

## **8. Disadvantaged Community PWS Assistance**

### **8A. Definition of Disadvantaged Community PWS**

A Financially Disadvantaged Community PWS is defined as any PWS that serves a community and can demonstrate that its year-round residential water consumers have a median household income (MHI) of \$63,182 per year or less or when the ratio of average annual water bill to median household income is 0.8% or greater.

An Environmentally Disadvantaged Community Public Water System is a non-transient or community PWS that is: affected by environmental pollution, naturally occurring contaminant(s) and/or has lead contamination in the water supply or lead materials in the service line materials; and is at risk for negative health effects due to contamination and/or there is water supply or lead service lines containing lead. DWSRF Disadvantaged Community PWS Assistance will only be allowed where the disadvantaged water consumers will directly benefit from the assistance.

### **8B. Total Amount of Funds Available for Disadvantaged Community PWS Assistance**

The 2024 DWSRF budget appropriation requires a minimum of 12% of the 2024 Base Capitalization Grant (\$559,320) and exactly 49% of the Supplemental Capitalization Grant (\$11,262,650) to be available for Disadvantaged Community PWS projects as principal forgiveness assistance. Loan subsidies are defined as funds given out either as principal forgiveness (grant) or as negative interest rates. Maine's DWSRF Program plans to give out subsidies to Disadvantaged Community PWSs only in the form of principal forgiveness.

Principal forgiveness will be made available to the highest-ranking projects first. A PWS must meet all the requirements of Section 5 of this IUP (capacity development, plans and specifications, and environmental review and approval) to enter into a loan agreement.

PWSs receiving loans with principal forgiveness as a "Disadvantaged Community" will be required to finance their project with a DWSRF Interim Loan or local Bond Anticipation Note. Financing with a DWSRF Long Term Loan will be made available after satisfactory determination of final project cost.

PWSs that qualify for at least 20% principal forgiveness funds that enter a DWSRF loan agreement and want to proceed with construction of their DWSRF eligible project after that year's allotment of principal forgiveness has been committed to other projects will be eligible to receive loans at an interest rate described in Section 8E. A loan term of less than 30 years is possible if the applicant selects a shorter loan repayment period, or the Program reduces the term to the life expectancy of the project. Uncommitted forgiveness cannot be carried forward into the following grant period.

### **8C. Loan Fees and Costs**

The one-time 0.9% DWP Project Management Fee on the total principal (forgiven and non-forgiven) and 5% MMBB Loan Administrative Fee will not be waived for PWSs that receive Disadvantaged Community Assistance. The DWP Project Management Fee will be paid from the portion of the loan that has been forgiven.

### **8D. Affordability Criteria**

The Affordability Criteria will be based on the Median Household Income (MHI) of the PWS's year-round residential customers or the PWS's calculated Average Annual Water Bill to MHI Ratio.

Criteria I (MHI):

System wide Residential customers of a PWS must have an MHI of \$63,182 per year or less to qualify for receipt of Disadvantaged Community PWS assistance. This figure represents the average MHI for non-metropolitan Maine from the American Community Survey 5-Year Estimate (2017-2021) prepared by the US Census Bureau. The income data used to determine MHI should be that which most accurately reflects the income of the year-round residential customers in a PWS's service area. This data can come from either the American Community Survey 5-Year Estimates (2017-2021), or from a more current independent PWS income survey. All income surveys must be submitted to the Program for review and approval before the results can be used to determine the amount of DWSRF disadvantaged assistance to which a PWS is entitled. An independent Income Survey must be completed prior to and included with the SRF funding application. Income surveys must be conducted by an independent third-party using a methodology approved by the Program. Income surveys shall not be valid for more than three years.

Criteria II (Average Annual Water Bill to MHI Ratio):

The Ratio is Calculated as follows:

(Cost of 2,000 cubic feet of water per quarterly billing cycle X 4 quarters) / MHI

\*A basis of 2,000cf. of water per quarter is used for average water consumption.

8E. Limitations/Terms of Disadvantaged Community Assistance

Disadvantaged Community Assistance subsidies in the form of principal forgiveness will be available to Community Water PWSs at maximum levels of 20, 35, 50, and 75 percent of the requested DWSRF loan amount based upon the following:

**Water Rates as a Percentage of Median Household Income PF (%)**

MHI > \$63,182 & Ratio > 0.80 or	
MHI < \$63,182 & Ratio < 0.80	20%
MHI < \$63,182 & Ratio 0.80 – 1.49	35%
MHI < \$63,182 & Ratio 1.50 – 1.99	50%
MHI < \$63,182 & Ratio >= 2.00	75%

Note that in certain cases where there are environmental justice concerns and the customer base is very limited, the DWSRF Fund Manager may increase the amount of principal forgiveness to make the resultant terms of the offer affordable.

DWSRF Base and Supplemental Grants: For PWSs with water rates as a percentage of MHI below 0.8%, the loan will be loaned for a 20-year repayment period. PWSs which qualify for Principal Forgiveness of 20% or more will be allowed for a 30-year repayment period. All Loans will have at a minimum a one percent interest rate. Loans for PWSs that qualify for this assistance will have a calculated repayment period of up to 30 years after the completion of the project but may never exceed the expected life of the project being financed. The terms of financial assistance to Disadvantaged Community PWSs will vary depending upon the MWRG (see Section 8D) for each PWS. Subsidy and terms will be determined at the time a PWS applies to the MMBB, accompanied by all supporting documentation necessary for the MMBB to make these determinations.

Community PWSs not regulated by the Maine Public Utility Commission that do not have water user rates in place may also be considered for Disadvantaged Community assistance. An applicant can

propose an alternative methodology for review and consideration by the Program to determine the individual water user cost for 2,000 cubic feet of water consumed per calendar year quarter.

Nonprofit, non-Community Water PWSs may receive principal forgiveness if there is an excess of Disadvantaged Community PWS assistance dollars after all qualifying Disadvantaged Community PWS projects submitted have been financed. The amount of Principal Forgiveness given will be at the discretion of the Program.

The purchase of land or conservation easements by Disadvantaged Community PWSs using set-aside funds can only be accomplished with a loan for a maximum term of 20 years at an interest rate at or below the Standard Project Rate, but no lower than one percent.

The Program reserves the right to increase the maximum percentage of principal forgiveness if the loan subsidy requirement designated by the federal legislation is not met.

#### 8F. PWSs/Projects to Receive Assistance

Subsidies to all Projects and PWSs to receive Disadvantaged Community PWS assistance will be based on the priority ranking system stated in Section 6 and their eligibility for this assistance, as described in this Section. The projects and PWSs to receive this assistance are listed with non-Disadvantaged Community PWS projects in Attachments F and G.

#### 8G. Effects on Long-Term Funding Level of DWSRF

The maximum net long-term effect of the allocation of funds for financial assistance to Disadvantaged Community PWSs as proposed in this Section will be to reduce the future amount of funds available to the DWSRF by the amount of principal forgiveness, plus the lost interest earnings.