

Drinking Water State Revolving Fund State Fiscal Year 2023 Annual Report



State of Delaware Department of Health and Social Services Division of Public Health



DELAWARE HEALTH AND SOCIAL SERVICES
Division of Public Health

November 2023

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DELAWARE HEALTH AND SOCIAL SERVICES

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I. Executive Summary

The Delaware Department of Health and Social Services (DHSS), Division of Public Health presents the annual report for the Drinking Water State Revolving Fund (DWSRF) for State Fiscal Year 2023. The report addresses the operation of the DWSRF between July 1, 2022, and June 30, 2023.

The federal Safe Drinking Water Act (SDWA), as amended in 1996, created the national DWSRF program to help public water systems (PWSs) achieve or maintain compliance with SDWA requirements and protect public health by funding drinking water infrastructure projects. Section 1452 of the SDWA authorizes the Environmental Protection Agency (EPA) to award capitalization grants to state DWSRF programs. The federal capitalization grants are combined with state matching funds to create a permanent source of funding for drinking water infrastructure projects.

This comprehensive annual report is provided to the public and to the Environmental Protection Agency Region III to detail the activities undertaken to reach the goals and objectives set forth in the Intended Use Plan (IUP) developed for State Fiscal Year 2023. The report documents the status of the program by describing the progress made toward long- and short-term program goals, the sources and uses of all funds, the financial status of the DWSRF, and compliance with federal DWSRF requirements.

The report is presented in five major sections. Section I is the Introduction. Section II provides a summary of progress made toward reaching the program's long- and short-term goals. Section III details loan and set-aside activities. Section IV provides an overview of the financial conditions of the program. Section V reports on compliance with the operating agreement and provisions of the federal capitalization grant agreement.

Delaware Drinking Water State Revolving Fund Overview State Fiscal Year 2023 • Federal Fiscal Year 2022

Number of Projects: 16 (15 closed loans and one grant)
Project Funding: \$30,424,266.00
Total Population Served: 364,778
Average Interest Rate: 0.89%
Average Repayment Period: 20 Years
Small Systems Funded: Three for \$6,059,998.00
Disadvantaged Community Loan Subsidies: \$6,782,286.00

Source: Delaware Department of Health and Social Services, Department of Natural Resources and Environmental Control, Environmental Finance, October 2023

II. Goals and Accomplishments

The Delaware Department of Health and Social Services (DHSS), Division of Public Health (DPH) developed goals for the State Fiscal Year 2023 IUP/2022 Federal Allotment. Long-term goals provide a framework that guides management decisions for the Drinking Water State Revolving Fund (DWSRF) program. Short-term goals support the implementation of the program’s long-term goals.

A. Long-term goals and progress made

1. *Maintain the Drinking Water State Revolving Funds (DWSRF) in perpetuity by thoughtful use and management of the assets by expecting an adequate rate of return and positive cash flow trend, utilizing the Cash Flow Modeling prepared by the Department of Natural Resources and Environmental Control, Environmental Finance.*
 - Although DHSS is committed to assisting those most in need by providing subsidy, and adhering to additional subsidy requirements each year, per grant requirements, this may have a negative impact of the corpus loan account in the future. A recent review of financing and cash flow utilization in the DWSRF illustrates an end-of-year cash balance at over one-half of its current total in only three years due to not having repayments of those loans with principal forgiveness. If subsidy requirements are lowered, DHSS would achieve additional cost savings. The DWSRF program uses the Financial Operations and Cash Flow Utilization System (FOCUS), a cash flow model for forecasting fund usage to allow for improved planning and funding.

Table 1. Delaware Drinking Water State Revolving Fund (DWSRF) Financial Operations and Cash Flow Utilization System (FOCUS) Model, 2023-2026

State Fiscal Year	2023	2024	2025	2026
New Commitments	\$58,277,037	\$196,026,389	\$80,000,000	\$80,000,000
Disbursements including Loans in Construction	\$20,605,624	\$65,999,996	\$113,882,153	\$122,062,066
Loan Repayments	\$10,702,384	\$11,585,027	\$13,311,609	\$16,923,881
Capitalization Grant Payments	\$60,905,000	\$62,382,000	\$62,382,000	\$62,382,000
State Match	\$3,200,800	\$3,112,900	\$5,218,400	\$5,218,400
Fee Income	\$1,269,468	\$1,380,272	\$1,817,400	\$2,593,110
End of Year Cash Balance (Not Discounted)	\$142,751,661	\$134,493,172	\$82,184,608	\$25,308,402

Footnote: New commitments for State Fiscal Year (SFY)23 represent loans pending settlement and approved through SFY23. SFY24 includes 100% of the FFY23 Project Priority List (PPL). SFY25-26 are estimates. 80% of portfolio is traditional with a 20-year term at 2%, 15% of portfolio is small community with a 30-year term at 1%, and 5% of portfolio is sponsorship with a 20-year term at 2%. Principal forgiveness of \$44 Million has been com-mitted and is assumed at the minimum requirement amounts of the Cap Grant in future years. Assumes a \$5 Million minimum cash balance. SFY25-SFY26 assumes the same funding level as SFY24 Capitalization Grants.

Source: Delaware Department of Health and Social Services, Department of Natural Resources and Environmental Control, Environmental Finance, October 2023

2. *Target resources and funds to address the most significant public health and compliance problems facing the state's drinking water resources.*
 - DHSS' priority ranking criteria ensures that the most significant public health needs are addressed.
 - A revision to the ranking criteria was approved by the Region 3 Project Officer on March 7, 2023. See page 25 of the [SFY24 IUP](#).
3. *Assist public water systems with achieving affordable compliance and public health protection through DHSS personnel and Set-Aside contracts.*
 - DHSS has continued to protect public health via contracts with Delaware Rural Water Association (DRWA) and Delaware Technical Community College (DTCC) to effectively provide affordable 1:1 compliance assistance and water operator training.

B. Progress toward short-term goals

1. *Revise the Operating Agreement with the Delaware Department of Natural Resources and Environmental Control (DNREC) and the Delaware Department of Finance to transfer most financial duties to DPH from DNREC.*
 - Ongoing, upper leadership conversations have led to an agreement to let the program administrators of the programs work through internal process and memo revisions before any revisions to the Operating Agreement are initiated.
2. *Provide funding to upgrade infrastructure for 21 public water systems in Delaware.*
 - Eight public water systems closed 15 loans and one grant with the program during the reporting period; eight are from the 2022 Federal Fiscal Year Project Priority List (FFY PPL); four are from the 2021 FFY PPL; three are from the 2020 FFY PPL; and one is from the 2019 FFY PPL.
 - An additional two projects from the 2021 FFY PPL and 11 projects from 2022 FFY PPL have binding commitment letters and will close during the next reporting period in 2024.
3. *Decrease public health risks and maintenance of compliance in drinking water in 2022-2023 for 364,778 Delaware residents.*
4. *Meet Program Activity Measure of 96% of fund utilization rate, as negotiated with EPA, by continuing to encourage expeditious spending with loan recipients and sub-grantees.*
 - Pending. The program joined the EPA's Timely and Expeditious Use Work Group to ensure it is aligning fund usage with expectations.
5. *Continue to contract with the Delaware Rural Water Association (DRWA) to provide technical assistance and training, along with strategies to small and mid-size municipalities to maintain and return to compliance with state and federal regulations.*
 - Successful contracts with DRWA allow a wide range of activities to happen in Delaware, from operator assistance to workforce development.

6. *Adopt and implement interest rate and affordability policy.*
 - In the spring of 2022, an analysis was conducted by DNREC's Environmental Finance Office financial management analysts in coordination with the State's financial advisory consultant, PFM, LLC. The benchmarks for this policy were recommended in concert with historical trends of the Bond Buyer Index over the last three years. This policy was proposed and shared during a public meeting with no adverse comments. The March 2023 State Water Infrastructure Advisory Council voted in favor of adoption and in March 2023, the DWSRF program adopted the newest interest rate and affordability policy. Interest plus fee rates is set at 2.0% per annum. Administrative fees are set at 50% the overall interest rate. Interest plus fee rates for all Lead Service Line Replacement loans are set at 0.0% per annum.
 - 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. Clean Water State Revolving Fund (CWSRF) 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 most of the residents of the project area.
7. *Continue to provide operator education through contracts with Delaware Technical Community College (DTCC).*
 - Successful contracts with DTCC allow a wide range of operator training to occur.
8. *Continue to offer sustainability assessments through a contract with Kash Group, LLC.*
 - Sustainability assessments were performed with DWSRF applicants, with small municipalities as the priority. The assessments are now an integral part of financial and capacity development reviews.
9. *Continue to hold quarterly meetings with Set-Aside recipients to monitor activity progress and evaluate expeditious spending.*
 - Quarterly meetings were held. Refer to semi-annual reports for details (Appendix D).
10. *Ensure borrowers are following crosscutter requirements on construction projects.*
 - DHSS makes every effort to ensure borrowers are following crosscutter requirements. These requirements are integral to loan closing documents and the DHSS Office of Engineering's mandatory pre-bid meetings.
11. *Continue to track the Drinking Water to Clean Water Transfer with EPA assistance.*
 - This strategy is ongoing (Appendix B).
12. *Utilize Set-Aside funds as outlined in the Work Plan.*
 - The goal was accomplished as intended through contracts and program activity. Refer to the Set-Aside Reports for further details.

13. *Manage the Non-Federal Administration Account (NFAA) judiciously.*
 - Ongoing, internal conversations between the DWSRF team and the DNREC Environmental Finance Office are allowing for avenues to create transparency and accountability. Additionally, the DWSRF team is beginning conversations and financial planning to allow the transfer of calculated amounts of the NFAA from DNREC to DHSS for specific uses.
14. *Continue to develop an Agriculture Strategy in accordance with input from partners and EPA.*
 - The Drinking Water State Revolving Fund Cover Crop Funds helped support the overall 81,641.8 acres planted in Sussex County in the fall of 2022. Of those total acres, the DHSS/DNREC-DWSRF funds paid for approximately 1,745.5 acres (based on an average of \$55/acre) of cover crops in wellhead protection areas and groundwater recharge areas.
15. *Continue to implement two new technologies in the Underground Injection Control program: EQUiS and 'Tracer'.*
 - Implementation is in progress. Refer to the Set-Aside Reports for further details.
16. *Review Program Evaluation Report (PER) Action Items.*
 - PER from project officer dated June 28, 2023, identified three actionable items (Appendix C).
 - The review covered the period July 1, 2021, through June 30, 2022. EPA conducted its site visit March 27 through March 30, 2023 and held a joint exit conference with DHSS and DNREC on March 30, 2023.
 - Commendations for increasing executed loans since 2020 and providing 73% of its State Fiscal Year 2022 funding to disadvantaged communities are noted.

III. DWSRF Loan and Set-Aside Activities

Detailed discussion of the DWSRF assistance activities during State Fiscal Year 2023 is provided in this section including sources of funding, status of loan activities, and the status of set-aside activities.

A. Equivalency

DHSS considers all projects on Project Priority Lists as equivalency projects. This is less confusing for borrowers with multiple projects, provides ease of use with federal Cross Cutters, and is easily reported.

Table 2 provides information about the sources and uses of DWSRF funding and shows all sources of DWSRF funds available in State Fiscal Year 2023. Table 2 also shows the set-aside and the usage of project funding. In accordance with the Operating Agreement. All disbursements are handled by DNREC's Environmental Finance Office.

Table 2. Delaware Drinking Water State Revolving Fund Sources and Uses of Funds, through June 30, 2023

Source of Funds	Cumulative as of 6-30-2022	FY22 Revenue as of 6-30-2023	Cumulative as of 6-30-2023
SDWA CAP. GRANT	\$246,300,729	\$60,905,000	\$307,205,729
STATE MATCH (20%)	\$43,018,899	\$3,200,800	\$46,219,699
Repayment Principal and Interest	\$100,746,463	\$10,121,354	\$110,867,817
Investment Earnings	\$7,213,940	786,631.00	\$8,000,571
Grant Amount Transferred to CW	\$(27,050,176)	-	\$(27,050,176)
State Match Transferred to CW	\$(5,410,035)	-	\$(5,410,035)
Sub-Total Sources	\$364,819,820	\$75,013,785	\$439,833,605
Detail Sources Amounts Allocated to Set-Asides/Projects			
Technical Assistance (2%)	\$3,819,431	\$586,817	\$4,406,248
1452 (G) (2) - (10%)	\$21,028,050	\$1,026,127	\$22,054,177
1452 (K) - (15%)	\$25,539,553	\$3,069,815	\$28,609,368
Administration (4%)	\$8,970,865	\$998,901	\$9,969,766
Total Set-Asides	\$59,357,899	\$5,681,660	\$65,039,559
Cumulative Amount Available for Projects	\$305,461,921	\$69,332,125	\$374,794,046
Project Uses of Funds			
Cumulative Amount of Assistance Provided	\$254,639,404	\$30,424,266 \$58,277,037	\$285,063,670 \$58,277,037
Loans Issued Binding Commitments in SFY23 but not settled			
Net Project Use of Funds	\$343,340,707		
Uncommitted Loan Fund Balance for SFY 2023*		\$31,453,339	
Set-Aside Uses of Funds	Cumulative as of 6-30-2022	Expenses as of 6-30-2023	Cumulative as of 6-30-2023
Less Cumulative 2%	\$3,570,800	\$304,764	\$3,875,564
Less Cumulative 4%	\$8,205,145	\$555,066	\$8,760,211
Less Cumulative 10%	\$19,206,295	\$1,094,501	\$20,300,796
Less Cumulative 15%	\$23,684,644	\$2,119,328	\$25,803,972
Total Set-Aside Expenditures			\$58,740,542
Cumulative Remaining Awarded Set-Asides			\$6,299,017
Total Remaining Uncommitted Funds (Loans & Set-Asides)			\$37,752,356

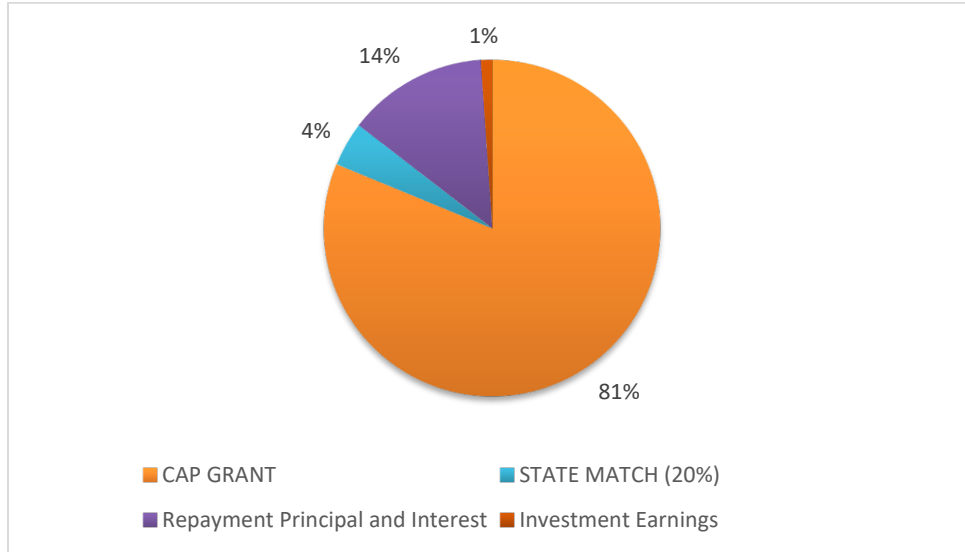
*Remaining PPL loans total \$196,26,389 which exceeds the uncommitted loan fund balance for SFY 2023. Footnote: Remaining Project Priority List loans total \$196,026,389 which exceeds the uncommitted loan fund balance for SFY 2023. SDWA refers to the Safe Drinking Water Act, CW refers to Clean Water and PPL refers to Project Priority List. The dashes shown in the table mean not applicable.

Source: Delaware Department of Health and Social Services, Department of Natural Resources and Environmental Control, Environmental Finance, October 2023

B. Sources of DWSRF funding

The funding available for the DWSRF program during State Fiscal Year 2023 totaled \$75,013,785 (Figure 2).

Figure 1. Available Funds for Drinking Water State Revolving Fund Program, Delaware, 2023



Source: Delaware Department of Health and Social Services, Department of Natural Resources and Environmental Control, Environmental Finance, October 2023

1. Capitalization Grants

EPA awarded DHSS \$7,008,000 in federal base capitalization grant funds. The State of Delaware provided \$1,401,600 as the required 20% state match for the State Fiscal Year 2023. EPA also awarded DHSS \$53,897,000 in federal Bipartisan Infrastructure Law (BIL) capitalization grant funds. President Biden signed the BIL on November 15, 2021. The BIL appropriations will be available for five years. There are three distinct grants under the BIL, and they include: General Supplemental (\$17,992,000), Emerging Contaminants (\$7,555,000) and Lead Service Line (LSL) Replacement (\$28,350,000) capitalization grants. The State of Delaware provided \$1,799,200 as the required 10% state match for the BIL General Supplemental grant for the State Fiscal Year 2023. The state matches were provided from the 2023 State Bond Bill via allocated State Capital Funds.

2. Investment Earnings

The DWSRF received \$786,631 on investments in this reporting period.

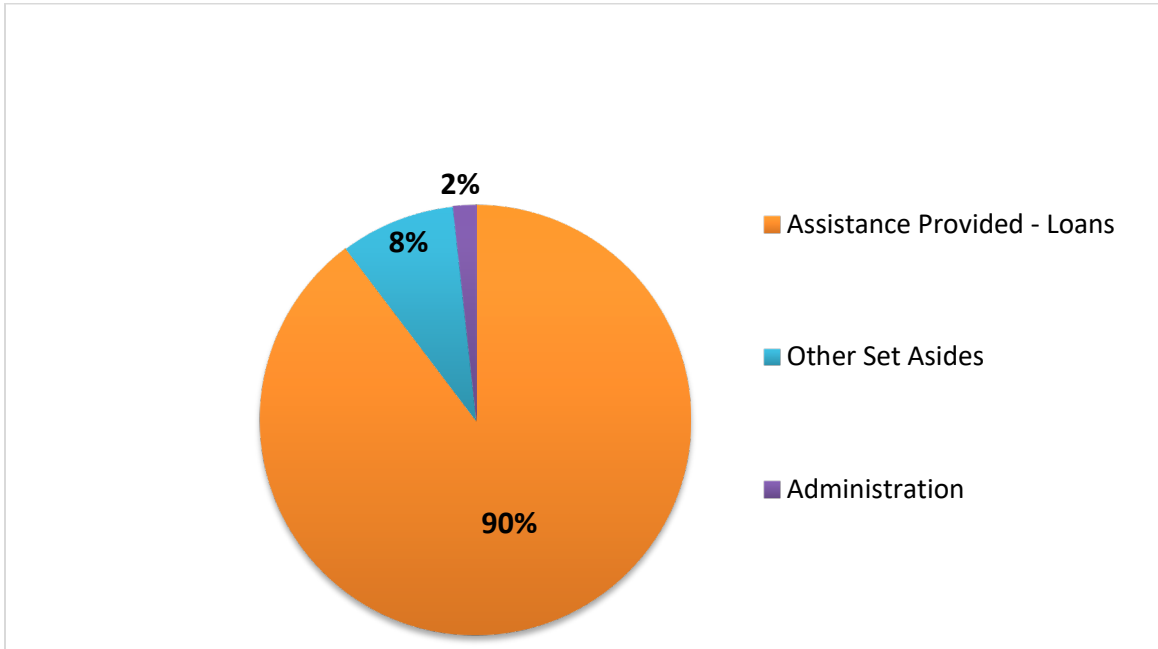
3. Repayments

DHSS received \$10,121,354 repayments during State Fiscal Year 2023.

C. Uses of DWSRF Funds

The DWSRF provided \$30,424,266.00 in loans and a grant to public water systems (Figure 3). The program committed \$2,155,304.39 in set-aside assistance to technical assistance providers. The program committed \$1,120,812.00 in administration.

Figure 2. Percentage of Allocations of Drinking Water State Revolving Fund Funds, Delaware, 2023

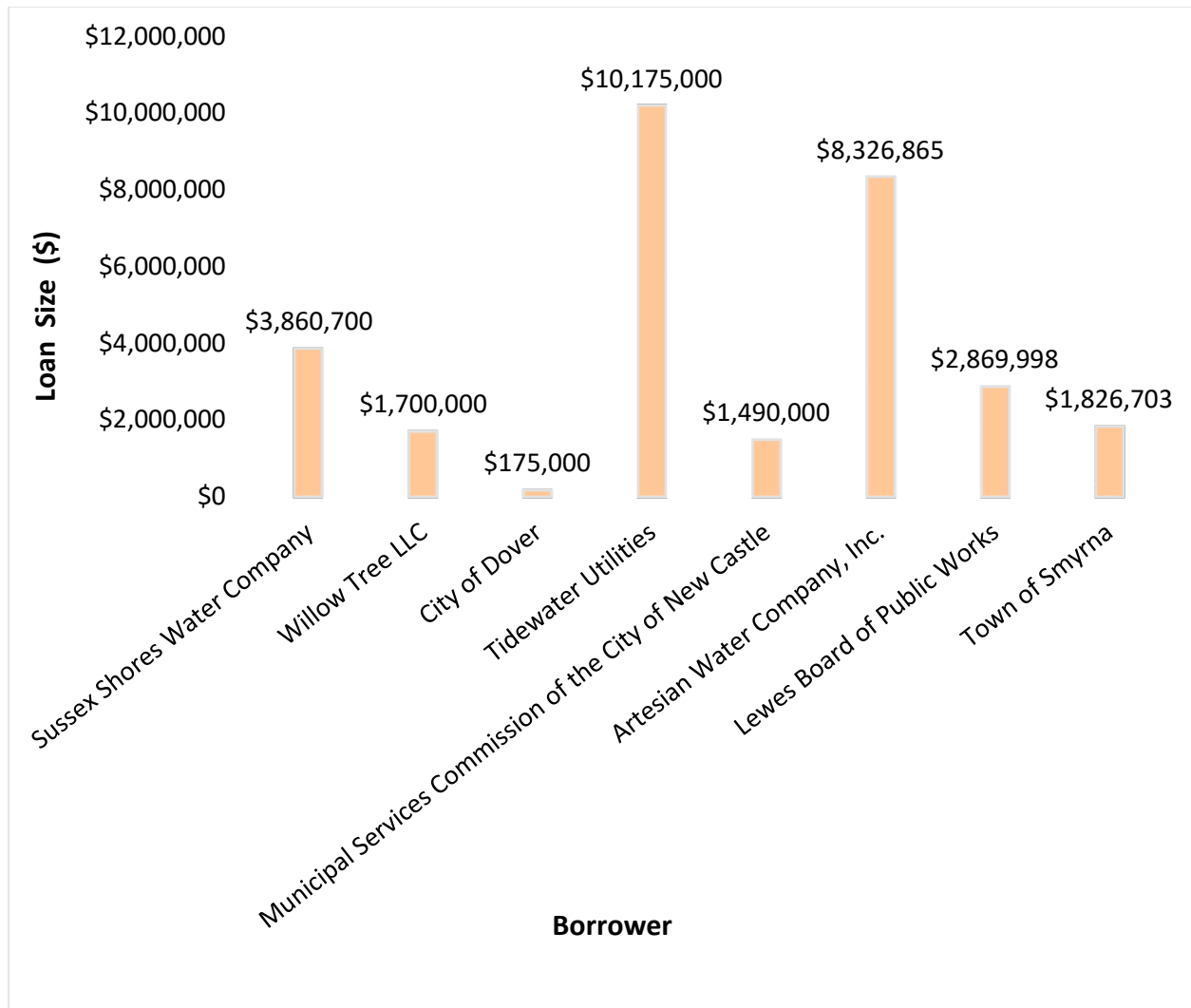


Source: Delaware Department of Health and Social Services, Department of Natural Resources and Environmental Control, Environmental Finance, August 2023

1. Loan Assistance Status

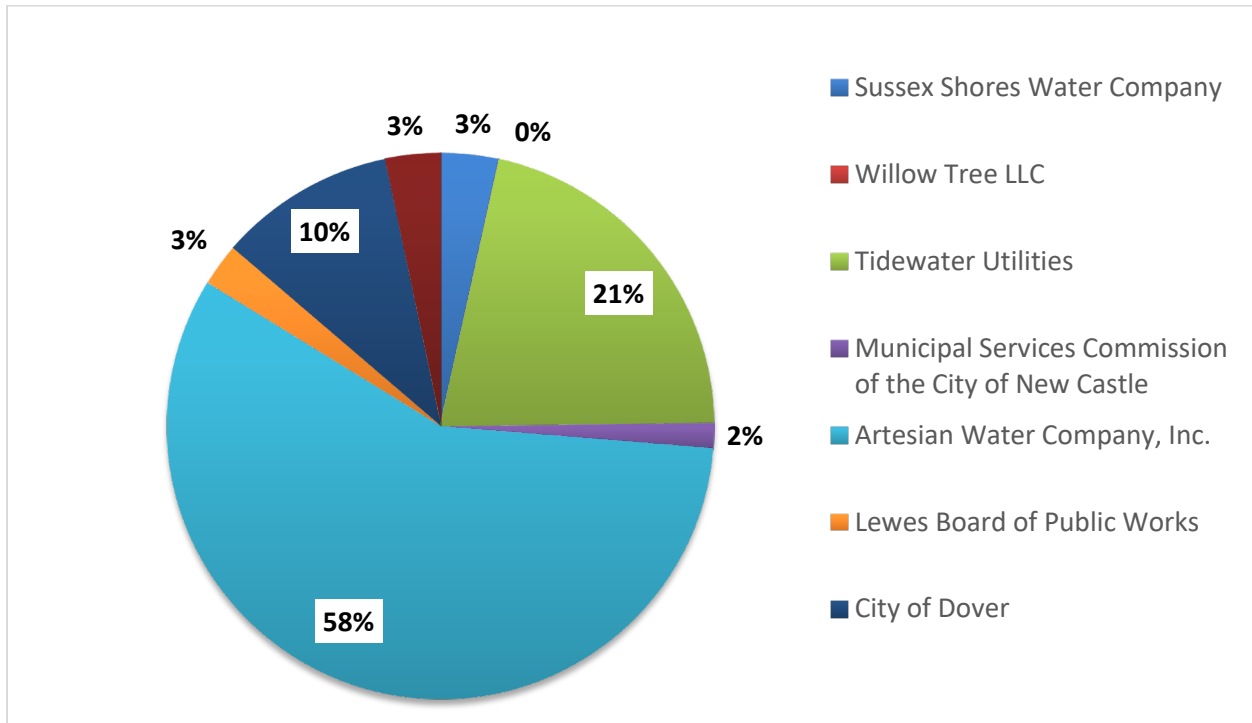
Figure 3 highlights one grant and 15 loan agreements the DWSRF entered, with eight public water systems totaling \$30,424,266.00 in this reporting period. The loans range in size from \$60,000 to \$4,998,000. The grant was provided to Willow Tree LLC.

Figure 3. Distribution of Drinking Water State Revolving Fund Loans and Grants by Amount, Delaware, 2023



Source: Delaware Department of Health and Social Services, Department of Natural Resources and Environmental Control, Environmental Finance, August 2023 Figures 5 and 6 show the water systems receiving funding and a visual representation of the distribution of loans with principal forgiveness or grants across disadvantaged communities.

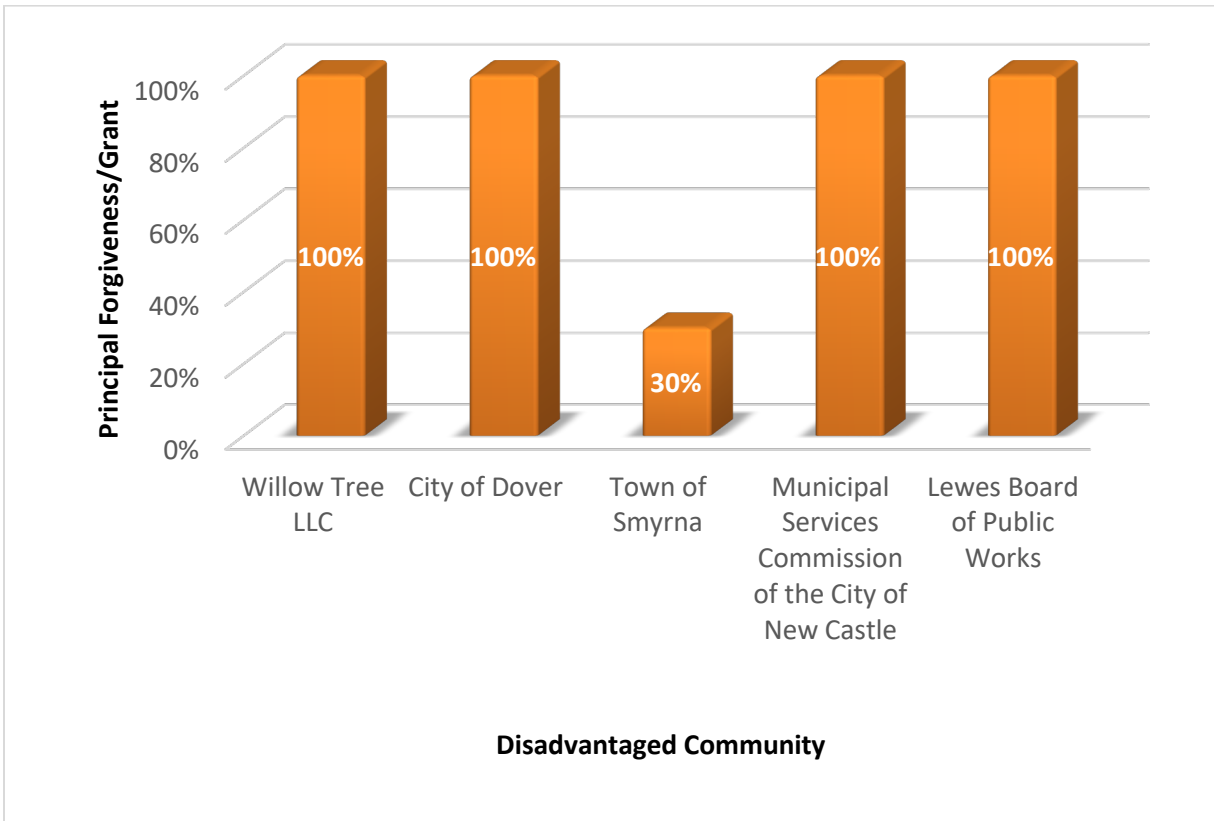
Figure 4. Percentage of Total Population Served by Drinking Water State Revolving Fund Loan and Grant Funds, Delaware, 2023



Footnote: The loan term for loans are 20 years, with an average interest rate of 0.89%. The water systems receiving the funding serve 364,778 Delawareans (Safe Drinking Water Information System). Willow Tree LLC received a grant, all other water systems received a loan.

Source: Delaware Department of Health and Social Services, Department of Natural Resources and Environmental Control, Environmental Finance, August 2023

Figure 5. Distribution of Disadvantaged Community Subsidy Using Drinking Water State Revolving Fund Dollars, Delaware, 2023



Footnote: Four disadvantaged communities, the city of Dover (100%), the Town of Smyrna (30%), Municipal Services Commission of the City of New Castle (100%), and Lewes Board of Public Works/Donovan Smith Manufactured Home Community (100%) received loans with principal forgiveness. One disadvantaged community, Willow Tree LLC (100%), received a grant.

Source: Delaware Department of Health and Social Services, Department of Natural Resources and Environmental Control, Environmental Finance, August 2023

2. Project Priority List

Table 3 lists SFY23 DWSRF Projects in priority and ready to proceed order.

Table 3. Delaware Drinking Water State Revolving Fund Ready to Proceed Project Priority List, Federal Fiscal Year 2022

Score	Rank	Applicant	Project Description	Population	PWSID#	DWSRF Loan Requested	Anticipated Disadvantaged Community Subsidy*
480	12	City of Dover, Kent County	Lead and Copper Rule Revisions Compliance	38,000	DE0000571	\$60,000	\$60,000
360	22	City of Dover, Kent County	Lead Service Line Inventory and Replacement	38,000	DE0000571	\$115,000	\$115,000
530	10	Town of Frederica, Kent County	Lead Service Line Replacement in Brandywine Court	870	DE0000587	\$512,000	\$512,000
420	15	Town of Frederica, Kent County	Water Main Renewal	870	DE0000587	\$328,000	\$328,000
310	28	Town of Frederica, Kent County	Lead Service Line Inventory	870	DE0000587	\$102,000	\$102,000
290	31	Lewes Board of Public Works, Sussex County	Elevated Storage Tank	3,000	DE0000602	\$5,320,000	
290	31	Lewes Board of Public Works, Sussex County	Savannah Road Bridge Canal Crossing	3,000	DE0000602	\$2,260,000	
270	34	Town of Middletown, New Castle County	Water System Improvements in the NE Quadrant	22,582	DE0000614	\$1,963,287	
240	36	Town of Middletown, New Castle County	Water Main Upgrades on North Broad Street	22,582	DE0000614	\$1,451,026	
670	4	City of New Castle, New Castle County	Water Main Replacement	5,364	DE0000634	\$1,490,000	\$1,490,000
380	19	City of Newark, New Castle County	PFAS Treatment	40,000	DE0000630	\$1,500,000	\$1,591,169

Table 3. Delaware Drinking Water State Revolving Fund Ready to Proceed Project Priority List, Federal Fiscal Year 2022 (continued)

380	19	City of Newark, New Castle County	PFAS Treatment	40,000	DE0000630	\$2,900,000	
170	40	Sussex Shores Water Company, Sussex County	Emerging Contaminants Treatment	12,450	DE0000557	\$3,860,700	
280	33	Tidewater Utilities, Sussex County	Consolidation-Angola Meadows	4,000	DE0000248	\$4,998,000	
270	34	Tidewater Utilities, Sussex County	Consolidation- Dairy Farm Road	23,463	DE0000991	\$1,875,000	
180	39	Tidewater Utilities, Sussex County	Joint DelDOT SR 24 Love Creek to Mulberry Knoll	23,463	DE0000991	\$3,302,000	
680	3	Willow Tree Manufactured Home Community, Kent County	Water System Upgrades	141	DE0000134	\$1,700,000	\$1,700,000
620	6	City of Wilmington, New Castle County	Water Main and Lead Service Line Improvements	107,976	DE0000663	\$18,501,872	\$18,501,872
450	13	City of Wilmington, New Castle County	PFAS Removal at Porter Filter Plant	107,976	DE0000663	\$4,787,405	\$4,787,405
380	19	City of Wilmington, New Castle County	Phase 1 Design for Storage Improvements at Porter	107,976	DE0000663	\$1,200,000	
330	25	City of Wilmington, New Castle County	Porter Reliability Improvements	107,976	DE0000663	\$11,000,000	
TOTAL				257,846		\$69,226,290	\$29,187,446

Source: Delaware Department of Health and Social Services, Department of Natural Resources and Environmental Control, Environmental Finance, August 2023

3. Project Bypass

Not applicable.

4. Funded Projects

Sussex Shores Water Company

Rank: 40 on [2022 PPL](#)

Project Name: SSWC - Plant 2 Iron and Manganese Removal Improvement Project

Score: 170

Project Description: Emerging Contaminants Treatment

Population: 12,450

Project Cost: \$3,860,700

Interest Rate: 2.0%

Term: 20 years

Binding Commitment Date: March 10, 2023

Loan Closing Date: June 13, 2023

Subsidies: \$0

Disadvantaged Community: No

Public Health Benefit: This project will be able to provide safe drinking water to the existing Sussex Shores Water Company customers by incorporating treatment of the raw water on the existing Water Plant No. 2 site. Disturbance to the site is anticipated to be less than one acre. The treatment upgrade will comply with 10 State Standards and meet EPA drinking water regulations.

Willow Tree LLC

Rank: 3 on [2022 PPL](#)

Project Name: Manufactured Home Community Water System Upgrades

Score: 680

Project Description: System Upgrades

Population: 141

Project Cost: \$1,700,000

Interest Rate: Not Applicable, this was provided as a grant.

Term: Not Applicable.

Grant Closing Date: April 28, 2023

Subsidies: \$1,700,000

Disadvantaged Community: Yes

Public Health Benefit: This project replaces the entire water system piping, valves, and service lines with new materials in accordance with State of Delaware Standards, connects water mains to help maintain hydraulic connectivity and water quality, provides adequate and consistent pressure to residents, provides fire protection and emergency power, and provides system monitoring and alarms to allow better operator response time.

Tidewater Utilities

Rank: 33 on [2022 PPL](#)
Project Name: Consolidation- Angola Pump District
Score: 280
Project Description: Phase 2B Interconnection for Resiliency
Population: 4,000
Project Cost: \$4,998,000
Interest Rate: 2.0%
Term: 20 years
Binding Commitment Date: January 30, 2023
Loan Closing Date: April 5, 2023
Subsidies: \$0
Disadvantaged Community: No
Public Health Benefit: This project will provide resiliency by linking the water supply and storage assets of the Meadows and Angola systems along with the Rehoboth District which will complete the connection of Tidewater's three large districts north of the inlet.

Tidewater Utilities

Rank: 34 on [2022 PPL](#)
Project Name: Consolidation - Dairy Farm Road
Score: 270
Project Description: Interconnection for Resiliency and Redundancy
Population: 23,463
Project Cost: \$1,875,000
Interest Rate: 2.0%
Term: 20 years
Binding Commitment Date: January 30, 2023
Loan Closing Date: April 5, 2023
Subsidies: \$0
Disadvantaged Community: No
Public Health Benefit: This project will provide a second distribution main by continuing a 12" main along Sweetbriar Road and Dairy Farm Road to interconnect with an existing 16" main located on Beaver Dam Road.

Tidewater Utilities

Rank: 39 on [2022 PPL](#)
Project Name: Route 24 Love Creek to Mulberry Knoll
Score: 330
Project Description: Water System Upgrades
Population: 23,463
Project Cost: \$3,302,000
Interest Rate: 2.00%
Term: 20 years
Binding Commitment Date: January 30, 2023
Loan Closing Date: April 5, 2023
Subsidies: \$0
Disadvantaged Community: No
Public Health Benefit: This project will install new mains in areas along Mulberry Knoll Road, which will interconnect the South Rehoboth elevated storage tank currently under construction.

Municipal Services Commission of the City of New Castle

Rank: 4 on [2022 PPL](#)

Project Name: Water Main Replacement

Score: 670

Project Description: Installation of New Drinking Water Mains at Hewlett-Janvier

Population: 5,364

Project Cost: \$1,490,000

Interest Rate: 2.00%

Term: 20 years

Binding Commitment Date: January 23, 2023

Loan Closing Date: February 24, 2023

Subsidies: \$1,490,000

Disadvantaged Community: Yes

Public Health Benefit: This project will replace approximately 1,715 linear feet within Janvier, Hewlett, and Megginson avenues in connection to the water main on Wilmington Road (Route 9). Thirty-two water services will be replaced up to the curb stop valves. Three new fire hydrants will be installed and one outdated fire hydrant will be replaced.

Artesian Water Company, Inc.

Rank: 4 on [2021 PPL](#)

Project Name: Churchman's Road Phase 1 Water Main Renewal

Score: 360

Project Description: Water Main Upgrades

Population: 209,706

Project Cost: \$901,170

Interest Rate: 2.00%

Term: 20 years

Binding Commitment Letter: August 3, 2022

Loan Closing Date: December 9, 2022

Subsidies: \$0

Disadvantaged Community: No

Public Health Benefit: This project will replace 2,100 linear feet of cast iron water main and one fire hydrant. This project will replace transmission main constructed of unlined cast iron pipe, which met industry design specifications when installed, but over the passage of time, has been deemed inferior.

Artesian Water Company, Inc.

Rank: 4 on [2021 PPL](#)

Project Name: Stahl Water Main Renewal

Score: 360

Project Description: Water Main Upgrades

Population: 209,706

Project Cost: \$1,050,000

Interest Rate: 2.00%

Term: 20 years

Binding Commitment Date: August 3, 2022

Loan Closing Date: December 9, 2022

Subsidies: \$0

Disadvantaged Community: No

Public Health Benefit: This project will replace 7,450 linear feet of water main, renew 141 residential water services, and install eight fire hydrants.

Artesian Water Company, Inc.

Rank: 4 on [2021 PPL](#)

Project Name: Willow Run Phase 1 Water Main Renewal

Score: 360

Project Description: Water Main Upgrades

Population: 209,706

Project Cost: \$1,042,695

Interest Rate: 2.00%

Term: 20 years

Binding Commitment Date: August 3, 2022

Loan Closing Date: December 9, 2022

Subsidies: \$0

Disadvantaged Community: No

Public Health Benefit: This project will replace 3,675 linear feet of asbestos cement water main, renew 59 residential water services, and install five fire hydrants.

Lewes Board of Public Works

Rank: 5 on [2019 PPL](#)

Project Name: Donovan Smith

Score: 540

Project Description: Water Main Extension

Population: 390

Project Cost: \$2,869,998

Interest Rate: 1.159%

Term: 20 years

Binding Commitment Date: June 29, 2022

Loan Closing Date: August 18, 2022

Subsidies: \$2,869,998

Disadvantaged Community: Yes

Public Health Benefit: This project will consist of the installation of approximately 1,000 feet of 12-inch main to connect to an existing main, 4,500 feet of 6-inch main internal to the manufactured home community, and install fire hydrants in the residential community of Donovan Smith.

Artesian Water Company, Inc.

Rank: 10 on [2020 PPL](#)

Project Name: Castle Hills Water Main Renewal

Score: 375

Project Description: Water Main Upgrades

Population: 209,706

Project Cost: \$1,167,000

Interest Rate: 2.00%

Term: 20 years

Binding Commitment Date: April 13, 2022

Loan Closing Date: August 12, 2022

Subsidies: \$0

Disadvantaged Community: No

Public Health Benefit: This project consists of replacing 3,600 linear feet of unlined cast iron and asbestos cement water main with ductile iron water main, renewal of 50 water services, and four fire hydrants.

Artesian Water Company, Inc.

Rank: 10 on [2020 PPL](#)

Project Name: Brookmeade Water Main Renewal

Score: 375

Project Description: Water Main Upgrades

Population: 209,706

Project Cost: \$966,000

Interest Rate: 2.00%

Term: 20 years

Binding Commitment Date: April 13, 2022

Loan Closing Date: August 12, 2022

Subsidies: \$0

Disadvantaged Community: No

Public Health Benefit: This project consists of replacing 3,800 linear feet of unlined cast iron water main with ductile iron water main, renewal of 61 water services, and four fire hydrants.

Artesian Water Company, Inc.

Rank: 10 on [2020 PPL](#)

Project Name: Kirkwood Highway Water Main Renewal

Score: 375

Project Description: Water Main Upgrades

Population: 209,706

Project Cost: \$3,200,000

Interest Rate: 2.00%

Term: 20 years

Binding Commitment Date: April 13, 2022

Loan Closing Date: August 12, 2022

Subsidies: \$0

Disadvantaged Community: No

Public Health Benefit: This project consists of replacing 3,900 linear feet of asbestos cement water main and 500 feet of galvanized water main with 4,440 feet of ductile iron water main, renewal of 50 water services, and four fire hydrants.

Town of Smyrna

Rank: 2 on [2021 PPL](#)

Project Name: South Main Street Utility Replacement Project

Score: 405

Project Description: Water Main Upgrades

Population: 11,813

Project Cost: \$1,826,703

Interest Rate: 1.843%

Term: 20 years

Binding Commitment Date: June 14, 2019

Loan Closing Date: July 15, 2022

Subsidies: \$547,288

Disadvantaged Community: Yes

Public Health Benefit: This project involves the installation of approximately 1,800 linear feet of 10-inch ductile iron water main along East Commerce Street.

City of Dover

Rank: 12 on [2022 PPL](#)

Project Name: Lead Service Line Inventory

Score: 480

Project Description: Lead Service Line Inventory to comply with Lead and Copper Rule Revision Requirements.

Population: 38,000

Project Cost: \$60,000

Interest Rate: 2.0%

Term: 20 years

Binding Commitment Date: January 20, 2023

Loan Closing Date: April 25, 2023

Subsidies: \$60,000

Disadvantaged Community: Yes

Public Health Benefit: This project will comply with the latest approved Lead and Copper Rule Revisions (LCRR). This project will identify aged infrastructure that is outlined in the LCRR by inventorying old, lead and galvanized pipe.

City of Dover

Rank: 22 on [2022 PPL](#)

Project Name: Brandywine Court

Score: 360

Project Description: Lead Service Line Inventory

Population: 38,000

Project Cost: \$115,000

Interest Rate: 2.0%

Term: 20 years

Binding Commitment Date: January 20, 2023

Loan Closing Date: April 25, 2023

Subsidies: \$115,000

Disadvantaged Community: Yes

Public Health Benefit: This project identifies a local community within the City of Dover that will require replacement of lead service lines to increase the reliability of the water infrastructure and decrease the lead levels in the residents drinking water.

5. Small Systems

In the IUP for 2022, DHSS planned to commit a total of \$20,570,700 to loans for small systems. Five small systems have or will receive a total of \$20,570,700 in loan funding. They are the Town of Frederica (\$512,000, \$328,000, and \$102,000), Lewes Board of Public Works (\$5,320,000 and \$2,260,000), Municipal Services Commission for the City of New Castle (\$1,490,000), Tidewater Utilities (\$4,998,000 for the non-system wide Angola Pump District consolidation project), and the Willow Tree Manufactured Home Community (\$1,700,000). All these projects either have a binding commitment letter or they have closed their loans.

6. Disadvantaged Community Systems

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.

Affordability Criteria – Income Data – 1.5 percent of MHI will be considered affordable for a single wastewater or drinking water residential user rates; 3.0 percent 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 percent water or wastewater, 3.0 percent 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.

In the State Fiscal Year 2023 IUP, DHSS identified five communities: the City of Wilmington, Willow Tree Manufactured Home Community, the Municipal Services Commission of the City of New Castle, the Town of Frederica, and the City of Dover as having Disadvantaged Community Systems. The City of Wilmington has four binding commitment letters and will receive one loan with 100% principal forgiveness for a Per- and polyfluoroalkyl Substances (PFAS) removal project and 69.5% principal forgiveness for a lead service line removal project. Willow Tree Manufactured Home Community received a disadvantaged community grant. The Town of Frederica has three binding commitment letters and will receive three loans with 100% principal forgiveness disadvantaged community subsidy. The City of Dover received two loans with 100% principal forgiveness

disadvantaged community subsidy. These projects have the necessary amount of principal forgiveness to meet the capitalization grant additional subsidy requirements for multiple capitalization grants.

7. Disbursements

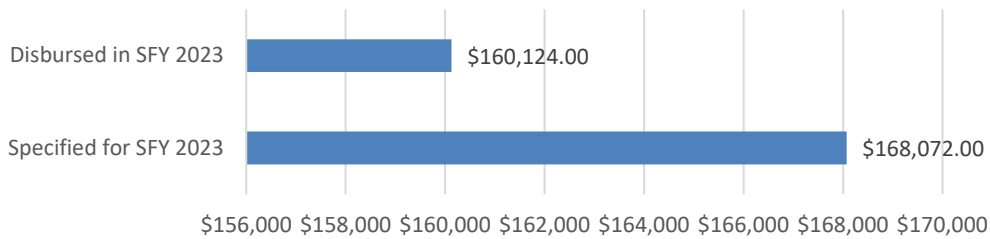
DWSRF disbursed \$24,890,032 in set-asides and loans in this reporting period.

8. Set-Aside Activity Status

DHSS developed and submitted bi-annual performance status reports for DWSRF-funded activities in State Fiscal Year 2023. The following pages provide an overview of set-aside activities within State Fiscal Year 2023. Bar charts showing set-aside funding status accompany the descriptions of each set-aside activity (Figures 7-17). These charts show dollars specified in the 2022 Work Plan and dollars that were disbursed in State Fiscal Year 2023.

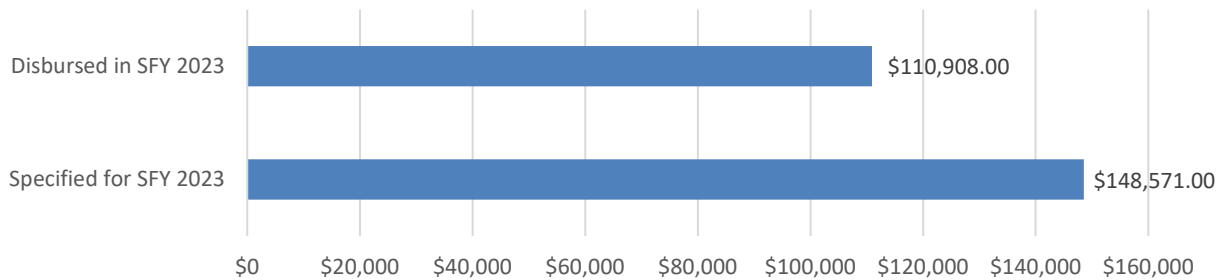
9. Set-Aside: Small Systems Technical Assistance (2%)

Figure 7. Drinking Water State Revolving Fund Disbursement to Delaware Rural Water Association, Delaware, State Fiscal Year 2023



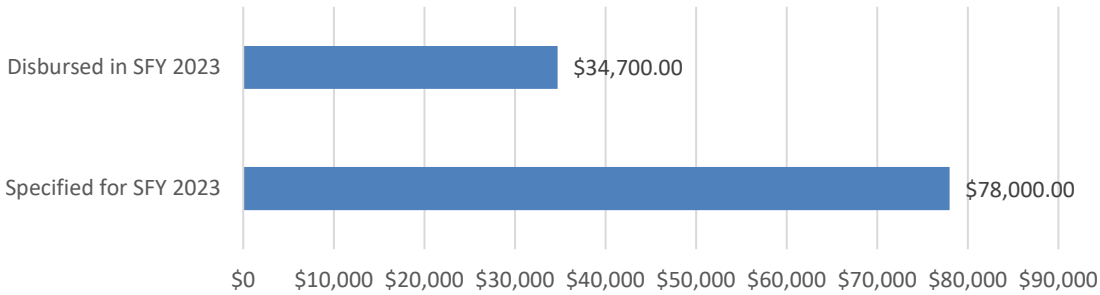
Source: Delaware Department of Health and Social Services, Division of Public Health, Health Systems Protection, August 2023

Figure 8. Drinking Water State Revolving Fund Disbursement to Delaware Technical Community College, Delaware, State Fiscal Year 2023



Source: Delaware Department of Health and Social Services, Division of Public Health, Health Systems Protection, August 2023

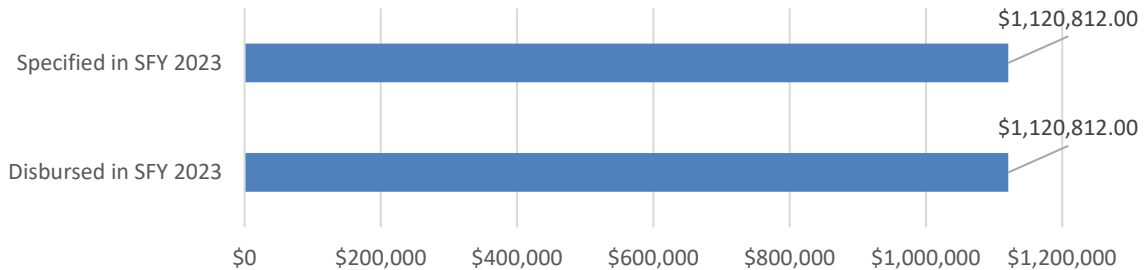
Figure 9. Drinking Water State Revolving Fund Disbursement to Science, Technology, and Research Institute of Delaware (STRIDE), State Fiscal Year 2023



Source: Delaware Department of Health and Social Services, Division of Public Health, Health Systems Protection, August 2023

10. Set-Aside: Administration (4%)

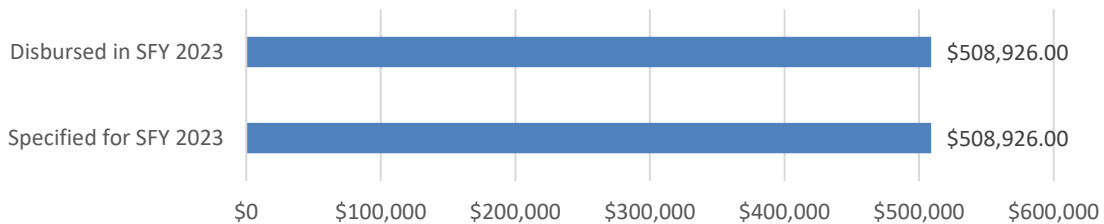
Figure 10. Drinking Water State Revolving Fund (DWSRF) Paid Salaries and Associated Expenses of Personnel Administering the DWSRF program, Delaware, State Fiscal Year 2023



Source: Delaware Department of Health and Social Services, Division of Public Health, Health Systems Protection, August 2023

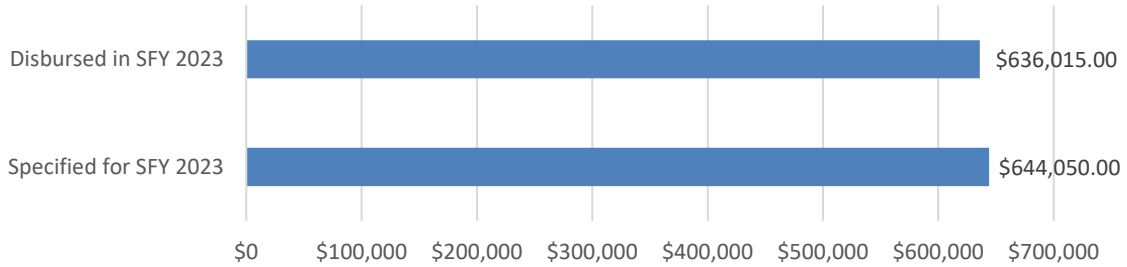
11. Set-Aside: State Program Management (10%)

Figure 11. Drinking Water State Revolving Fund Program Management Set-Aside Disbursement to Underground Injection Control Program, Delaware, State Fiscal Year 2023



Source: Delaware Department of Health and Social Services, Division of Public Health, Health Systems Protection, August 2023

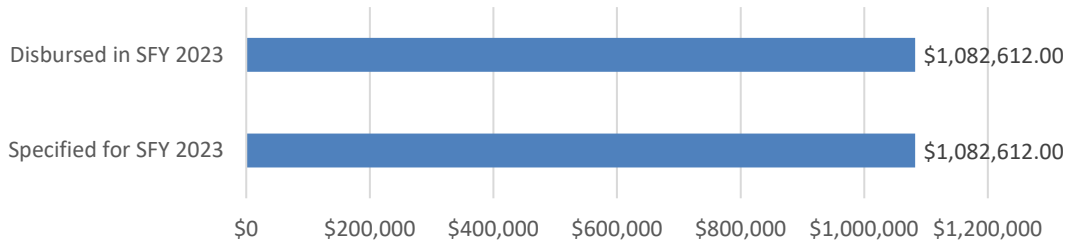
Figure 12. Drinking Water State Revolving Fund Program Management Set-Aside Disbursement to Public Water System Supervision Program, Delaware, State Fiscal Year 2023



Source: Delaware Department of Health and Social Services, Division of Public Health, Health Systems Protection, August 2023

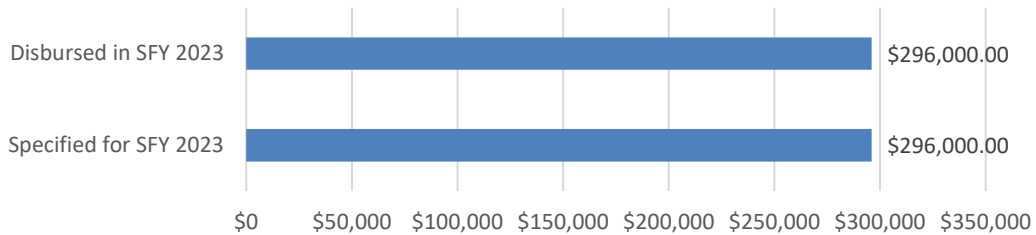
12. Set-Aside: Local Assistance and Other State Programs (15%)

Figure 13. Drinking Water State Revolving Fund Local Assistance Set-Aside Disbursement to Source Water Protection Program, Delaware, State Fiscal Year 2023



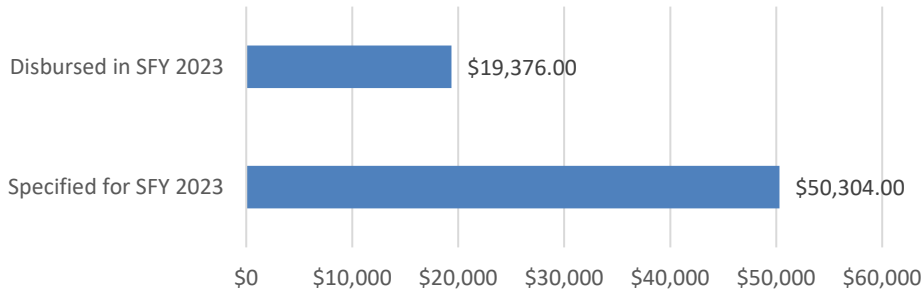
Source: Delaware Department of Health and Social Services, Division of Public Health, Health Systems Protection, August 2023

Figure 14. Drinking Water State Revolving Fund Local Assistance Set-Aside Disbursement to the Capacity Development Program, Delaware, State Fiscal Year 2023



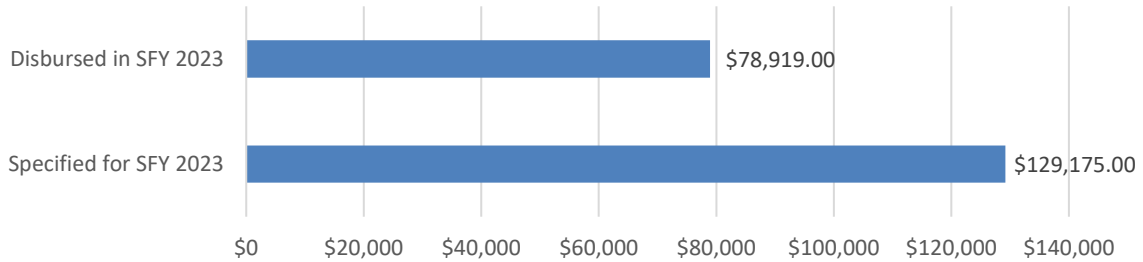
Source: Delaware Department of Health and Social Services, Division of Public Health, Health Systems Protection, August 2023

Figure 15. Drinking Water State Revolving Fund Local Assistance Set-Aside Disbursement to Delaware Technical Community College, Delaware, State Fiscal Year 2023



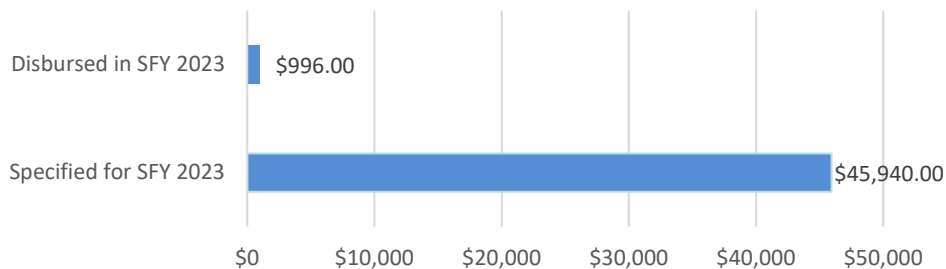
Source: Delaware Department of Health and Social Services, Division of Public Health, Health Systems Protection, September 2023

Figure 16. Drinking Water State Revolving Fund Local Assistance Set-Aside Disbursement to Delaware Rural Water Association, Delaware, State Fiscal Year 2023



Source: Delaware Department of Health and Social Services, Division of Public Health, Health Systems Protection, August 2023

Figure 17. Drinking Water State Revolving Fund Local Assistance Set-Aside Disbursement to Kash Srinivasan Group, LLC, Delaware, State Fiscal Year 2023



Source: Delaware Department of Health and Social Services, Division of Public Health, Health Systems Protection, August 2023

IV. Financial Summary

The following discussion provides additional details on the financial management activities in the DWSRF for State Fiscal Year 2023.

A. Status of Loans

The DWSRF closed \$30,424,266.00 in loans this reporting period. Appendix A shows the status of all DWSRF loans as of October 17, 2023. Information will include the following: loan amount, interest rate, term, cumulative disbursements, and schedule of principal and interest payments. Loan activity is presented by fiscal year.

B. Loan Disbursement/Cash Draw Proportionality

DWSRF audited financial records list each disbursement, each loan-related federal Automated Clearing House cash draw, and the cumulative federal/state proportionality ratio resulting from cash draw activities.

C. Set-Aside Disbursements

DWSRF audited financial records list each set-aside-related cash draw and disbursement by type and set-aside by fiscal year.

D. Annual Repayment/Aging of Accounts

The DWSRF received \$10,121,354 in repayments and interest during this reporting period.

E. Loan Portfolio Analysis

DNREC Environmental Finance monitors our loan portfolio for any potential weakness or delinquencies.

F. Funds Transferred to the Clean Water State Revolving Fund from the Drinking Water State Revolving Fund (Appendix B)

Category	Amount
Grant Amount Transferred to Clean Water	\$27,050,176.00
State Match Transferred to Clean Water	\$5,410,035.38
Total Transferred	\$32,460,211.38
Intended Use of Funds Transferred:	
Administration	\$1,298,408.46
Projects	\$31,161,802.92
4% of Grant Amount to Administration	\$1,082,007.04
Balance to Projects	\$31,161,802.92
4% of State Match to Administration	\$216,401.42
Total to Administration	\$1,298,408.46

Source: Delaware Department of Health and Social Services, Division of Public Health, Health Systems Protection, October 2023

G. Financial Statements

DWSRF FY2023 Financial Statements will be provided to the Environmental Protection Agency pending completion and Delaware Auditor of Accounts release.

V. Compliance with Operating Agreement and Grant Conditions

A. Operating Agreement

During this reporting period, DHSS complied with the Operating Agreement and communicated any concerns with DNREC and EPA.

B. Grant Conditions

DHSS continues to comply with all applicable grant conditions as specified in FS-99391422 (Base Capitalization), 4D-95302801 (BIL General Supplemental), 4E-95302901 (BIL Emerging Contaminants), and 4L-95303001 (BIL Lead Service Line Replacement) grant agreements.

C. Administrative Conditions

1. General Terms and Conditions

DHSS agrees to comply with the current EPA general terms and conditions.

2. Correspondence Conditions

DHSS submits all reports, request for approvals, and notifications to the EPA.

3. Extension of Project/Budget Period Expiration Date

DHSS did not request an extension during the reporting period.

4. Disadvantaged Business Enterprise (DBE)

DHSS follows requirements in 40 CFR, Part 33 and the Six Good Faith Efforts procurement process and submits Minority-Owned Business Enterprise/Woman-Owned Business Enterprise reports annually.

D. Programmatic Conditions

1. Payment Schedule

DHSS accepted grant funds that were released by EPA utilizing the Automated Standard Application for Payments (ASAP) payment method as outlined in the grant award.

2. Cash Draws

DHSS drew cash from the ASAP System for the funds included in the grant based on EPA guidance and best practices.

3. State Match

DHSS deposited into the State Revolving Fund a match of 20% percent of the amount awarded in the base capitalization grant and 10% percent of the BIL general supplemental capitalization grant.

4. Intended Use Plan and Operating Agreement

DHSS makes best efforts to adhere to the Intended Use Plan and Operating Agreement as provided to EPA, including any amendments that were presented and agreed upon by the Regional Office.

5. Set-Aside Work Plan

DHSS endeavors to comply with the Set-Aside Work Plan submitted to the EPA, which encompasses any revisions that were presented and mutually accepted by the Regional Office.

a. Set-Aside Subgrants and Contracts

Upon request, DHSS provided and made available to EPA Region III copies of work plans associated with grants and contracts that were entered into as prescribed in the grant conditions. DHSS provided semi-annual reports which summarized activities completed under the grants and contracts.

b. Travel

The Program Administrator and Set-Asides Manager attended the Council of Infrastructure Financing Authorities Summit on Water Infrastructure on April 11-14, 2023, in Washington, D.C. This conference convenes leaders in the state revolving fund community, including state revolving fund managers, federal partners, public finance experts, and water policy advocates, to engage in a national conversation on the future of water infrastructure investment. The Program Administrator and Fiscal Management Analyst attended the Region 3 All-States Conference on April 26-28, 2023, in Hershey, Pennsylvania. This conference convenes leaders in the state revolving fund within the region, including leaders from Pennsylvania, Virginia, Maryland, and West Virginia.

c. Training

DHSS participated in virtual and in-person training and professional development activities during the reporting period.

d. Public Health Benefits Reporting

DHSS complied with all requests for data related to the use of the funds and entered this data into Office of Water State Revolving Funds (OWSRF) as it became available. All additional requests for information or clarification were provided regarding the new data system.

e. Biennial/Annual Reporting

DHSS reports key project characteristics, milestones, and public health protection results in its Annual DWSRF Report.

f. Set-Aside Reporting

Region III was provided with semi-annual reports on or before June 15, 2023, and November 15, 2023.

g. Program Income from Administrative Fees

Fee accounts were maintained in a separate account from the DWSRF program loan fund. Program income was used for only DWSRF program administration.

h. Signage

DHSS complied with the State Revolving Fund Signage Guidance to enhance public awareness of EPA assistance.

i. Additional Subsidization

Although additional subsidization is still being processed, the program has applied \$29,187,446 to the Disadvantaged Community Additional Subsidy from the FFY22 PPL and \$981,120 to the Congressional Authority Additional Subsidy as of June 30, 2023.

j. Green Project Reserve

DHSS designated no funds used for green infrastructure.

k. Geospatial Data Standards

DHSS makes every effort to comply with Geospatial Data Standards.

l. American Iron and Steel and Build America, Buy America

All applicable American Iron and Steel and Build America, Buy America requirements were met for each DWSRF project.

m. Wage Rate Requirements

DHSS complies with the wage requirements by requiring the applicant or their delegate to review the certified payroll submitted by the general contractor and all subcontractors on the job. The applicant or delegate must then submit a letter to the DWSRF Program stating that the pay rate meets the required rates. DHSS disburses the reimbursement funds only after receiving the letter.

n. Competency of Organizations Generating Environmental Measurement Data

DHSS is compliant with all applicable requirements.

o. Quality Assurance Program Plan (QAPP)

This plan is in progress. The DHSS Office of Drinking water submitted a plan to the EPA for review on August 23, 2022. The DHSS DWSRF submitted a plan to the EPA for review on August 28, 2023.

p. Quality Management Plan (QMP)

This plan is in progress. The DHSS DWSRF submitted a plan to the EPA for review on August 28, 2023.

q. State Grant Cybersecurity Condition

DWSRF/DPH/DHSS complies with all State IT requirements and protective measures. Data is inputted and shared only with EPA's data portal. Any information shared via DHSS or DNREC websites is also compliant with State IT policies and procedures. The DWSRF program and the Delaware Emergency Management Agency are conducting a cybersecurity study of the towns and cities of Middletown, Magnolia, Milford, and Selbyville. This study is expected to be published in early 2024.

APPENDIX A - FINANCIAL INFORMATION

The audited financial records for the Delaware DWSRF program will be released and forwarded to the EPA.

APPENDIX B - FINANCIAL STATEMENT OF FUNDS TRANSFERRED TO U.S. EPA CLEAN WATER STATE REVOLVING FUND (CWSRF)

FROM THE DRINKING WATER STATE REVOLVING FUND:

Note 6 – De-obligation of Federal and State Match Funds Between the Drinking Water State Revolving Fund (DWSRF) and Water Pollution Control Revolving Loan Fund (WPCRLF)

On September 4, 2012, the Environmental Protection Agency (EPA) de-obligated \$27,050,177 of the Fund's federal capitalization grant and awarded it to the WPCRLF. As part of the de-obligation, \$5,410,035, which represented the required 20% state match, was appropriated to WPCRLF. On June 30, 2012, the Unearned revenue - state match of the Fund on the Statement of Net Position included \$4,214,548 of the total \$5,410,035. The remaining \$1,195,487 was transferred to the CWSRF from Nonfederal Administrative funds. During 2014, no additional funds were de-obligated.

Note 7 – Transfer of Funds Between the DWSRF and WPCRLF

In accordance with WPCRLF's Intended Use Plan, the \$32,460,212 described in the previous note will be returned to the DWSRF when it is needed for Drinking Water commitments. The transfer will occur at the DNREC Environmental Finance Office's discretion to facilitate cash flow for loan commitments incurred by the DWSRF. When funds are transferred between WPCRLF and the DWSRF, the funds will be accounted for as transfers out and in, respectively. No transfers were made to DWSRF to date.

APPENDIX C – Program Evaluation Report (PER)

Current Year Action Items

1. The Environmental Protection Agency (EPA) recommends that Delaware Health and Social Services (DHSS) implement its plan to hire more engineers as soon as possible to ensure continued timely review and management of projects, especially with the expected increase in volume due to Bipartisan Infrastructure Law.
2. EPA recommends DHSS complete corrections to Federal Funding Accountability and Transparency Act reporting.
3. EPA suggests completing the following tasks to improve project file management:
 - a. Create and implement a Standard Operating Procedure for project filing and file organization.
 - b. Implement a procedure (e.g., checklist) to clearly document the review of Environmental Information Documents (EID).
 - c. Incorporate the Federal Flood Risk Management Standard into the state environmental review process.
 - d. Clearly state Categorical Exclusion or FONSI in published environmental determinations.

Prior Year Action Items

1. SFY 2023: EPA encourages states to disburse funds expeditiously such that they stay near or below a ratio of 5.0. Although DHSS's undisbursed ratio remains above the 5.0 benchmark, the ratio is trending in the right direction. EPA will continue to monitor DHSS's progress in implementing its Timely and Expeditious Use Plan towards achieving an improved fund utilization indicator.
 - a. Status: EPA discussed how to improve the benchmark during the annual review. DHSS was advised to continue doing first-in first-out, growing the pool of applicants, and increasing executed loans. Increasing executed loans thereby increases disbursements, thus bringing the undisbursed ratio closer to the benchmark. DHSS was very receptive and is committed to following through on the recommendations.