Southeastern Pennsylvania
American Water Works Association

PENNVEST
Information Session
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Financing Clean Water for Pennsylvania
What is PENNVEST?

• PENNVEST is a Commonwealth authority that provides long-term low-interest loan and grant funding for capital water infrastructure projects.
Funding for Pennsylvania Infrastructure Projects

- Drinking Water
- Wastewater
- Storm Water
- Non – Point Source
  - Ag BMPs
  - Acid Mine
  - Brownfield
  - Green Infrastructure
- Nutrient Trading
- On-lot systems/Community Sewer Hook-ups
Drinking Water Projects

- Storage Tanks
- Treatment Plants
- Wells
- Distribution Lines
- Dams
- Capital Contributions
- Acquisitions
Wastewater Projects

- Treatment Plants
- Collection Lines
- Pump Stations
- Capital Contributions
- Acquisitions
City of Lancaster – Green Infrastructure to Reduce Combined Sewer Stormwater overflows.

Green Roof at Lancaster's Waste Water Treatment Plant.

Lancaster partnered with a landowner to install this green alley which captures and infiltrates stormwater.

Roadway bumpout to capture and infiltrate stormwater
Stormwater Projects

Temple University - Erosion and sediment in the City of Philadelphia's combined sewer stormwater system.

Norwood Borough, Delaware County - Street flooding.

Everett Borough - Backed up stormwater drain.
Non-Point Source Projects
Smart Growth

• Focus of funding is to help fix the drinking water and wastewater problems facing existing homeowners. PENNVEST will not fund any portion of a project that is intended to serve new residential development beyond “normal” growth.

• All projects must be consistent with local and county land use plans as well as any applicable agricultural land preservation plans.
PENNVEST Funding Summary 1988-2016

- Projects Approved
  - 3,341
  - 1,009 Drinking Water
  - 1,581 Sewer
  - 503 On-Lot
  - 116 Storm Water
  - 128 Non-Point Source
  - 17 Brownfield
  - 3 Acid Mine Drainage

- Total Funding Approved to Date
  - $8.026 Billion
APPROVED PROJECTS 1988-2015
PENNVEST FUNDING ALLOCATION

2015-2016 PENNVEST Project Funding (millions of dollars)
- Sewer Grants—29.3
- Sewer Loans—158.0
- Water Grants—36.4
- Water Loans—16.0
- NPS Loans—12.5
- NPS Grants—4.8
- Stormwater Grants—1.9
- Stormwater Loans—0.0

Total PENNVEST Funding (millions of dollars)
- Sewer Grants—773.8
- Sewer Loans—4,659.8
- Water Grants—183.6
- Water Loans—2,184.0
- NPS Grants—70.8
- NPS Loans—46.3
- Stormwater Grants—9.4
- Stormwater Loans—139.2
PENNVEST FUNDING

- County Cap Rate Loans for 20 years from 1%-2.2%
- 1% Loans for 20 years
- 1% Loans for 30 years
- Grants
- Loan Guarantees
2016-2017 Budget Overview

• Loans - $360 million
• Grants - $85 million
• Loan Guarantees - $150 million
Compare Rates

SUBSIDY CALCULATOR
Use this calculator to compare the subsidy value of a loan from PENNVEST compared to a loan from other sources. This will perform debt service comparisons.

Amount to be Financed ($):

Non-Pennvest Financing
Interest Rate (Annual):
Loan Term (Years):

Pennvest Financing
County: --Select County--

You can modify the following interest rates to be different than default values for given county:
Interest Rate (Annual) - First
Period:
Interest Rate (Annual) - Second
Period:
Loan Term (Years):
Funding Analysis Tools & Comparisons

**SUBSIDY CALCULATOR**

Use this calculator to compare the subsidy value of a loan from PENNVEST compared to a loan from other sources. This will perform debt service comparisons.

- **Amount to be Financed:** $2,059,322.93
- **Non-PENNVEST Financing**
  - Interest Rate (Annual): 5.5%
  - Loan Term (Years): 20
- **PENNVEST Financing**
  - County: Montgomery County
  - Interest Rate (Annual) - First Period: 1.473%
  - Interest Rate (Annual) - Second Period: 2.479%
  - Loan Term (Years): 20

**Blended Interest Rate:** 2.07%

**Debt Services:**
- Monthly: $28,481.00 - $29,984.10
- Annually: $341,771.95 - $358,439.08

**Grant Equivalent of PENNVEST Loan Subsidy:** $1,477,772.39

**Graphs: Over 20 Years**
- **NON PV $**
- **PV funding**
- **Grant Value**

**Graphs: Annual Payment**
- **NON PV $**
- **PV funding**
- **Grant Value**

**Graphs: Monthly Payment**
- **NON PV $**
- **PV funding**
- **Grant Value**
Rate Comparisons & Benefits of PENNVEST Funding

- USDA monthly payment is less due to extended term
- Total repayment is more due to additional interest
- PENNVEST advantage= $318,689 in lower borrowing costs.
- PENNVEST advantage over a private lender= $547,183.20
- Equal to a $337,766 grant
Low Interest Loan = Annual Grant

• $1,000,000 borrowed at 1% for 20 years
  • Annual debt service = $55,187

• $1,000,000 borrowed at 5.5% for 20 years
  • Annual debt service = $82,546

• The difference between debt service figures is a guaranteed annual subsidy (grant) over the life of the loan.
  • $27,359 every year for the next 20 years is equal to a total subsidy (grant) of $547,183

Accessing more capital up front, allow a larger project to be constructed sooner, allowing the community to demonstrate more direct benefits.
Grant Eligibility – Affordability Model – Non-Point Sources

- Based upon the land owner/benefactor’s capacity to cover debt service.
- Public, private and government entities are allowed to apply for:
  - Brownfield
  - Ag BMP
  - Acid mine drainage projects.
  - Stormwater basin retrofits
  - Rain gardens
  - Green infrastructure
  - Grassed swales
  - Porous paving
Grant Eligibility – Affordability Model – Private for Profit Municipal & Not For Profit Entities

- Private for Profit – Use tax returns and personal financial statements of the land owner, typically a farmer or developer.

- Not for Profit – Based upon tax returns and financial statements.

- Municipal – Audited financial statements and other related documents.
Grant Eligibility – Affordability Model – Wastewater, Drinking Water and Storm Water Projects with a fee structure.

- Based on local community economic circumstances & service area demographics from state collected data, and the latest US Census information including 15 different socio economic variable that include but are not limited to:
  - Median Household Income [American Community Survey 5 year estimates]
  - % of the population over age 64
  - % of the population below the poverty line
  - Rate of recent population change
  - Current Tax Burden
- Create a ‘target percentage’ of the Median Household Income (MHI) that residents are expected to pay for wastewater or drinking water – 1%-2% of MHI.
  - Example: A distressed community with a MHI of $32,000 a year; likely to result in a target percentage of MHI rate of 1%, or $320/year for either wastewater or drinking water service.
  - Example: A more affluent community with a MHI of $64,000 is more likely to have a target percentage of MHI of 2%; or $1280/year for service.
Additional Information Sources

http://www.dep.pa.gov/Business/Water/PointNonPointMgmt/InfrastructureFinance

https://www.epa.gov/cwsrf & https://www.epa.gov/drinkingwatersrf
Thank you for your time!!

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