



**Procedures to Obtain a Construction Loan
from the
Drinking Water State Revolving Fund
(DWSRF) Program**

These procedures are general in nature and give an idea of what is entailed in obtaining financing for a construction loan from the Drinking Water State Revolving Fund (DWSRF) Program. This information is extracted from the [DWSRF Rule, Chapter 62-552, Florida Administrative Code](#).

The DWSRF Program subsidizes interest rates for loans to project sponsors. The subsidized rate is 60% of the market rate (approximates a 23% grant). Project sponsors include cities, counties, authorities, special districts, and entities (privately owned, investor-owned or cooperatively-owned) with legal responsibility for community water systems. Loans can be made for new construction of, and improvements to, public water systems, inclusive of storage, transmission, treatment, disinfection, and distribution facilities. The following is a step-by-step description of how a project sponsor may qualify for a loan.

The first step in this process is the submittal, by the project sponsor, of a completed “Request for Inclusion (RFI) on the Priority List for Drinking Water Facilities”. The information in the request is used to determine a priority score for the project. The score will be used to rank the project among others on the priority list.

The priority list consists of a fundable portion, a contingency portion and a planning portion of projects. The priority list is developed for the state fiscal year, beginning July 1. Projects for which planning and design activities are complete and are ready to proceed with construction are placed on the fundable portion of the priority list based on the estimated implementation date, the priority score, and the availability of funds. Projects for which planning and design activities are complete and are ready to proceed with construction but cannot be funded, due to insufficient funds, are placed on the contingency portion of the priority list. Projects for which the planning and design activities are not completed are placed on the planning portion of the priority list in alphabetical order.

The projects listed on the fundable portion are funded during the upcoming fiscal year and those on the contingency portion are funded during subsequent fiscal years when money is available. The projects on the planning portion will be moved up to either the fundable or contingency portion when they complete their planning and design requirements. In order for a project to be placed on the fundable or contingency portions of the list, the following requirements must be met by April 15:

1. The planning and design documents must be approved by the Department.
2. The project sponsor must obtain the appropriate Department’s construction permit or notice of intent to issue a construction permit.
3. Interlocal service agreements, if appropriate, must be established.
4. Project site acquisition (and relocation assistance in some unusual situations) must be completed.
5. Value engineering study, if appropriate.

The basic planning document is a facilities plan, which addresses the water system needs for a minimum of five years. This document requires a minimum 90-day review process. It is suggested that it be submitted by December 15 to allow for comments to be addressed. It presents a cost-effective analysis for the alternative selected for fulfilling these needs. (In some situations, planning may be limited to a portion of the total system needs.) The environmental

implications of the various alternatives must be reported in the plan. The facilities plan must be presented to the public at an advertised hearing and formally adopted by the project sponsor. Financial planning, as part of the planning activities, must also be done. This is accomplished by completing a "capital financing plan." A minimum of a five-year projection of finances for revenue sources, used to repay the DWSRF loan, is required. Since the capital financing plan will impact the public, it must also be presented at a public hearing. For loan funding, this type of hearing is referred to as a "dedicated revenue hearing", since its purpose is to get public input concerning the revenues that have been proposed to be dedicated to repaying the anticipated loan. This hearing may be combined with the facilities plan hearing. As a part of the facilities plan, the project sponsor must also include a proposed user rate system (showing that fees for the services will be assessed equitably and that a financially self-supporting utility will result) and a draft rate ordinance (setting up rules and regulations for implementing the rate system).

The design documents which must be approved by the April 15 date are the plans and specifications. If the facilities will cost more than \$5 million to construct, a value engineering study of the project will be required for the proposed design and associated construction.

The priority list can be amended during the fiscal year for which it has been developed. Additional projects can be added to the fundable portion when money is available. To qualify for addition to the list, a project must complete all the requirements (Items 1 – 5, above) and be ready for construction. (The April 15 deadline for completing the above requirements does not apply for projects being added by amendment to the priority list.)

If the project qualifies for a funding commitment, the project sponsor revises the RFI to include an updated cost summary and a schedule for completing the loan application and negotiating a DWSRF loan agreement with the Department. (Forms are routinely mailed to project sponsors in December of each year and the final completed forms must be submitted to the Bureau by the following February 15.) The application asks for information necessary to:

1. Establish eligibility of project costs for loan funding;
2. Identify the resources available to repay the loan and the liens on those resources;
3. Show financial self-sufficiency of wastewater utilities; and
4. Provide assurance of compliance with various loan program requirements, one of which is to build all the facilities recommended in the adopted planning documents.

A "fill-in-the-blanks" standard form loan agreement has been developed to ease the loan negotiating process. It is set up to pledge either the water or the water and sewer systems revenues. A specific loan agreement is to be negotiated individually with each applicant. Certain agreement provisions, (e.g: specific revenues to be pledged for debt retirement), are negotiable while others, (e.g: requirements for audits), are not.

When the project sponsor has demonstrated the ability to service long term debt, the pledged revenues will be not less than 1.15 times the amount required to make each semiannual loan repayment. If such an ability is not demonstrated, additional security measures will be required for the pledged revenues. The additional security measures will be either additional escrow funds equivalent to not less than five semiannual loan repayments or a letter of credit from a bank or trust company or a savings and loan business assuring that no less than five semiannual loan repayments will be made or a personal or corporate obligation ensuring that all semiannual repayments will be made. These measures will be accompanied by a lien on the assets of the project sponsor in the amount of total loan.

The final agreement will be filled out by the Department, based upon the information contained in the application and negotiations with the project sponsor and will be signed by the project sponsor's authorized representative and Secretary of the Department.

After the loan agreement is executed, the project sponsor proceeds to advertise for construction bids. Bids are to be opened in public and the low responsive, responsible bidder is then determined. Award recommendations are to be made, and the Department's authorization to award the construction contract is requested. The Department will authorize the contract award if procurement activities have been properly carried out. The Department will review loan program procedures pertinent to the construction phase of the project with the project sponsor's representatives and contractors at a preconstruction conference. The signed construction contract and notice to proceed and insurance and bonding information are then submitted to the Department. A professional engineer must oversee construction. Loan disbursements will be made directly to the project sponsor as costs are incurred. When construction is completed, final project costs are established and the final loan repayment amount is determined. Project is then closed out.

If you would like more information or have a question on any aspect of the DWSRF Program, do not hesitate to call Craig Diltz at (850) 245-8358.