

Disadvantaged qualifications

NAC 445A.675245 defines a disadvantaged community as an area in which, as compared to other communities in this State, residents disproportionately experience economic, environmental or health issues, including, without limitation, high rates of poverty or unemployment¹⁴.

NAC 445A.67575(8) further requires an intended use plan to be prepared by NDEP, which describes how all money deposited into the Account for the Revolving Fund and the Account for Set-Aside Programs will be used, including a description of any program for a disadvantaged community and the funds utilized for this type of assistance.

NDEP will utilize a point system to determine if a system or project qualifies as disadvantaged. The following will be used in the point system. A **minimum of 50 points** must be obtained to be defined as disadvantaged.

Income Data	<u>Possible Points</u>
Median Household Income (MHI) of project service area	
<i>MHI shall be taken to mean the latest American Community Survey information used for the current year project priority list that relates to the census tract of the project area; or a valid income survey performed within the last five calendar years.</i>	
Based upon the Current Priority List data	
*Below 80% of the State MHI	50
*Between 80% and 99% of State MHI	30
*Between 100% and 119% of State MHI	0
*Above 120% of State MHI	-10
Percent of families and people whose income in the past 12 months is below the state poverty level	
*Project service area is at or below the state percent	20
*Project service area is below the state percent	0
Population Trend	<u>Possible Points</u>
Based upon last three years of American Community Survey best available data	
*Decreasing and/or system serves less than 1000 residents	5
*Increasing	0

¹⁴ <https://www.leg.state.nv.us/Register/2022Register/R109-22AP>

Workforce Indicators	Possible Points
Percent of residential population of the service area not in the workforce	
Based upon American Community Survey used for MHI data	
*Lower than or equal to state	0
*Between 100% and 110% of state	10
*Between 111% and 120% of state	15
*Above 120% of State	20
Unemployment Rate	
Based upon American Community Survey used for MHI data	
*Lower than or equal to the state	0
*Between 100% and 110% of state	5
*Greater than 110% of state	10
Affordability	Possible Points
How will additional loan dollars impact water system residential rates	
<i>*Rates must already be sufficient to cover current operations, maintenance, debt service and required reserves for the system.</i>	
<i>*Average user rate is based on the rate a residential customer would pay for the average usage of water consumed.</i>	
The system has not specifically allocated funds for the rehabilitation and replacement of aging and deteriorating infrastructure	-5
System has not reviewed rates in five years	-5
Residential average user rates increased by more than 10% in the last 5 years, or will increase by more than 10% to fully fund this project	10
Residential average user rates increased by more than 20% in the last 5 years, or will increase by more than 20% to fully fund this project	20
Residential average user rates increased by more than 30% in the last 5 years, or will increase by more than 30% to fully fund this project	30
Residential base rate to Median Household Income:	
*Residential base rate is above 2.0% of the communities MHI	20
*Residential base rate is between 1.5% and 1.99% of the communities MHI	10
*Residential base rate is below 1.5% of the communities MHI	0

Other Factors	Possible Points
Project is preparing a PER with an ER to plan for a project	10
Project is physically or managerially consolidating a system for capacity	10
Qualifies as an Acute or Chronic project on the current Priority List	10
Project is addressing an emerging contaminant or Lead Service Line	10
System at risk for emergencies or is facing a current emergency	10
Population demographics 10% of the population (see below)	10
Population demographics 15% of the population (see below)	20
Population demographics 25% of the population (see below)	30
2nd homes/vacation homes are greater than 30% of the service area	-10
<p>Maximum Points are 235 Points needed to Qualify for Principal Forgiveness is 50</p> <p><u>Population Demographics</u> Percent of the population experiencing one or more of the following will receive additional points</p> <ul style="list-style-type: none"> *Temporary Assistance for Needy Families (TANF) *Medicaid benefits *Supplemental Nutrition Benefits *Low-income housing assistance *Utility assistance *Disabilities *Population not proficient in the English language *Population that is non-white/minority *No health insurance *Location is more than 50 miles from the nearest accessible Social Services (Medicaid, SNAP etc.) 	

Special terms and conditions for principal forgiveness loans

- Planning documents
 - Systems will be required to commit to a timeline in the funding agreement.
 - The preliminary engineering report must be formatted in accordance with Rural Utilities Services Bulletin 1780-2 to prepare for a specific course of action the community must address. They cannot simply address all system needs or provide for a master plan of the system. The funding may also include pilot studies if the specific course of action the community must address is water quality.
 - The environmental review must include sufficient information and evidence to support NDEP's determination for environmental impacts.

- Construction projects

Applicants seeking funding from the DWSRF for construction projects must demonstrate the system’s willingness to sustain itself. OFA considers TMF capability to be a necessary part of a system’s requirements for funding¹⁵. OFA will add, as a condition of the loan contract for principal forgiveness loans, that borrowers:

- Evaluate user rates approved by the governing board at least once every three years to ensure they are sufficient to cover costs of:
 - Operating the current and funded system,
 - Maintaining the current and funded system,
 - Debt service of the current and funded system, and
 - Reserve requirements of any funding authority.
- Maintain an Asset Management Plan (AMP) that:
 - Evaluates the level of service required for the system,
 - Contains an inventory of all assets that are part of the system,
 - Contains an evaluation of the condition and performance of inventoried assets or asset groupings,
 - Lists the useful life of the assets,
 - Contains a plan for maintaining, repairing, and as necessary, replacing the assets,
 - Contains a plan for funding maintenance, repair, and replacement, and
 - Evaluates and implements water and energy conservation efforts.

Loan applicants must certify as part of the funding agreement that the recipient has, or will develop, a plan prior to the final draw on the loan. Existing applicant plans must have been reviewed and/or updated by the governing board no longer than five years prior to the date of the loan application. Assistance in developing a AMP can be provided to applicants free of charge.

- Set aside funds into a reserve account for capital replacement authorized by NAC 445A.67623¹⁶
 - OFA calculates this yearly investment based upon the system’s short-lived assets (15 years or less), amortized on a straight-line basis.
 - Short-lived assets may include pumps, meters, and data collection equipment like telemetry, alarms, and Supervisory Control and Data Acquisition units. For this purpose, short-lived assets conform to capital assets generally accepted as those with a life expectancy of 15 years or less.
 - Utilities may only use these reserve funds for capital improvements. Importantly, these improvements are not restricted to the system’s short-lived assets. There are several expenses that qualify as capital expenditures:
 - Bringing a new facility into service,

¹⁵ pursuant to NAC 445A.67617(4)

¹⁶ <https://www.leg.state.nv.us/Register/2022Register/R109-22AP>

- Planning or designing a new facility that will enhance the existing system, and
 - Extending the life or enhancing the value of an asset with better quality materials or system upgrades.
- Utilities cannot use these reserve funds for inventory items, for maintenance, or for operation expenses. For example, utilities cannot use these reserve funds for minor incidentals, like: repair clamps, small tools, service contracts, inventory parts and fittings, spare lengths of pipe for repairs; or maintenance supplies, like: paint, grease, and other similar day-to-day supplies.
- Utilities cannot use the funds in the reserve account for the purpose of expanding their system. For example, they may not use these reserves to finance the installation of new services or the extension of main lines to serve new areas or customers.
- Utilities must clearly identify their annual contribution to this fund — along with the fund balance — in their financial statements.
- NDEP may consider other cash the system has available for capital improvements to meet this requirement.