



TDEC'S WATER INFRASTRUCTURE INVESTMENT PROGRAM

Understanding the State's Deployment of ARP Dollars towards Water Infrastructure Projects

October 1, 2021

Water Infrastructure Investment Plan

- Let's get quickly oriented!
 - [TDEC Water Infrastructure Investment Plan Storyboard Video](#)

ARP Water/Wastewater Eligibility

Current Eligibility Based on US Treasury's Interim Final Rule

Water and wastewater infrastructure projects that align with clean water and drinking water SRF eligibility, such as:

- Comprehensive asset management
- Line replacement
- Plant/facility upgrades
- Regionalization and consolidation
- Stormwater management
- Nonpoint source pollution
- Water conservation and energy efficiency
- Water storage
- Workforce training

Final Rule anticipated Late Fall 2021

This eligibility applies to local ARP dollars as well as state-administered ARP dollars

Framework for Infrastructure Investment Plan

- Incentivize communities to utilize their local ARP funds in alignment with the State's Infrastructure Investment Plan and other State-led priorities
 - Leverage local financial resources through match requirements based on ATPI, as well as other potential factors
- Provide all communities the opportunity to partner with the State to address critical infrastructure needs across the state
 - Ensure support and program access for systems with the greatest needs, including small systems
 - Non-competitive grant format that encourages cooperation between counties, locals, and utilities
- Ensure fiscally responsible investments
 - Emphasize comprehensive asset management
 - Encourage projects that will improve the financial sufficiency rating required for future SRF funding opportunities
- Coordinate with partner agencies and offices
 - ECD, Comptroller's Office, F&A, Governor's Office, Financial Stimulus Accountability Group (FSAG)
- Informed by engagement with stakeholders

Proposed Approach to Funds Disbursement

Proposed Disbursement Strategies

- Formula-Based Grants
- State Strategic Projects
- Competitive Grants

Priorities Emphasized

- Comprehensive asset management planning
- Water loss and infiltration/inflow reductions
- Water quality
- Optimization and modernization
- Replacement of lead service lines
- Managing stormwater and green infrastructure
- Consolidation and regionalization
- Managing risk and building resilience to multiple hazards
- Enhancing service to underserved communities
- Partnerships
- Fiscal sustainability



Approach to Funds Disbursement

Formula-Based Grants + State Strategic Projects + Competitive Grants

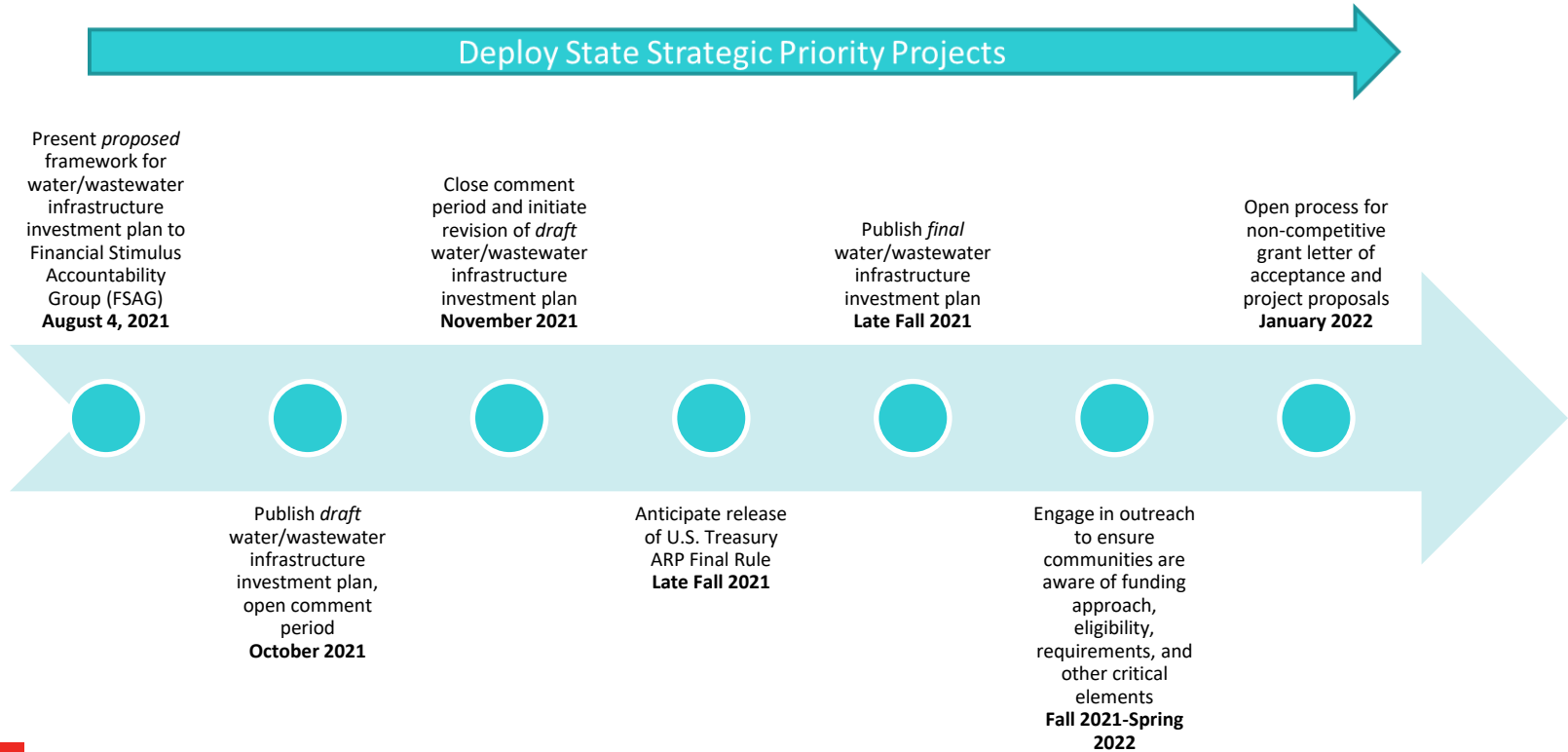
- Formula-Based, Noncompetitive Grants
 - Provide funding for eligible projects that meet minimum requirements, subject to availability of funds and TDEC approval
 - Encourage cooperation between counties, locals, and utilities
 - Empower local communities or utilities to select projects, with guidance from TDEC
 - Each county eligible to receive a base allocation plus a portion of monies based on county population
 - TDEC to publish proposed allocations for each county in mid-September as part of its draft investment plan
 - Sliding scale for match requirements based on Ability to Pay Index and other considerations

Potential Approach to Funds Disbursement

Formula-Based Grants + State Strategic Projects + Competitive Grants

- Potential State Strategic Projects
 - Infrastructure Scorecards for All Utilities (confirmed)
 - Funding for Select Community Development Block Grant and Infrastructure Planning Grants
 - Non-Competitive Grant Program Project and Proposal Development Support for Small and Disadvantaged Communities
 - New SRF Loan Incentive
 - State Agency Priority Projects (including General Services projects)
 - Industrial Site Development Projects
 - Major Regional Water Supply Projects
 - Statewide IT/GIS Project
 - Education and Workforce Development Projects
- Competitive Grants
 - Funded by unused noncompetitive grant allocations and remaining funds from state strategic projects
 - Supports innovative approaches to enhancing water/wastewater infrastructure and implementation of best practices

Anticipated Timeline



We are looking forward to feedback received during the draft plan public comment period

Infrastructure Scorecard

<https://www.tn.gov/environment/program-areas/wr-water-resources/srpf/srf-home/resources-and-technical-assistance/tn-infrastructure-scorecard.html>

Version 2.0 coming November 2021

ASSET MANAGEMENT		SYSTEM INFORMATION SHEET			WASTEWATER TREATMENT PLANT	
Facility Name:	NPDES/PWSID:	Facility Name: Permit Number:			Type of wastewater treatment plant facility	SELECT
I. Asset Management Overview*		Does your facility have any significant non-compliance issues?			Age of wastewater treatment plant facility	SELECT
Does your utility have an asset management plan (AMP)?	SELECT	No			Facility Hydraulic Design Capacity, MGD	
Is your asset management plan in a accessible format?	SELECT	If yes, are the SNC's* reoccurring?			COLLECTION SYSTEM	
When is your asset management plan updated?	SELECT	SELECT			Type of collection system	SELECT
II. Current State of Utility Assets*		Is your facility under a State mandated compliance order?			Age of collection system in total years	SELECT
Does your utility have an inventory of assets?	SELECT	Does your collection system have current GIS* mapping ?			Number of sanitary sewer connections	
Does your utility have assets mapped digitally using GIS or other technology?	SELECT	SELECT			Number of commercial & industrial sewer connections	
If your system is mapped, is it linked to your AMP inventory?	SELECT	Does your collection have an ongoing CMOM* program?			Total system miles of line	
III. Level of Service*		Is your collection system actively addressing current I/I issues?			Total system number of lift stations	
Does your utility meet current regulatory requirements?	SELECT	SELECT			Total system number of manholes	
Does your utility have clear goals that meet customer expectations?	SELECT	Does your facility/system have any scheduled plans for upgrades?			KEY TERMS	
How does your utility system communicate with the customer?	SELECT	Yes			SNC: Significant-Non Compliance	
IV. Critical Assets and Sustainability*		WASTEWATER I/I ASSESSMENT TOOL			CMOM: Capacity, Management, Operation, and Maintenance	
Does your utility assess the probability of failure for inventoried assets?	SELECT	Average Daily Dry Weather Flow (ADDWF): What is the lowest 7-day consecutive flow your facility has experienced within the last year in MGD? (7 consecutive day low flow average.)			MGD	
Does your utility understand the consequences of individual asset failures?	SELECT	Average Daily Flow (ADF): Calculate the influent average daily flow based on the most recent 12 month or annual basis. (Make sure the year for your ADF calculation is the same year for your ADDWF calculation.)			MGD	
Does the utility rank assets based on probability and consequence of failure?	SELECT	Average Daily I/I Rate (ADIR)			MGD	
V. Life Cycle Costs*						
Does your utility use system knowledge to be proactive in O and M and replacement issues?	SELECT					
Does your utility consider life cycle costs when making infrastructure investment decisions?*	SELECT					
Does business risk drive investment in assets?	SELECT					
FOOTNOTES INDICATED BY ASTRICK (*) LISTED BELOW						

*I: It is recommended that a utility system have an asset management plan, the AMP is updated regularly, and is accessible and a and other relevant local officials.

*II: It is recommended a utility system have an inventory of all assets, the inventory is updated regularly, and updated maps of as

Depreciation

- Local governments, which includes utility districts and municipal and county systems, required to prepare audited annual financial report in accordance with generally accepted governmental auditing standards (Tenn. Code Ann. 7-82-401(a)(1) and 6-56-105)
 - Governmental Accounting Standards Board includes concept of depreciation of capital assets in its standards
- Systems required to “collect reasonable rates, fees, tolls, or charges for the services, facilities and commodities of its system or systems,” including, among other things “for all expenses of operation and maintenance of the system or systems, including reserve for the expenses” (Tenn. Code Ann. 7-82-403(1))
 - Per accounting standards, depreciation is considered an operating expense and reported like any other expense
- Concept of depreciation will apply to capital assets financed using ARP funds – whether executed using local ARP funds or state-administered ARP funds
- Financing depreciation for a capital asset is always a lesser investment compared to the cost of financing a new capital asset
 - Takeaway #1: cost of depreciation < cost of new asset
 - Takeaway #2: using these funds to invest in water infrastructure needs is well worth any cost of depreciation that a system may be required to fund
 - Takeaway #3: some projects may result in greater cost avoidances than the cost of depreciation

Communications, Education, & Outreach

- TDEC.ARP@tn.gov email address
- <https://www.tn.gov/environment/arp> website
- Internal and external communications distribution lists
- Communications Office, Office of External Affairs, Legislative Liaisons
- Talking points and standard presentations
- Planning robust outreach campaign, participating in forums and speaking engagements
- Participation in F&A Local Government Technical Assistance Program

TN Program Areas Permitting Public Participation About Contact Calendar of Events COVID-19

American Rescue Plan

The Tennessee Department of Environment and Conservation (TDEC) is charged with administering the water, wastewater, and stormwater infrastructure component of the State of Tennessee's allocation of American Rescue Plan (ARP) Act funds. Tennessee's [Financial Stimulus Accountability Group](#) dedicated \$1.35 billion of Tennessee's Fiscal Recovery Funds from ARP for this purpose. Of the \$1.35 billion, approximately \$1 billion will be awarded in the form of non-competitive grants to communities for eligible infrastructure projects as part of the Tennessee Water Infrastructure Investment Program. This website houses information, resources, and assistance to utilities pertaining to water, wastewater, and stormwater infrastructure funding with ARP funds. The Tennessee Department of Finance & Administration houses general information about [coronavirus fiscal recovery funds](#).

Water & Wastewater Infrastructure

THE AMERICAN RESCUE PLAN
About ARP

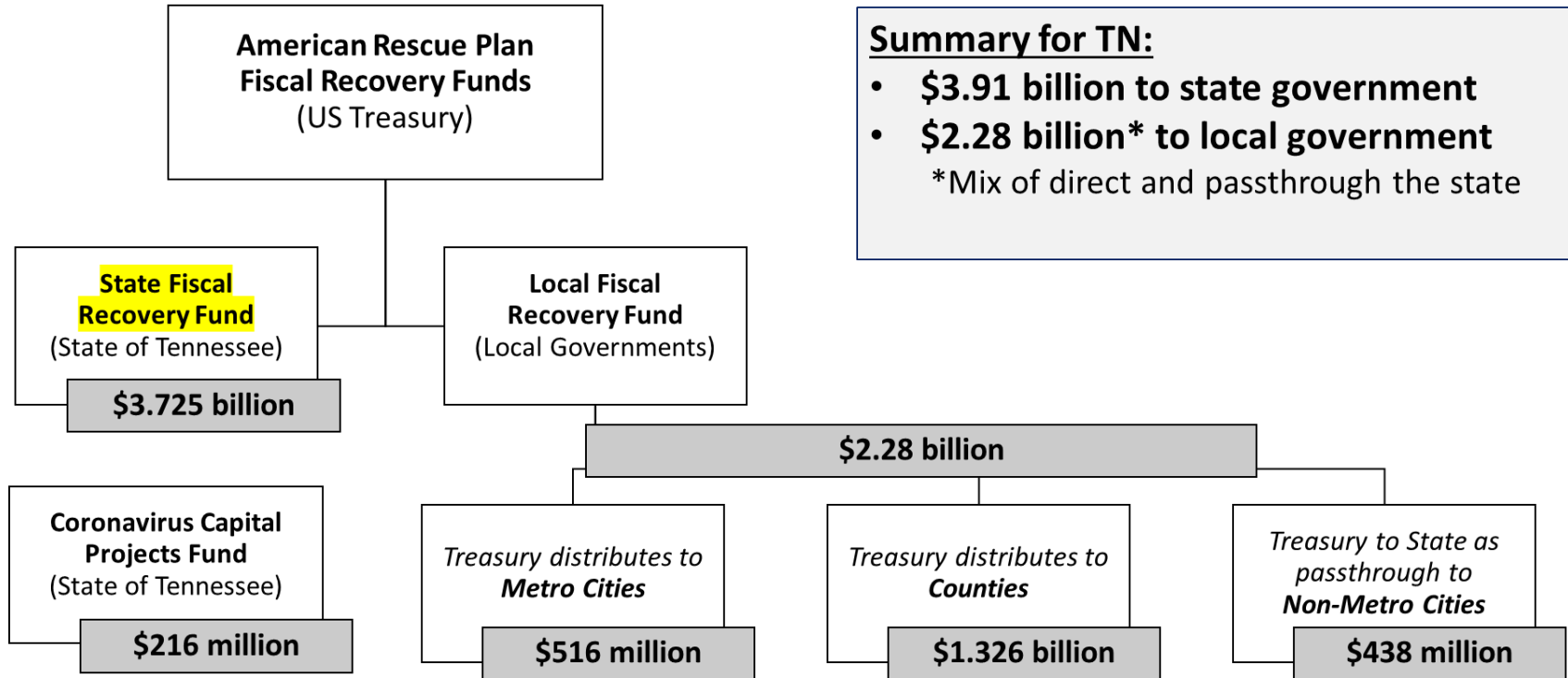
TDEC's Funding Plan

Qualifying Water, Wastewater & Stormwater Projects

Appendix



ARP State and Local Funding for TN



Summary for TN:

- **\$3.91 billion to state government**
- **\$2.28 billion* to local government**
 - *Mix of direct and passthrough the state



American Rescue Plan – Statutory Limitations

**FISCAL RECOVERY FUND
(\$3.725 BILLION for TN)**

**COVID-19
Health Costs**

This would cover any direct costs of responding to the public health components of the pandemic.

Economic Relief

Treasury will define in regulation; Statute suggests that grants to affected businesses will be permitted.
This also allows “premium pay” wage subsidies to “essential workers.”

**Revenue
Replacement**

Statute defines this as a drop relative to FY19 revenues & unavailable to states with positive revenues.
This use is only vehicle to use ARP funds for general fund/operations.

**“Water, sewer or
broadband”
infrastructure**

Most specific use listed in statute. It does not include roads.
Treasury regulations spell out in more detail how such projects could be identified and funded.

**Coronavirus
Capital Projects Fund
(\$216 Million)**

Only available to states and is in addition to Fiscal Recovery Fund.
It is limited to *“critical capital projects directly enabling work, education, and health monitoring, in response to the public health emergency”*

Tennessee Resiliency Plan – August Recommendation

Category	Amount Recommended	Overall Percentage
Beginning Balance	\$3,725,832,113	-
1A. Infrastructure - Sewer and Water	\$1,350,000,000	36.24%
1B. Infrastructure – Broadband	\$500,000,000	13.4%
<hr/>		
<i>2. Local Govt Technical Support</i>	<i>\$1,875,832,113 (Costs to be confirmed and allocated in September)</i>	<i>51.36%</i>
<i>3. Eligible Health Capital Projects</i>		
<i>4. Public Health</i>		
<i>5. Economic Relief</i>		

Operationalizing via State-Local Collaboration

**Specific to State Allocated ARP dollars towards water and wastewater infrastructure*

- Potential State roles
 - Program design and administration, including defining eligible project types and priority areas (TDEC)
 - Connecting and convening potential collaborators (TDEC, ECD, Comptroller, others)
 - Review/approval of State ARP funded projects (TDEC, WIAC)
 - Technical assistance where resources available (TDEC, ECD, others)
 - Plans review and permitting (TDEC)
 - Sub-recipient monitoring and some project management (TDEC, F&A, contractor)
 - Report out on impacts (TDEC and F&A)
- Potential Local roles (counties, municipalities, and/or utilities and their contractors)
 - Identification of projects
 - Identification of source of funds for match
 - Identification of potential local collaborators
 - Execution of projects, including some project management

Local Support Program – Timeline

SEPTEMBER 2021 (Phase 1 - Local Government Engagement)	
Sep 1 - 15	Release schedule for 8-week training program for local government officials
	Release local government ARPA spend plan template (after Treasury Interim Rule becomes Final.)
Sep 15 - 30	Perform ongoing communication with local governments to encourage participation in assistance program and training (In coordination with MTAS, CTAS, and other local government associations)
OCTOBER - DECEMBER 2021 (Phase 2 - Local Government Training)	
Oct 1 - Dec 31	Complete 8-week training program with local government officials
	Release monthly updates on Treasury guidance and local government assistance program
	Hold monthly call with public to solicit questions
	Launch local outreach process with ECD and TDEC to educate locals on the infrastructure grants process and affirmative steps necessary to participate.
JANUARY 2022 - JUNE 2022 (Phase 3 - Local Government Annual Plan Review)	
Jan 4	Open portal for submission of local government annual ARP spend plans for state review
Jan 4 - Apr 30	Perform review of local plans and provide feedback and guidance to local governments in response
May 1 - June 30	Locals can integrate local government spend plans into local government budgets to be submitted and approved by the Comptroller.