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Information for Municipal Officials

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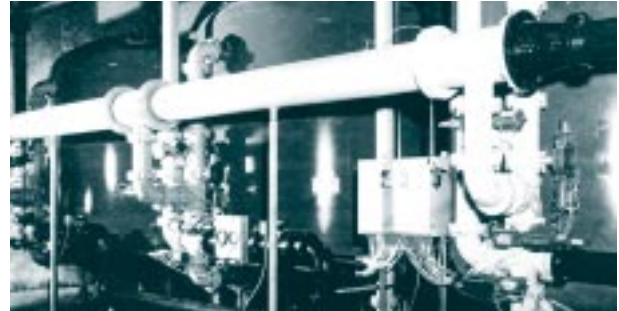
Drinking Water Loans and Grants Needed Help for Communities

There are attempts in Congress to increase funding for water infrastructure. For example, the Senate Environment and Public Works Committee passed a drinking water infrastructure bill on June 23, 2004. The bill includes a grant system designed to help disadvantaged communities and small water systems comply with federal drinking water standards. The competitive grants will help communities that are having financial difficulty meeting costly drinking water compliance standards.

The bill also allows states that provide support through the State Drinking Water or Clean Water Revolving Loan Funds to forgive loans given to public water systems.

The bill, which was supported and endorsed by a Wisconsin congressional delegation led by Senator Feingold, would also create a technology grant demonstration project that is not financially need based and would provide up to 80 percent of the funding for cutting edge compliance projects to deal with naturally occurring chemicals in groundwater.

The next step for this bill will be consideration by the full Senate. As of this update, the bill has



not reached the Senate floor. Therefore, the bill's future is uncertain given the limited time left in the current session, but if not passed in this session, a similar bill would likely be introduced in the next Congress.

Existing Funding Sources

The proposed bill would certainly help communities with drinking water compliance, but there are also many existing funding sources available for water infrastructure in the public sector, such as federal and state grants and loans.

Community Development Block Grants (CDBGs) for Public Facilities

Wisconsin Department of Commerce (DCOM) Public Facilities Block Grants are a versatile financing tool for cities, villages and towns in need of funds for infrastructure and public building projects, including water supply infrastructure. The program goal is to stimulate economic development, to which a community may receive up to \$500,000.

The CDBG program is federally funded, and all grant projects must comply with certain federal requirements. Grants are awarded based on one of three criteria: 1) the project principally benefits low and moderate-income persons; 2) the project eliminates slum and blight; or 3), the proposed activity meets an urgent local need. Urgent local need projects are typically "catastrophic events."

Special Points of Interest

- Grants for federal drinking water standards compliance
- Loan forgiveness to public water systems
- Funds for cutting edge compliance projects



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Many water utilities with contamination issues obtain these grants because water contamination is considered a catastrophic event. Federal requirements that accompany the CDBG grants include the payment of federal wage rates on construction projects, compliance with environmental review and assessment procedures, and undertaking actions to affirmatively further fair housing.

Tax Incremental Financing (TIF)

Tax incremental financing is available to cities and villages to generate revenue to help communities pay for “up-front” costs needed to promote development. This is one of the largest sources of infrastructure funding currently in use. An area may be designated a tax incremental district (TID) if improvement of the area will significantly enhance the value of properties in the district. To qualify, at least 50 percent of the area must be a “Blighted Area”, in need of “Rehabilitation of Conservation Work” or is suitable for “Industrial Sites” and is zoned industrial. TIFs must be approved by a joint review board made up of representatives from the local taxing district and certified by the State Department of Revenue. A community cannot create a new TIF if existing TIFs valuation exceeds 12 percent of a community’s equalized value.

Public Works and Development Facilities Assistance

The U.S. Department of Commerce Economic Development Administration (EDA) assists communities with funding of public works facilities that contribute to the creation or retention of private sector jobs. Typical uses of these funds are for new business park infrastructure. Wisconsin’s 2005 awards are expected to be \$5-10 million.

Activity	Rural Services Loan	Rural Services Grant	CDBG Grant	Total \$
New Reservoir Construction	\$42,610	\$73,655	\$16,000	\$232,265
New Well Construction	23,760	41,080	64,000	128,840
Water Main Construction	72,080	124,612	173,000	369,692
Rehabilitation of Well No. 3	9,160	15,840	0	25,000
Abandon Existing Reservoir	2,200	3,800	0	6,000
Land Acquisition	0	0	23,000	23,000
Legal	3,660	6,340	0	10,000
Engineering	15,370	26,630	35,000	77,000
Interest	3,660	6,340	0	10,000
Contingency	15,550	26,730	0	42,203
WDF Administration	0	0	24,000	24,000
TOTAL	\$188,000	\$325,000	\$435,000	\$948,000
	20%	34%	46%	100%

Example Project – 100% Funded

In order to qualify for funding, a community must be “distressed.” Distressed communities have high unemployment, low income or a special need, such as a natural disaster. EDA grants cover up to 75 percent of eligible project costs.

USDA—Water and Waste Disposal Loans and Grants

The USDA Rural Utility Service Water and Waste Disposal (WWD) loan and grant program is available to construct or improve drinking water, sanitary sewer, solid waste, and storm drainage facilities. The program is designed for communities unable to finance their own resources or are unable to obtain credit at reasonable rates and terms. Applicants must be public bodies, nonprofit organizations, or recognized Indian tribes and be located outside cities and towns of more than 10,000 people. Grant funds are limited to applicants serving areas with a median household income (MHI) of less than \$39,909. Grants cannot exceed 75

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percent of project costs, and are limited to the amount necessary to result in reasonable user rates.

Safe Drinking Water Loan Program

The Safe Drinking Water Loan Program provides loans to public water systems for infrastructure projects necessary to meet state and federal safe drinking water requirements. The program is administered by the Department of Natural Resources (DNR) and financially managed by the Department of Administration (DOA). Loans are awarded using a competitive priority scoring system. The current interest rates are 2.75 percent unless the community qualifies for the 1.65 percent hardship rate.

Other Funding Sources

There are other funding sources available, such as the Emergency Block Grant Program, CDBG Housing Grant, and Economic Development Block Grants which have been used successfully when traditional sources of funding were unavailable. At Vierbicher, we specialize in grant-funded municipal projects. As the example project above indicates, financial assistance can be obtained by communities that need it.

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