Subsidy Requirements

DHSS will meet minimum subsidy requirements by providing principal forgiveness or grants to 1) communities identified as disadvantaged; 2) the next most 'in need' communities as identified by the financial review and affordability criteria mentioned herein and based on project priority; and 3) applicants who meet the 2024 Additional Subsidy Provisions, Part 1) Congressional Additional Subsidy Authority Provisions. A community considered for the DWSRF Disadvantaged Community Program may receive additional subsidies to the extent that that subsidy is available and within programmatic structure.

Disadvantaged Community (DAC) definition

A disadvantaged community is one that:

1. Meets the Affordability Criteria; or

2. Is identified by EPA EJScreen tool at 90% (USA) percentile or higher for Environmental Justice Indexes or for "Low Income" under the Socioeconomic Indexes; or

3. Is identified as disadvantaged by the White House Climate and Economic Screening Tool; or

4. Is underserved; or

5. The project area is confined by and benefiting specific census tracts that have a percentage of population that is below the poverty level which is greater than the state-wide percentage of population below the poverty level.

Affordability Criteria –

Income Data – 1.5% of Median Household Income (MHI) will be considered affordable for a single wastewater or drinking water residential user rates; 3.0% of MHI will be considered affordable for combined wastewater and drinking water residential user rates. Delaware's affordability criteria accounts for existing system costs

relative to Operations and Maintenance (O&M) and Capital, as well as proposed project O&M and Capital costs as a function of MHI (1.5% water or wastewater, 3.0% if both services are provided) for the project area. MHI is based on the most recent census data for the municipality or county. DWSRF loan applicants whose MHI is not representative of the census data may be required to provide documentation to obtain principal forgiveness or additional subsidization. Documentation will be in the form of a representative income survey of the majority of the residents of the project area.

Underserved – As defined in SDWA section 1459A (emphasis added): ''(2) INCLUSIONS.—The term 'underserved community' includes a political subdivision of a State that either, as determined by the Administrator— '(A) does not have household drinking water or wastewater services; or '(B) is served by a public water system that violates, or exceeds, as applicable, a requirement of a national primary drinking water regulation issued under section 1412, including— '(i) a maximum contaminant level; '(ii) a treatment technique; and '(iii) an action level."

Borrowers in the PPL that have been identified as DACs are demarcated using the identifier illustrated in **Figure 2**, which represents each of the five (5) components of the DAC definition.

Disadvantaged Community Identifier
A = Affordability, pending final financial reviews
E = EPA EjScreen Tool
W = White House Climate and Economic Screening Tool
U = Underserved
C = Census Tract

Figure 2. DAC Identifiers on Project Priority List (PPL)

Each of the four (4) capitalization grants has additional subsidy (Ad Sub) requirements. In **Figure 3**, the anticipated totals are illustrated.

Additional Subsidy Name	Total
Lead Service Line Replacement DAC	$15,114,050
Emerging Contaminants	$7,690,000
Supplemental DAC	$11,262,650
Base DAC	$604,440
Base Congressional	$705,180

Figure 3. Anticipated Ad Sub totals

Loan Projections

DHSS proposes to fund all projects listed on the PPL using federal and state funds in addition to other sources, providing low interest loans and grants to public water systems for infrastructure improvement projects.

The Delaware DWSRF FOCUS Model, in **Figure 4**, illustrates the ability of the program to fund projects beyond the capacity federal Capitalization Grant awards.

Delaware DWSRF FOCUS Model

Financing and Cash Flow Utilization in the SRF

Version: March 2024

Summary

State Fiscal Year	2024	2025	2026	2027
New Commitments	$45,942,582	$128,410,837	$85,000,000	$85,000,000
Disbursements including Loans in Construction	$62,416,540	$129,952,593	$91,645,271	$67,723,001
Loan Repayments	$11,905,922	$13,740,308	$16,811,647	$21,602,758
Capitalization Grant Payments	$105,326,257	$66,557,000	$66,557,000	$66,557,000
State Match	$3,112,900	$5,604,400	$5,218,400	$5,218,400
End of Year Cash Balance (Not Discounted)	$153,012,047	$95,502,211	$71,811,316	$76,833,803

- New commitments for SFY24 represents loans pending settlement and approved through SFY24. SFY25 includes 100% of the FFY24 PPL. SFY26-27 are estimates.
- Capitalization Grant Payments for SFY24 include the remaining balances from SFY23 Grants received. SFY25 represents the preliminary allotments. SFY26-27 is assumed at SFY25 level.
- 80% of portfolio is traditional with a 20-year term at 2%, and 20% of portfolio is small community with a 30-year term at 1%.
- Principal forgiveness of $63 Million has been committed and is assumed at the minimum requirement amounts of the Cap Grant in future years.
- Assumes a $5 Million minimum cash balance.

Figure 4. Delaware DWSRF FOCUS Model