



Abandoned fire hydrants and wells in Old Town Cheswold



*DELAWARE HEALTH
AND SOCIAL SERVICES*
Division of Public Health

2019 Bond Bill Appropriation Drinking Water State Revolving Fund

DWSRF Program

Since the inception of the Drinking Water State Revolving Fund in 1996, as an amendment to the Safe Drinking Water Act, public water systems in Delaware had just three options for financing infrastructure improvements: traditional bank lending, USDA Rural Development loans, and the Drinking Water State Revolving Fund (DWSRF).

Today, thanks to innovative thinking within the DWSRF program and the additional \$5M in the 2019 Bond Bill Appropriation, there are more financing/funding options to consider: traditional low-interest loans, the Non-Federal Administration Account funds, and the Bond Bill Appropriation.

The traditional DWSRF loan fund requires applicants to comply with all state and federal requirements. The process takes about a year to complete and any debt incurred by the applicant, even if it comes with 100% principal forgiveness, is counted toward the applicant's total debt service. Applicants must be in good financial standing and comply with A-133 accounting standards. It is important to remember that the traditional loan fund, per federal requirements, cannot fund projects that are primarily for fire protection, routine maintenance or covered by other restrictions.

The Non-Federal Administration Account or Non-Fed Admin Account, can be used for administration and associated DWSRF program activities. It is a by-product of the traditional loan fund as ½ of the interest from loan proceeds is deposited into this account. Projects that wouldn't be eligible for the traditional loan program such as Planning Grants and Asset Management Grants are funded from this account; those grants are typically used as a gateway or to provide a 'pipeline' to the DWSRF loan fund.

In 2019, for the first time in program history, the General Assembly provided \$5M in a Bond Bill appropriation to the Department of Health and Social Services (DHSS) for drinking water projects. From that allotment, just over \$2.3M was used for the required 20% state match for the DWSRF grant, which was just over \$11M this year. The remaining balance of \$2.7M is available for important public health projects.

The DWSRF program identified three high-impact public health projects that do not fit or could more benefit from Bond Bill funds vs traditional DWSRF funds; whether it be a lack of eligibility, timeliness, or other unforeseen events.

Project: Town of Cheswold

Background: DWSRF staff started working with the Town of Cheswold in the spring of 2013 to install a public water system in 'Old Town'. Old Town is the town center, currently served with private wells with no fire protection. Although residential interest was strong, and there had been at least two fires with fatalities, parties could not reach a path forward until 2017. Tidewater Utilities owns the Certificate of Public Convenience and Necessity in and around the Town including Old Town. Tidewater Utilities submitted an application to the DWSRF program to install a drinking water distribution system including fire hydrants. The project is primarily for fire protection and does not require residential hook-up.

In addition, this project has significant legislative backing from Senator Lawson, Senator Paradee, and Representative Buckson – including identification of other funds.

Estimated cost: \$635,846

Public Health benefit: fire protection

Funding Source: Bond Bill funds

Why Bond Bill funds are the best fit: The DWSRF program cannot fund projects that are primarily for fire protection per federal regulations.

Next Action: Provide informational session to WIAC on Feb. 20, 2019

Fiscal: Will be handled in-house by DWSRF staff akin to traditional loan reimbursement process

Balance after project: \$2,142,760

Project: Town of Blades

Background: In February 2018, PFOS was found in the public drinking wells in Blades. More information on this highly-publicized public health event can be found here:

<https://news.delaware.gov/2018/02/09/dnrec-dph-providing-town-blades-drinking-water-municipal-wells-found-to-have-elevated-level-perfluorinated-compounds/>. DHSS has a

Memorandum of Agreement (MOA) with the Town and DNREC that details allowable expenses and appropriate actions moving forward. Blades submitted an application to the DWSRF program to install a second filter along with associated equipment and engineering expenses in 2018 totaling \$3.3M.

Estimated cost: \$973,641

Public Health benefit: PFOS removal—provides a second filter so the first can be serviced, etc

Funding Source: Bond Bill funds

Why Bond Bill funds are the best fit: Due to unforeseen auditing issues (A-133 compliance), town management changes, and timeliness, the DWSRF process proves to be too cumbersome and takes too long to process.

Next Action: Amend MOA with Town and DNREC

Fiscal: Follow existing MOA details with reimbursement to DNREC

Balance after project: \$1,169,119

Project: Town of Frankford-Dagsboro/Millsboro interconnection

Background: The Town of Frankford has two traditional DWSRF loans for a new treatment plant, received a grant to install fluoride, and received Non-Fed Admin Account grant funds to supplement the loans. The Town has been out of compliance with State fluoride requirement for over 10 years, and is now in default with the DWSRF loans. DHSS has met with the Town on several occasions and has provided an additional grant to prioritize funding needs but an agreeable path forward has not yet been established. Further traditional loan funding to repair the still-failing treatment plant, or to replace it, is a high financial risk. The Town has not shown the managerial or financial capacity to manage further loan or grant funds.

At this time, DHSS has little choice but to mandate closure of the treatment plant and enforce the use of the existing interconnection to Dagsboro. The Town of Dagsboro purchases water in bulk from the Town of Millsboro. It is essential that DHSS provides an amenable finance package to Millsboro and Dagsboro for this project—which would eliminate a non-compliant water system - to happen.

Estimated cost: * The program will set aside \$1M for this project but true project costs are unknown at this time. Millsboro is developing cost estimates for the transition. Estimates will

consider demolition of an existing water tower, which may have lead paint. That expense alone is around \$700,000. Millsboro and Dagsboro requested the installation of a chlorine booster station as part of the transition. Costs for the booster station are in development.

Public Health benefit: interconnection between towns creating redundancy, improved water pressure, storage, and water quality

Funding Source: Bond Bill funds

Why Bond Bill funds are the best fit: In addition to the points above, Millsboro is considering expansion at this time and transitioning Frankford to Dagsboro (which is supplied by Millsboro) is a time-sensitive issue. The traditional loan program is accepting Notice of Intent for project start dates of at least a year out.

Next Action(s): Receive agreement from Dagsboro, receive cost estimates from Millsboro, and take corrective action on compliance and financial issues with Frankford

Balance after project: *see above \$169,119

Bond Bill fund Balance: \$169,119

Providing that there are no overages on the cost estimates above, DWSRF would consider partnering with DNREC’s Environmental Finance and the Low Income Program proposal. DWSRF would also supplement the balance with Non-Fed Admin funds to make the program more sustainable, based on demand and individual water system assessments.

For the initial round of low-income projects, the Office of Drinking Water identified 31 public water system on the low-income list provided by DNREC. Eight of those systems were identified as being target projects: Flying Dutchman 1, 2, and 3, Love Creek MHP, Oak Grove Estates, Sandhill MHP, Homestead Park, Lake Forest Estates, and Layton’s Riviera. One additional system of concern is Dover Air Park, which is not on the proposed list could be considered for assistance under this initiative.

Of those eight systems, four have been identified with infrastructure improvement needs. The other four can most likely be assisted by DWSRF’s technical assistance contractor, the Delaware Rural Water Association. Tier 1 systems are listed below and would take priority:

System	Need/potential compliance issue	Solution
Dover Air Park	Regular main breaks/leaks/failing distribution system	Install a new distribution system including fire protection
Oak Grove Estates	Well house is in disrepair	Construct a new well house
Flying Dutchman (all) and Love Creek MHP	Nitrates are over half of the MCL	2 options: Install deeper wells which may require more treatment ie: iron removal or Install nitrate removal systems