

# Application assistance for Kansas Public Water Supply Loan Fund

I am pleased to be associated with the Kansas Rural Water Association and Finance Authority; the Association provides many benefits to rural water districts and cities statewide. One of the benefits that is many times overlooked is assistance KRWA's sister organization, the Kansas Rural Water Finance Authority, provides in completing the Kansas Department of Health and Environment State Revolving Loan application paperwork. This program is a viable option to funding water infrastructure projects for cities and rural water districts.

Although many have heard about the revolving loan fund, it is easy to forget some of the aspects of the loan program. Congress

passed the Safe Drinking Water Act in 1974. In 1996, the Kansas Legislature established the Public Water Supply Loan Fund to serve the eligible organizations including city and county governments,

rural water districts and other political or taxing subdivisions of the state as a long-term funding source for drinking water infrastructure projects. EPA began to provide capitalization grants for the program in 1997. The Kansas Public Water Supply Loan Fund provides low interest loans for a maximum time frame of 20 years.

"How low are the interest rates," many people ask?

Historically, interest rates have ranged from 3.37% to 4.80%. Usually, there is a slight adjustment each month because the interest rates are calculated at

[www.krwa.net](http://www.krwa.net) and then under "Technical Assistance" and then "Financing." (See the chart from the KRWA Web site on the next page.)

When one stops to think that borrowing these funds will keep a water system viable to serve customers, could there be a better way to go? Possibly, but while the Public Water Supply Loan Fund is not the only option available, it sure is an attractive one.

80% of the previous 3-month average Bond Buyer 20-Bond Index published on the first day of each week. The rate issued on the first day of the month is valid for the entire month. KRWA has maintained a chart of the interest rates on the Association's Web site; find that information at

When one stops to think that borrowing these funds will keep a water system viable to serve customers, could there be a better way to go? Possibly, but while the Public Water Supply Loan Fund is not the only option available, it surely is an attractive one. Of course, the city or rural water



Rose Mary Saunders  
Ranson Financial Consultants



William Carr, left, KDHE Public Water Supply Section, reviews a project application for financial capability with John Haas, Ranson Financial Consultants LLC, at the KDHE office in Topeka.

district could issue bonds, which may have some advantages. Or the city or water district could also look at USDA Rural Development's Water/Wastewater Loan Program. Can a Kansas Department of Commerce Community Development Block Grant be used in conjunction with the project? The answer is yes to all of these funding options or combinations of each can be used with the Loan Fund. The timing of a project is one of the factors that should be considered. Is there time to develop the project over several months or is there a need to move as fast as possible? Looking at the time frame of the project, the impact on the water rates, the debt repayment schedule, all play into the decision of how to fund the project.

**Where to begin – timetable?**

The Kansas Public Water Supply Loan Fund has some advantage in that from the time an application is submitted to executing the Loan Agreement can be in as little as 120 days, depending on the complexity of the project, existing debt requirements or environmental issues.

Where to begin? While the application process was set up to be as simple as possible, a lot of the communities and rural water districts (small and large) do not have the time or the staff to complete the necessary information. That is where Kansas Rural Water Finance Authority can come to the rescue! The Authority has contracted with Ranson Financial Consultants, LLC to assist systems in completing the application at no cost. Yes, believe those words: "AT NO COST!" I have developed a template of information that an applicant would provide to complete the application.

The first step is to complete a Project Submittal Form. This is a relatively simple statement of what the project will entail. The form can be downloaded from the KDHE Web site at <http://www.kdheks.gov/pws/loan/loanfund.htm>. This form needs to be completed and submitted to

William Carr at KDHE. Doing so will allow KDHE to consider the funding request and incorporate the amount in their "Intended Use Plan." The Project Submittal Form provides KDHE with information such as the city or district's name, address and contact information. The form includes a description of

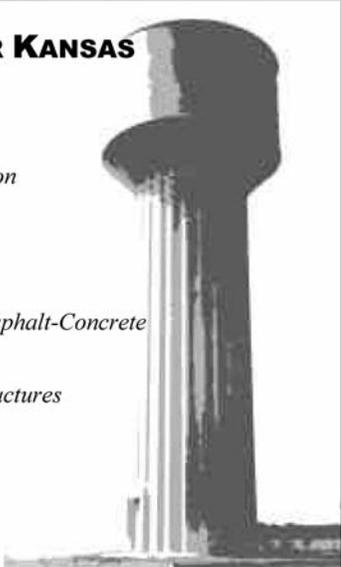
As of May 31, 2008 small systems have received 130 of the 182 loans (71%) for a total of \$156,178,862.83 of the total \$415,151,811.98 (38%) committed in loans. Systems serving a population of 5,000 or fewer are classified as small systems under the Kansas Public Water Supply Loan Fund.

Kansas Public Water Supply Loan Fund Historical Interest Rates												
Month	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
January		4.25	3.98	4.73	4.37	4.08	3.91	3.80	3.60	3.60	3.35	3.54
February		4.15	4.00	4.77	4.25	4.11	3.92	3.73	3.58	3.57	3.33	3.51
March		4.09	4.00	4.80	4.13	4.14	3.89	3.68	3.53	3.53	3.35	3.54
April		4.09	4.04	4.77	4.11	4.15	3.86	3.62	3.56	3.53	3.36	3.67
May		4.15	4.05	4.69	4.15	4.16	3.81	3.69	3.58	3.58	3.37	3.81
June		4.17	4.09	4.69	4.18	4.18	3.69	3.82	3.56	3.62	3.39	3.78
July		4.15	4.16	4.68	4.21	4.13	3.59	3.97	3.46	3.67	3.51	
August		4.12	4.25	4.65	4.19	4.08	3.60	3.99	3.42	3.68	3.58	
September		4.10	4.35	4.52	4.11	4.01	3.78	3.90	3.43	3.63	3.69	
October		4.07	4.44	4.45	4.08	3.92	3.92	3.78	3.44	3.54	3.67	
November	4.31	4.00	4.58	4.44	4.04	3.89	3.97	3.66	3.49	3.46	3.63	
December	4.29	3.98	4.65	4.45	4.04	3.88	3.88	3.62	3.55	3.49	3.57	
<b>Average</b>	<b>4.30</b>	<b>4.11</b>	<b>4.22</b>	<b>4.64</b>	<b>4.16</b>	<b>4.06</b>	<b>3.82</b>	<b>3.77</b>	<b>3.52</b>	<b>3.58</b>	<b>3.48</b>	<b>3.61</b>

**py** **PONZER-YOUNGQUIST**  
Consulting Engineers & Land Surveyors

**ENGINEERING SOLUTIONS FOR KANSAS COMMUNITIES SINCE 1973**

- **WATER**  
*Supply-Treatment-Storage-Distribution*
- **WASTEWATER**  
*Collection-Pumping-Treatment*
- **STREETS**  
*Residential-Collector-Commercial-Asphalt-Concrete*
- **STORMWATER**  
*Collection-Open Channel-Piping-Structures*
- **DEVELOPMENT**  
*Planning-Platting-Utilities*
- **SURVEYING**  
*Boundary-Topographic-Alta*



227 E Dennis • Olathe, KS 66061 • PH 913-782-0541 • FAX 913-782-0109  
 Visit us on line at [www.pyengineers.com](http://www.pyengineers.com)



Rose Mary Saunders of Ranson Financial Consultants makes a point during a project review presentation for the Udall City Council in April 2008.

the type of project being considered and an approximate cost and timeframe. Water districts are also asked to provide information on user breakdown by county and township. Submitting this information to KDHE does not commit the applicant to the loan

program, but it provides a means for the project to be included on the Intended Use Plan for priority ranking. It also provides information to KDHE that a project will be coming to them for review and approval.

Applicants must adopt and implement a Water Conservation Plan be approved by the State. If a system does not have one or it has not been updated since 2001, please contact Tina Rajala at (785) 296-3185 for a draft plan.

Assistance for this requirement is provided by the Kansas Water Office as well as Kansas Rural Water Association.

While there is no cost to issue the loan funds, there is an origination fee for all projects of 0.25% of the project costs. Also there is no need to provide for interim financing as the funds are requested on an “as needed” basis, usually monthly.

Of course, no application is without effort. Applicants need to provide various types of information to complete an application. This includes items such as the last three years of Water Use Reports, current water rates, audits/financial statements, user breakdown, contracts with suppliers and/or users. I am able to come to the city’s or district’s office to meet and review the information. The project engineer would also be involved in the process by providing the cost estimate and the engineering reports. A public hearing would be set to hear comments from the users regarding the proposed projects and how it will affect them. The main question usually heard is, “If we do this, will water rates increase?” Depending on the present water rate structure and revenue generated, the answer may be yes. Part of that increase is due to the 1.25 coverage ratio required by the loan program.

#### The 1.25 coverage ratio

What’s this 1.25 coverage ratio? Well, let’s assume a city or water district were to issue bonds or go to the local bank for financing. The lender would require the borrower to provide information to demonstrate a

**Relax - it's under control.**



From telemetry to SCADA, MicroComm has the solution for every water and waste water system.

**MICROCOMM**

To schedule your free consultation, visit [www.micro-comm-inc.com/relax](http://www.micro-comm-inc.com/relax) or call 913.390.4500.

positive cash flow during the life of the loan. In many cases, they require at least 10% and possibly up to 40% to be placed in a reserve account. By requiring the 1.25 coverage, cities do not need to establish the reserve account since cities can use their tax base as leverage. Because rural districts do not have taxing authority, a reserve account of 10% is required and this is borrowed as part of the loan application. The 1.25 coverage means for every dollar of expense incurred, the utility needs to have \$1.25 of revenue.

What projects are eligible? Are there any projects that are not eligible for the Public Water Supply Loan Program? Most projects are eligible and are easily recognized. They include: water line extensions, transmission mains, storage facilities, treatment plants, wells and intakes and major system rehabilitation and improvements. Of course, there are also several project activities such as purchasing water rights, construction of dams and reservoirs, maintenance costs, municipalities that are significantly out of compliance unless the project would achieve compliance that are not eligible.

Another service provided by Ranson Financial Consultants LLC through the Kansas Rural Water Finance Authority is to review the loan application for financial prudence. After the loan agreement is signed, the construction has been completed and customers begin using the water, the city or district will submit an annual audit. John Haas and Beth Warren at Ranson Financial Consultants, LLC, will review each system's water revenues and expenses to make sure that the borrower is maintaining that 1.25 coverage required by the loan program. If coverage is not maintained, the entity is notified. We work with the borrowers and KDHE to assist

## System comments

### Udall voices support

"Without Rose Mary's help we would not have gotten through all the paperwork in a timely manner. Her



*Udall City Clerk Lulita Hopkins readies city council packets before a council meeting in April.*

experience and assistance provided the City Council and me with information such as financing options, helping us procure an engineering firm to design our project and completing the loan application in an effortless manner has moved Phase I of our water system improvements project forward. We also submitted an application to the Kansas Department of Commerce for a Community Development Block Grant and were recently awarded the funds. Utilizing both agencies will make our project financially feasible for our residents. We had to increase our water rates substantially to make this project move towards construction," noted Udall City Clerk Lulita Hopkins.

each entity to achieve the 1.25 coverage ratio.

All in all, it's not like climbing Mount Everest! If a city or RWD has a project in mind and no one knows where to start, please contact KRWA at 785/336-3760 or

### Riley appreciates the help

"Our engineer, Chris Cox of Schwab-Eaton, PA, Manhattan, made the initial contact with Rose Mary regarding the project and asked for her assistance. Rose Mary attended a meeting with the city's maintenance man, Chris and myself to discuss the project. Rose Mary then attended the city council meeting, giving the council a brief history of the loan application process. When the council decided to begin the application process, I contacted Rose Mary and asked what she needed. She provided me a list of items that she needed a few days before our second meeting and when she came to city hall for the meeting, the work moved through so effortlessly. The application process didn't seem so untouchable," explained Riley, City Clerk Doris Fritz.



*Riley City Clerk Doris Fritz, left, discusses application materials included on the template of information with Ranson Financial's Rose Mary Saunders.*

Ranson Financial Consultants, LLC at 316/264-3400. We can assist in moving your project forward.