



STATE OF MAINE
DEPARTMENT OF ENVIRONMENTAL PROTECTION



JANET T. MILLS
GOVERNOR

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Date: December 17, 2019
To: All municipal wastewater facilities, systems, associations and engineering firms
From: John N. True, P.E.
Engineering Services Manager
Wastewater Infrastructure Loans and Grants

Subject: State Wastewater Infrastructure Planning and Construction Grants Available

On November 6, 2018, voters approved Referendum Question No. 2, *An Act to Authorize a General Fund Bond Issue to Fund Wastewater Infrastructure Projects*. Passage of this Act provided \$27,650,000 in funding for the Wastewater Treatment Facility Planning and Construction Grants Program. This funding was split between two years to allow applicants time to do the preliminary engineering necessary to define projects and apply for a potential grant funding. In SFY 2019, approximately \$14 million of this funding was allocated to important projects around the state.

The intent of this letter is to notify potential recipients of the availability of grant funding for wastewater infrastructure planning and construction; and request applicants to submit wastewater projects for potential grant funding. The Department intends to make available for award the remaining \$13,650,000 in Wastewater Treatment Facility Planning and Construction Grants in accordance with Title 38, sections 411 and 412 of the Maine Revised Statutes.

The intent in distribution of the grant funding is to assist municipalities that would:

- 1) experience a significant hardship raising the revenue necessary to finance their project;
- 2) leverage the grant funds with funding from other agencies to make projects possible that otherwise would not be; and
- 3) address environmental water quality concerns.

Affordability

In assessing a significant financial hardship, the Department will use the same criteria and methodology that is used in awarding loan principal forgiveness under the Clean Water State Revolving [Loan] Fund (CWSRF), which the Department also administers. In that analysis, the five criteria of *income, poverty rate, unemployment, population trend, and sewer user rate as a percentage of median household income* for the municipality are compared to the State average data for those criteria and expressed as a ratio to the State rate. With five criteria, each valued at 1.0 for the State average, the points are summed to make the total of the State’s average points to be 5.0. Projects in communities where the municipality’s “affordability” points (Points) are 7.0 (140% of the State value) or higher would qualify as a project that needs additional financial assistance in the form of grants. Within the limits of available funding, the Department’s goal would be to provide enough grant assistance, if possible, to lower the municipality’s Points to 7.0. This grant amount

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would be considered the “Need” to make the project affordable. This might not always be possible because:

- 1) some municipalities might already be above this threshold prior to implementing a new project;
- 2) grants do not cover the total project costs and therefore additional local funding might be needed;
- 3) the applicant has received the maximum grant amount; or
- 4) there may be insufficient grant funds.

Planning Grants

In SFY 2020, the Department intends to make \$200,000 in bond proceeds available for Planning Grants. Grants may be awarded in the amount of 15–25% of the eligible costs for preliminary planning of a pollution abatement plan, i.e. facilities plan, preliminary engineering report, etc. To assist as many applicants as possible, grant awards will be limited to a maximum of \$10,000 per applicant. To be eligible for a planning grant, the applicant’s Points must be 7.0, or higher. There is **No Deadline** for submission of applications. Applications may be submitted throughout the year and will be processed and awarded to eligible applicants in order of receipt, until allocated funds are expended.

Design and Construction Grants

In SFY 2020, the Department intends to make available \$13,450,000 in bond proceeds for design and construction of wastewater pollution abatement projects. Grants may be awarded in the amount of 15-25% of the eligible costs for design and up of 80% of the eligible construction costs (bidding, construction administration and inspection, and construction).

The applicant’s current equivalent dwelling unit user rate, along with their poverty and unemployment rates, median household income, and 10-year population trend will be used to calculate their current affordability points. Applicant’s with points below 7.0 will be considered to have additional capacity to finance a portion or all their project. The Department will estimate the user rate increase needed to get the applicant to the minimum affordability points of 7.0. The estimated rate increase represents the potential additional debt service that the applicant can incur for additional loans and still deem the project affordable. Requested amounts more than the additional loan capacity, not consumed by other borrowing for the project, will be considered the additional grant “Need” for the project. Applicants with current affordability points of 7.0 or higher, will be considered to have a need equal to their requested amount. The applicant’s Points will be calculated taking into consideration the estimated project cost and all funding sources and additional debt. To be eligible for a Design/Construction grant, the applicant’s Points must be 7.0 or higher. Within the limits of available funding, the Department’s goal would be to provide enough grant assistance, if possible, to lower the municipality’s Points to 7.0. This grant amount would be considered the “Need” to make the project affordable.

- **Preliminary Engineering Report**

Except as noted below, applications for design and construction grant funding must include a Preliminary Engineering Report (PER) prepared by a Professional Engineer Licensed in the State of Maine and prepared in accordance with the Interagency Memorandum (see US EPA website [Common Interagency Preliminary Engineering Report Format \(pdf\)](#))

- Prior to submission of an application, applicants may consult with the Department for approval to waive certain PER requirements for the following projects:
 - Straight forward sewer replacement/rehabilitation projects
 - Straight forward force main replacement projects
 - Minor upgrades to pumping stations

- **Asset Management Plan (Fiscal Sustainability Plan)**

To effectively manage and maintain the infrastructure financed by public grant funds, grant recipients will be required to develop and implement an Asset Management Plan in accordance with the most recent *Clean Water State Revolving Fund Requirements and Guidance for a Fiscal Sustainability Plan*. The planning area will be negotiated with the Department and will cover, at a minimum, the financed project and other assets in the same group, i.e. other pumping stations, other sewers in the same sewershed, the treatment plant for upgrade projects, etc.

- **Distribution of Available Grant Funds for Design and Construction**

Please note: *If a project previously received state grant funding from the Department, it is not eligible to apply and receive additional grant funding for the same project. The maximum grant awarded based on Affordability “Need” and Environmental Benefit shall not exceed \$2,000,000 per applicant.*

- **Distribution Between Applicants with Points 7.0 or Higher, based on “Need”:**

In SFY 2020, \$5,000,000 of the \$13,450,000 will be allocated to be distributed between the applicants with Points 7.0 or higher, based on the percentage of the applicant’s funding “Need” to make their project “affordable”, to the Total “Need” of all applicants with Points of 7.0, or higher. The maximum grant would not exceed the grant needed to get an applicant’s project down to the affordability threshold of 7.0 Points. If the grant offer is not sufficient to get the project down to the affordability threshold, the applicant’s project will be evaluated for possible additional grant funding based on Environmental Benefit (see Distribution Based on Environmental Benefit).

Example 1: Applicant A’s Need is \$500,000 and the Total Needs of all applicants is \$10,000,000. Applicant A’s Need’s percentage is 5% and therefore they could qualify for up to 5% of the \$5,000,000 available, i.e. \$250,000. Example 2: If the Total Needs of all applicants is only \$3,000,000, Applicant A’s Need percentage would be 16.7% of the \$5,000,000, i.e. \$835,000. However, Applicant A only needs

\$500,000 to make their project “affordable”, Points of 7.0, therefore they would only receive a grant offer of \$500,000.

○ **Distribution Based on Environmental Benefit:**

In SFY 2020, \$5,000,000 of the \$13,450,000 will be allocated to be distributed in an attempt to make projects “affordable” based on the project’s ranking established using the Department’s Environmental Priority Point System, coupled with additions points for “green” projects, regulatory requirements, expected degree of success in addressing pollution concerns, regionalization of work, and co-funding of the project. The Department will offer grant funds to the applicant with the highest environmental ranking, then subsequently to applicants with progressively lower rankings until the allocated funding has been committed. The amount of the grant, when combined with the grant received based on Affordability, shall not exceed the amount needed to get the applicant’s project down to the affordability threshold of 7 Points.

○ **Distribution at the Department’s Discretion:**

In SFY 2020, \$3,450,000 of the \$13,450,000, plus any unused funding based on “Need”, may be used at the Department’s discretion for projects it deems to be excessively unaffordable and/or of high environmental benefit. The Department also reserves the right to amend any of the allotment amounts above, should circumstances require it.

Fiscal Year Carryover

Unused SFY 2020 funding for Planning Grants and Design and Construction Grants will be carried over into the next fiscal year in those respective categories.

Application Process and Submission Deadline

• **Application Process**

Planning Grant: Applicants must submit a completed Wastewater Planning State Grant application and the Wastewater Planning Grant User Rate Calculator. The User Rate Calculator, along with the other criteria listed under Affordability, are used to determine if the applicant meets the minimum affordability threshold for a grant.

- *2020 Application Form for Wastewater Planning State Grant (attached)*
- *Wastewater Planning Grant User Rate Calculator (attached)*

Wastewater Infrastructure Project Grant: Applicants must submit a completed Wastewater Infrastructure State Grant application form, the Wastewater Infrastructure User Rate Calculator, and a Preliminary Engineering Report for their project. The user rate calculator, along with the other criteria listed under Affordability, are used to determine if the applicant meets the minimum affordability threshold for a grant and will be used to estimate the assistance needed to make the applicant’s project “affordable”. For your assistance, the following forms are attached

- *2020 Application Form for Wastewater Infrastructure State Grant*

- *Wastewater Infrastructure Grant User Rate Calculator (attached)*

The above forms will be posted shortly on the Department's website at <http://www.maine.gov/dep/water/grants/srfparag.html>. The following documents are also posted on the website for your information.

- *CWSRF Requirements and Guidance for a Fiscal Sustainability Plan (FSP)*
 - *Maine City/Town Census Data*
 - *2020 Affordability Points Calculator*
- **Submission Deadline**

The completed applications and accompanying documents must be e-mailed to **Brandy M. Piers**, brandy.m.piers@maine.gov, by **5:00 p.m. February 7, 2020**. If you have any questions regarding this plan submittal process, please contact Brandy Piers at 287-6093 or John True at 287-7808