

# Applying for the Drinking Water Systems Improvement Revolving Loan Fund: Toolkit for Local Leaders

Created by law students in the Mississippi Delta Project, a Student Practice Organization of Harvard Law School, in partnership with the Mississippi Center for Justice.

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# Introduction

## Who is this toolkit for?

If you represent or are employed by a Mississippi county, municipality, public utility, authority, district, political subdivision, or other governmental unit created under state law, and you are seeking to maintain and improve drinking water quality in your community through projects such as drinking water treatment facility upgrades, additional water supply, source water protection programs, backup water supply sources, fluoride addition, and water system consolidation projects, then you may be interested in applying for funding through the Mississippi State Department of Health's ("MSDH") Drinking Water Systems Improvement Revolving Loan Fund (DWSIRLF).

Importantly, if your community's Median Household Income (MHI) is less than the average MHI in Mississippi (\$45,081 in 2021), then you could qualify for "principal forgiveness" under the Revolving Loan Fund. This means that *up to* 45% of a loan taken out through the program would be forgiven, with the maximum amount of forgiveness being \$500,000.

## What is in this toolkit?

The following information is intended to provide an overview and general guidance to entities and individuals interested in learning more about the process for applying for DWSIRLF funding for their community. The information is based on publicly available documents published by MSDH and follow-up conversations conducted by the authors with MSDH. While the authors of this guide strove to be thorough and accurate, details concerning particular situations may be summarized or omitted to manage the document's length. Applicants should contact MSDH concerning their specific circumstances.

This toolkit is organized into four main sections: a description of **what the DWSIRLF is** and **what it does**, a description of the **application process**, a brief description of a **typical application timeline**, and several additional resources.

*The information provided in this document does not, and is not intended to, constitute legal advice; instead, all information and content are for general informational purposes only, and may not constitute the most up-to-date information.*

# Overview of the DWSIRLF

## What is the Drinking Water Systems Improvement Revolving Loan Fund?

The DWSIRLF is a loan program aimed at helping communities and public utilities improve infrastructure related to drinking water. The loan program is funded by the Environmental Protection Agency and state match funding, and is administered by state agencies. In Mississippi, MSDH administers the loan program.

## Who can apply for a loan?

Any Mississippi county, municipality, public utility, authority, district, political subdivision or other government unit created under state law may apply. Unincorporated communities qualify for funding through their county or through their utility district. In general, most entities with tax-exempt status are eligible for loan funding.

## What is a brief overview of the application process?

All of the following components are needed in order for an applicant to be placed on the Priority List and receive a DWSIRLF loan. The **Application Process Details** are described in greater detail below (page 9). If you have questions about the application process, please contact someone at MSDH (see **Bibliography & Additional Resources**, page 16) — they are there to help you navigate this process!

### I. Pre-Planning

1. Familiarize yourself with the loan and MSDH
2. Research additional funding
3. Arrange a pre-planning conference
4. Hire a consulting engineer

### II. Create a Facilities Plan

1. Submit a Ranking Form
2. Develop a Facilities Plan
3. Submit the Facilities Plan to proper agencies
4. Hold a public hearing
5. Submit the Facilities Plan to MSDH

### III. Submit a Loan Application

1. Complete and compile all document requirements
2. Submit completed application

## What kinds of projects does the DWSIRLF support?

Broadly stated, DWSIRLF supports projects that maintain and improve the quality of drinking water systems. Specific types of projects funded in the past include (among others):

- Facility upgrades to comply with primary and secondary drinking water standards, and to address pressure deficiencies.
- Projects that provide additional water supply to systems that do not have a backup well or an emergency tie-in to another drinking water system.
- Projects that manage potential sources of contaminants or pollutants before they can reach drinking water sources.
- System capacity expansions to new residences or businesses.

## What is the cap on loan funding?

MSDH has discretion to set a maximum amount for loans each year. In 2022, the limit is \$5 million per borrower. Applicants may request to exceed this maximum if necessary. DWSIRLF loans will cover 100% of allowable costs, and there is no match requirement (i.e., the borrower does not need to contribute an equal amount of its own funds to the project).

## How do municipalities pay back loans?

Loans are often paid back through user charges. Municipalities may also use tax increases, bond issues, or other financing mechanisms. Because these funding mechanisms can be difficult, especially for small municipalities, applicants should first explore opportunities to pursue grant funding before taking on new loans. Applicants should carefully consider their options for paying back loans before going through the DWSIRLF process.

MSDH requires a Financial Capability Summary, which asks applicants to detail their loan repayment plans and rate structures. MSDH will assess the feasibility of an applicant's plan given operation costs, maintenance costs, and the cost per household of any user charges (including an applicant's current rate structure). MSDH provides the [Capacity Development Program](#), which assists applicants in enacting best practices for financial and technical management of projects and water systems.

## Is forgiveness available for loans?

Yes, in some circumstances. For certain communities, forgiveness of up to 45% of the loan principal is forgivable, up to \$500,000. Municipalities with a Median Household Income (MHI) less than the Mississippi state average (in 2021, \$45,081) are eligible for forgiveness. The schedule for principal forgiveness is as follows:

- Municipalities with MHI between 90% and 100% of the Mississippi average: 15% Forgiveness
- Municipalities with MHI between 80% and 90% of the Mississippi average: 25% Forgiveness
- Municipalities with MHI between 70% and 80% of the Mississippi average: 35% Forgiveness
- Municipalities with MHI less than 75% of the Mississippi average: 45% Forgiveness

## Can a municipality use grants in conjunction with loan funding?

Yes. MSDH works with other funding sources to allocate loans for projects. Some common sources are:

- [Community Development Block Grant Program \(CDBG\)](#)
- [Appalachian Regional Commission \(ARC\) Grant Program on Jointly Funded Wastewater Projects](#) (to begin applying, contact region manager [Mike Armour](#))
- [Rural Utilities Service \(RUS\) Grant and Loan Program](#)

Note that MSDH will not award a DWSIRLF loan to a jointly funded project until the other funding source(s) have provided their award or provided assurance that the award will be made within a compatible timeframe for the project. In order to ensure timely receipt of your DWSIRLF loan, you should work on securing grant funding before or as you are completing your DWSIRLF application process. Of course, if outside sources end up covering the full cost of your project, you can withdraw your DWSIRLF application, as municipalities often do when met with that situation.

Early each year, MSDH publishes a “coordination schedule” that gives specific deadlines by which applicants need to secure their third-party funding and submit that documentation to MSDH. Some flexibility may be granted if you reach out to MSDH directly about the circumstances surrounding your application.

The federal American Rescue Plan Act (ARPA) also provided Mississippi with new funding for drinking water infrastructure grants. Mississippi has established two pathways for obtaining these grant funds, one for rural water associations (ARPA Rural) and one for counties, municipalities, and public utilities that are not regulated by the Public Service Commission (the Mississippi Municipality and County Water Infrastructure Grant Program, or MCWI). Information about these programs can be found on the [MSDH website](#).

## Is collateral required to secure a loan?

No collateral is required to secure a loan. A Financial Capability Summary is a required component of a loan application. MSDH will ensure the Financial Capability Summary demonstrates a revenue stream that can pay back loans, likely through user charges. MSDH will compare user charges against Median Household Income to ensure that an applicant's financial plan is sustainable. The [Capacity Development Program](#) can assist applicants with this planning. Municipalities should consult with MSDH and other knowledgeable parties as to the specifics of what will be required for their individual Financial Capability Summary.

## Does MSDH take into account past financial history such as loan history, bankruptcy, or bond issues?

This information will likely be required as part of the Financial Capability Summary, which is required as part of loan applications. Municipalities should consult with MSDH as to the specifics of what credit history will be included in their plan. If an applicant has existing debt with the Rural Utilities Service, they must also submit a copy of their Facilities Plan to Rural Utilities Service and request its approval to incur this additional debt.

If an applicant is currently delinquent on a Revolving Fund loan, they are not eligible for a new Revolving Fund loan. Delinquency on other loans is not a bar to receiving a Revolving Fund Loan, but might require closer coordination with MSDH to ensure that taking out a loan is fiscally sustainable.

## Can DWSIRLF loans fund existing debt?

Debts incurred prior to loan award can be funded by a DWSIRLF loan provided all of the following conditions are met:

- The debt is for work under a construction contract for which a "Notice to Proceed" was issued within a MSDH-approved timeframe;
- The project complies with all DWSIRLF regulations and receives MSDH approval;
- The prospective loan recipient agrees that it proceeds at its own risk until loan funding is awarded;
- The prospective loan recipient agrees that it is not receiving a commitment from MSDH to receive loan funding by incurring pre-award costs.

## Will my loan be awarded?

Through the DWSIRLF program, MSDH has historically funded all projects with a complete application. Past decisions to *not* fund projects have generally been because an application was late or incomplete (e.g., missing an item from the checklist below). Such applications are placed at the top of the list for funding for the next year so long as any deficiencies have been

addressed. Therefore, to receive funding for your drinking water system improvement project as soon as possible, it is very important to make sure that project applications are complete and submitted before relevant deadlines. This toolkit serves to help you do just that.

## What are these different “plans” and “lists”? (Key Terms)

|                   |  |
|-------------------|--|
| Facilities Plan   | Completed by the loan applicant, the Facilities Plan provides comprehensive details regarding the project for which funding is sought and is submitted to MSDH.  |
| Priority List     | A list, compiled by MSDH, of applicants that have completed all loan application requirements (and obtained all necessary approvals) and are ready to proceed, ranked by category and then, within each category, by additional multi-factor criteria. |
| Planning List     | A list, compiled by MSDH, of applicants that have begun the application process but are not on track to complete all requirements by that year’s deadline.   |
| Intended Use Plan | Published by MSDH, the Intended Use Plan outlines how Mississippi will use federal funds in a given year to protect public health and support drinking water infrastructure.   |



# Application Process Details

## Summary of Application Process

The Revolving Loan application process can be broken down into three phases: (A) familiarizing yourself with the application process and securing outside funding, (B) working with your consulting engineer to develop a Facilities Plan, and (C) submitting the plan and other application documents (these final application documents are generally much simpler to complete than the Facilities Plan). You will compile your loan application information the year before you expect to receive funding. If you want to fund a project for 2024, you will submit your first documentation in October 2023. For a more complete sense of the application timeline, see [Application Timeline](#) below, page 15.

## STEP 1: Pre-Planning

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A. **Familiarize yourself** with the loan and MSDH.

1. Review MSDH's online resources: [Website for MSDH, State Drinking Water Revolving Loan Fund](#)

B. Consider securing **other sources of funding**, some of which may help you fund up-front DWSIRLF application costs (such as professional services). For a full list of allowable costs, review [Appendix A](#) of the DWSIRLF Regulations. Note that even if you do not secure third-party funding to pay for up-front application costs, these costs will ultimately be reimbursed by the loan. For example, you will need to pay for an engineer to work on your Facilities Plan with you, but the cost of paying that engineer is factored into the final loan payment.

1. [Community Development Block Grant Program \(CDBG\)](#)
2. [Appalachian Regional Commission \(ARC\) Grant Program](#) (to begin applying, contact region manager [Mike Armour](#))
3. [Rural Utilities Service \(RUS\) Grant and Loan Program](#)
4. [Delta Regional Authority Economic Development Assistance Program](#)

C. Consider arranging a **pre-planning conference** with the MSDH Department staff. MSDH encourages these conferences, which can be held virtually, to ensure that applicants get as much support as possible throughout the application process. Contact information is provided in [Bibliography & Additional Resources](#), page 16.

**Hire a consulting engineer** registered in Mississippi. You will work with the consulting engineer to compile the Facilities Plan. This is the most time-intensive part of the application process. While securing an engineer is a project expense, many engineers do not expect to be paid until the loan funding is secured, though you should set payment schedule expectations with the engineer you hire. Compliance with federal procurement laws is required to hire an engineer. Under 40 U.S.C. § 1101 the procurement process requires the following:

- a. A public announcement for the solicitation of the engineering contract (a Request for Qualifications)
- b. An evaluation and ranking of the submitted qualifications statements based on established, publicly available criteria. This criteria should be related to the competence and qualifications of the engineering services required.
- c. Discussions with a minimum of three firms concerning project concepts and service method alternatives
- d. Selection of a minimum of three most highly qualified firms
- e. Contract negotiation with the most highly qualified firm to determine fair and reasonable compensation based on the project scope and the estimated value of services. If a contract cannot be negotiated with the most qualified firm, negotiation continues in order of qualification.

See **Bibliography & Additional Resources**, page 16, for contact information for the American Council of Engineering Companies of Mississippi.

## STEP 2: Submit Facilities Plan Documentation

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### A. **Submit a Ranking Form** requesting placement on the Priority List.

1. The Ranking Form is used to prioritize different projects for funding. Submitting this form, along with the other required documents, will determine the amount of your loan and its relative priority compared to other projects.
2. The Ranking Form can be submitted prior to the Facilities Plan, but the Facilities Plan and all other required documents must be sent by the deadline for the project to be considered for funding prioritization.

3. For the [Ranking Form](#) you will need the following information:
  - i. Basic information about you, your organization, your consulting engineer, and your legal counsel, if known;
  - ii. Brief description of each project for which you are seeking funding;
  - iii. Information on the number of connections and population which will benefit from the project;
  - iv. Number of existing wells utilized by the system;
  - v. Information about the potential for consolidation of existing water systems;
  - vi. Estimated cost breakdown of the project and any other potential funding sources;
  - vii. Estimated timeline of completion.

**B. Develop Facilities Plan** with your consulting engineer.

1. The Facilities Plan will provide details on your community's need for the project, explain the existing state of the planning area, run through any further legal requirements that may pertain to your particular project, include a financial analysis of the project, etc. A full Facilities Plan checklist is available [here](#). Note that there may be more up-to-date checklists on MSDH's website.
2. Collect technical documents. You will work very closely with your consulting engineer to compile these documents.
  - i. Financial Capability Summary, including an analysis of whether any costs could be reduced or avoided by consolidating existing systems;
  - ii. Environmental Review, including a description of any environmental impacts of the proposed project and any mitigation measures;
  - iii. Any documents required by federal law;
  - iv. National Pollutant Discharge Elimination System (NPDES) Permits, if projects will include or require wastewater facilities;

- v. Any further permit applications or surveys that may be required (e.g., U.S. Army Corps of Engineers, Mississippi Natural Heritage Program);
- vi. Financial analysis of the project as detailed in section VIII and attachment 1 of the facilities plan.

C. **Submit the Facilities Plan** to the Intergovernmental Review (IGR) agencies. You will work with your engineer to ensure that your Plan has all the information these agencies need to comment on your project. The IGR agencies are:

- 1. **Mississippi Department of Archives and History**: will review whether an archaeological/cultural resources survey is required.
- 2. **Mississippi Natural Heritage Program**: will review whether a vegetative/wildlife survey is required.
- 3. **U.S. Army Corps of Engineers**: will review whether Section 10 or Section 404 permits are required.
- 4. **Mississippi Department of Marine Resources**: will check whether any state permits within their jurisdiction are required.
- 5. **U.S. Forest Service (only for projects in the Wild/Scenic River Basin)**: will review compliance with the Wild/Scenic River Act.
- 6. **U.S. Fish and Wildlife Services (USFWS)**: will review that your project complies with the Endangered Species Act, the Fish and Wildlife Coordination Act, the Migratory Bird Treaty Act, and the Coastal Barrier Resources Act (if your project is located in a coastal county).

D. **Hold a public hearing**. Public participation is a requirement under section IX of the Facilities Plan and you will need to provide proof of such a public notice or hearing. It is recommended that applicants hold public hearings after environmental review is complete.

- 1. Publish Notice. After receiving IGR comments, publish at least one notice of public hearing in a newspaper of general circulation in the project area with **at least 30 days'** notice. The notice and hearing must give the public an opportunity to comment on the proposed project and to examine all environmental review documents.
- 2. Hold the public hearing.

3. Submit to MSDH information on the public comment period or hearing, including a copy of the public notice for the proposed project, copies of any comments received from the public, and a summary of how each comment was addressed.
- E. **Submit complete Facilities Plan** to MSDH. The submission deadline is usually in October the year before you expect to receive funding. However, even if you do not submit your Facilities Plan by this deadline, MSDH will place your project on a planning list. The projects on the planning list may still receive funding for the upcoming year. If they do not receive funding, then they are placed at the top of the Priority List for the next year.
1. Facilities Plan must include comments from the IGR agencies.
  2. If the applicant has existing debt with the Rural Utilities Service (formerly Farmers Home Administration), a copy of the Facilities Plan should be submitted to the Rural Utilities Service, along with a request for their approval to incur this additional debt.

## STEP 3: Submit Loan Application

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- A. **Complete other Application Forms:** After submitting the Facilities Plan to MSDH, you can start filling out and submitting the rest of the necessary application documents. These are largely standard forms and should not take a substantial amount of time to complete. A completed application must include:
1. A complete DWSIRLF loan application form with original signature.
  2. A draft user charge system and ordinance/corporate resolution.
  3. All proposed or executed contracts for bidding and construction phase professional services.
  4. A procurement certification from the loan applicant and the loan applicant's legal counsel.
  5. A financial capability summary using the most recent cost estimates, if different from planning estimates.

6. Completion of the intergovernmental review process as described in Appendix K of these regulations and the final approval letter from the State Clearinghouse.
7. A legal certification from the loan applicant and the loan applicant's legal counsel.
8. A certified copy of a resolution by the loan applicant's governing body which 1) authorizes the submission of the application and 2) designates an authorized representative or office to make application for assistance and to sign documents on behalf of the applicant, is required to undertake and complete the project.
9. A copy of all existing or proposed interlocal agreements related to this project, if applicable. Such agreements must be executed by all appropriate parties and must be approved by the Department prior to loan offer.
10. A certification regarding debarment, suspension and other responsibility matters, in accordance with Appendix F of these regulations.
11. Documentation of applicant's tax-exempt status under either federal or state law, if the loan applicant is a water organization other than a county, incorporated municipality, or district.
12. An Internal Revenue Service Form W-9.
13. All waste disposal permit applications, if applicable.
14. All other forms, documents, and supporting information required by the Department.

B. **Submit completed loan application** to MSDH.

C. **Receive Funding!**

1. Funding schedules are coordinated with MSDH to determine how often the applicants will receive disbursements of funding – such as on a monthly or quarterly basis.

# Application Timeline

Every year, MSDH sets a deadline by which projects must submit their Facilities Plan. MSDH ranks the projects that submit their Facilities Plan by the deadline in order of funding priority. The Facilities Plan submittal deadline is usually around **October 1**. Note that even if your project is at the bottom of the Priority List, you are **likely to receive funding for that fiscal year**. If you do not receive funding for that year, your project will be toward the top of the Priority List for the next year. Projects that submit their Facilities Plan after the MSDH deadline will be placed on the **Planning List**. These projects **may still receive funding for the upcoming fiscal year**, depending on whether there are enough leftover funds. If these projects do not receive funding, they are placed back on the Priority List for the next year.

Most of the work you need to do for your project comes **before the Facilities Plan deadline**. You will work with your engineer to compile all the necessary documents. Note that for the public hearing requirement, there is a minimum **30-day notice** before you can hold the hearing. Note that after submitting your plan to the inter-governmental agencies, you can expect the agencies to take **2-3 months** to respond with comments on your plan.

**After you put together** your Facilities Plan, you will submit it to MSDH to review. You will then work with MSDH to address any issues they identify with your plan. This back and forth with MSDH takes **between a week and a month**. You will then officially submit the Plan to MSDH. The total time it takes to develop and officially submit the Facilities Plan is **between three months (for simpler projects) and nine months (for complex projects)**.

After the Facilities Plan submittal deadline, MSDH will then release its **Intended Use Plan**, which includes the Priority List. This plan is usually released in **December or January**. MSDH reserves funding for projects on the Priority List. This is also when MSDH releases its Coordination Schedule, which sets the deadlines by which projects receiving third-party funding must submit information to MSDH. If MSDH reserves funding for your project, the deadline for final documentation is usually **August 1st**.

# Bibliography & Additional Resources

MISS. DEP'T OF HEALTH, DRINKING WATER SYSTEMS IMPROVEMENT  
REVOLVING LOAN FUND PROGRAM FINAL REGULATIONS (2017),  
[https://msdh.ms.gov/msdhsite/\\_static/resources/7231.pdf](https://msdh.ms.gov/msdhsite/_static/resources/7231.pdf).

MISS. DEP'T OF HEALTH, DRINKING WATER SYSTEMS IMPROVEMENT REVOLVING LOAN FUND  
PROGRAM FINAL FFY-2022 INTENDED USE PLAN (2022),  
[https://msdh.ms.gov/msdhsite/\\_static/resources/17153.pdf](https://msdh.ms.gov/msdhsite/_static/resources/17153.pdf).

Additional resources available at MSDH webpage, *Drinking Water Systems Improvement  
Revolving Loan Fund (DWSIRLF) Program*,  
[https://msdh.ms.gov/msdhsite/\\_static/44,0,127.html](https://msdh.ms.gov/msdhsite/_static/44,0,127.html).

For any further questions you may have, please contact:  
**Mississippi State Department of Health ("MSDH")**  
**Main Phone Line:** (866) 458-4948 (HLTHY4U)  
**Website:** [https://msdh.ms.gov/msdhsite/\\_static/44,0,127.html](https://msdh.ms.gov/msdhsite/_static/44,0,127.html)  
Ask about the **"Drinking Water Revolving Loan Fund"**

For consulting engineers:  
**American Council of Engineering Companies of Mississippi**  
Website: <http://www.acecms.org/>  
Phone: (601) 420-2002  
Executive Director, Craig Carter  
Email: [craig@acecms.org](mailto:craig@acecms.org)



# Appendix 1: Checklist of Documents

☐ **Ranking Form**

☐ **Facilities Plan** including:

- ☐ Comments from USFWS
- ☐ Cost and Effectiveness Certification Document
- ☐ IGR Agency Comments
- ☐ Copy of Public Notice for Proposed Project
- ☐ Copies of any comments received from the public
  - ☐ Summary of how each comment was addressed
- ☐ (if within Southern Hills Regional Aquifer System) Comments from EPA

☐ **Loan Application** including:

- ☐ A complete DWSIRLF loan application form with original signature.
- ☐ A draft user charge system and ordinance/corporate resolution.
- ☐ All proposed or executed contracts for bidding and construction phase professional services.
- ☐ A procurement certification from the loan applicant and the loan applicant's legal counsel.
- ☐ A financial capability summary using the most recent cost estimates, if different from planning estimates.
- ☐ Completion of the intergovernmental review process as described in Appendix K of these regulations and the final approval letter from the State Clearinghouse.
- ☐ A legal certification from the loan applicant and the loan applicant's legal counsel.
- ☐ A certified copy of a resolution by the loan applicant's governing body which 1) authorizes the submission of the application and 2) designates an authorized representative or office to make application for assistance and to sign documents on behalf of the applicant, is required to undertake and complete the project.
- ☐ A copy of all existing or proposed interlocal agreements related to this project, if applicable. Such agreements must be executed by all appropriate parties and must be approved by the Department prior to loan offer.
- ☐ A certification regarding debarment, suspension and other responsibility matters, in accordance with Appendix F of these regulations.
- ☐ Documentation of applicant's tax exempt status under either federal or state law, if the loan applicant is a water organization other than a county, incorporated municipality, or district.
- ☐ An Internal Revenue Service Form W-9.
- ☐ All waste disposal permit applications, if applicable.
- ☐ All other forms, documents, and supporting information required by the Department.