



DELAWARE HEALTH AND SOCIAL SERVICES
Division of Public Health

2020 Bond Bill Appropriation



Drinking Water State Revolving Fund

Since the inception of the Drinking Water State Revolving Fund (DWSRF) in 1996, as an amendment to the Safe Drinking Water Act, public water systems in Delaware had just three options for financing infrastructure improvements: traditional bank lending, USDA Rural Development loans, and the DWSRF.

Today, thanks to innovative thinking within the DWSRF program and the additional funds in the 2020 Bond Bill Appropriation, there are more financing/funding options to consider: traditional low-interest loans, the Non-Federal Administration Account funds, and the Bond Bill Appropriation.

The traditional DWSRF loan fund requires applicants to comply with all state and federal requirements. The process takes about a year to complete and any debt incurred by the applicant, even if it comes with 100 percent principal forgiveness, is counted toward the applicant's total debt service. Applicants must be in good financial standing and comply with A-133 accounting standards. It is important to remember that the traditional loan fund, per federal requirements, cannot fund projects that are primarily for fire protection, routine maintenance or covered by other restrictions.

The Non-Federal Administration Account or Non-Fed Admin Account, can be used for administration and associated DWSRF program activities. It is a by-product of the traditional loan fund as half of the interest from loan proceeds is deposited into this account. Projects that wouldn't be eligible for the traditional loan program such as Planning Grants and Asset Management Grants are funded from this account; those grants are typically used as a gateway or to provide a 'pipeline' to the DWSRF loan fund.

In 2020, DHSS received a \$10 million Bond Bill appropriation to the Department of Health and Social Services (DHSS) for drinking water projects. From that allotment, just over \$2.2 million will be used for the required 20% state match for the DWSRF grant, which was just over \$11 million this year. The remaining balance of \$7.8 is available for important public health projects as detailed below.

The DWSRF program identified three high-impact public health projects that can benefit from Bond Bill funds as a supplement DWSRF funds. Additionally, \$200,000 will be set aside for 2019 Bond Bill project overages should they arise due to high construction bids.

Project: Ellendale Water District

Background: Due to poor water quality in and around the Town of Ellendale, (water sourced from private wells), DWSRF staff started working with the Town of Ellendale and surrounding communities, namely New Hope, in the spring of 2011 to install a public water system. Although interest in Ellendale proper was not popular, the desire for public water outside of Town was strong. With political backing and the assistance of Artesian Water and Sussex County Council parties reached path forward in 2019. Artesian Water Company owns a water plant on the north side of Town and is willing to partner with Sussex County to provide water, through a bulk rate agreement, to Ellendale's surrounding communities.

Sussex County applied for a \$5.7M loan from the DWSRF program to resolve this long-standing issue. Although the traditional DWSRF program can provide subsidies, much more financial assistance is needed to make the project affordable to end users. DHSS proposes to supplement the traditional loan with \$4M from the 2020 Bond Bill.

Estimated total project cost: \$5,765,000

Requested supplemental funding from 2020 Bond Bill: \$4M

Public Health benefit: Safe drinking water to low-income residents

Funding Source: Bond Bill funds and DWSRF funds

Why Bond Bill funds are the best fit: The DWSRF program cannot provide enough subsidies to move the project forward in an affordable manner

Fiscal: Will be handled in-house by DWSRF staff akin to traditional loan reimbursement process

Project: Town of Blades PFOS remediation in private wells

Background: In February 2018, PFOS was found in the public drinking wells in Blades. More information on this highly-publicized public health event can be found here:

<https://news.delaware.gov/2018/02/09/dnrec-dph-providing-town-blades-drinking-water-municipal-wells-found-to-have-elevated-level-perfluorinated-compounds/> .

In 2019, the Town of Blades submitted an application to extend water service to residents outside of Town that own wells contaminated with PFOS.

Estimated total project cost: \$1,400,000

Requested supplemental funding from 2020 Bond Bill: \$1.1M

Public Health benefit: Eliminate contaminated private wells and provide safe water to residents outside of Town

Funding Source: Bond Bill funds

Why Bond Bill funds are the best fit: Due to unforeseen auditing issues (A-133 compliance), town management changes, and timeliness, the DWSRF process proves to be too cumbersome and takes too long to process. In addition, supplemental funding from the Bond Bill will greatly alleviate affordability issues to private well owners will hook-up costs.

Fiscal: Will be handled in-house by DWSRF staff akin to traditional loan reimbursement process

Update

October 9, 2019

Due to accounting and management issues, the Town of Blades is not ready to receive this grant.

The project will be revisited in 2020. The next and most in need project from the existing DWSRF Project Priority List is the Town of Magnolia's distribution upgrade project.

Why Bond Bill funds are the best fit: The Town of Magnolia cannot borrow the amount they requested (\$1.4M) without going through legislation to update their charter. Grant dollars are a better source of funds than a loan at this time.

Project: City of Wilmington Hoopes Drought Relief Coordination project

Background: The City of Wilmington is approved to receive \$110,000 from a Drinking Water Planning Grant from the DWSRF program to explore the installation of 6 miles of 48" water transmission lines from Hoopes Reservoir to Suez Delaware, a major water provider in New Castle County.

Simply put, the transmission main would allow all of northern New Castle County to decrease reliance on the White and Red Clay Creeks during times of drought. In turn, it would allow the City to pipe water from the 2.2 billion gallon Hoopes Reservoir to interconnecting consumers such as Suez Water, the City of Newark, and Artesian Water Company.

The size and complexity of this project is enormous and a project of this magnitude has not been presented to the DWSRF program in its 20 year history. DHSS is well suited to spearhead state strategies and partner with the City, especially in critical drought situations; thus should make some financial contributions through the 2020 Bond Bill appropriation.

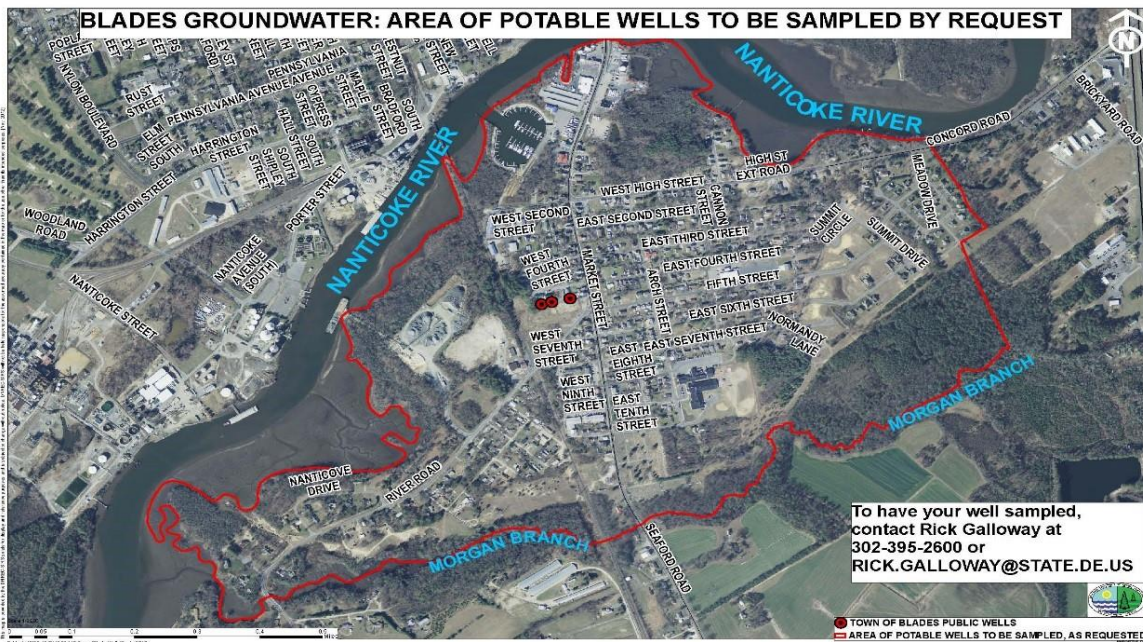
Estimated total project cost: \$50,000,000

Requested supplemental funding from 2020 Bond Bill: \$2,500,000

Public Health benefit: Resiliency during critical times of drought (when the Red and White Clay Creeks do not have enough water flow) for all of New Castle County

Funding Source: Bond Bill funds

Why Bond Bill funds are the best fit: Use of Bond Bill funds will help cement DHSS' commitment to this important project which impacts 559,000 Delawareans



Private well area potentially impacted by PFOS contamination in Blades

Cover photo: New Hope area of Ellendale (Photo courtesy of Redfin.com)