

## 2021 CIFA SRF Workshop

# Lessons Learned: Big Money Movers

# Demand Challenges for Virginia SRF Programs

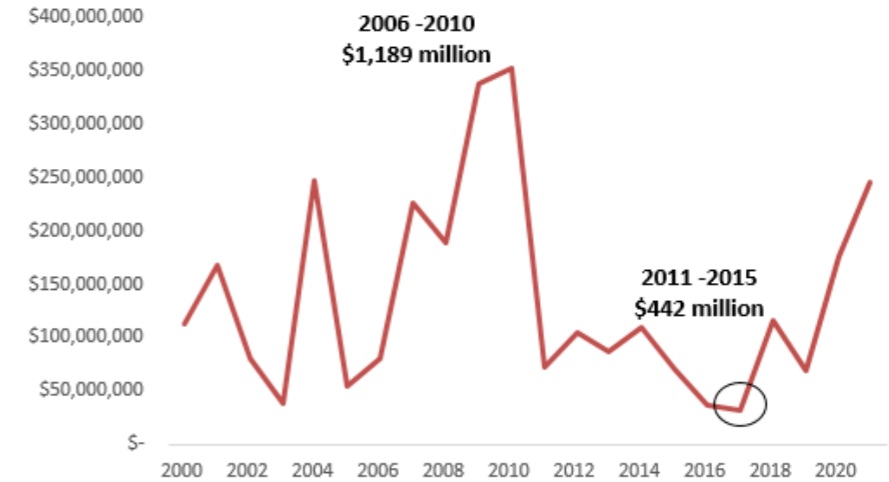
## Clean Water SRF

- 2010 regulatory deadline for nutrient upgrades drove volume from 2000 – 2010
- State grant for nutrient upgrades (30 – 80% eligible costs)
- Post-ARRA drop
- American Iron/Steel and Davis-Bacon requirements were deterring applications

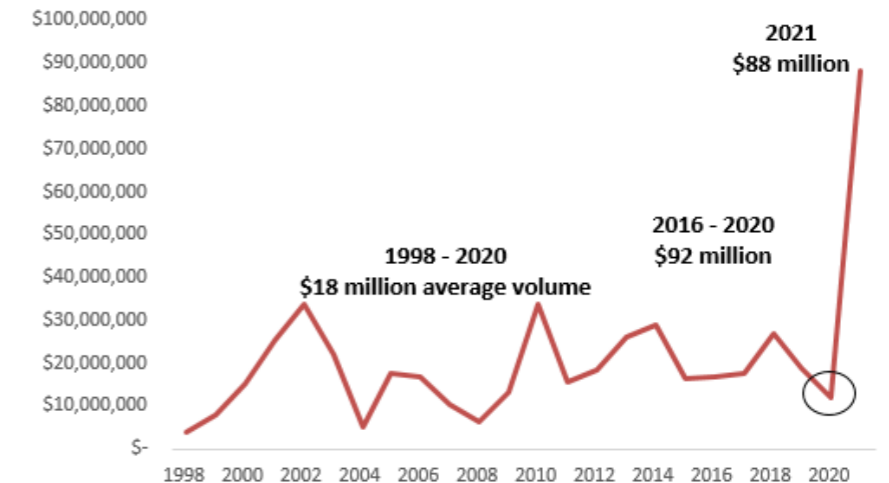
## Drinking Water SRF

- By design the program focused on one economically distressed region with a high need, since inception
- After 20 years all the easy (self-supporting) projects in the region were completed and each new project is more challenging (affordability)
  - At one point 85% of the program dollars were in this region and other areas of the Commonwealth were self-selecting out of participation

Clean Water SRF Loan Closing \$ Volume by Year



Drinking Water SRF Loan Closing \$ Volume by Year



# Clean Water SRF Program Changes

Old Program	Updated Program
20 years 100 bps below market	20 years 150 bps below market (1% Floor)
	25 years 125 bps below market
	30 years 100 bps below market
One project – One application	Programmatic Financing for large borrowers





# Case Study: Hampton Roads Sanitation District

## Quick Facts:

Service Area:	20 counties and cities
Population Served:	1.7 million (20% of Virginia)
Wastewater Capacity:	250 million gallons per day
Bond ratings:	Senior Aa1/AA+/AA+ Subordinate Aa1/AA+/AA



FY2022 Operating Budget

\$358 million

10-Year Capital Budget (FY2022 – 2031)

\$3 billion

Clean Water SRF Participation 1993 – 2010: 21 loans totaling \$286 million

# Case Study: Hampton Roads Sanitation District

- Renewed interest in program after interest rate subsidy increased
- 7 applications submitted in 2017
  - Range from \$1.2 million - \$51.4 million
  - \$73.2 million total
- Scheduled 3 loan closings on one day to be more “efficient” and lower bond counsel fees
- HRSD - “Why can’t the SRF be more like a bond issuance and draw funds as needed for any capital project”



The thermal hydrolysis process (THP) system allows the Hampton Roads Sanitation District (HRSD) in Virginia to generate power and fine fertilizer directly from sewage

*Implemented Programmatic Financing going forward*

# Programmatic Financing

- CIFA SRF workshop session
- EPA “Activity Update” February 2018
- Developed Applicant Criteria
  - Five-year Capital Improvement Plan
  - Adopted financial policies
  - Multiple ongoing projects
  - Other capital funding sources including significant cash
  - Prefer a bond rating
- Size loan based on an expected two-year spend down
- Approve individual projects as eligible for reimbursement at design and construction phases



ACTIVITY  
UPDATE

States Use Innovative Programmatic Financing  
Approach to Maintain Stable CWSRF Demand

# Programmatic Financing



- Provided guidance that the program could support \$500 million to HRSD over a 10-year period
- Submitted a \$100 million application in 2020
- Submitted a \$100 million application in 2022
- Close the next loan when funds are fully-drawn
- Up size if there is program capacity slack
- VRA Board authorized funding up to 30% of the total Clean Water loan portfolio
- Same CIP approach used for HRSD's WIFIA loan

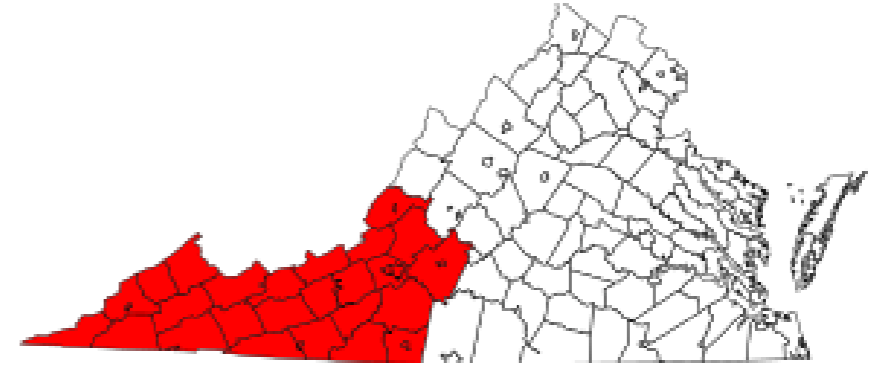
*Relationship benefits the Clean Water Program with regular disbursements, reduced risk of unliquidated obligations, and accelerated water quality benefits*

## 2020 CIP Project

<u>HRSD Reference Number</u>	<u>Capital Improvement Project Name</u>
PR_AD012100	Asset Management Implementation
PR_AT012920	Atlantic Treatment Plant Access Road Extension
PR_BH013020	Willard Avenue Pump Station Replacement
PR_BH014600	46th Street Diversion Sewer Rehabilitation Replacement
PR_BH015600	Hampton Trunk A and B Replacement-Jefferson Avenue to Walnut Avenue
PR_GN013300	Treatment Plant Grease Handling Facilities
PR_GN016360	James River SWIFT Facility
PR_GN016361	James River Recharge Wells
PR_GN016370	York River SWIFT Facility
PR_GN016380	Nansemond SWIFT Facility
PR_JR010600	Lucas Creek Pump Station Upgrade
PR_JR011730	Jefferson Avenue Interceptor Force Main Replacement Phase III
PR_JR013400	James River Treatment Plant Advanced Nutrient Reduction Improvements
PR_MP013700	Middlesex Interceptor System Program Phase II-Urbanna to Mathews Transmission Force Main
PR_NP010620	Suffolk Pump Station Replacement
PR_NP014400	Nansemond Treatment Plant Influent Screen Replacement
PR_VP014020	Sanitary Sewer Project 1950 12 Inch Force Main and 24 and 18 Inch Gravity Replacement
PR_VP015320	Larchmont Area Sanitary Sewer Improvements
PR_VP015400	Lafayette Norview-Estabrook Pump Station Replacements
PR_VP016500	Norview-Estabrook Division I 12-Inch Force Main Replacement
PR_VP018000	Park Avenue Pump Station Replacement
PR_VP018301	VIP Service Area I-I Reduction Phase I (PORTS)
PR_VP018303	VIP Service Area I-I Reduction Phase III (PORTS)
PR_YR010520	Magruder Mercury Interceptor Force Main Replacement - Section B
PR_AT013100	South Norfolk Area Gravity Sewer Improvements
PR_AT014302	Atlantic Service Area I-I Reduction Phase II (CHES)
PR_AT014500	Atlantic Treatment Plant Influent Screens (1-3) Replacement
PR_AT014600	Kempsville Interceptor Force Main Replacement - Phase I
PR_BH014000	West Avenue and 35th Street Interceptor Force Main Replacement
PR_BH014220	Hampton Trunk Sewer Extension Divisions I and J Relocation Phase II
PR_BH014900	Hampton Trunk Sewer Extension Division K Gravity Improvements
PR_BH015900	Bloxoms Corner Force Main Replacement
PR_CE012100	Wichduck Road Interceptor Force Main Improvements
PR_GN014900	North Shore Gravity Sewer Improvements Phase I
PR_GN017900	Solids System Improvements for Army Base MHI Offline
PR_MP013800	Middlesex Interceptor System Program Phase III
PR_NP014000	Wilroy Pressure Reducing Station and Offline Storage (NP-HPP-03)
PR_NP014600	West Road Interceptor Force Main Extension
PR_VP014700	Ingleside Road Pump Station Replacement
PR_VP016700	Norview-Estabrook Division I 18-Inch Force Main Replacement Phase III
PR_YR010300	Foxridge Sanitary Sewer System Sections 1, 4 & 5 Gravity and Woodland Road Fox Hill Road Gravity Sewer Rehabilitation
PR_YR010900	Tabb Pressure Reducing Station and Offline Storage Facility
PR_YR014100	Coliseum Pressure Reducing Station Enhanced Storage
PR_YR014200	LaSalle Avenue Boat Harbor to York River Interconnect Force Main
PR_YR014300	Bethel-Poquoson Force Main Phase II (Wythe Creek Road) Replacement

# Drinking Water SRF Program

- By design, most of the DWSRF activity focused on southwest Virginia with a high concentration of disadvantaged communities
- Rest of Virginia self-selecting out the “Southwest DWSRF Program” – perception issue
- Average project size historically just below \$1 million
- Many small projects
- Average ULO – declining Pace performance



*Goal to expend funds in a timely and expeditious manner*




# Drinking Water SRF Program – Marketing 101

- Opportunity to focus on other areas of Virginia
- Outreach efforts to medium and larger size systems
- Work with DEQ to target regular CWSRF participants
- New programs – Lead service line replacements
- Revised procedures to allow design-build and other project delivery methods

*Two applications totaling \$72 million received and loans closed in FY2021 and an additional \$90 million project pipeline*





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