



Department of
**Environment &
Conservation**



State of Tennessee

Drinking Water State Revolving Fund

Annual Report Fiscal Year 2019

Tennessee Department of Environment & Conservation | DWSRF Annual Report | September 2019



**Drinking Water State Revolving Fund
Draft Annual Report FY 2019**
September 2019

Table of Contents

Executive Summary4
 Goals and Accomplishments.....4
 Financial Summary.....5
 Source and Use of Funds.....5
 Financial Overview.....5
 Types of Assistance.....7
 Financing Rates7
 Use of Set Asides7
 Public Water System Supervision Program8
 Provisions of the Operating Agreement and Conditions of the Capitalization Grant..... 10
 Provide a State Match..... 10
 Binding Commitments within One Year 10
 Project Assistance, Subsidy, and Loan Terms 10
 Timely Expenditure of Funds..... 11
 Assurances of Compliance..... 12
 State Environmental Review Process 13
 Additional Requirements..... 13
 Performance Evaluation Reports (PER) Recommendations and Findings..... 14
 Spotlight on Community Projects..... 15
 The Town of Gainesboro 15
 Erwin, Tennessee..... 16
 City of Parsons..... 16
 Appendix 18
 Assistance Provided in FY 2019..... 18
 Loan Decreases in FY 2019 18
 Project Completions in FY 2019 19

**Drinking Water State Revolving Fund
Draft Annual Report FY 2019**
September 2019

Project Starts in FY 2019 20

Assistance Provided by Need Category FY 2019..... 21

DWSRF Net Position FY 2019..... 23

DWSRF Cash Flows FY 2019 24

DWSRF Revenues and Expenses FY 2019..... 25

DWSRF Administrative Expenses 26

Fleming Training Center Results Report..... 27

DRAFT

**Drinking Water State Revolving Fund
Draft Annual Report FY 2019**
September 2019

Executive Summary

The State of Tennessee, Department of Environment and Conservation (TDEC), has developed its Annual Report for State Fiscal Year (FY) 2019 (July 1, 2018 - June 30, 2019). This report describes how the State of Tennessee met the goals and objectives of its Drinking Water State Revolving Fund (DWSRF) Loan Program identified in the Intended Use Plan (IUP) and assisted public water systems with drinking water infrastructure loans. This report details the actual use of funds, state match and principal forgiveness, among other information. A full list of all state FY 2019 loan recipients and the assistance amounts can be found in the Appendix of this report.

Goals and Accomplishments

Table 1: DWSRF Goals and Accomplishments for FY 2019

Long and Short Term Goals, Objectives and Results of the Drinking Water SRF Program for FY 2019			
	Goals	Objectives	Results
Long Term Goals	Provide local governments and utility districts with low-cost financial assistance and assure drinking water projects are affordable and comply with the Safe Drinking Water Act (SDWA)	Ensure financial stability of loan recipients	Fiscal responsibilities are coordinated with TDEC, the Comptroller's Office and the Dept. of Finance and Administration to ensure appropriate internal controls and proper accounting procedures.
		Ensure use of GAAP	Revised operating budget, internal audit, and end of year fiscal reporting
		Obligate funds in a timely manner	Ongoing, including development of new database for tracking funds and project progress
	Protect and enhance water quality in TN by ensuring the technical integrity of funded projects	Ensure adequate and efficient project planning, design, and construction	Ongoing, including development of SOPs, financial sufficiency process, new database for tracking projects, documentation, and integration with other TDEC programs
		Maintain and award high ranking projects on the PRL	Ongoing, including updating solicitation process, created a marketing and outreach campaign, instituting new allocation of principle forgiveness; increase in solicitation response by 60%; All projects reviewed for compliance with federal crosscutting authorities and an approved SERP prior to loan award.
	Short Term Goals	Maximize funds available through cooperation with EPA	Apply for CAP grant and submit IUPs
Work with all potential borrowers that have eligible projects			Ongoing including innovative pilot project strategy to strengthen and grow types of effective SRF projects
Submit Annual Report to EPA			Ongoing, including redesign of Annual Report format
Manage an effective and efficient DWSRF Loan Program		Prepare and update administrative policies, guidance, and standard operating	Developed new SOPs for technical and financial review process, developed a

Drinking Water State Revolving Fund
Draft Annual Report FY 2019
 September 2019

		procedures	streamlined contacts database
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Financial Summary

Source and Use of Funds

The Safe Drinking Water Act allows each state flexibility establishing how much of the Capitalization Grant will be used for infrastructure loans, assistance to financially disadvantaged communities, and set-aside activities. The state, in turn, has the responsibility to best direct the funds to address drinking water infrastructure problems. The state has agreed to direct all monies to compliance based issues first and to fund projects ready to proceed.

In state fiscal year (FY) 2019, DWSRF applied for a received a federal fiscal year (FFY) 2018 Capitalization Grant for \$19,293,000 and matched those dollars with state dollars equaling \$3,858,600. This total, \$23,115,600 represents the FY2019 appropriated dollars to be used for drinking water projects and other approved technical assistance activities.

TDEC DWSRF obligated \$13,345,300 in FY 2019, with \$4,258,000 from the FFY 2018 Capitalization Grant and \$9,087,300 from the State Revolving Fund (see Table 6). DWSRF provided \$1,111,600 in principal forgiveness to projects obligated from the FFY 2018 Capitalization Grant (available for projects), equaling 26.11%. Set-aside activities ranged from operator training to compliance inspections that support public water systems and the TDEC Public Water Systems Supervision Program. In FY 2019 DWSRF expended \$1,511,057 total dollars for set-aside activities.

An administrative loan fee, eight (8) basis points (.008%), was charged by the Comptroller’s Office to process loan documents and payments associated with SRF loans since October 1, 2009. This year, the Comptroller’s Office collected fees in the amount of \$69,968.25. The administrative fee collected was used to process pay requests, create financial journals, process incoming payments, correspond with borrowers, review deposits and borrower balances for correctness, complete audit confirmations, assist with year-end reports, audits by the state, assist with SRF programmatic administration, and assist with TLDA board meetings.

Financial Overview

During this fiscal year the DWSRF program awarded eight (8) loans in an amount of \$13,345,300. Table 2 provides a detailed summary of the programmatic highlights of the DWSRF. In addition, the DWSRF used a total of \$1,511,057 in set-aside funds, including administrative expenditures in the amount of \$547,273, Public Water Supply Supervision Program (PWSS) in the amount of \$654,222, and \$309,562 for Small Systems Technical Assistance for the implementation of the DWSRF program.

Drinking Water State Revolving Fund
Draft Annual Report FY 2019
 September 2019

The state has an unobligated fund balance of \$50,895,424 for FY 2019. The DWSRF does not hold an unliquidated obligations balance as of FY 2019. Details for the financial summary of DWSRF can be found in Table 3.

Table 2: Project Highlights from the DWSRF program in FY 2019

Annual Highlights from Drinking Water SRF		
State Fiscal Year (FY) 2019 and Federal Fiscal Year (FFY) 2018		
Eight (8) new loans awarded	\$	13,345,300
Six (6) projects requested a decrease in assistance	\$	3,147,871
DWSRF Binding Commitments	\$	10,197,429
Eight (8) new loans awarded	\$	13,345,300
Three (3) loans awarded from the SRF revolving base	\$	9,087,300
Four (4) loans awarded from FFY 2018 Cap Grant	\$	4,258,000
Nine (9) total project starts	\$	6,674,675
Twenty (20) projects initiated operations	\$	21,674,344

Table 3: Financial Summary for DWSRF program in FY 2019

Financial Summary for Drinking Water SRF		
State Fiscal Year (FY) 2019 and Federal Fiscal Year (FFY) 2018		
Financial Summary		Amount
Carry Over from FY 2018	\$	70,735,909
Capitalization Grant Award Available For Projects	\$	16,206,120
State Appropriations	\$	3,858,600
Binding Obligations	\$	(13,345,300)
Loan Decrease	\$	3,147,871
Transfer to CW SRF FY 2019	\$	(42,809,917)
Principal Repayments	\$	9,545,135 ¹
Loan Interest	\$	18,745,051 ¹
Treasury Interest Income	\$	16,825,001 ¹
Unobligated Balance as of June 30, 2019	\$	50,895,424

¹ Preliminary numbers from unaudited financial statements

Types of Assistance

DWSRF provided a variety of assistance based on project needs. There were five (5) projects, totaling \$2,233,500, funded to address treatment needs. There were eight (8) projects with needs based on improvements to transmission and distribution lines, totaling \$3,646,725. Finally, \$1,633,500 was provided for communities needing improvements to their water supply storage systems. Further information on types of assistance and funding amounts can be found in the Appendix.

Financing Rates

SRF interest rates are based on a community's ability to pay determined through the State of TN Ability to Pay Index (ATPI). Interest rates can vary from zero to 100 percent of the interest rate reported on the 20-year Bond Buyer Index and the Municipal Market Data General Obligation Yields published every Thursday. The SRF program provides an updated interest rate weekly each Monday. The State may also recommend a reduction of the interest rate to incentivize green projects and sustainable & resilient projects, but not below zero percent. Disadvantaged communities, as determined by the ATPI, are eligible for a lower interest rate or principal forgiveness. The interest rates for utility districts and water authorities that have service areas in more than one county are evaluated and ranked by utilizing the lowest ATPI for the county or city that directly benefit from the project(s) associated with the loan. The term of the loan is a maximum of 30 years or the useful life of the project whichever is shorter.

Use of Set Asides

The U.S. Congress recognized that not all drinking water problems can be solved through new or improved infrastructure, therefore, amendments to the SDWA provides allowances for states to take a portion of their annual capitalization grant to support water system capacity, operator certification, source water protection, training, and technical assistance to public water systems. The Safe Drinking Water Act §1452(g) and §1452(k) allows States to set aside up to 31% of the Capitalization Grant for specific activities. The eligible DWSRF set-aside types include: administration and technical assistance (4%), small systems technical assistance (2%), state program management (10%) and local assistance and other state programs (15%). TDEC SRF only used a portion of the total set-asides allowable under the law. The following is a summary of activities completed using Set Aside dollars. Cumulatively, the DWSRF has been awarded \$42,698,089 for set-asides.

TDEC SRF total use of set-asides totaled \$1,511,057 for FY 2019. The following table details the use of set-aside dollars.

Table 4: Set-Aside Use of Funds

Set-Aside Summary for Drinking Water SRF		
State Fiscal Year (FY) 2019 and Federal Fiscal Year (FFY) 2018		
Set Aside Expenditures	Amount	
Administrative	\$	547,273
Small Systems	\$	309,562
Public Water System Supervision Program	\$	654,222
Total DWSRF Program Expenditures for Set-Asides	\$	1,511,057

Public Water System Supervision Program

Tennessee’s Public Water System Supervision Program (PWSS) conducts an array of activities under the Drinking Water Set Aside Funds. The PWSS program reviews drinking water engineering plans, provides data management for drinking water information, provides technical assistance to small systems, and provides critical evaluation, and compliance inspections to ensure safe and reliable drinking water for the citizens of Tennessee.

The State used the set-aside of 10% for the FFY 2018 Capitalization Grant for the PWSS, which is directed to retaining a portion of positions in the Division of Water Resources (DWR) at TDEC that conduct drinking water related work and to continue the existing level of activity. In addition to continuing existing activities, DWR uses the set-aside money to continue addressing issues raised by the 1996 amendments to the Safe Drinking Water Act (SDWA), the Revised Total Coliform Rule and the Lead and Copper Rule.

The PWSS program goals, objectives, and deliverables for this year included such activities as continued implementation of the Enforcement Tracking Tool in conjunction with formal enforcement efforts; continue to manage and implement the laboratory certification program statewide; record keeping and evaluation of voluminous water quality data; and closely tracking monitoring and reporting requirements for all public water systems. The set-aside was also used to pay for necessary travel and training expenses associated with the PWSS program and laboratory certification program. Additional technical services and assistance to public water systems include addressing challenges associated with the technical capacity of public water systems and state participation in the Area Wide Optimization Program (AWOP). The PWSS program will continue to evaluate its success in assisting public water supply systems to achieve compliance with the SDWA. Results of the PWSS program are provided in Table 5.

Table 5: PWSS Set-Aside Activity Results

ACTIVITY	NUMBER PROJECTED	NUMBER ACHIEVED
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Drinking Water State Revolving Fund
Draft Annual Report FY 2019
 September 2019

ACTIVITY	NUMBER PROJECTED	NUMBER ACHIEVED
Technical Assistance to PWS's	950 telephone communications	~1,000
Technical Assistance Visits (Field Offices)	350	313
Drinking Water Laboratory Certifications	75	87 (Including out of state labs)
Drinking Water Laboratory Audits	50	46
Engineering Plans reviewed	100% reviewed within 30 days of receipt	100% reviewed within 30 days of receipt 1479 plans reviewed
Program Administrative	Management of the PWSS program	Management of the PWSS program
Enforcement / Compliance	200 Compliance Status correspondence	205 Compliance Status correspondence; 18 Director's Orders issued
Data Management	All reports entered into SDWIS database within 60 days of receipt	Violations, enforcement, site visits (sanitary surveys) and inventory data reports entered into SDWIS database within 60 days of receipt

Fleming Training Center

The Fleming Training Center (FTC) in Murfreesboro, TN administers the small system technical assistance set aside. FTC conducts operator training for water and wastewater operators across the state. The small system technical assistance has provided training for 145 water treatment and distribution system operators from systems serving 10,000 people or fewer. A total of 314 student days were provided during the period July 1, 2018 through June 30th, 2019. The training center provided 136 hours of technical assistance to water treatment and distribution systems over the same span. The summary of results and detail of classes are included in the attachments. A table of classes provided can be found in the Appendix section of this document.

Targeted Technical Assistance and Training for Small and Disadvantaged Communities

TDEC SRF has contracted with the Tennessee Association of Utility Districts (TAUD) to develop a consolidated technical assistance contract to provide targeted technical assistance to distressed or disadvantaged communities. This contract (\$100,000 from FY 2020) will focus on issues with public water and wastewater systems; managerial, financial, and technical capacities for systems; assist in reducing occurrence of health based drinking water violations; optimize resources and support to small and disadvantaged communities and systems across the state; develop new capacity to make full use of Federal Capitalization Grant set asides for drinking water; and implement priorities under TNH20. Technical assistance will be provided at no cost to eligible communities.

Provisions of the Operating Agreement and Conditions of the Capitalization Grant

Provide a State Match

State matching funds in the amount of \$3,858,600 were deposited into the SRF fund in FY 2019 to match the FFY 2018 Capitalization Grant award of 19,293,000. To date, Tennessee has received \$238,825,900 in capitalization grants from EPA. The total amount of state match required for these funds is \$43,681,580.

Binding Commitments within One Year

Federal regulations require the State to make binding commitments in an amount equal to 120 percent of each quarterly capitalization grant payment within one year of the payment. TDEC SRF made eight (8) binding commitments to provide assistance equal to 120% of the amount of each grant payment within one year after receiving the grant payment. The FY 2019 Capitalization Grant plus state match totaled \$23,115,600. The potential loan awards for FY 2019 as presented in the FY 2018 Intended Use Plan proposed projects that totaled \$116,667,100. TDEC agreed to make binding commitments totaling \$13,345,000 by June 30, 2019.

Binding commitments by quarter:

First Quarter (July 1, - September 30, 2018)	\$0
Second Quarter (October 1, - December 31, 2018)	\$3,732,300
Third Quarter (January 1, - March 31, 2019)	\$6,000,000
Fourth Quarter (April 1, - June 30, 2019)	\$3,613,000

Project Assistance, Subsidy, and Loan Terms

The DWSRF Operating Agreement requires reporting of loan terms annually for new assistance projects. Table 6 details the loan terms established in the DWSRF binding commitments from FY 2019.

Drinking Water State Revolving Fund
Draft Annual Report FY 2019
 September 2019

Table 6: FY 2019 Binding Commitments Loan Terms

Binding Commitments and Loan Terms for Drinking Water SRF State Fiscal Year (FY) 2019 and Federal Fiscal Year (FFY) 2018								
	Agreement Date	Loan Recipient	Loan Number	Loan Term	Interest Rate	Loan Amount	Base	Principal Forgiveness
FY 2019 Capitalization Grant	11-26-2018	Ocoee Utility District	DW6 2019-210	20 years	1.48%	\$ 1,000,000	\$ 800,000	\$ 200,000
	11-26-2018	Smith Utility District	DW6 2019-212	20 years	0.79%	\$ 933,000	\$ 746,400	\$ 186,600
	02-08-2019	Humboldt	DW6 2019-213	20 years	1.22%	\$ 1,000,000	\$ 800,000	\$ 200,000
	02-08-2019	Humboldt	DW7 2019-214	20 years	1.22%	\$ 1,000,000	\$ 800,000	\$ 200,000
	06-27-2019	Bell Buckle	DW7 2019-218	20 years	0.00%	\$ 325,000	\$ -	\$ 325,000
	Total from FY 2019 Capitalization Grant						\$ 4,258,000	\$ 3,146,400
DWSRF Revolving Fund	11-26-2018	Ocoee Utility District	DWF 2019-211	20 years	1.48%	\$ 1,799,300	\$ 1,799,300	\$ -
	02-08-2019	Humboldt	DWF 2019-215	20 years	1.22%	\$ 4,000,000	\$ 4,000,000	\$ -
	05-09-2019	Oak Ridge	DWF 2019-216	5 years	1.08%	\$ 3,288,000	\$ 3,288,000	\$ -
	Total from DWSRF Revolving Fund						\$ 9,087,300	\$ 9,087,300

Timely Expenditure of Funds

The State of Tennessee’s CWSRF program provides timely disbursements of funds for projects. This assists the state in reducing unliquidated obligations. When a loan is executed, the date is set for the first repayment based on the scheduled completion date for project construction. The fixed repayment date is rarely revised to accommodate project delays and serves as incentive for timely construction of the project.

TDEC generally processes disbursement requests within the required timeline, which is thirty (30) calendar days of receipt. This requirement is per CFR §200.305 (Payment) which states, “reimbursement is the preferred method when the requirements in paragraph (b) cannot be met, when the Federal awarding agency sets a specific condition per §200.207 Specific conditions, or when the non-Federal entity requests payment by reimbursement. This method may be used on any Federal award for construction, or if the major portion of the construction project is accomplished through private market financing or Federal loans, and the Federal award constitutes a minor portion of the project. When the reimbursement method is used, the Federal awarding agency or pass-through entity must make payment within 30 calendar days

Drinking Water State Revolving Fund
Draft Annual Report FY 2019
 September 2019

after receipt of the billing, unless the Federal awarding agency or pass-through entity reasonably believes the request to be improper.”

TDEC DWSRF disbursed \$857,702 in FY 2019. With each disbursement to loan recipients, the state provided the necessary match. This activity occurred in the 4th Quarter. Table 7 provides details of disbursement totals by project through FY 2019.

Table 7: Disbursement Totals for DWSRF in FY 2019

Disbursement Totals from Drinking Water SRF					
State Fiscal Year (FY) 2019 and Federal Fiscal Year (FFY) 2018					
Loan Recipient	Loan Number	Federal Dollars		State Match	Total Disbursement
Cleveland Utilities	DW6 2017-192	\$	30,055.32	\$ 7,155.68	\$ 37,211.00
Paris	DWF 2016-178	\$	15,874.54	\$ 3,779.46	\$ 19,654.00
Waverly	DG6 2018-208	\$	129,904.01	\$ 30,927.99	\$ 160,832.00
Parsons	DG6 2017-185	\$	7,724.84	\$ 1,839.16	\$ 9,564.00
Brighton	DW6 2018-201	\$	13,147.74	\$ 3,130.26	\$ 16,278.00
Waverly	DG6 2018-208	\$	12,658.27	\$ 3,013.73	\$ 15,672.00
Gainesboro	DG5 2016-183	\$	9,110.05	\$ 2,168.95	\$ 11,279.00
Humboldt	DW6 2019-213	\$	237,967.80	\$ 56,656.20	\$ 294,624.00
Brighton	DW6 2018-201	\$	70,657.60	\$ 16,822.40	\$ 87,480.00
Lebanon	DWF 2015-162	\$	55,560.07	\$ 13,227.93	\$ 68,788.00
Lebanon	DWF 2015-162	\$	110,105.66	\$ 26,214.34	\$ 136,320.00
Totals for Disbursement in FY 2019		\$	692,765.91	\$ 164,936.09	\$ 857,702.00

The pace rate for the State cumulatively is 77 percent (the national average is 96 percent). DWSRF has fallen off our target pace as we continue to modernize the program. The TDEC SRF program has gone through significant changes, including a new Director and new staff. The change in management required the program evaluate and re-valuate current processes, slightly delaying the execution rate of loans. DWSRF expects to pick up the pace in FY2020, exceeding the current pace and striving for a rate on par with the national average. At this rate (77%), the state disbursed a total of \$263,188,172 from the DWSRF.

Assurances of Compliance

TDEC SRF ensures all activities in the Drinking Water program comply with all state and federal requirements. This includes requiring recipients of funds directly made available by capitalization grants to comply with applicable federal authorities. The State attests adherence to the rules of cash draws. All cash draws for administrative assistance were made after costs had been incurred and in compliance with federal rules. The State attests to complying with state and federal requirements concerning grant

Drinking Water State Revolving Fund
Draft Annual Report FY 2019
September 2019

payments and expenditures. TDEC SRF certifies state laws regarding commitments and expenditure of revenue is followed. Further, the state attests to accepting grant payments in accordance with the negotiated payment schedule.

TDEC SRF ensures each financial assistance recipient provides assurances of compliance with all applicable federal and state requirements. These assurances include all financial requirements, adhering to generally accepted accounting principles, government accounting standards, and compliance with the federal Single Audit Act. These assurances shall be incorporated into the loan or bid documents (where applicable) to assure compliance with all state and federal regulations.

State Environmental Review Process

During FY 2019, the TDEC SRF program conducted environmental reviews on all funded projects in accordance with the State Environmental Review Process. It was determined that no Environmental Impacts Statements (EIS) were necessary, instead an Environmental Assessment (EA) / Finding of No Significant Impact (FNSI) or Categorical Exclusion (CE) were issued for each project.

Additional Requirements

Disadvantaged Business Requirements

TDEC negotiated with EPA Region 4 an overall fair share objective of 2.60% for construction and 5.20% for supplies, services and equipment for Minority Business Enterprise (MBE) and 2.60% for construction and 5.20% for supplies, services, and equipment for Women's Business Enterprise (WBE) participation on CWSRF projects. During FY 2019, a total of \$5,237,049.33 procurement contracts were awarded. Of this amount, there were zero (0) MBE contracts totaling \$0.00. There was one (1) WBE contracts totaling \$139,675. The percentages of participation on MBE and WBE contracts awarded were 0% and 2.67%, respectively.

The DWSRF program informs the loan recipients and their consulting engineering firms to contact the Office of Minority Business for additional MBE/WBE guidance and assistance. The DWSRF Loan Agreement's General Loan Conditions contain the DWSRF Loan recipient's responsibilities for DBE participation.

Davis Bacon Wage Rate

The FFY 2018 DWSRF Capitalization Grant requires the Davis-Bacon Act wage rules to apply to all assistance agreements made in whole or in part with funds appropriated under the FFY 2018 Capitalization Grant. The SRF Loan Program along with the Department of Labor provides all pertinent information related to compliance with labor standards, including prevailing wage rates and instructions for reporting.

**Drinking Water State Revolving Fund
Draft Annual Report FY 2019**
September 2019

American Iron, Steam, and Manufactured Goods

TDEC SRF attests to the adherence of projects by loan recipients for the requirements of the American Iron and Steel (AIS) provision. The AIS provision requires Clean Water State Revolving Fund (CWSRF) and Drinking Water State Revolving Fund (DWSRF) assistance recipients to use iron and steel products that are produced in the United States. This requirement applies to projects for the construction, alteration, maintenance, or repair of a public water system or treatment works and if the project is funded through an assistance agreement executed beginning January 17, 2014.

The AIS provision is a permanent requirement for all DWSRF projects. The America's Water Infrastructure Act of 2018 extends the AIS provision for DWSRF projects through Fiscal Year 2023.

Green Project Reserve

The FFY 2018 DWSRF Capitalization Grant provides a portion of the funds to be allocated towards subsidy. The amount of subsidization TDEC SRF provided for Green Reserve Projects was \$0, or 0% of the grant award. The state has not met this goal. The state is working to develop a marketing and outreach strategy to highlight the benefits of, and encourage communities to utilize green components as part of an overall project. The DWSRF will strive to commit 18% of capitalization grant funds to green projects in future years.

Additional Subsidization (Principal Forgiveness)

The state is required, by §1452(a)(2) of the Safe Drinking Water Act (SDWA), to use twenty (20) percent of the FFY 2019 Project Funds to provide loan assistance to systems serving fewer than 10,000 persons to the extent that there are a sufficient number of eligible projects to fund. Tennessee met these requirements by providing five (5) projects with \$1,111,600 amount of dollars. This totaled 26.11% of the DWSRF Capitalization Grant for FFY 2018.

Tennessee's DWSRF Loan Program developed a new initiative in FY 2019 to distribute principal forgiveness. The small and disadvantaged community principal forgiveness initiative is a process that portions funds for disadvantaged communities with an Ability To Pay of less than 60%. These communities are eligible for a range of subsidy from a portion of the project through the total project receiving principle forgiveness.

Environmental Results

Projects are entered into the Public Water Benefits Reporting System database quarterly. This database is current for all projects funded in Tennessee during FY 2019. Reports are electronically available to the USEPA for all Drinking Water SRF loans.

Performance Evaluation Reports (PER) Recommendations and Findings

The USEPA Region 4 SRF program conducted a Financial and Compliance Audit Report in December 2018. The audit resulted in no observations of findings. There were several items identified by USEPA that require

Drinking Water State Revolving Fund
Draft Annual Report FY 2019
 September 2019

action to improve efficiencies in the DWSRF program. Table 8 highlights the recommendations by the USEAP and actions taken by DWSRF.

Table 8: Recommendations from USEPA Annual Review

Item	Action Needed	Status
Update DWSRF Operating Agreement	Update to reflect: Water Infrastructure Improvements for the Nation Act (WIIN), American Water Infrastructure Act (AWIA), and any changes to the Tennessee program	Currently working with EPA R4 to update and will finalize by December 31, 2019
Did not meet 7.8% Disadvantaged Business Enterprises (DBE) goal	Ensure borrowers follow the six affirmative steps to maximize DBE participation	Currently updating IUP, loan documents, and other internal processes to ensure that emphasis on affirmative steps to meet goal
Increase DWSRF pace (cumulative amount of loans issued as a percentage of all loan funds available); TN is currently at 72% and the national average is 96%	Increase pace to at least 80% by June 30, 2019 (increase number of loans by increasing demand through education, outreach, technical assistance, and other actions)	SRF will receive marketing assistance from EPA this summer; currently increasing community engagement; improved solicitation method for 2019 with greater response in PRLs; improving internal communication and monitoring of PRLs; developing strategy for small and disadvantaged communities; transferred \$42.8M from DWSRF to CWSRF
Institute a loan fee to meet State match requirements for EPA DWSRF Cap Grant	May require amendment to TCA 68-221-1204 to allow for fee collection and creation of an account.	Currently coordinating with SLF and EPA R4 to determine fee details

Spotlight on Community Projects

The Town of Gainesboro

The Town of Gainesboro, located in rural, distressed, Jackson County, TN, owns and operates a water distribution system that serves approximately 700 residential customers, 86 commercial customers, 5

**Drinking Water State Revolving Fund
Draft Annual Report FY 2019**
September 2019

industries, and 1 utility district. The Town utilizes the Cumberland River as its sole source of water supply and was suffering from a significant amount of non- water revenue. The Gainesboro Water Treatment Plant had a design capacity of 0.73 million gallons per day (MGD) and, at the time of the loan application, averaged a daily production of 0.549 MGD. More than half of the water pumped from the treatment plant was lost in the distribution system prior to sale, causing a financial drain upon Gainesboro’s water system. The proposed project included leak detection survey(s), the replacement of water mains, service lines, meters, and the addition of zone flow meters, in hopes of reducing water loss within the system.

Project Highlights

- Replacement of aging infrastructure to address non-water revenue
- The town went from 54% water loss by volume to 28%
- Reduction in water loss will reduce pumping and chemical costs
- Reduction in water loss will reduce source water consumption and effectively expand the distribution capacity without increasing plant capacity
- Energy savings and reduction in carbon emissions by installing automatic meter readers

Erwin, Tennessee

Erwin is a small mountain community in east Tennessee. The town’s relied on O’Brien Water Tanks built in 1921 and 1923 to hold its water supply which were failing. The replacement of the old above ground water storage tanks was essential for Erwin Utilities to continue to provide a safe and dependable supply of drinking water to its customers. Replacement of these failing tanking required the demolition of O’Brien Water Storage Tanks and construction of a new 500,000-gallon glass-fused-to-steel above ground storage tank and associated piping and accessories.

Project Highlights

- Replacement of aging infrastructure
- Principle forgiveness for a small and disadvantaged community
- Improvement for the delivery of water to citizens of Erwin

City of Parsons

The City of Parsons is a small and disadvantaged community along the Tennessee River in west Tennessee. The aging Parsons Water Treatment Plant was an inefficient 50 year old facility with a host of upgrade needs. Plant updates throughout the years had led to hazardous and unreliable conditions where electrical equipment was constantly exposed to corrosive chlorine gas. The city agreed to a greener and more efficient plant engineered to save the community hundreds of thousands of dollars and dramatically reduce the

The City of Parsons is at the foot of Kentucky Lake and in the middle of a zone of significant biological diversity. Federally threatened and endangered species like the Bald Eagle, Pigmy Rattlesnake, rare Heron rookeries, American Ginseng, and Maryland Milkwort call the area “home”. Funding projects with a focus on improving drinking water supplies while increasing water conservation can assist with efforts to protect unique habitats multiplying the benefits for citizens of Tennessee.

**Drinking Water State Revolving Fund
Draft Annual Report FY 2019**
September 2019

amount of energy used to produce water for the small community.

Project Highlights

- Efficient flocculation and settling basins resulting in higher quality water and reduced sludge, including a backwash process that saves 4.7 million gallons of treated water per year.
- 96% of previously wasted water saved from being pumped from the Tennessee River annually.
- Predicted savings for the community over twenty years is \$652,700

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**Drinking Water State Revolving Fund
Draft Annual Report FY 2019
September 2019**

Appendix

Assistance Provided in FY 2019

State of Tennessee
Detailed Listing of Assistance Provided
Reporting Year 2019

Loan Number	Other Number	Initial Agreement Date	Latest Agreement Date thru RY	Borrower	Number of Agreements	NIMS Current Year Change	Year End
<u>New Assistance</u>							
DW6 2019-212		12/12/2018	12/12/2018	Smith Utility District		933,000	933,000
DW62019-210		11/26/2018	11/26/2018	Ocoee UD		1,000,000	1,000,000
DW62019-213		2/8/2019	2/8/2019	Humboldt		1,000,000	1,000,000
DW72019-214		2/8/2019	2/8/2019	Humboldt		1,000,000	1,000,000
DW72019-218		6/27/2019	6/27/2019	Bell Buckle		325,000	325,000
DWF2019-211		11/26/2018	11/26/2018	Ocoee UD		1,799,300	1,799,300
DWF2019-215		2/8/2019	2/8/2019	Humboldt		4,000,000	4,000,000
DWF2019-216		5/9/2019	5/9/2019	Oak Ridge		3,288,000	3,288,000
New Assistance to Report:					8	13,345,300	13,345,300

Loan Decreases in FY 2019

Changes in Assistance

DW42016-170		12/7/2015	10/18/2018	Carthage		-30,760	1,561,240
DW62017-196		8/17/2017	11/6/2018	Paris		-1,000,000	0
DW62018-200		9/22/2017	2/25/2019	Bell Buckle		-2,996	163,004
DWF2014-143		5/6/2014	8/13/2018	Dekalb Utility District		-1,613,769	5,386,231
DWF2016-178		8/11/2016	5/14/2019	Paris		-346	499,654
DWF2017-197		8/17/2017	11/6/2018	Paris		-500,000	0
Changes in Assistance to Report:					0	-3,147,871	7,610,129
						10,197,429	20,955,429

**Drinking Water State Revolving Fund
Draft Annual Report FY 2019**
September 2019

Project Completions in FY 2019

State of Tennessee
Detailed Listing of Project Completions
Reporting Year 2019

Project Number	Other Number	Initial Agreement Date	Latest Agreement Date thru RY	Project Completion Date	Borrower	Number of Agreements	Number of Projects Completed	NIMS Current Year Change	Year End
Prior Assistance Year Projects									
DG52016-183		2/10/2017	2/10/2017	11/13/2018	Gainesboro		1	648,150	648,150
DG52017-186		3/21/2017	3/21/2017	9/12/2018	Erwin		1	1,500,000	1,500,000
DG62017-185		4/6/2017	4/6/2017	5/16/2019	Parsons		1	1,000,000	1,000,000
DW22015-161		8/12/2015	8/12/2015	6/7/2019	Lebanon		1	904,000	904,000
DW42015-158		12/7/2015	12/7/2015	7/19/2018	Warren County Utility District		1	2,500,000	2,500,000
DW42016-170		12/7/2015	10/18/2018	7/17/2018	Carthage		1	1,561,240	1,561,240
DW42017-198		8/17/2017	8/17/2017	10/24/2018	Troy		1	699,950	699,950
DW52017-190		2/10/2017	2/10/2017	8/14/2018	Castalian Springs Bethpage Water Utility District		1	1,245,980	1,245,980
DW62017-192		6/22/2017	6/22/2017	10/11/2018	Cleveland		1	1,000,000	1,000,000
DW62018-200		9/22/2017	2/25/2019	7/11/2018	Bell Buckle		1	163,004	163,004
DW62018-205		3/13/2018	3/13/2018	1/8/2019	Erwin		1	750,000	750,000
DWF2015-162		8/12/2015	8/12/2015	6/7/2019	Lebanon		1	1,271,000	1,271,000
DWF2016-174		2/10/2017	2/10/2017	8/14/2018	Castalian Springs Bethpage Water Utility District		1	354,020	354,020
DWF2016-175		6/9/2016	6/9/2016	12/14/2018	Fayetteville		1	5,050,000	5,050,000
DWF2017-187		3/21/2017	3/21/2017	9/12/2018	Erwin		1	500,000	500,000
DWF2017-191		4/6/2017	4/6/2017	5/16/2019	Parsons		1	1,250,000	1,250,000
DWF2017-193		6/22/2017	6/22/2017	10/11/2018	Cleveland		1	195,000	195,000
DWF2018-199		11/8/2017	11/8/2017	7/17/2018	Carthage		1	65,000	65,000
DWF2018-204		1/25/2018	1/25/2018	5/16/2019	Parsons		1	587,000	587,000
DWF2018-205		1/25/2018	1/25/2018	10/11/2018	Cleveland		1	430,000	430,000
Prior Assistance Year Projects to Report:						20	20	21,674,344	21,674,344
Changes In Assistance									
DWF2014-143		5/6/2014	8/13/2016	2/17/2017	Dekalb Utility District		0	-1,613,769	5,386,231
Changes In Assistance to Report:						0	0	-1,613,769	5,386,231



Drinking Water State Revolving Fund
Draft Annual Report FY 2019
 September 2019

Project Starts in FY 2019

State of Tennessee
 Detailed Listing of Project Starts
 Reporting Year 2019

Project Number	Other Number	Initial Agreement Date	Latest Agreement Date thru RY	Project Start Date	Borrower	Number of Agreements	NIMS Current Year Change	Year End
Prior Assistance Year Projects								
DG62018-208		5/16/2018	5/16/2018	1/14/2019	Waverly		273,375	273,375
DW62018-202		5/16/2018	5/16/2018	1/28/2019	Lebanon		1,000,000	1,000,000
DW62018-206		3/13/2018	3/13/2018	8/13/2018	Erwin		750,000	750,000
DW62018-207		3/13/2018	3/13/2018	1/7/2019	Bell Buckle		294,000	294,000
DWF2018-203		5/16/2018	5/16/2018	1/28/2019	Lebanon		300,000	300,000
Prior Assistance Year Projects to Report:						5	2,617,375	2,617,375
New Assistance								
DW6 2019-212		12/12/2018	12/12/2018	5/20/2019	Smith Utility District		933,000	933,000
DW62019-210		11/26/2018	11/26/2018	5/13/2019	Ocoee UD		1,000,000	1,000,000
DW72019-218		6/27/2019	6/27/2019	1/7/2019	Bell Buckle		325,000	325,000
DWF2019-211		11/26/2018	11/26/2018	5/13/2019	Ocoee UD		1,799,300	1,799,300
New Assistance to Report:						4	4,057,300	4,057,300
Changes in Assistance								
DW42016-170		12/7/2015	10/18/2018	3/1/2017	Carthage		-30,760	1,561,240
DW62017-196		8/17/2017	11/6/2018	11/20/2017	Paris		-1,000,000	0
DW62018-200		9/22/2017	2/25/2019	2/19/2018	Bell Buckle		-2,996	163,004
DWF2014-143		5/6/2014	8/13/2018	6/1/2015	Dekalb Utility District		-1,613,769	5,386,231
DWF2017-197		8/17/2017	11/6/2018	11/20/2017	Paris		-500,000	0
Changes in Assistance to Report:						0	-3,147,525	7,110,475
							3,527,150	13,785,150



Drinking Water State Revolving Fund
Draft Annual Report FY 2019
 September 2019

Assistance Provided by Need Category FY 2019

State of Tennessee
 Detailed Listing of Assistance by Project Needs Categories
 Reporting Year 2018

Loan Number	Other Number	Initial Agreement Date	Latest Agreement Date thru RY	Borrower	Number of Agreements*	Project Type Amount
Treatment						
<u>New Assistance</u>						
DW62017-196		8/17/2017	8/17/2017	Paris		1,000,000
DWF2017-195		8/17/2017	8/17/2017	Paris		375,000
DWF2017-197		8/17/2017	8/17/2017	Paris		500,000
DWF2018-199		11/8/2017	11/8/2017	Carthage		65,000
DWF2018-204		1/25/2018	1/25/2018	Parsons		293,500
New Assistance to Report:					5	2,233,500
Total to Report for Treatment:					5	2,233,500



Loan Number	Other Number	Initial Agreement Date	Latest Agreement Date thru RY	Borrower	Number of Agreements*	Project Type Amount
Transmission & Distribution						
<u>New Assistance</u>						
DG62018-208		5/16/2018	5/16/2018	Waverly		273,375
DW42017-198		8/17/2017	8/17/2017	Troy		699,950
DW62018-200		9/22/2017	9/22/2017	Bell Buckle		166,000
DW62018-201		1/25/2018	1/25/2018	Brighton		698,400
DW62018-202		5/16/2018	5/16/2018	Lebanon		1,000,000
DW62018-207		3/13/2018	3/13/2018	Bell Buckle		294,000
DWF2018-203		5/16/2018	5/16/2018	Lebanon		300,000
DWF2018-205		1/25/2018	1/25/2018	Cleveland		215,000
New Assistance to Report:					8	3,646,725
<u>Changes in Assistance</u>						
DG32016-169		12/7/2015	9/7/2017	Carthage		-9,466
DG52016-179		8/11/2016	11/6/2017	Oakland		-247,477
DW02010-108		3/16/2011	12/19/2017	Giles County-FairviewUD		-8,879
DW32015-165		8/12/2015	9/14/2017	First Utility District of Tipton County		-5,778
DW42015-154		4/15/2015	1/29/2018	Smyrna		-1,839,431
DWF 2017-194		6/22/2017	2/2/2018	Smith Utility District		-89,213
DWF2013-133		6/25/2013	11/7/2017	Cumberland Utility District		-635,111
DWF2014-140		10/8/2014	2/6/2018	Kingsport		-1,443,399
DWF2014-153		4/15/2015	1/29/2018	Smyrna		-668,721
DWF2016-172		6/9/2016	6/18/2018	Cleveland		-836,269
DWF2016-184		9/21/2016	5/30/2018	First Utility District of Hawkins County		-971,818
Changes in Assistance to Report:					0	-6,755,562
Total to Report for Transmission & Distribution:					8	-3,108,837

Drinking Water State Revolving Fund
Draft Annual Report FY 2019
 September 2019

Loan Number	Other Number	Initial Agreement Date	Latest Agreement Date thru RY	Borrower	Number of Agreements*	Project Type Amount
Storage						
<u>New Assistance</u>						
DW62018-206		3/13/2018	3/13/2018	Erwin		750,000
DWF2017-195		8/17/2017	8/17/2017	Paris		375,000
DWF2018-204		1/25/2018	1/25/2018	Parsons		293,500
DWF2018-205		1/25/2018	1/25/2018	Cleveland		215,000
				New Assistance to Report:	4	1,633,500
<u>Changes in Assistance</u>						
DWF2015-166		8/12/2015	9/14/2017	First Utility District of Tipton County		-263,558
				Changes in Assistance to Report:	0	-263,558
				Total to Report for Storage:	4	1,369,942

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**Drinking Water State Revolving Fund
Draft Annual Report FY 2019**
September 2019

DWSRF Net Position FY 2019

	FY 2019	FY 2018
<u>Statement of Net Position</u>		
<u>ASSETS</u>		
Current assets:		
Cash	58,185,281.86	92,778,881.28
Receivables		
Loans receivable	9,545,222.46	8,924,103.80
Interest receivable on loans	0.30	0.30
	<u>67,730,504.62</u>	<u>101,702,985.38</u>
Total current assets		
Noncurrent assets:		
Loans receivable	123,144,976.81	124,803,617.11
	<u>123,144,976.81</u>	<u>124,803,617.11</u>
Total noncurrent assets		
Total assets	<u>190,875,481.43</u>	<u>226,506,602.49</u>
<u>LIABILITIES</u>		
Current liabilities:		
Payable to borrowers	78,268.00	46,986.00
	<u>78,268.00</u>	<u>46,986.00</u>
Total current liabilities		
Noncurrent liabilities:		
Borrower deposits payable	3,658,844.00	3,543,569.00
	<u>3,658,844.00</u>	<u>3,543,569.00</u>
Total noncurrent liabilities		
Total liabilities	<u>3,737,112.00</u>	<u>3,590,555.00</u>
<u>NET POSITION</u>		
Unrestricted	<u>187,138,369.43</u>	<u>222,916,047.49</u>
Total net position	<u>187,138,369.43</u>	<u>222,916,047.49</u>

Drinking Water State Revolving Fund
Draft Annual Report FY 2019
 September 2019

DWSRF Cash Flows FY 2019

	FY 2019	FY 2018
<u>Statement of Cash Flows</u>		
Payments to service providers	(547,272.67)	(298,030.47)
Net cash used by operating activities	(547,272.67)	(298,030.47)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Operating grants received	1,216,762.70	6,973,216.22
Transfers in	3,845,875.87	3,869,494.25
Transfers out	(42,809,917.00)	-
Net cash provided (used) by noncapital financing activities	(37,747,278.43)	10,842,710.47
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Loans issued and other disbursements to borrowers	(9,547,746.00)	(16,759,015.00)
Collections of loan principal	9,545,135.44	13,146,412.61
Security deposits from borrowers	200,918.00	13,478.00
Interest received on loans	1,874,505.57	1,942,268.40
Interest received on investments	1,760,767.67	1,092,226.06
Amounts repaid to borrowers	(132,629.00)	(121,083.06)
Net cash provided (used) by investing activities	3,700,951.68	(685,712.99)
Net increase (decrease) in cash	(34,593,599.42)	9,858,967.01
Cash, July 1	92,778,881.28	82,919,914.27
Cash, June 30	58,185,281.86	92,778,881.28
Reconciliation of operating income to net cash used by operating activities:		
Operating income	3,009,732.57	2,689,477.99
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Revenue from loans	(1,874,505.57)	(1,942,268.40)
Interest income	(1,682,499.67)	(1,045,240.06)
Total adjustments	(3,557,005.24)	(2,987,508.46)
Net cash used by operating activities	(547,272.67)	(298,030.47)

Drinking Water State Revolving Fund
Draft Annual Report FY 2019
 September 2019

DWSRF Revenues and Expenses FY 2019

	FY 2019	FY 2018
<u>Statement of Revenues, Expenses, and Changes in Net Position</u>		
<u>OPERATING REVENUES</u>		
Revenue from loans	1,874,505.57	1,942,268.40
Interest income	<u>1,682,499.67</u>	<u>1,045,240.06</u>
Total operating revenues	<u>3,557,005.24</u>	<u>2,987,508.46</u>
<u>OPERATING EXPENSE</u>		
Administrative expense	<u>547,272.67</u>	<u>298,030.47</u>
Total operating expense	<u>547,272.67</u>	<u>298,030.47</u>
Operating income	<u>3,009,732.57</u>	<u>2,689,477.99</u>
<u>NONOPERATING REVENUE</u>		
Capitalization grant	<u>1,216,762.70</u>	<u>6,973,216.22</u>
Total nonoperating revenue	<u>1,216,762.70</u>	<u>6,973,216.22</u>
<u>NONOPERATING EXPENSE</u>		
Forgiveness of loan principal	1,040,132.20	2,695,169.70
Total nonoperating expense	<u>1,040,132.20</u>	<u>2,695,169.70</u>
Income before transfers	3,186,363.07	6,967,524.51
Transfers in	3,845,875.87	3,869,494.25
Transfers out	<u>(42,809,917.00)</u>	<u>-</u>
Change in net position	(35,777,678.06)	10,837,018.76
Net position, July 1	<u>222,916,047.49</u>	<u>212,079,028.73</u>
Net position, June 30	<u>187,138,369.43</u>	<u>222,916,047.49</u>

**Drinking Water State Revolving Fund
Draft Annual Report FY 2019**
September 2019

DWSRF Administrative Expenses



STATE OF TENNESSEE
DEPARTMENT OF ENVIRONMENT AND CONSERVATION
NASHVILLE, TENNESSEE 37243-0435

DAVID W. SALYERS, P.E.
COMMISSIONER

BILL LEE
GOVERNOR

MEMORANDUM

TO: Michelle Earhart, Deputy Chief of Accounts
Department of Finance and Administration

FROM: Benny Romero, Department Controller *BR-8-12-19*

DATE: 12-Aug-19

SUBJECT: Department of Environment and Conservation 327
Drinking Water State Revolving Fund 33
Administrative Cost

Shown below is a detailed listing by Account of the Administrative Costs of the Drinking Water State Revolving Fund Program for Fiscal Year 2019 (July 1 - June 30)

- PERIOD 992		
70100	Salaries	\$ 324,086.96
70200	Benefits	\$ 150,698.38
	Total Payroll Expenditures	\$ 474,785.34
70300	Travel	\$ 4,191.46
70600	Communication and Shipping	\$ 203.95
70800	Professional Services	\$ 722.22
70900	Supplies	\$ 7,221.36
71000	Rent/Insurance	\$ -
71100	Vehicle	\$ -
71200	Award -Indemnity	\$ -
71400	Unclassified	\$ -
72100	Training	\$ 4,382.22
72200	Data Processing	\$ 2,267.88
72500	Professional Services	\$ 32,011.06
89040	Indirect Costs	\$ 21,487.18
	Total Other Expenditures	\$ 72,487.33
	Grand Total Expenditures	\$ 547,272.67
680001	Direct - Federal Revenue - Drinking Water	(\$502,509.62)
680001	Indirect -Federal Revenue - Drinking Water	(\$21,487.18)

Fleming Training Center Results Report

Fleming Training Center SDWA Annual Report July 2018 - June 2019

RESULTS:

(1) TRAINING

Total Students	2018-19	1,687	Total Student Days	2018-19	4,109
Total WT/DS Students	2018-19	468	Total WT/DS Student Days	2018-19	1,097
Total WT/DS Students < 10,000 Systems:	2018-19	145	Total WT/DS Student Days < 10,000 Systems:	2018-19	314
WT/DS Students < 10,000 Systems as % of Total Students	2018-19	8.60%	WT/DS Students < 10,000 Systems as % of Total Student Days	2018-19	28.62%

(2) CERTIFICATION

Total certificates	2018-19	6,159
Total WT/DS certificates		3,628
Total WT/DS certificates < 10,000 Systems:		1,196
WT/DS certificates < 10,000 Systems as % of Total Certificates		33.0%
		19.0%

ASSUMPTIONS:

* FTC budget consists of \$667,000.00 in fees (EPF) plus \$385,860.00 in EPA funds (SDWA Technical Assistance Grant for SWS) - allotment code 327.44, cc's 245 & 246.

(3) TECHNICAL ASSISTANCE

Total number of assists	2018-19	369	Total hours t.a.	2018-19	192
Total number WT/DS assists	2018-19	206	Total WT/DS hours t.a.	2018-19	136
Total number WT/DS assists <10,000 Systems:	2018-19	52	Total WT/DS hours t.a. < 10,000 Systems:	2018-19	54
WT/DS assists <10,000 Systems as % of Total number assists	2018-19	15.50%	WT/DS hrs. t.a. < 10,000 Systems as % of Total hrs. t.a.	2018-19	27.80%