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the Environment

MDE FINANCIAL ASSISTANCE FOR SEPTIC TO SEWER CONNECTION CAPITAL PROJECTS

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MDE Key Water Quality Financing Programs

Program	Est. Budget FY 2019	Funding Type
Bay Restoration Fund* (Septic Fund \$15M; Wastewater Fund \$70M)	\$ 85 million	State Grants
Water Quality Revolving Loan Fund** (Fed/St. \$40M; Repayments \$110M; Bonds \$100M)	\$250 million	Below Market Interest Rate Loans & Partial Loan Forgiveness for Disadvantaged Communities

* Starting FY 2018, in addition to funding Enhanced Nutrient Removal at Wastewater Treatment Plants, the expanded uses include grants for upgrading of Aging Sewerage Infrastructure Septic to Sewer Connections and Stormwater Best Management Practices undertaken by local governments (e.g., MS4 Permit Compliance).

** The Fund is authorized to increase financing capacity by selling revenue bonds, if needed.



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Bay Restoration (Septic) Fund (\$15M/yr in MDE Grants)

The cost* to connect septic systems to an existing WWTP at BNR or ENR treatment. Grant not exceed the sum of the cost of BAT septic systems (~\$20K/unit).

If septic system is located outside PFA, smart growth exception approval is required, which must be justified on public health/water quality issues.

** If financed, the “principal” portion can be repaid from the BRF annual grant award.*



BRF (Septic) Fund – Septic to Sewer Connection Eligibility

- Is the proposed sewer connection to a BNR or ENR Wastewater Treatment Plant?
- Is the Environmental Impact of the OSDS documented by the local government?
- Is the sewer connection more cost-effective than the cost of repairing or replacing the OSDS with BAT?, **or** the Individual replacement of the OSDS not feasible?
- Is the proposed sewer connection consistent with the County Comprehensive Plan and Water/Sewer Plan?
- Did the OSDS/Septic system being connected to the WWTP exist as of 10/1/2008?
- Is the OSDS/Septic system being connected to the WWTP located in the County Priority Funding Area?



BRF (Septic) Fund – Septic to Sewer Connection Eligibility

... continued

In addition, for an OSDS systems located outside the County Priority Funding Area:

- a. The OSDS proposed for sewer connections must be specifically identified in the County W/S plan as an “**area of public health concern**” or the County environmental health director must “certify” this as an area of public health concern with the intent to incorporate this in the W/S plan at a later date.
- b. MDE will require additional information (such as **public health issues; potential future in-fill development; mitigation measures proposed to limit growth; net nitrogen reduction** after accounting for maximum future in-fill development) to determine if a PFA exception is warranted and provide an **opportunity for public comments**.

If a PFA exception is approved by the “smart growth coordinating committee”, the sewer connection project can be funded with BRF Septic grant funds. Special grant conditions regarding denied access to sewer main, limits on maximum new in-fill development etc. will apply.



Bay Restoration (Wastewater) Fund (~\$70M/yr) Key Eligible Uses (FY 2018+)

- Cost-effective ENR upgrades at minor wastewater treatment facilities. (up to 100% grant for ENR components). Major 67 WWTPs (>500,000 gpd flow) have been fully funded.
- Combined sewer overflow abatement, rehabilitation of existing sewers, and upgrading conveyance systems, including pumping stations (up to 87.5% grant).
- Additional nitrogen reduction from onsite sewage disposal systems including sewer extension to BNR/ENR level wastewater treatment plants (up to \$20K/home – cost of a BAT septic system).
- Stormwater projects (e.g., MS4 permit BMPs) undertaken by local governments who have implemented a system of charges (up to 50% grant).



Revised Water Quality Priority Rating System: **Impact on Sewer Extn. Projects**

Projects are rated for:

Revised for FY 2019 budget cycle
(Public Hearing held on 10/14/16)

Total 100 Points

Water Quality

40 points

Nitrogen Load Reduction: _____ lbs/yr

Chesapeake Bay Relative Effectiveness: _____

High (> 2,000 lbs/yr) ...100 homes 25
Medium (> 1,000 & ≤ 2,000 lbs/yr) 15
Low (> 0 & ≤ 1,000 lbs/yr) 5

Most Effective (> 7.5) 15
More Effective (>5.5 & ≤ 7.5) 10
Moderately Effective (>3.5 & ≤ 5.5) 5
or Maryland Coastal Bay Improvements 10

Compliance

20 points

Proposed project is required to comply with a final administrative or judicial order 20
Proposed project is required due to a MS-4 Permit 10
Proposed project is required due to new limits in NPDES/State Ground Water discharge permit 10
Proposed project being undertaken due to Local Watershed Implementation Plan (WIP) for Bay TMDL 10
Proposed project benefits Maryland Coastal Bays 10

Cost Efficiency (Nitrogen Reduction)

30 points

Annualized* Total Capital Cost \$/lbs per yr Total Nitrogen Load Reduction (* Assume 20-yr life cycle for proposed capital infrastructure)

High: >\$100 0
Medium: >\$50 & ≤ \$100 15
Low: ≤ \$50 ...<\$20K/home 30

Sustainability Benefits

10 points

MDE accept applications for financial assistance every January for projects that must start construction in the following 18 months.



EXAMPLES: PROJECT COST & LIKELY GRANT ASSISTANCE

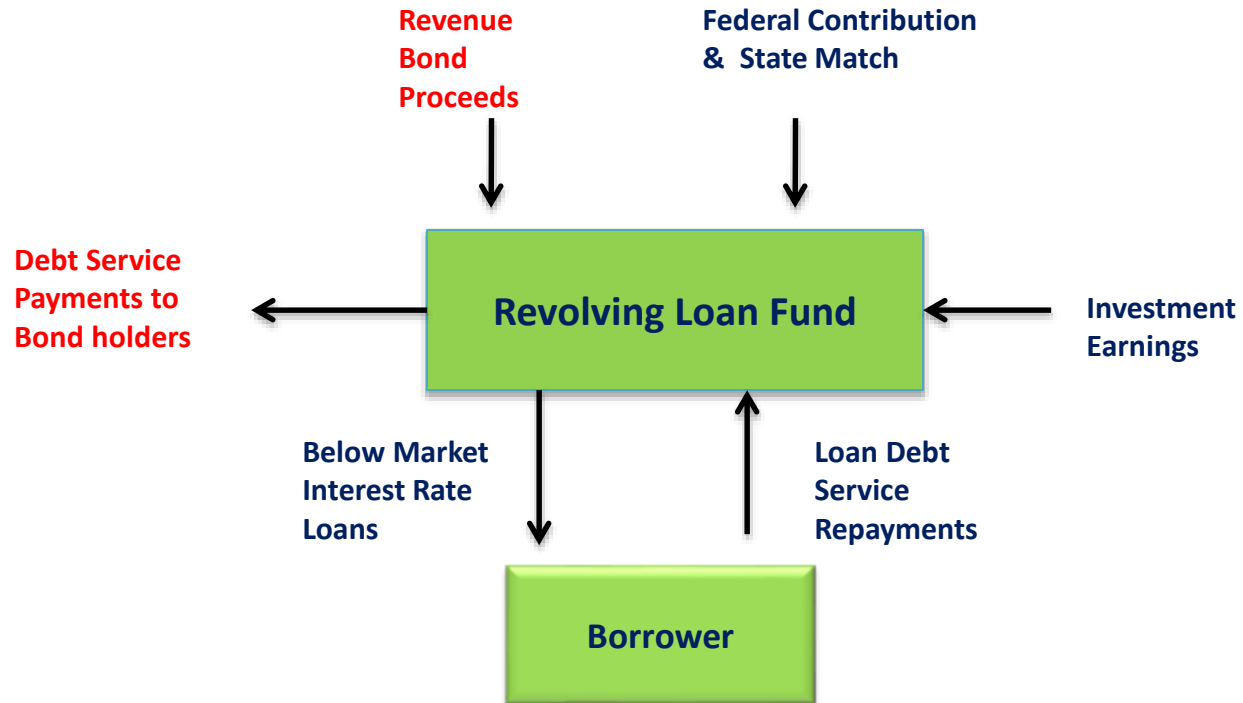
Septic Community

100

Existing Homes (assumed no infill vacant lots)

Sewer Connection Capital Cost:			\$ 2,000,000	\$ 3,000,000	\$ 4,500,000	
Cost/Home			\$ 20,000	\$ 30,000	\$ 45,000	
Potential Max BRF Grant	\$ 20,000	per home	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	
Non Grant Share/WQSRF Loan			\$ -	\$ 1,000,000	\$ 2,500,000	
SRF Loan interest Rate/year	1.00%	Disadvantaged				
Loan Term (years)	30	Community				
Annual Debt Payment				\$0	\$38,748	\$96,870
Debt Service PMT/Home				N/A	387	969
TN lbs/yr reduction (@20.9/home)	2,090	ENR WWTP Connection				
Annualized Cost/Lb (20-yr life cycle)			48	72	108	
			Low	mid	High	
Priority Ranking for BRF Grant			High	Medium	Low	
			around 75 points	around 60 points	around 45 points	

Maryland Water Quality Revolving Loan Fund



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Maryland Water Quality Revolving Loan Fund

Primarily provides below market interest rate loans to finance all types of water quality capital projects (e.g., WWTP upgrades/expansions, sewer rehab., septic to sewer connections, Stormwater BMPs etc.)

Loans up to 100% of project cost: **Est. FY2019 Budget = \$250 million**
(Funding capacity can be increased by issuing revenue bonds, if needed)

Interest Rate (December 2016):
Standard Rate = 1.50% fixed
Disadvantaged = 0.70% fixed

Term: Up to 30 years (based on useful life of the asset)

Loan Fee: 5% of total Principal & Interest repayment, collected annually as part of debt service (adds ~0.35% to true interest rate on a 30-year term loan)



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Disadvantaged Community

Community meets any one of the following:

- Project sewer rate/yr is $> 1\%$ of community median household income (MHI);
- Project located in & benefits a MDE approved Environmental Benefit District;
- Project located in & benefits community with MHI less than 70% of State MHI;
- Project located in & benefits a community in a County (incl. Baltimore City) with a high unemployment rate (upper 33 percentile/top 8 Counties);
- Project located in & benefits a community in a County (incl. Baltimore City) where the U.S. Census data shows a declining population.

MHI: Median Household Income



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