PENNVEST Funding: Helpful Hints and Strategies Borrowers Need to Know

2013 PA Section AWWA Annual Conference
Wednesday, April 24, 2013

By Rachel Govelovich, P.E.
1. To Apply or Not to Apply
2. Project Schedule Considerations
3. Increase Application Competitiveness
4. Open Discussion/Questions
To Apply or Not to Apply
To Apply or Not to Apply

• PENNVEST Calculator
• PENNVEST Funding Simulator
• PENNVEST Planning Consultation
  A. Level of Effort (LOE) to Apply
  B. Ranking Points Estimate
To Apply or Not to Apply

• PENNVEST Calculator
  – Estimate and compare debt service on PENNVEST and other funding sources.
  – www.pennvest.state.pa.us
To Apply or Not to Apply

• PENNVEST Calculator (cont.)
### To Apply or Not to Apply

#### PENNVEST Calculator (cont.)

$8,000,000 Project Example – PENNVEST vs. Other Funding

<table>
<thead>
<tr>
<th>Funding</th>
<th>Project Cost</th>
<th>Interest Rate</th>
<th>Monthly Debt Service</th>
<th>Total Debt Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>PENNVEST</td>
<td>$8,100,000</td>
<td>1.651%</td>
<td>$39,650</td>
<td>$9,516,300</td>
</tr>
<tr>
<td>Bonds</td>
<td>$8,300,000</td>
<td>2.500%</td>
<td>$43,980</td>
<td>$10,555,700</td>
</tr>
<tr>
<td>Difference</td>
<td>-$200,000</td>
<td>-0.849%</td>
<td>-$4,330</td>
<td>-$1,039,400</td>
</tr>
<tr>
<td>Bank Loan</td>
<td>$8,050,000</td>
<td>3.000%</td>
<td>$44,650</td>
<td>$10,714,800</td>
</tr>
<tr>
<td>Difference</td>
<td>$50,000</td>
<td>-1.349%</td>
<td>-$5,000</td>
<td>-$1,198,500</td>
</tr>
</tbody>
</table>

(1) All are 20 year terms.
To Apply or Not to Apply

• PENNVEST Funding Simulator
  – www.pennvest.state.pa.us
To Apply or Not to Apply

- PENNVEST Funding Simulator (cont.)

![Project Options and Parameters](image)

- **Project Options**
  - County: Clinton County
  - Municipality: East Keating township
  - Ownership: Public
  - Sub-Type: Sewer/Storm

- **Parameters**
  - Total Project Cost: 500000
  - Contributions: 0
  - Equity: 0
  - TAP Fees: 0
  - Previous Advance Funding: 0
  - O & M Cost: 200000
  - Debt Cost: 0
  - Percent Residential: 80
  - No. of HouseHolds Served: 2000
  - Current User Rate: 800

![Recalculate and Reset buttons](image)

- **Results**
  - Loan Amount: $4,000,000.00
  - Grant Amount: $1,000,000.00
  - Interest Rate (First Period) (%): 1.00
  - Interest Rate (Second Period) (%): 1.00
  - Loan Term Period (Months): 360
  - Resulting Rate: 861.82
To Apply or Not to Apply

• PENNVEST Planning Consultation: General
  – Attendees (PENNVEST, PADEP, Applicant, Engineer)
  – Requested online

Not just a forum for PENNVEST and PADEP to do all the talking – be proactive...use this forum to your advantage to leave the meeting with enough information to decide whether or not to apply.
To Apply or Not to Apply

• PENNVEST Planning Consultation

A. Level of Effort

– Is a Uniform Environmental Review (UER) and report required or is the project eligible for a Categorical Exclusion (CE)? (Title 40 CFR 6.204)

  ▪ Eligible: minor expansions and upgrades, rehabilitation, new minor facilities adjacent to/on property
  ▪ Not Eligible: new or relocated discharges; increase in the volume/loading of pollutant; capacity to serve a population 30% greater, not supported by growth plan, or primarily for the purposes of future development
  ▪ Not Eligible: extraordinary circumstances
To Apply or Not to Apply

• PENNVEST Planning Consultation

A. Level of Effort (cont.)

– Second Opinion required?
  ▪ Construction plus contingency costs >$10 million
  ▪ Third-party P.E. between 20% and 40% project completion
  ▪ Adds roughly $5,000 to $20,000 to project costs

– Significant documentation required for ranking points?
  ▪ Example: Private Well Sampling
    – % Sampling Required is based on # of Wells in Service Area
    – Ranking based on % of representative samples that are positive
To Apply or Not to Apply

• PENNVEST Planning Consultation

  B. Ranking Points Estimate

  Prior to the Planning Consultation, review the PADEP ranking documents and estimate where and how many points you believe your project will receive.


  - PENNVEST and DCED potential points

  - No Guarantees!

    - Competition
    - Available Funding
To Apply or Not to Apply

• So, should you apply for PENNVEST or not?
  – Is my project’s potential ranking competitive?
  – Is there additional level of effort/cost, and is it worth the benefits of the funding?
  – If PENNVEST funding is received, what is the chance for grants or lower than cap interest rates?
  – If funded through PENNVEST, do debt service savings make this project more viable than with other funding methods?
Project Schedule Considerations
Project Schedule and PENNVEST Requirements

“Comparison of Schedules”
Considerations

Submit permits as early as possible.
Select PENNVEST Application Date with adequate time for permit approval and adjust advertisement and remainder of schedule accordingly.
Request Contractors' DBE documentation with bid packages.
Review requirements at Pre-Bid Meeting.
Issue Award contingent upon approval of DBE efforts. This is at the Borrower's own risk!
Have contract documents and any other required information ready for execution immediately after issuance of Award.
Obtain a LONP.
Request the Settlement Date as soon as you know when you can settle - available dates can fill up.
Implement interim financing as soon as possible.

Submit to PADEP
Review Contractor Effort
PV Board Mtg
Application Cut-off*
PV Settlement (3-6 months typ.)
Settlement Items Due*
PV Settlement (3-6 months typ.)
Final PV Reimb. Request*
Final PV Reimbursement Period

PADEP Approval
Semi-Annual Reports/Continued Contractor Effort (if required)

PV Approval
PV Closeout

LONP
# Project Schedule Considerations

<table>
<thead>
<tr>
<th>Pre-Construction Planning Dates</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bid Date</td>
<td>03/09/2012</td>
</tr>
<tr>
<td>Bid Opening</td>
<td>04/20/2012</td>
</tr>
<tr>
<td>Pre-construction Conference</td>
<td>08/14/2012</td>
</tr>
<tr>
<td>Obtained all needed permits</td>
<td>08/09/2012</td>
</tr>
<tr>
<td>Awarded contracts</td>
<td>06/20/2012</td>
</tr>
<tr>
<td>Scheduled settlement date</td>
<td>09/26/2012</td>
</tr>
<tr>
<td>Date must be scheduled through the Online Settlement Date Scheduler and confirmed by the PENNVEST Legal Office.</td>
<td>Confirmed</td>
</tr>
<tr>
<td>Letter of No-Prejudice (LONP) issued (if required)</td>
<td>Yes</td>
</tr>
<tr>
<td>Date is entered by PENNVEST Project Management Office upon request and issue of letter.</td>
<td>08/15/2012</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Events</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Start Construction</td>
<td>08/27/2012</td>
</tr>
<tr>
<td>End Construction</td>
<td>07/07/2014</td>
</tr>
<tr>
<td>Request Final Payment for Project Close-out</td>
<td>10/01/2014</td>
</tr>
<tr>
<td>Initiate Principal and Interest Payment</td>
<td>01/01/2015</td>
</tr>
</tbody>
</table>
Increase Application Competitiveness
Increase Application Competitiveness

• General Items

• Application preparation

• Application submission

• Immediately following submission
Increase Application Competitiveness

• **General Items…**
  – Know when to apply and when not to.

To create a competitive application you first have to have a project with potential to be competitive.
Increase Application Competitiveness

- **Application preparation**
  - If cost effective, go for points that set your project apart from similar projects...

- Water System Extra Points
  - Benefits to Public Safety – can sometimes be overlooked.
    - Safety threat to workers or others in the event of failure
    - Quantity/pressure of water for fighting fires – ancillary benefit
Increase Application Competitiveness

• Application preparation (cont.)
  – Green Components
    ▪ Examples: water use reduction, recycled water use, I/I reduction, water loss reduction, energy savings, infiltration/evapo-transpiration stormwater controls, wetland restoration/construction, and greenhouse gas reduction.
    ▪ Not included in the PADEP ranking documents.
    ▪ Questions related to green components are in the application.
    ▪ Increase overall priority of project

Review your project and include information regarding green components.
Increase Application Competitiveness

• Application preparation (cont.)
  – Economic Development
    Do not ignore this section of the application!

*Company Impact*: Indicate the company contact information, the NAICS (North American Industry Classification System) code for your business, the impact this project will have on area employment and private investment and describe the product(s) in the space provided. Use the "add another" button in order to add more than one company.

<table>
<thead>
<tr>
<th>Field</th>
<th>Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of Company?</td>
<td></td>
</tr>
<tr>
<td>Employees on Site</td>
<td></td>
</tr>
<tr>
<td>Global Employees</td>
<td></td>
</tr>
<tr>
<td>PA Employees</td>
<td></td>
</tr>
<tr>
<td>NAICS Code</td>
<td></td>
</tr>
<tr>
<td>Construction Investment in 3 years</td>
<td></td>
</tr>
<tr>
<td>Hourly wage of new employees</td>
<td></td>
</tr>
<tr>
<td>Land Investment in 3 years</td>
<td></td>
</tr>
<tr>
<td>Equipment Investment in 3 years</td>
<td></td>
</tr>
<tr>
<td>Other Investment in 3 years</td>
<td></td>
</tr>
</tbody>
</table>
Increase Application Competitiveness

- **Application preparation (cont.)**
  - Ranking Documentation
    
    Adequate documentation of your anticipated ranking points can be the difference between your project receiving the points and a competitor not receiving them.

    - Projects are ranked by PADEP regionally and then compared with the projects statewide to ensure consistency in rankings.

    - Points received from PADEP regional staff can be challenged at the statewide level. Having documentation available helps regional staff maintain those points for your project.
Increase Application Competitiveness

• Application preparation (cont.)

Clearly Present Your Information

- Use the notes sections
- Use subtitles/headings
- Use PADEP terminology

These may seem simple, but keep in mind that PADEP and PENNVEST are reviewing many applications in a short period of time – it is in your best interest to make the information as easy to read/find as possible.
Increase Application Competitiveness

• Application Submission

Make sure your application gets to the point of consideration at the PENNVEST Board Meeting

- PADEP and related permits
- Watch the Deadline
  - Technical Errors
  - Signatory Unavailable
  - Signatory Not Linked to Application/No Profile Set Up
  - Incompatible/difficulties with Web Browsers (ex. Firefox)

- Three (3) steps for submission
- “Submitted” vs. “E-signed”
Increase Application Competitiveness

- **Immediately following submission**
  - No news is **not** good news
    - PENNVEST
    - PADEP
    - DCED
Increase Application Competitiveness

• **Review**
  - Can’t have a competitive application without a competitive project.
  - **Preparation**: Extra Points, Green Components, Economic Development, Documentation, Clearly Present.
  - **Application submission**: Things can go wrong - don’t wait and confirm submission.
  - **Immediately following submission**: Make contact.
Summary

You now know...

1. ...when to apply using 3 tools

2. ...what items need to be addressed in your project schedule

3. ...how to prepare, submit, and follow-up on a competitive application
Open Discussion/Questions
Thank you...
Easton Suburban Water Authority
Red Lion Municipal Authority

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