ Department of Environmental Protection and the Trust, and the Trust does an excellent job of promoting the benefits of the program on its site. The most visible feature on the home page is the description of the significant cost benefits of an SRF loan. In addition,

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The New Jersey Environmental Infrastructure Trust's website effectively markets the state's CWSRF program.

there are a number of links for more information on requirements, case studies and contacts for those seeking additional information. The New Jersey SRF website is concise, clear and provides easy-to-find information on the benefits of the program.

One-Stop Shopping in Arizona

One-stop shopping, where various funding programs come together to coordinate financing for projects and provide technical assistance, can be a valuable outreach tool. One-stop shopping can bring the CWSRF to the attention of new communities and

can result in communities receiving CWSRF financing when they may not have thought to apply directly. Arizona's one-stop shopping option, the Rural Water Infrastructure Committee (RWIC), focuses on providing affordable funding solutions and technical assistance to small, rural communities throughout the state. RWIC provides a single location for potential borrowers to find federal, state and local financial assistance programs and to choose which program or combination of programs is appropriate for their needs.

RWIC holds monthly meetings throughout the state to discuss projects and allow communities to present their projects to the committee directly. The Water Infrastructure Finance Authority (WIFA), which administers Arizona's SRF programs, leads RWIC. The RWIC funding partners work with communities and provide practical suggestions for technical, operational or financial issues, provide assistance with loan applications, and provide technical assistance. Since summer 2007, RWIC has been demonstrating the EPA Financing Alternatives Comparison Tool (FACT) at their meetings and making it available to communities. To date, at least one community has said that it chose the SRF because of FACT.

FACT can be downloaded from EPA's website at <http://www.epa.gov/owm/cwfinance/cwsrf/fact.htm>.

THE 2007 PISCES AWARDS!

The 3rd annual PISCES (Performance and Innovation in the SRF Creating Environmental Success) Awards recognized states that were innovative and effective at advancing EPA's goals of performance and protection through the Clean Water State Revolving Fund program. The award was given to one state from each of the ten EPA regions. Winners were recognized at the national SRF workshop hosted by the Council for Infrastructure Financing Authorities (CIFA) in Denver, CO in November 2007.

The winners of the 2007 CWSRF PISCES Awards are:

Region 1 – Rhode Island: Rhode Island has repaired or replaced 400 failing or substandard septic systems to

date, significantly improving water quality in many of the state's small communities.

Region 2 – New Jersey: New Jersey has provided over \$240 million in low interest loans to private entities to remediate more than 800 acres of land that, prior to treatment, let thousands of gallons of leachate seep into surrounding waters daily.

Region 3 - Virginia: Virginia initiated innovative partnerships with Farm Credit Associations throughout the state, providing CWSRF financing for a substantial number of agricultural BMPs and reducing agricultural runoff into Virginia waters.

Region 4 - Florida: Florida is a national leader in water conservation and efficiency. They recently implemented an innovative project that included the installation of horizontal well technology to withdraw and filter surface and groundwater for reuse.

Region 5 - Minnesota: Minnesota's Agricultural Best Management Practices Loan Program, a subsidiary of the State's CWSRF program, is one of the leading environmental loan programs in the country, averaging more than two closed loans per day for the last five years.

Region 6 - Texas: Texas is remarkable for its support of water efficiency through water reuse and conservation; projects include a wastewater reclamation initiative to deliver reclaimed water from the City of Austin's wastewater treatment plant to two city-owned properties.

Region 7 - Missouri: Through the Missouri Agricultural and Small Business Development Authority, Missouri lends CWSRF funds to farmers to purchase animal waste collection equipment and to construct animal waste storage and distribution facilities, reducing runoff into state waterways.

Region 8 - Colorado: By leveraging CWSRF funds, Colorado has provided additional financial assistance totaling over




From left to right: Charles Unseld with the Colorado Dept. of Local Affairs; Donna Davis, Colorado Dept. of Public Health and Environment; Daniel Law, Colorado Water Resources and Power Development Authority; and Jim Hanlon, OWM Director, U.S. EPA.

\$440 million, directly contributing to hundreds of systems achieving and/or maintaining compliance.

Region 9 - Nevada: Nevada has formed partnerships with federal, state, and local agencies in order to improve the cost effectiveness of its SRF loans, reduce workload expenditures and increase local participation.

Region 10 - Washington: As a result of effective marketing, Washington's program is well-known and has strong demand to fund POTWs, nonpoint source and estuary projects.

Each year the awards alternate between recognizing states and CWSRF assistance recipients. This year, the PISCES Awards will honor CWSRF assistance recipients. Each state CWSRF program will have the opportunity to nominate one or more of its CWSRF projects. Applications must be received by July 1, 2008. Contact Jonathan Clarke at clarke.jonathan@epa.gov for more information. 

UPDATES AND INITIATIVES

SRF DISCUSSION FORUM

The SRF discussion forum was developed to increase communication between States, EPA Regions, EPA Headquarters, and other interested groups on topics related to the SRF program. It is an online resource for the SRF community to share information, exchange ideas, and improve communication. There are several different topic areas: CWSRF news, marketing and outreach, environmental benefits, SRF training, the draft white paper, accreditation, and the Financing Alternatives Comparison Tool (FACT). The discussion board can be accessed at <http://cwsrf.invisionzone.com>. Everyone in the CWSRF community is encouraged to register.

CWSRF BENEFITS REPORTING SYSTEM

In 2005, the CWSRF Benefits Reporting System (CBR) was introduced. The system collects information about the environmental and public health effects of each project funded by a CWSRF, serving as an approximate record of the benefits provided by CWSRF-funded projects. CBR is the product of a collaborative effort between states and EPA. All fifty states and Puerto Rico now use it to track the environmental impact of the projects funded. The system currently includes information for over 4,700 projects. In 2007 alone, CWSRF programs funded more than 946 projects designed to protect and restore waterbodies.

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FACT, FACT LITE, AND THE USER'S GUIDE

EPA's Financing Alternatives Comparison Tool (FACT) can be used to easily and quickly assess what the most cost effective way is to finance a water or wastewater project. Users can compare over a dozen different financing options, including SRF, bonds, grant/loan combinations, and more.

Two new developments are FACT Lite and the Users Guide. FACT Lite is exactly what its name implies – a simpler, easier version of FACT, but with the same powerful ability to compare financing costs. The Users Guide is a comprehensive guide on effectively using FACT and FACT Lite. EPA plans to release FACT Lite and the FACT Users Guide this summer. All FACT materials can be found on EPA's CWSRF website, <http://www.epa.gov/owm/cwfinance/cwsrf/fact.htm>.

ACCREDITATION PROGRAM

EPA is pleased to announce that the CWSRF Financial Accreditation Exam - Module 1: Basic SRF Financial Management is now available. This is the first of several exams that are being offered by EPA as an

accreditation program for SRF professionals. The exam is a self-guided training tool designed to aid the professional development of CWSRF financial analysts. Participation is voluntary and the exam is open-book to allow individuals to complete it at their own pace. Module I covers topics that serve as the building blocks of CWSRF financial management. The exam and all other Accreditation Program materials, such as the exam syllabus and reference guide, can be accessed through the CWSRF Discussion Forum at <http://cwsrf.invisionzone.com>.

MARKETING GUIDE

EPA is currently developing a marketing guide to help states develop enhanced strategic planning and marketing approaches for their CWSRF programs. The marketing guide will discuss the importance of marketing in the SRF, outline effective marketing tools, describe how marketing can be part of strategic planning and management efforts and how to develop a comprehensive and effective marketing plan. The guide is slated for release this summer.

CWSRF ANNUAL REPORT

The 2007 Clean Water State Revolving Fund Programs Annual Report is scheduled for release in June 2008. The report coincides with the twenty year anniversary of the Clean Water Act amendments that created the CWSRF, and is aptly titled "Yesterday, Today and Tomorrow: 20 Years of Progress." The report provides historical context for the creation of the CWSRF programs, gives an overview of the innovative activities currently underway, and looks forward to new initiatives that will define the next twenty years of the CWSRF.

2009 CWSRF CONFERENCE

Planning is underway for the 2009 CWSRF Conference! The conference will be held in Chicago in mid-July, 2009 and will focus on the future of the CWSRF program and its strategic management. Some of the topics that will potentially be discussed are innovative ways to take advantage of CWSRF eligibilities, how to get more out of the SRF through assistance options such as credit enhancements and guarantees, and how priority-setting systems can be improved. Stay tuned for more information on this important event! ●

UPCOMING EVENTS

- **EPA White Paper Roundtables**

Roundtables are taking place in EPA Regions 1, 2, 3, 4, 5, 6, 9 and 10 to discuss the white paper. For more information, contact Jordan Dorfman at dorfman.jordan@epa.gov.

- **2008 CIFA SRF Workshop**

October 19-21, 2008 — Providence, RI. For more information please visit www.cifanet.org/conferences.html.

- **Fall 2008 State/EPA Workgroup Meeting**

October 22, 2008 — Providence, RI. For more information, contact Sheila Platt at platt.sheila@epa.gov.

FEEDBACK We would like to involve states and regions in developing future newsletter themes and articles. If you have ideas for topics or case studies that you would like to see in the newsletter, please let us know by posting a message on the CWSRF discussion forum at <http://cwsrf.invisionzone.com> or by contacting Sheila Platt at platt.sheila@epa.gov.

For more information on the CWSRF program, please visit the CWSRF discussion forum at <http://cwsrf.invisionzone.com> and the program's website at <http://www.epa.gov/owm/cwfinance/cwsrf/index.htm>.