

Funding Options for Cities and RWDs in Kansas



If your community has decided that it is time to build, replace, upgrade, or expand your water or wastewater treatment system or other community facility, one of the first questions is, “How are we going to fund that project?” And generally the next is, “Can we get a grant?”

Even though the organizational efforts involved in developing the project may be complete, the matter of selecting a funding option is not as complex as some might believe or suggest. Unlike years past, funding through several loan programs is readily available today for water and wastewater system improvements. The two funding agencies in Kansas that are often used are the USDA Rural Development or the Kansas Department of Health and Environment water or wastewater revolving loan funds. All have funding capacity that is presently not being used. And while many people complain about government debt, local community leaders also continue to be most interested in “getting a grant” to help pay for their project. Grant funds are much more limited and are available only if the project meets certain parameters such as low and moderate income levels or average costs of utility services.

Other potential funding sources include private sector financing (bonds), loans from banks for rural water districts, and the Kansas Department of Commerce programs such as their Community Development Block Grant program (CDBG) or event the “sweat-equity” KAN STEP program for qualifying projects. Another, and lesser known program that KRWA has helped several systems utilize is the National Rural Water Revolving Loan Fund.

I appreciate the opportunity to provide information about the various funding options.



KDHE has both water and wastewater loan programs

The Kansas Public Water Supply Loan Fund, frequently referred to as the SRF for State Revolving Loan Fund) has helped many smaller water systems. Since 1997, systems serving

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Funding Options

The Kansas Public Water Supply Loan Fund may be one of your options when it comes to financing water utility improvements. You can also explore other options here. Also, take a look at the Kansas Rural Water Finance Authority which can provide assistance with your loan application, issuance of other debt for interim and long-term financing, rate reviews, and more.

Kansas Public Water Supply Loan Fund Historical Interest Rates

As of September 30, 2014, small systems have received 200 of the 277 loans (72%) for a total of \$232,338,086.93 of the total \$589,238,410.51 (39%) committed in loans. Systems serving a population of 5,000 or fewer are classified as small systems under the Kansas Public Water Supply Loan Fund.

Month	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
January	4.25	3.98	4.73	4.37	4.08	3.91	3.80	3.60	3.60	3.35	3.54	4.34	3.40	3.55	2.42	2.12	2.78	
February	4.15	4.00	4.77	4.25	4.11	3.92	3.73	3.58	3.57	3.33	3.51	4.21	3.44	3.90	2.34	2.12	2.78	
March	4.09	4.00	4.80	4.13	4.14	3.89	3.68	3.53	3.53	3.35	3.54	4.13	3.44	4.08	2.27	2.16	2.75	
April	4.09	4.04	4.77	4.11	4.15	3.86	3.62	3.56	3.53	3.36	3.67	3.98	3.48	4.08	2.26	2.25	2.70	
May	4.15	4.05	4.69	4.15	4.16	3.81	3.69	3.58	3.58	3.37	3.81	3.91	3.50	4.01	2.31	2.32	2.65	
June	4.17	4.09	4.69	4.18	4.18	3.69	3.82	3.56	3.62	3.39	3.78	3.82	3.49	3.87	2.32	2.31	2.62	
July	4.15	4.16	4.68	4.21	4.13	3.59	3.97	3.46	3.67	3.51	3.73	3.77	3.48	2.81	2.33	2.37	2.60	
August	4.12	4.25	4.65	4.19	4.08	3.60	3.99	3.42	3.68	3.58	3.72	3.75	3.46	2.72	2.30	2.49	2.59	
September	4.10	4.35	4.52	4.11	4.01	3.78	3.90	3.43	3.63	3.69	3.75	3.77	3.39	2.62	2.29	2.74	2.58	
October	4.07	4.44	4.45	4.08	3.92	3.92	3.78	3.44	3.54	3.67	3.79	3.63	3.26	2.50	2.25	2.84	2.54	
November	4.31	4.00	4.58	4.44	4.04	3.89	3.97	3.66	3.49	3.46	3.63	4.04	3.47	3.13	2.43	2.25	2.83	
December	4.29	3.98	4.65	4.45	4.04	3.88	3.88	3.62	3.55	3.49	3.57	4.17	3.41	3.22	2.50	2.16	2.79	
Average	4.38	4.11	4.22	4.44	4.18	4.06	3.81	3.77	3.52	3.58	3.48	3.75	3.85	3.39	3.26	2.79	2.45	2.66

The above screen shot is from the KRWA Web site provides a summary of the Kansas Public Water Supply Loan Fund and historical interest rates since 1997. The site address is <http://krwa.net/finance/fundopt.shtml>.

fewer than 5,000 people have received 200 of its 277 loans (72%) for a total of \$232,338,087 of the total \$589,238,410 (39%) committed in loans. The Kansas Rural Water Finance Authority has provided marketing assistance to that since its inception. The screen shot on the previous page is from the KRWA Web site at

<http://krwa.net/finance/fundopt.shtml>.

KRWA appreciates the assistance of William Carr who provides updated information concerning loan totals and monthly interest rates.

Kansas Water Pollution Control Revolving Loan Program

The Kansas Department of Health and Environment has operated the Kansas Water Pollution Control Revolving Loan Program since 1989. The program is managed by Rod Geisler, P.E., at KDHE. Since 1989 through June 2014, the KDHE program had binding commitments of \$1,128,806,831. Additional information about the program is available at the following Web site: <http://www.kdheks.gov/muni/>.

Private Sector Bonds

Many municipalities in Kansas have and continue to issue both General Obligation and Revenue Bonds to finance infrastructure. A word of caution: Don't walk into a bond issue without the help of a financial advisor. The process of structuring securities is complex; some terminologies to look out for and understand include "Effective Interest Rate" and "Call Date" or "Call Feature", and on larger projects, "Bond Rating".

Kansas Rural Water Finance Authority

The Kansas Rural Water Finance Authority (KRWFA) was created in 1988 in response to requests from systems for assistance with financing issues at the time of a sale of the old

National Rural Water Revolving Loan Fund



The National Rural Water Association (NRWA) Revolving Loan Fund (RLF) was established under a grant from USDA Rural Utilities Service to provide financing to eligible utilities for pre-development costs associated with proposed water and wastewater projects. RLF funds can also be used with existing water/wastewater systems and the short term costs incurred for replacement equipment, small scale extension of services or other small capital projects that are not a part of your regular operations and maintenance.

Systems applying must be public entities. This includes counties, special purpose districts, Native American Tribes and corporations not operated for profit, including cooperatives, with up to 10,000 population and rural areas with no population limits.

What are the loan amounts? Loan amounts may not exceed \$100,000 or 75 percent of the total project cost whichever is less. Applicants will be given credit for documented project cost prior to receiving the RLF loan.

What are the loan terms? The law authorizing the program allows a maximum repayment period of 10 years. Additional ranking points are awarded in the selection process for applicants that propose a quicker repayment of the loan. The repayment period cannot exceed the useful life of the facilities or financed item. Five-year, interest only, pre-development loans are also available.

What is the interest rate? Loans will be made at the lower of the poverty or market interest rate as published by RUS, with a minimum of 3 percent at the time of closing. The most current rates are available on the RUS Water and Environmental Programs Home page at www.usda.gov/rus/water.

What are the collateral requirements? As a minimum, a promissory note or comparable document authorized by the governing body will be required. Additional security may be required by the RLF administrator or loan committee when deemed necessary as allowable under State law.

Where applications should be filed? Contact David Paterson at NRWA. Applications, information and forms can be acquired via the Internet. Information can be emailed, if available electronically, to david@nrwa.org.

Applications and documents can also be sent by mail. Applicants can also contact any State Rural Water Association for assistance in acquiring, preparing and submitting the required documents.

Kansas systems receive funding through NRWA revolving loan program

In 2013, Rural Water District No. 3, Crawford County, applied to NRWA Revolving Loan Fund for assistance to replace the 50,000-gallon clearwell and upgrade 2,400 feet of 2-inch water main line to a 4-inch main line. The purpose for the water line upgrade was to connect to Crawford RWD 1 for an emergency water source.

Board member and Bookkeeper Gayle Pettyman commented, "The district wishes that we had gone the NRWA Revolving Fund route from the very beginning, it was relatively painless, and the interest rate very reasonable."

Doniphan Rural Water District No. 6, a newly-formed district requested NRWA funding through the NRWA revolving loan fund to conduct test drilling for the district. Board Chairman Paul Rush commented as follows: "Without the Revolving Loan Fund from NRWA the district would have been dead in the water. The district had exhausted its funds and the project would have come to a halt. Thanks to funding from NRWA the district was able to move forward with establishing a good water source for the district."

USDA funds nearly \$57 million in projects

USDA Rural Development funded nearly \$57 million in water and wastewater facilities in FY 2014. The listing below shows the projects and amount of loan and grant dollars involved for each.

- **City of Linn Valley, Sewer: \$200,000 loan; \$306,000 grant** – Supplemental funds to install a centralized collection system, with gravity flow & grinder pumps.
- **City of Oswego, Water: \$409,000 loan; \$338,000 grant** – Supplemental funds will protect the City's water source by repairing the dam and intake structure.
- **City of Clayton, Water: \$15,000 loan** – Supplemental funds will install a centralized arsenic treatment system and pour new foundation for standpipe.
- **City of Carbondale, Sewer: \$3,038,000 loan; \$158,000 grant** – Funds will be used to repair and/or rehabilitate a majority of the remaining manholes and collection line.
- **City of Udall, Water: \$2,314,000 loan** – Replace the 6-inch waterline from the wells to the city limits, replace some distribution line & refinance debt.
- **City of Altamont, Water: \$977,000 loan; \$371,000 grant** – Install line from the new master meter to the elevated storage tank, replace distribution line, & new meters.
- **City of Scranton, Water: \$1,229,000 loan; \$843,000 grant** – Install 6- and 8-inch water distribution line, replace all 301 existing water meters, and install fire hydrants.
- **City of Englewood, Water: \$101,000 loan; \$484,000 grant** – Drill a new well, install transmission line, replace some distribution line, and install new telemetry controls.
- **City of Easton, Water: \$508,000 loan; \$660,000 grant** – Drill a new well, build a treatment plant, install fire hydrants, install meters, and replace asbestos cement pipe.
- **City of Richmond, Water: \$742,000 loan; \$606,000 grant** – Install 6-inch line, 1-inch service line, fire hydrants, meter settings, gate valves and telemetry system.
- **RWD #1A, Osborne County, Water: \$123,000 loan; \$100,500 grant** – Pipe looping will eliminate stagnant water; project will also correct deficiencies on the District's standpipe.



Committed to the future of rural communities.

- **City of Cuba, Water: \$189,000 loan; \$391,000 grant** – Replace the distribution system with 4-, 6- and 8-inch line, install 114 meters and service lines.
- **City of Conway Springs, Water: \$2,022,000 loan; \$2,558,000 grant** – Replace distribution line, and install a new 300,000-gallon storage tank; will complement the new treatment plant
- **Greenwood RWD 1, Water: \$1,711,000 loan; \$1,662,000 grant** – Install 6-inch, 4-inch, 3-inch and 2-inch pipe. Also rehab the existing water storage tanks and install meters.
- **City of Haviland, Water: \$1,556,000 loan, \$879,000 grant** – Construct a treatment plant, install 6-inch line, build a lagoon, upgrade the telemetry, and purchase a generator.
- **City of Strong City, Water: \$59,000 loan; \$49,000 grant** – Supplemental funds will replace water line, install fire hydrants, and replace removed surfaces.
- **City of Severy, Water: \$795,000 loan; \$1,027,000 grant** – Install 6-inch and 4-inch pipe, HDPE service line, 40 gate valves, 36 fire hydrants, and 156 water meters.
- **PWWSD #26, Water: \$255,000 loan; \$862,600 grant** – Supplemental funds will construct a water treatment facility and to run a supply line from existing city wells.
- **City of Conway Springs, Water: \$390,000 loan; \$294,000 grant** – Develop 2 new wells, install line to the new wells and replace line between the tower and City.
- **Riley Co. Sewer District, Sewer: \$2,357,000 loan; \$1,818,000 grant** – Install 35,257 LF CIPP liner, rehabilitate 15 manholes, rehabilitate 3 lift stations, replace one.
- **PWWSD #23, Water: \$13,504,000 loan; \$11,034,000 grant** – Construct a 6.0 MGD treatment plant on Fall River to replace the undersized 2.35 MGD plant.

Funding Sources and Assistance

Organization/agency	USDA Rural Development	KS Dept. of Health & Environment	KS Dept. of Health & Environment	KS Dept. of Commerce	Bonds/Leases
Program title	Water and Wastewater Grant and Loan Program; also has a guaranteed loan program	KS Public Water Supply Loan Fund	Water Pollution Control Revolving Fund	Community Development Block Grant	General Obligation; Revenue Bonds
Eligible applicants	Cities, RWDs with population less than 10,000	Municipally owned water systems and RWDs	Publicly owned wastewater treatment works	Municipalities, RWDs apply through county	Cities, RWDs, others
Type of funding	Loans/Grants; also a guaranteed loan program	Loans only	Loans only	Grants only	Technically not a loan but similar
Eligible projects	Water & Wastewater	Water	Wastewater	Water, wastewater, other community facilities	Water, wastewater, community facilities
Approximate annual funding	\$15 million on direct loans and grants; \$2.5 million for guaranteed loans	\$35+ million annually	\$30 million annually	Approximately \$9 million annually	Unlimited
Maximum funding	100% of project cost	100% of project cost	100% of project cost	\$400,000 per project or \$2,000 per beneficiary maximum	100% of cost
Application cycle	Throughout year	Submit expression of interest by July 1	Throughout year	Submit by October 15; award January 15+E19	No restriction
Estimated time to prepare application	Estimate 6 months if engineer and applicant work diligently	Typically, 120 days for the application and review process. Funding approval determined about Sept. 1	Typically 120 days for the application and review process, after engineering report approval. Immediate funding	Applicants must appear before Kansas Inter-Agency Committee (KIAC). Development and Environmental Review typically require 6 months. Funding approval determined March 1	45 days minimum, no environmental review required when commercial credit is utilized
Major application criteria	For rural areas and communities less than 10,000; program should not compete with commercial credit	Compliance with drinking water regulations; consolidation	Compliance with NPDES and KWPC permits, resolve water quality impairments, regionalization	Meet Low-to-Moderate Income goal	Debt authority; direct debt ratios; ability to meet debt service coverage ratios
Contact Information	Shane Hastings, Community & Business Programs: Ph.785.271.2728	William Carr, Bureau of Water; Ph.785.296.0735	Rodney R. Geilser, P.E., Chief, Municipal Programs Section, Bureau of Water. Ph.785.296.5527	Salih Doughramaji, Community Development Block Grant Program: Ph.785.296.3004	Financial advisor or other financial institution
Comments	On direct loans, term is typically set at 40 years. On guaranteed loans, the interest rate and term set by lender, generally not more than 20 years	Loans are 20 years with no penalty for early payment	Application includes environmental review and planning coordination. Maximum repayment period 20 years. Interest rate is approximately 60% of market rate	Highly competitive application process	Ensure competitive pricing through bidding of financing; bond reserve of 10% typically included in the financing

Web sites:

KS Dept. of Health & Environment (water) – www.kdhe.state.ks.us/pws/loan/loanfund.htm

KS Dept. of Health & Environment (wastewater) – www.kdhe.state.ks.us/muni/

KS Department of Commerce – <http://www.kansascommerce.com>

USDA Rural Development – <http://www.rurdev.usda.gov/>

Kansas Rural Water Finance Authority – <http://krwa.net/finance/financeauth.shtml>

FmHA loans that financed most rural water systems in Kansas. Endorsed by the Kansas Rural Water Association, the Authority is a non-profit Kansas corporation that assists cities and rural water districts in evaluating their funding options.

KRWFA has issued nearly \$100 million in bonds. The Authority bids financings and acts as a financial advisor to the project owner. There is

no other such agency in Kansas that works primarily with rural water districts.

Banks and other financial institutions

Rural water districts have the legal authority to obtain loans from Kansas banks per K.S.A. KSA 82a-619(h). Cities in Kansas are prohibited from borrowing money from banks.

Rita Clary has extensive municipal experience with the city of Troy, KS for eleven years. She served as the Ambulance Director for two years and supervised the volunteer staff. Rita also worked on or completed most water and wastewater utility reporting requirements. Her focus at KRWFA is to provide assistance with applications for funding for cities and rural water districts.

