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DRINKING WATER REVOLVING FUND

How It Works

Provides low-interest loans to construct and upgrade public drinking water storage, treatment, and distribution systems so as to meet standards set by the Safe Drinking Water Act. In Minnesota, the program is delivered through the Department of Employment & Economic Development's Public Facilities Authority (PFA).

Eligible Applicants

Any county, city, town, township, regional entity, or other governmental entity or entities, having primary responsibility for providing public drinking water.

Minimum Requirements

1. Projects must be included on the Minnesota Department of Health's (MDH) Project Priority List (PPL) and, after that, on the PFA's Intended Use Plan (IUP). In order for this to take place, the City must retain the services of an engineering firm to evaluate the water system and outline a plan of action. Typically, the engineer (on the City's behalf) requests that the City's project be placed on the Project Priority List and coordinates this process with the Department of Health.
2. Projects must be certified by MDH before the PFA may approve a loan. One step in this certification is for the City's engineer to prepare a Facilities Plan and submit that plan to MDH for approval.
3. An applicant must demonstrate it has the financial capability to repay the loan and that complete financing of the project is in place. This is done by submitting a financial Community Profile to PFA once it is known the project is certified for a loan.
4. Borrowers must issue a general obligation revenue bond to the Authority as security for the loan. A public referendum is not required for this type of bonding.

Eligible Projects

Allowable costs include site preparation; land acquisition costs; construction costs; engineering costs; costs of equipment and machinery; bond issuance costs; and certain fees and contingency costs. Projects that are primarily to serve growth are not eligible.

Financing Terms

1. Interest rates are determined by a Quarterly Set Rate (minus discounts) based on demographic characteristics of the borrower; or borrowers may receive a discount from the Authority's bond rate. Typically, this translates to interest rates of 2% to 4%.
2. Loans are amortized up to a maximum of 20 years.

Competitiveness Issues

There are more applications for this program than there are funds available. In order to evaluate the seriousness of a City's needs, the Department of Health ranks applications on a point basis. The following factors are used in awarding points:

1. Public Health Priority. Are there violations of drinking water standards? Failure to comply with treatment requirements? Contamination of private wells.
2. Inadequate Water Supply. Existing system unable to consistently provide for the local water demand? Inadequate supply from private wells?
3. Infrastructure Improvements. Need for a backup well? Looping of watermains? One-day storage capacity?
4. Financial Need. Is the community's median household income low?

Timetable – For 2009 Construction

1. May, 2008 – Deadline for requesting the Department of Health to place the project on the Project Priority List (PPL).
2. June, 2008 – Timetable opens for requesting the Public Facilities Authority to put place the project on the Intended Use Plan (IUP) for 2009. Because a project cannot get a loan without being on this Intended Use Plan, it is essential for the City's engineer to gear efforts towards the IUP's schedule.
3. October, 2008 (Est.) – Public Facilities Authority is expected to adopt the final 2009 Intended Use Plan.
4. April, 2009 – Deadline for submitting plans and specifications to the Department of Health; and an application and financial information to the Public Facilities Authority.

The above description is adapted from the Minnesota Department of Employment & Economic Development's web site. For more information, visit DEED at...

www.deed.state.mn.us