

## Priority System for FY-23 Projects

### D. Water Pollution Control Revolving Loan Fund Program Ranking and Funding Rationale

1. Projects will be ranked on one of the following three Priority lists.

**“Green Project Reserve” Priority List** – To be ranked on this list a project must meet the definition of projects described in any of the WPCRLF Priority System Categories as outlined in Section IV.E, below; and, at least 25% of the scope of work must qualify as “green,” as determined by EPA’s 2012 CWSRF 10% Green Project Reserve: Guidance for Determining Project Eligibility.

To ensure that “green projects” have a dedicated source of loan funds and will not have to compete with “regular” projects for funding, the Department is setting aside \$13.4 million in available funds for “green” projects. Any funds not obligated for “green project reserve” projects by September 15, 2023 may be released and made available to any eligible loan recipient on the regular or subsidy priority list, or to any project on the FY-23 and After Planning List which is ready for loan award.

During its solicitation of projects for FY-23 funding the Department did not receive sufficient eligible applications for green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities to be able to obligate the specified percentage of the FY-23 allotment to “green projects.” Green projects are solicited in all of the Department’s annual outreach efforts, which include funding notification mailout(s), joint CWSRF/DWSRF exhibits with MSDH at six (6) different stakeholder conferences/tradeshows, and numerous presentations at stakeholder meetings/trainings. Unfortunately, there appears to be little or no demand from CWSRF eligible applicants (only public entities in Mississippi) for loans to fund green projects. Some of the CWSRF projects funded each year certainly contain components which would qualify as “green” (Variable Frequency Drives, high-efficiency pumps, SCADA, etc.) but there has been no prior efforts to track down to that level of detail, primarily because such green components had no impact the project’s receipt of funding. The Department will explore the possibility and practicality of future component-level green tracking if doing so could impact the funding of affected projects. In an effort to meet the “Green Project Reserve” objective, the Department intends to continue pursuing “green” projects, and carry any unobligated FY-23 “green” funds over into FY-24 to be obligated in the FY-24 Intended Use Plan. 1.

**Subsidy Priority List** – To be ranked on this list a project must meet the definition of projects described in one of the WPCRLF Priority System Categories Two (2) through Eight (8) as outlined in Section IV.E, below. This list consists of two tiers. To be ranked in the higher-priority Tier 1, the loan applicant’s “Service Area” must have a population of 4,000 or less, and a Median Household Income (MHI) of \$40,000 or less. Within Tier 1, each applicant’s Service Area will be scored based on six “Affordability Factors (AFs)” as outlined in Part 2, Section III.O, below. To be ranked in Tier 2, the loan applicant’s Service Area does not have to meet the Tier 1 population and MHI thresholds, but the proposed “Project

Area” must score at least one AF point. Within Tier 2 each Project Area will be scored using the same six AFs. Projects will then be ranked in their respective tiers based first on highest to lowest total AF score, then on lowest to highest Service Area Median Household Income (MHI), then on lowest to highest Service Area Population (Pop).

For the purposes of this section, “Service Area” is generally defined as the entire geographic area within the applicant’s political boundaries to which the applicant provides, or is authorized to provide, service. For municipal applicants, this would include any/all areas outside the city/town limits to which service is currently provided, and/or to which service will be provided by the proposed project, if determined appropriate and reasonable by MDEQ. For county applicants, a clearly defined area within the county which is to be served by the proposed project, and which is not within the political boundaries/service area of any other entity within the county, may be considered the service area and/or project area if determined appropriate and reasonable by MDEQ. “Project Area” is defined as the geographic area within the applicant’s Service Area which will be served by the proposed project.

The demographic data used in making these determinations shall be the latest available at the time of ranking from the on-line ESRI Business Analyst service (the same objective, reliable source which previously published the Community Sourcebook of Zip Code Demographics, historically used for such determinations ~~is~~ since inception of the WPCRLF Program).

Projects ranked on this Priority List will be eligible to receive loan subsidy in the form of “principal forgiveness” equal to 80% of the total loan amount. After bids are received the subsidy amount will be adjusted, to reflect 80% of the amount resulting from subtraction of any included construction contingency from the total as-bid loan amount, provided adequate subsidy remains available for any needed loan increases. Notwithstanding the above-described subsidy percentage, the cumulative subsidy provided to any single recipient for projects ranked on this Subsidy priority list shall not exceed \$4,000,000.

To insure that the subsidy-eligible projects have a dedicated source of loan funds and will not have to compete with non-subsidy projects for funding, the Department is setting aside \$41 million in available funds for qualifying subsidy-eligible projects. However, subsidy fund availability for these projects will be limited as described in Section IV.D.6. Any subsidy funds in excess of the statutory minimum, which are not obligated for subsidy-eligible projects by September 15, 2023 may be released and made available as non-subsidy “base” loan funds to any eligible loan recipient on the Regular or Green Project Reserve priority list, or to any project on the FY-24 and After Planning List which is ready for loan award.

**Regular WPCRLF Priority List** – All other ranked projects that do not qualify for the “Green Project Reserve” Priority List or the Subsidy Priority List will be placed on the Regular WPCRLF Priority List.

2. Projects will be placed on the applicable priority list according to priority ranking and will be awarded loans based upon each project's readiness to award.
  - The order of project categories in this Priority System reflect the Department's mission statement, "... to safeguard the health, safety and welfare of present and future generations of Mississippians by conserving and improving our environment and fostering wise economic growth through focused research and responsible regulation." The Department's intent in developing this priority system is to fund projects in the order of greatest benefit to the public health and the environment, and within certain categories to assist those communities that are least able to afford the needed environmental facilities without a low interest loan available through this program.
  - The term "ready to award" means that all loan application requirements established in the program regulations are met, and all documents necessary for loan award are approved. If a project cannot reasonably be expected to meet the Priority System deadlines, then the project will not be placed on the current year priority list, but rather will be placed on the planning list. Loans will be awarded for projects within the available funds in the following order:
    - a. Projects on the current year priority lists that meet all Priority System deadlines will be funded when they are ready to award.
    - b. Should any project on the current year priority lists fail to comply with any of the deadlines in this Priority System, the funds reserved for said project will be released and made available to projects on the current year priority list that are ready to award, on a first-come first-served basis.
    - c. If it becomes apparent that the projects on the current year's priority lists will not utilize all assumed available funds by the end of the current fiscal year, projects on the planning list that are ready to award will be funded from these remaining funds on a first-come, first-served basis.
    - d. Should less than the assumed funds become available, projects shown for funding in the current fiscal year that are ready to award will be funded as described above within the available funds.
    - e. Should more than the assumed funds become available from loan decreases, early loan payoffs, or other sources, these funds may be used for loan increases, to increase project amounts shown for funding in the current fiscal year, and/or to fund projects on the planning list that are ready to award, as determined appropriate by the Department.
    - f. Subsidy projects will be ranked and funds will be awarded as described in Sections IV.D.1 and IV.D.6.
3. Coordination With Mississippi Basin Management Approach

Recognizing that the health and welfare of Mississippians, wildlife, fish and other aquatic life are directly affected by the quality of Mississippi's waters, the Department began implementing the Basin Management Approach (BMA) in 1998. The BMA is a collaborative, interagency initiative designed to improve and maintain the quality of our water resources through comprehensive long-range water quality planning and management strategies. The BMA includes planning, data gathering, data assessment, Total Maximum Daily Load (TMDL) development, development of watershed management plans, and watershed project implementation.

In order to support the worthwhile goals of the BMA, higher ranking will be given to projects identified by the Basin Management Branch that implement watershed management plans to address water body impairments. These high priority BMA projects will be ranked at the beginning of each Priority Category beginning with the Raw Discharge Category through the Existing Facilities Upgrade (Meeting Final Limits) Category. If a Priority Category is divided into various subcategories, these projects will be ranked at the beginning of each subcategory.

If more than one high priority BMA project is ranked in a priority category, these projects will be moved to the beginning of that category and or subcategory and will be ranked in accordance with the Priority System.

#### 4. WPCRLF Loans to Match EPA Special Appropriations Projects (SPAPs)

On August 16, 2001 EPA issued a class deviation from the provisions of 40 CFR 35.3125(b)(1). This class deviation will allow the non-federal, non-state match WPCRLF funds to be used to provide loans that can be used as local match for SPAP grants awarded to construct water pollution control projects.

These non-federal, non-state match WPCRLF loan funds will be made available to eligible SPAP grant recipients that are on the current year priority list for use as local match funds for their SPAP grants, provided the SPAP grant is for WPCRLF loan eligible work. Such projects will be funded in accordance with the Priority System, and until all non-federal, non-state match monies have been obligated or demand for such funds has been met.

#### 5. Loan Increase Reserve

Beginning in FY-2001 the Department began making loan awards after approval of the facilities plan and loan application rather than after completion of design. This change in the loan award sequence increases the likelihood that bid overruns may be greater than the construction contingency included in the loan agreement, and that additional loan funds may be needed to ensure that these projects are completed. In order to provide needed loan increases to existing loans, the Commission intends to set aside the amounts identified in Appendix A for such loan increases to be awarded on a first-come, first-served basis. Any funds not obligated for this purpose by the end of the fiscal year may be made available for new loans ready for award on a first-come, first-served basis from either the Priority List(s) or the Planning List.

If these loan increase reserve funds are exhausted during the year, and additional funds

are needed for loan increases to cover bid overruns or other project cost increases to ensure that on-going projects are completed, the Department may use funds recovered from loan decreases or other sources during the year to fund such needed loan increases.

6. Subsidy Increase Reserve

Due to the limited nature of subsidy funding, the amount identified in Appendix A will be reserved until September 30, 2023, for making subsidy increases after bids to subsidy-eligible projects funded prior to FY-2023. The total amount of subsidy resulting from any such increase shall be limited as outlined in Section IV.D.1. Any available subsidy funds not reserved, or obligated for such increases by September 30, 2023, may be made available first for subsidy-eligible projects funded ~~in~~ prior to FY-2023 which did not already receive full subsidization, then for funding new subsidy-eligible projects in priority order on the FY-2023 Subsidy Priority List, as outlined in Section IV.D.1.

E. Priority System Categories

1. The first category of projects on the Priority List will be the Segmented Projects. These projects include any remaining segments of projects that previously received funding for an integral portion of that project, and are necessary for the entire project to be functional. Projects will be funded under this category in order of their regular priority ranking provided they meet the deadlines established in Section F.

In order to maintain continuity, the Commission intends to make some amount of funds available for each ongoing-segmented project. Preference in the amount of funds to be provided will be given to the projects that received the earliest loan award for their initial segment.

2. The second category of projects will be the Previous Year Standby Projects. This category of projects includes projects that 1) were listed on the previous year's Planning List within an amount of approximately 25% of that year's total available funds, 2) met all applicable Priority System deadlines in the previous fiscal year, and 3) were not funded because of a lack of WPCRLF funds or did not receive an assurance of CDBG, ARC, RUS, CIAP or other match funding in the previous fiscal year. Within this category, these projects will be ranked according to the current Priority System.
3. The third category of projects will be the Raw Discharge Correction Projects for communities with sewage collection systems but no treatment facilities. This is necessary to ensure that the water quality problems associated with continuous discharges of untreated sewage from these systems are addressed as required by the federal Clean Water Act. Projects within this category will be ranked in order of the highest estimated discharge flow rate.

If a project in this category is identified as a high priority BMA project, that project will be ranked at the beginning of the list within this category.

4. The fourth category of projects will be the Existing Facilities Upgrade (Not Meeting Final Limits) Projects. The scope of these projects may include only the upgrade, expansion, replacement, rehabilitation, and repair (including infiltration/inflow removal) of existing wastewater transportation and treatment facilities, or drinking water sludge discharge treatment facilities, necessary to bring the existing treatment facility into compliance with final effluent limitations, or to eliminate existing facilities not meeting final limits. Projects will be funded under this category in order of priority points, provided they meet the deadlines established in the Priority System. The priority points will be determined as established in Section G of this Priority System. These projects will not be considered for funding if a Commission Order schedule requires construction of these projects substantially prior to the Priority System deadlines

If a project in this category is identified as a high priority BMA project, that project will be ranked at the beginning of the list within this category.

5. The fifth category will be Non-Point Source and Storm Water Pollution Correction Projects which may include program costs, conservation easements, sedimentation basins, levees, canals and other structures for the purpose of correcting non-point and storm water sources of pollution.

These projects must be consistent with any applicable Section 319 Management Programs approved by the Department of Environmental Quality. The projects within this category will be ranked in order of the highest receiving stream classification that is being negatively impacted by these sources of pollution.

Receiving stream classifications will be ranked in the following order: Public Water Supply; Shellfish Harvesting; Recreation; Fish & Wildlife; and Ephemeral. Within each stream classification, projects will be ranked by the highest acreage of runoff that is contributing to the non-point and/or storm water sewer pollution problem, and that will be addressed by the project.

If a project in this category is identified as a high priority BMA project, that project will be ranked at the beginning of the list within the subcategory where the project is currently ranked.

6. The sixth category will be the New Collection – Existing Buildings Projects that are necessary to construct eligible sewers and treatment facilities for existing (at the time of facilities plan submittal) residences, businesses and public buildings. Projects in this category may not include the construction of wastewater treatment or transportation facilities to serve areas that are not developed at the time of facilities plan submittal.

The system for ranking collection systems is designed to give highest ranking to those projects serving an individual drainage basin within the loan recipient's political boundaries that: 1) will correct the most potential health problems (this is described below by the term "Residences Served") and 2) are most cost effective (this is described below by the term "Residences Served/Total Eligible Cost for Entire

Project"). Priority points will then be calculated as follows:

$$\text{Priority Pts.} = \frac{(\text{Residences Served}) \times (\text{Residences Served}) \times 1000}{(\text{Total Eligible Cost for Entire Project})}$$

If ties occur in priority points those projects will be ranked according to the highest number of residences served. The term "residences served" includes businesses and public buildings.

The term "Total Eligible Cost for Entire Project" means the total eligible cost to construct the collection and interceptor system for an individual drainage basin within the loan recipient's political boundaries and to cause the wastewater treatment facility to meet final effluent limits at the time the collection project is predicted for funding.

Except as allowed in Section IV.E.11, collection sewers will not be funded prior to funding of the treatment portion of a project necessary to cause the wastewater treatment facility to meet final effluent limits.

If a project in this category is identified as a high priority BMA project, that project will be ranked at the beginning of the list within this category.

7. The seventh category of projects will be the Wastewater Overflow/Bypass Elimination Projects. The scope of these projects may include only the replacement, rehabilitation, and/or repair of existing transportation facilities that are necessary to eliminate documented bypasses and/or overflows of raw sewage from these transportation facilities for a 2 year, 24-hour rainfall event, as documented in the facilities plan for the project and approved by the Department.

To be eligible for this category the bypasses and/or overflows documented in the facilities plan must have been reported, by the deadline for submission of the facilities plan, to the Department in accordance with the requirements of the loan applicant's NPDES permit.

These projects will be ranked in order of the highest receiving stream classification that will be negatively impacted by the bypass and/or overflow. Receiving stream classifications will be ranked in the following order:

Public Water Supply, Shellfish Harvesting, Recreation, Fish & Wildlife, and Ephemeral. Within each stream classification above, projects will be ranked from the lowest to the highest median household income as displayed in the publication "ESRI Business Analyst Demographic and Income Profile Report".

If a project in this category is identified as a high priority BMA project, that project will be ranked at the beginning of the list within the subcategory the project is currently ranked.

8. The eighth category of projects will be the Existing Facilities Upgrade (Meeting Final Limits) Projects. Included within the scope of these projects may be the upgrade, expansion, replacement, rehabilitation, and repair of existing wastewater treatment and

transportation facilities, including the removal of infiltration/inflow. The scope of these projects may not include the construction of new wastewater treatment or transportation facilities if none now exists.

These projects will be ranked first in order of the highest receiving stream classification that would be negatively impacted by wastewater should the facilities to be upgraded fail. Receiving stream classifications will be ranked in the following order:

Public Water Supply, Shellfish Harvesting, Recreation, Fish & Wildlife, and Ephemeral. Within each stream classification above, projects will be ranked from the lowest to the highest median household income as displayed in the publication “ESRI Business Analyst Demographic and Income Profile Report”.

If a project in this category is identified as a high priority BMA project, that project will be ranked at the beginning of the list within the subcategory the project is currently ranked.

9. The ninth category will be New Facilities (Developmental) Projects. These projects may include the expansion or upgrade of existing wastewater treatment and transportation facilities and the construction of new wastewater treatment and transportation facilities to accommodate future growth within the design flow for the planning area to be served. Transportation facilities may include interceptors, pump stations, force mains, and collector lines. The projects within this category will be ranked from the lowest to the highest median household income for the community, as displayed in the publication "ERSI Business Analyst Demographic and Income Profile Report".
10. The tenth and final category will be Industrial Projects. The facilities to be built or upgraded under this category must be owned and constructed by a WPCRLF loan eligible public entity and may include industrial wastewater treatment and transportation facilities. The projects within this category will be ranked from the lowest to the highest median household income for the community, or nearest community, as displayed in the publication "ERSI Business Analyst Demographic and Income Profile Report".
11. New collection sewer projects will be funded only under the New Collection – Existing Buildings category or the New Facilities (Developmental Projects) category.
12. The complete treatment portion of a project, as necessary to cause the wastewater treatment facility to meet final limits, must be funded prior to or along with any other project portion, except in the case of a recently acquired facility that has or will be given interim limits with a schedule to meet the final limits. In such case other project portions may be funded first provided the facility complies with the schedule to meet final limits.