

- The Bank will design marketing materials specifically targeted towards small drinking water systems;
- The Bank will assist with income surveys to disadvantaged very small systems to assist with the affordability analysis needed when considering additional principal forgiveness commitments over and above the \$100,000;
- The Bank and RIDOH will identify other funding and financing programs that have the potential to co-fund projects with financing;
- The Bank will assist small drinking water systems with energy efficiency technical assistance, such as energy audits through partnership with National Grid's energy efficiency team;
- RIDOH and the Bank will develop a small drinking water system technical assistance guide, including additional grant and financing options; and
- RIDOH will provide direct technical assistance to assist the PWS to complete the certificate of approval process.

**c) Streamline and Improve the Process for Small Systems**

- RIDOH and the Bank will create a packet of materials, templates, and guidance documents for the certificate of approval and loan approval process;
- RIDOH will refer systems to FIP and capacity development services once the PPL is finalized.

**d) Financing Incentives**

- Small drinking water systems will receive preference over other applicants to access principal forgiveness funds.
- To be eligible to receive principal forgiveness, projects must be on the PPL and have a Certificate of Approval. Those projects that are ready to proceed will be given priority. Readiness to proceed will be deemed as having either an RFP for engineering services to design the project, final bids in hand for engineering or construction services, or a signed engineering or construction contract. Emergency water quality projects will be given first-priority regardless of PPL ranking.
- Each qualifying drinking water small system will be eligible to receive at a minimum \$100,000 in principal forgiveness funds (dependent upon project size), subject to the availability of funds.
- Should there not be enough small system demand, Base principal forgiveness may be allocated amongst other drinking water applicants.

**VII. DISADVANTAGED COMMUNITY PROGRAM**

To assess affordability needs in the DWSRF, Rhode Island has established an Affordability Criteria for Rhode Island's municipalities and drinking water utilities. Entities with an Affordability Index less than the statewide average may qualify for additional subsidization such as principal forgiveness. Indexed entities are grouped into tiers, with tiers further below the statewide average qualifying for increased levels of subsidization.

Once each year, prior to the release of the Intended Use Plan for the fiscal year, RI Infrastructure Bank shall use current data, funding availability and expected loan volume to update the calculation, tiers and thresholds; RI Infrastructure Bank may also establish additional eligibility provisions at its discretion. All RI municipalities shall be indexed along with selected drinking water and wastewater entities. Additional entities can be indexed on an as-needed basis.

The Affordability Index is calculated using the following formula:

$$\text{Affordability Index} = \text{Median Household Income} * \text{Employment Rate} * \text{Population Ratio}$$

- **Median Household Income**<sup>2</sup> is a widely accepted metric of resident’s ability to afford the cost of infrastructure projects. A community with higher median household income suggests higher ability to afford the cost of infrastructure.
- **Employment Rate**<sup>3</sup> represents the resident employment size divided by the size of the total labor force in the community. Higher employment rates suggest that a community has more residents able to afford the cost of infrastructure than a community with lower rates.
- **Population Ratio**<sup>4</sup> is the ratio of the current US Census Bureau Decennial Census population to the previous Census population expressed as a percentage. A percentage greater than 100% indicates communities with a growing population, and a percentage less than 100% indicates a shrinking population. A growing population indicates an increasing ratepayer base to absorb infrastructure costs.

Large drinking water systems serving over 10,000 users shall be tiered based on the tier of the community they serve. Large systems serving multiple communities shall be tiered based on an index set to be a weighted average of each community served. Weighting shall be based on

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Median Household Income data

Municipalities and drinking water/wastewater systems serving over 10,000: Data source: Census Bureau, 2016-2020 American Tables S1903 Median Income in the Past 12 Months (2020 Inflation-Adjusted Dollars). Accessed August 2022. Link:

<https://data.census.gov/cedsci/table?q=median%20household%20income&g=0400000US44,44%240600000&tid=AC SST5Y2020.S1903&tp=true>

Water systems entirely in one census tract such as University of Rhode Island are treated as small systems and use census tract level data (S1901 data source link below).

Drinking water and wastewater systems serving 10,000 or less; or in one census tract: Data is from a) an income survey of the entire water system or b) census tract level Census Bureau data. If a system serves multiple census tracts, the census tract with the lowest income is used. Census Bureau, 2016-2020 American Tables S1901 Median Income in the Past 12 Months (2020 Inflation-Adjusted Dollars). Accessed August 2022. Link:

<https://data.census.gov/cedsci/map?q=S1901%3A%20INCOME%20IN%20THE%20PAST%2012%20MONTHS%20%28I N%202019%20INFLATION->

[ADJUSTED%20DOLLARS%29&g=0400000US44,44%241400000&tid=ACSST5Y2020.S1901&cid=S1901\\_C01\\_012E&layer =VT\\_2020\\_140\\_00\\_PY\\_D1&mode=thematic&loc=41.6571,-71.4863,z8.8156](ADJUSTED%20DOLLARS%29&g=0400000US44,44%241400000&tid=ACSST5Y2020.S1901&cid=S1901_C01_012E&layer =VT_2020_140_00_PY_D1&mode=thematic&loc=41.6571,-71.4863,z8.8156)

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Employment data is from the RI DLT 2021 Annual Average Labor Force Statistics. Accessed August 2022. Link: <https://dlt.ri.gov/labor-market-information/data-center/unemployment-ratelabor-force-statistics-la.us>. Data source: RI DLT, Labor Market Information, updated 3/2022.

Water systems entirely in one census tract such as University of Rhode Island use census tract level data from the 2020 American Community Survey 5-Year Estimates. Link:

[https://data.census.gov/map?t=Employment+and+Labor+Force+Status&g=0400000US44\\$1400000\\_1400000US4400 9051400&tid=ACSDP5Y2020.DP03&cid=DP03\\_0004PE&layer=VT\\_2020\\_140\\_00\\_PY\\_D1&mode=thematic&loc=41.561 6,-71.2036,z9.6129](https://data.census.gov/map?t=Employment+and+Labor+Force+Status&g=0400000US44$1400000_1400000US4400 9051400&tid=ACSDP5Y2020.DP03&cid=DP03_0004PE&layer=VT_2020_140_00_PY_D1&mode=thematic&loc=41.561 6,-71.2036,z9.6129)

<sup>4</sup> Population data is from RI Division of Statewide Planning. Accessed August 2022. Link: <https://planning.ri.gov/ri-census-2020>. Source: US Census Bureau, 2020 Census and 2010 Census.

population served or flow data and come from publicly available sources or data provided by the system.

Small drinking water systems serving 10,000 users or less shall be tiered based on median household income from either an income survey or census tract data. If a system serves multiple census tracts, the census tract with the lowest income is used.

Eligible systems with an Affordability Index 71% or less of the statewide average shall be designated a tier 1 entity; systems with an Affordability Index between 72% and 85% shall be designated a tier 2 entity; systems with an Affordability Index between 86% and 100% of the statewide average shall be designated a tier 3 entity. Domestic limited liability companies and domestic profit corporations, excepting cooperatives, are not eligible for tiers 1 through 3. Additionally, to qualify for drinking water tiering, entities must be a community Public Water System or a school.

The Affordability Index results are shown in the Appendix. All 39 RI municipalities have been indexed, along with selected drinking water entities. Additional entities can be indexed on an as-needed basis.

The table below describes the FY24 Tiers with eligible communities listed. Entities not listed are either not eligible or have not been indexed.

**Table 1: FY24 Tiers with eligible communities (% = Community Index as Percentage of State Index)**

Tier 1 Affordability Index 71% or less	Tier 2 Affordability Index 72 - 85%	Tier 3 Affordability Index 86% - 100%
Woonsocket Water 63%	Pawtucket Water Supply Board 78% Smithfield Water Supply Board 82% Providence Water Supply Board 84%	None Note: Funding only available in this tier if no ready-to-proceed projects remain in Tier 1 and Tier 2

Drinking water projects expected to close in FY24 with affordability-based principal forgiveness include:

**a) Allocating Principal Forgiveness**

Projects closing loans in FY24 shall be allocated principal forgiveness according to the following table.

**Table 2: FY23 Tiers with thresholds and principal forgiveness**

Tier	Index Threshold	DW SRF Principal Forgiveness
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