

The SRF funding sequence

Making an application for funding of a water or wastewater project can be intimidating to local people – especially if they’ve never been through the sequence before. Elmer at KRWA reports that regularly, KRWA receives calls from water systems (cities and RWDs) asking, “How do we get a grant?” Well, grants are fine .. but many times, projects are not eligible for grants. Some people ask about grants before they even have an estimate of the project. I want to explain in this article the sequence of a loan application to the Kansas Public Water Supply Loan Fund. The Kansas Rural Water Finance Authority provides assistance to applicants – and together with the Kansas Department of Health and Environment (KDHE), we try to make this process as streamlined as possible.

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A typical call asking about funding

“Well, you see, we have these water lines that we need to replace and loop according to our engineer, as well as install a new booster pump station. We are also having problems keeping the chlorine levels up and maintaining pressure. Our engineer says that if we increase our 2-inch line that is serving a lot of customers in the south part of our system and put in a new booster pump station that this will solve the problem along with looping the lines to increase the chlorine levels. We regularly have six or seven customers complaining about the smell in the water as well as no pressure. Our engineer says with these improvements that we will be in compliance with KDHE’s minimum operating pressures and chlorine levels in the line. So, at the last board meeting, we decided that we would look at funding from KDHE. Holy Mackerel, have you seen everything they want?”

The Kansas Public Water Supply Loan Fund may be one of your options when it comes to financing water utility improvements. Other options should perhaps also be explored. Here is a summary of the Kansas Public Water Supply Loan Fund from November 1997 to June 1, 2009.

As of May 31, 2009 small systems have received 136 of the 192 loans (71%) for a total of \$162,489,461.39 of the total \$430,533,500.67 (38%) committed in loans. Systems serving a population of 5,000 or fewer are classified as small systems under the Kansas Public Water Supply Loan Fund.

Kansas Public Water Supply Loan Fund Historical Interest Rates													
Month	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
January		4.25	3.98	4.73	4.37	4.08	3.91	3.80	3.60	3.60	3.35	3.54	4.34
February		4.15	4.00	4.77	4.25	4.11	3.92	3.73	3.58	3.57	3.33	3.51	4.21
March		4.09	4.00	4.80	4.13	4.14	3.89	3.68	3.53	3.53	3.35	3.54	4.13
April		4.09	4.04	4.77	4.11	4.15	3.86	3.62	3.56	3.53	3.36	3.67	3.98
May		4.15	4.05	4.69	4.15	4.16	3.81	3.69	3.58	3.58	3.37	3.81	3.91
June		4.17	4.09	4.69	4.18	4.18	3.69	3.82	3.56	3.62	3.39	3.78	3.82
July		4.15	4.16	4.68	4.21	4.13	3.59	3.97	3.46	3.67	3.51	3.73	
August		4.12	4.25	4.65	4.19	4.08	3.60	3.99	3.42	3.68	3.58	3.72	
September		4.10	4.35	4.52	4.11	4.01	3.78	3.90	3.43	3.63	3.69	3.75	
October		4.07	4.44	4.45	4.08	3.92	3.92	3.78	3.44	3.54	3.67	3.79	
November	4.31	4.00	4.58	4.44	4.04	3.89	3.97	3.66	3.49	3.46	3.63	4.04	
December	4.29	3.98	4.65	4.45	4.04	3.88	3.88	3.62	3.55	3.49	3.57	4.17	
Average	4.30	4.11	4.22	4.64	4.16	4.06	3.82	3.77	3.52	3.58	3.48	3.75	4.07

My reply is “Yes, Joe. I have and I can work with you and your engineer to get the paperwork completed.”

My next response is to arrange a meeting with the local city or RWD. We will review the submittal of KDHE’s “Project Submittal Form.” I then ask that the water system gather up the following information:

1. RWD or city address
2. Contact person and phone number
3. The system’s federal ID number
4. Copy of an approved Water Conservation Plan
5. Operator or Superintendent’s name and ID number
6. The system’s attorney’s name, telephone number and e-mail address
7. The engineer’s telephone number and e-mail address, copy of any contract and engineering report including a map
8. The last three years of audits
9. Most recent water rate schedule; previous rates if a new rate only recently was approved
10. Copy of any wholesale water supply purchase or sale agreements
11. Water Use Reports from 2004 through 2008
12. Name of local newspaper and contact information
13. Any system violations in the last year?
14. What is the water supply?
15. A list of major system improvements in the last ten years
16. For cities, the assessed valuation for the last three years

The water system should have all the necessary information at the first meeting. We work to set the time and date for a public hearing. A public hearing is a requirement of the program. We go over the cost estimate, the Loan Origination Fee, the Financial Integrity Assurance Contract (a/k/a “FIAC”) and the SRF reserve. We then make sure that the public hearing notice is provided to the area newspaper and that the notice will be printed.

We also discuss the project as to environmental issues. Twelve federal and state agencies need to be notified of the proposed project. A letter that explains the project is sent to each agency, advising the agency of the project. Depending on any archeological sites involved, a further survey may be necessary but we cross that bridge if requested. We discuss whether there are State (KDOT) or county requirements as far as zoning for the improvements, permits for road crossings, etc. If easements are needed, that process can also begin.

How long does this all take? The agencies have 30 days to respond to our letter. In the

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meantime, I will complete the application and get it to the District so that the Chairman and the Secretary can sign it. Once Parts I and II are signed, I will submit the information to KDHE with copies of the audits, the map, the engineering report and any other information that is needed for them to start processing the paperwork.

At the public hearing, we will discuss the proposed project improvements as well as the impact it will have on the existing water rates. If they agree, the board or council will pass a resolution authorizing the completion of the application. After the resolution is approved, the entity will sign Part II of the application. I will then send copies of the resolution, the affidavit of publication from the newspaper and the list of individuals who attend the meeting with Part II of the application to KDHE so they can complete their review.

Getting people to show up at public hearings is always a challenge. Customers often only take notice when rate changes take effect. It’s essential to educate and inform your customers. Practice some good public relations and the project is guaranteed to go smoother.

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While the paperwork is being processed at KDHE, there will be a financial review of the District's information in regard to revenues and expenses. Any questions regarding any out-of-line expenses, existing debt, or an explanation of an on-going water loss trend will be asked as it affects the district's or city's ability to repay the loan.

Once this is approved, the loan agreement will be sent to the District. I will prepare the resolution and excerpt of minutes that will need to be approved by the board. The district's attorney will need to provide a letter regarding his review of the loan and counsel will attest to your district's financial and legal conditions.

While this paperwork is being processed, the engineer should be finalizing the design and getting those plans and specifications ready to submit to KDHE with the Public Water Supply Permit and Design Memorandum for review and approval.

Once the plans and specifications are approved, the project will be advertised for bids. The Advertisement for Bids will be published in the local newspaper, but Bill will also notify several other publications (i.e. Kansas Construction Bulletin) and will also notify a list of contractors that do this type of work.

At least 30 days later, the city or RWD will open sealed bids on the project. Hopefully, the bids will be within the budget and documents will be sent to KDHE to approve the lowest responsible, responsive bid. Use of public funds requires public bidding.

After KDHE approves the bid documents, the contractor will then secure the bonds for the project. A pre-

construction conference will be held to go over the details of the project. People who usually attend this meeting are the contractor, the engineer, system representatives including the members of the governing body, project inspectors and myself. While each project is somewhat unique but there are a number of basic items the engineer will cover. A notice to proceed is usually issued at this meeting.

Once construction starts and invoices are turned in, the Request for Funds will be prepared for the next board or council meeting. After the invoices are approved for payment, they are submitted to KDHE with the documentation for processing.

I have worked with many cities and RWDs; they appreciate the help. How long does this application and process take? The short answer is if everything goes perfect – around 120 days. If we run into a snag with the easements, permits, or if the environmental review studies or design takes a little longer, the timeline stretches out to 180 or 240 days or longer even before construction starts. We have to do whatever it takes to do it right.

To learn more about the Kansas Public Water Supply Loan Fund, see this link: www.kdheks.gov/pws/loan/loanfund.htm

Rose Mary Saunders has nearly 25 years of experience writing grants, administering and working with the Community Development Grant Program and more than 25 years working with USDA Rural Development loan and grant programs. Her present primary emphasis is to assist applicants to the Kansas Public Water Supply Loan Fund. Contact: rsaunders@ransonfinancial.com

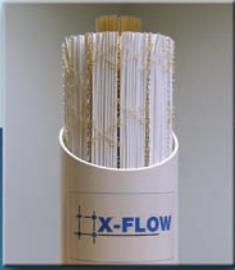


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