

2025 Kentucky WWATERS Financing Handbook

Kentucky Water and Wastewater Assistance for Troubled or Economically Restrained Systems Program

KENTUCKY WWATERS PROGRAM

Handbook

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Introduction to the Kentucky WWATERS Program



Overview of the Kentucky Water and Wastewater Assistance for Troubled or Economically Restrained Systems Program (Kentucky WWATERS Program)

The Kentucky WWATERS program was created by House Bill 563 of the 2024 Regular Session of the Kentucky General Assembly and codified in Acts Chapter 185 to provide a funding application and evaluation process for eligible public water and wastewater systems to seek funding from the General Assembly. The program will be administered by the Kentucky Infrastructure Authority. The Kentucky WWATERS Program was established to provide for an orderly process to apply for funds for eligible projects and for applications to be evaluated, scored, and presented to the General Assembly for consideration for funding.

Types of Assistance Available

- Grants, loans, no-interest loans, or forgivable loans.
- Loan Term will be structured to meet the payment ability of the system.
- Loan Repayment will be structured to meet the payment ability of the system.
- Financing proceeds may be used for capital and non-capital expenditures.
- Emergency funding for projects relating solely to restoring or avoiding imminent interruption of utility service provided by a public water or wastewater system.

WHO IS ELIGIBLE?

An eligible borrower must be a public water or wastewater system that is also a governmental agency:

- Municipal corporations
- Cities
- Agencies
- Commissions
- Authorities
- Associations

Eligible Funding Recipients are public water or wastewater systems that must meet one (1) or more of the following criteria.

- The median household income within the service area of the funding applicant is less than the Commonwealth’s median household income.
- User rates for the public drinking water or wastewater services provided by the funding applicant are at or above one percent (1%) of annual household income for its service area.

- The funding applicant has failed to produce a financial statement audit in at least one (1) of the prior three (3) years.
- The funding applicant has negative income in any two (2) of the previous five (5) years.
- The funding applicant's debt service coverage ratio, calculated by dividing its annual net operating income by its annual debt payments, was less than one and one-tenth (1.1) in any three (3) of the previous five (5) years.
- The funding applicant's current accounts payable turnover ratio, calculated by dividing its monthly net credit purchases from suppliers by its average accounts payable balance for the month, is less than one (1).
- The funding applicant's current days' sales in accounts receivable ratio, calculated by dividing its monthly accounts receivable by its monthly credit sales value and multiplying the resulting quotient by the number of days in that month, is greater than forty-five (45) days.
- The funding applicant has received a notice of violation or has entered into an agreed order as a result of a violation of the requirements of the Safe Drinking Water Act, 42 U.S.C. sec. 300f et seq., or the Clean Water Act, 33 U.S.C. sec. 1251 et seq., in the past year.
- The percentage of water loss of the funding applicant's system is greater than thirty percent (30%).

Other factors that will be considered include:

- The funding applicant is willing to use the funding for regionalization, consolidation, or partnerships, consistent with the policy stated in KRS 224A.300(1).
- The funding applicant, after receiving the funding, will be able to fully resolve the pending issues that are the subject of its application using the funding and other funding sources, if available.
- The funding applicant's proposed project demonstrates a high level of community or regional impact potential if funding is awarded.

Ranking and Scoring Criteria

Each of the above criterion will receive one point and projects will be scored and ranked accordingly.

To Participate in the Kentucky WWATERS Program, a funding applicant shall submit an application to the KIA board, which shall include a corrective action plan detailing how the requested funds would be used to address the performance deficiencies that made the applicant eligible for the funding.

Interest Rates

Interest rates for loans awarded under this program shall be set at least one-half percent lower than the rates for the federally-assisted water supply revolving fund administered by the authority under KRS 224A.1115 and the federally-assisted wastewater revolving fund administered by the authority under KRS 224A.111. Interest

rates will be reset at least annually to go into effect each July 1. Interest rates for the KY WWATERS program as of July 2024 are:

1.75%	Systems with a Median Household Income (MHI) above the Commonwealth's MHI
0.75%	<ol style="list-style-type: none"> 1. Systems with a MHI between 80 and 100 percent of the Commonwealth's MHI. 2. Project will achieve compliance with an order or judgment addressing environmental noncompliance. 3. Project meets the definition of regionalization per 200 KAR 17:050 for clean water or 200 KAR 17:070 for drinking water.
0.00%	Systems with a MHI below 80 percent of the Commonwealth's MHI

Loan subsidies may be offered in the form of grants or principal forgiveness to be approved by the General Assembly. Principal forgiveness will show up as a credit on the loan amortization schedule concurrent with each draw request.

Loan Repayment

- Interest and principal payments are due twice a year- June and December. Monthly repayment schedules may also be requested.
- Interest payments on the outstanding principal amount commences within six months of first disbursement of funds.
- Repayment of principal commences within one year of the initiation of operation of the project.

Other Information

If a funding applicant is selected as an eligible funding recipient approved under the Kentucky WWATERS Program, it shall comply with any reporting or other requirements deemed necessary by the Kentucky Infrastructure Authority to verify that the awarded funding goes toward an eligible project and that the funding recipient is making improvements on the performance criteria described in the application. The eligible funding recipient shall also comply with any internal management and governance procedures that the authority may impose in order to correct any performance deficiencies that gave rise to the need for the requested funds.

A funding recipient shall forfeit all moneys received, including accrued interest, shall be immediately due to the authority if the selected funding recipient:

1. Fails to comply with any of the requirements above;
2. Uses the awarded funding for any purpose other than the eligible project for which the funding was awarded; or
3. Transfers or assigns the obligation to repay the funding amounts to any other entity, including any successor in interest.

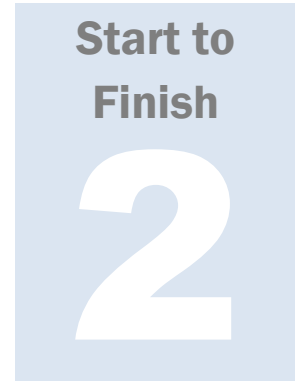
Funding recipients may also forfeit funds and be subject to immediate repayment to the authority of all

outstanding funding amounts, including accrued interest, if the authority finds that the recipient has not made adequate improvements on the performance criteria described in the application.

Emergency Kentucky Water and Wastewater Assistance for Troubled or Economically Restrained Systems Program (Emergency Kentucky WWATERS Program)

The emergency WWATERS program is dedicated to providing funding for both capital and non-capital expenses relating solely to restoring or avoiding imminent interruption of utility service provided by a public water or wastewater system after a statewide state of emergency has been declared pursuant to KRS Chapter 39A or a local state of emergency has been declared for the jurisdiction where the public water or wastewater system is located pursuant to KRS Chapter 39B.

Projects funded under this program will use the same application and processes as the KY WWATERS Program. Funding decisions will be provided by the KIA Board.



Start to Finish Overview

Applying for Kentucky WWATERS Program Funding:

- The Kentucky WWATERS Program application period will initially run from July 17, 2024 through August 30, 2024. During this time, interested applicants must provide a complete application packet to KIA.
- Applications and other material may be found on the KIA website at:
<https://kia.ky.gov/kentuckywwaters/Pages/default.aspx>
- Applications are to be submitted to: kia.KYWWATERS@ky.gov
- If the project is a construction project or a planning and design project that will lead to a construction project, the applicant must also contact their Area Development District (ADD) Water Management Coordinator (WMC) to create or update their corresponding Project Profile.
- Non-Capital projects will not require Water Management Council approval or a WRIS number.
- The application will be scored by KIA.
- Only complete applications will be evaluated.
- KIA reviews the application, financial information, and conducts a credit analysis to ensure the applicant can afford the loan or to determine that amount of subsidy that will be recommended.
- Projects will be evaluated on 4 repayment levels; full principal and interest; full principal with zero interest; principal with 50% forgiveness and zero interest; 100% grant.
- Projects are taken before the KIA board for final scoring and financing terms.
- The final ranking and financing recommendation will be provided to the Kentucky General Assembly on December 1, 2024.

Timeline:

- Upon receipt of the application, KIA will:

Within 60-days of Receiving a Complete Application	Make determinations on the eligibility of the proposed project and the applicant and issue a project score
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Within 14-days of scoring the project	Provide detailed feedback to all funding applicants
No later than December 1, 2024 and each December 1 thereafter	Submit to the Legislative Research Commission an annual report containing the evaluations and scores of the proposed funding recipients, a list of all program applicants – identifying those ineligible, trends in ineligibilities, and the eligible uses of funding cited in the applications.
Within 60-days of the effective legislation	Award funding to the selected eligible funding recipients

Fulfilling Kentucky WWATERS Program Requirements:

- Funding under this program is from state funding sources. All procurement must follow KRS 45A.
- All construction projects must be submitted to the eClearinghouse
- All construction projects must follow all Kentucky Division of Water requirements. Plans and specifications approval may be withheld until any required permit applications are received by DOW.
- For PSC regulated entities, all Public Service Commission rules must be followed with regard to any funding awards.
- Federal funding rules NO DOT apply – no Davis Bacon Act, State Environmental Review Process (SERP), National Environmental Policy Act (NEPA), American Iron and Steel (AIS), or BABA (Build America, Buy America) requirements.
- Funding will be provided on a reimbursement basis with payments approved at least monthly. No funding will be disbursed until the Assistance Agreement is executed between the KIA and the borrower.

Project Closeout:

- All closeout items (see Section 7 for complete list of closeout items) must be submitted to the KIA in order to close the project financing.
- After the final inspection, KIA is prompted to close out the project financing. A closeout Exhibit in the Assistance Agreement and amortization schedule are prepared by KIA and sent to the applicant. The Exhibit must be signed and returned to KIA. These documents complete the borrowing cycle by establishing the final loan balance and when repayments will be made.

e-Clearinghouse Review Guidelines

e-
Clearinghouse
Review

3

e-Clearinghouse Review Guidelines for KY WWATERS Projects

e-Clearinghouse Contact Information

The following agencies must be provided with an accurate description of the proposed project along with a map, and given the opportunity to provide comments and recommendations.

Kentucky State Clearinghouse

The e-Clearinghouse review will encompass comments from environmental authorities over the following policies and Acts:

- Archaeological and Historic Preservation Act of 1974 (PL 86-523, as amended)
- Clean Air Act (PL 84-159, as amended)
- Floodplain Management, Executive Order 11988, as amended by 12148
- National Historic Preservation Act of 1966 (PL 89-665, as amended)
- Wild and Scenic Rivers Act (PL 90-542, as amended)
- State Wild Rivers and Outstanding Resource Waters
- State Water Withdrawal Permits
- Kentucky Pollutant Discharge Elimination System
- KY Fish and Wildlife (NOT the same as U.S. Fish and Wildlife Service)
- Department of Transportation

Go to http://kydlgweb.ky.gov/FederalGrants/16_eClearinghouse.cfm for instructions on how to submit a project to the Clearinghouse or contact:

The Clearinghouse Team
100 Airport Road, 3rd Floor
Frankfort, KY 40601
dlg.ech@ky.gov

Permitting, Plans and Specifications Guidelines

Permitting

Kentucky Division of Water (DOW)

If your project involves one or more of the following activities, you may need more than one permit from the Kentucky DOW:

- Building in a floodplain
- Road culvert in a stream
- Streambank stabilization
- Stream cleanout
- Utility line crossing a stream
- An acre or more construction site

- KPDES Storm Water Permit required if the project will disturb one acre or more of land, or is part of a larger common plan of development or sale that will ultimately disturb one acre or more of land. This permit requires the creation of an erosion control plan.
<https://eec.ky.gov/Environmental-Protection/Water/PermitCert/KPDES/Pages/default.aspx>
 Contact: Bryan Parker, Bryan.Parker@ky.gov, or (502) 782-5231.

- Stream Construction Permit required if the project involves filling in the floodplain.
<https://eec.ky.gov/Environmental-Protection/Water/FloodDrought/Pages/UnderstandYourFloodHazards.aspx>
 Contact: David Coe, P.E., David.Coe@ky.gov, or (502) 782-6296.

- Stream Construction Permit and Water Quality Certification required if project involves work **IN** a stream, such as bank stabilization, road culverts, utility line crossings, and stream alteration.
<https://eec.ky.gov/Environmental-Protection/Water/PermitCert/WQ401Cert/Pages/default.aspx>
 Contact: Samantha Vogeler, Samantha.Vogeler@ky.gov or (502) 782-6995.

- Wastewater collection and treatment plant construction permit requirements and procedures can be found online at: <https://eec.ky.gov/Environmental-Protection/Water/PermitCert/Pages/WWCSConst.aspx>.

- Drinking water distribution and treatment plant construction permit requirements and procedures can be found online at:
<https://eec.ky.gov/Environmental-Protection/Water/PermitCert/Pages/Approvals.aspx>

Technical Plans and Specifications Review

Contact: Terry Humphries, KY Division of Water
Terry.Humphries@ky.gov, (502) 782-6983

This section will cover the plans and specifications requirements for a KY WWATERS funded project.

The following items are to be submitted to the DOW, Engineering Section:

- Plans and Specifications
- Completed Construction Application
- Letter of Acceptance from the Utility
- Engineering Calculations
- Customer list with addresses of new customers (DW projects only)
- Review fee (if applicable)



Which Construction Application Should You Use?

The DOW has five construction applications for projects:

1. Construction Application for Drinking Water Distribution (Form DW-1)
 2. Construction Application for Drinking Water Treatment (Form DW-2)
 3. Construction Application for Small Groundwater and Semi-Public Systems (Form DW-3)
 4. Construction Application for Wastewater Collection (Form S-1a)
 5. Construction Application for Wastewater Treatment (Form W-1)
- Procedures for electronic submittal of construction application can be found online at:
<https://eec.ky.gov/Environmental-Protection/Water/PermitCert/Pages/Approvals.aspx>.

DOW Engineering Staff Contacts

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Procurement Procedures and Reporting



Bidding and Reporting

The following section will cover KY WWATERS bidding requirements.

Bid Advertisement

- Borrowers are expected to follow KRS, Title VI Chapter 45A Kentucky Model Procurement Code for all KY WWATERS projects.
- The bid advertisement must run for no less than 7 days and no more than 21 days in the newspaper of largest circulation in the area that the project is being constructed.

Note!

The borrower should NOT advertise for bids until the eClearinghouse comments have been received and specifications have been completed and approved by the DOW. To do so without prior approval would be at the borrower’s own risk.

Awarding Bids

After the bid period has closed and bids opened, the bid package must be submitted to the KIA. The following table provides a checklist of items required.

Check	Authority to Award Package
	Project Review and Cost Summary Form: <i>Signed by the authorizing representative</i>
	Affidavit of Publication with Tear Sheet of Advertisement: <i>Published in the daily paper of largest circulation</i>
	As-Bid Budget
	Certified Bid Tabs: <i>Must have engineer’s seal, number, and signature (if seal is not available, sign and number)</i>
	Clear Site Certificate

Records Retention

All project related files should be maintained by the KIA funding Recipient for a minimum of three (3) years following the completion of the project’s construction.

BID ADVERTISEMENT CHECKLIST

When submitting contract documents for review, the Advertisement for Bids (with bid date and time left blank) shall be included. At a minimum, the Advertisement for Bids shall include:

- The Utility’s (Owner’s) name
- Project title
- Project location
- The place that bid will be received
- The date and time that bids will be opened and read aloud
- Description of the project
- Where the bidding documents can be examined
- Where the bidding documents can be obtained
- The cost of obtaining the documents, if applicable
- Bid security requirements
- Statement that the utility/borrower can reject any and all bids
- Length of time the bids must remain valid
- Statement that contract award will be made to the lowest, responsive, responsible bidder
- Construction time and liquidated damages, if applicable
- List of funding sources
- Statement that KY WWATERS requirements must be met by the bidder and all subcontractors
- Statement that utility/borrower is an Equal Opportunity Employer

KY WWATERS projects shall be advertised in the newspaper of largest circulation in the county of the project. Projects shall be advertised at least seven days before, but within twenty-one days of, the bid opening. Bidders shall be given reasonable time to prepare and submit responsive and responsible bids.

SAMPLE: ADVERTISEMENT FOR BIDS

[UTILITY NAME]
[PROJECT NAME]
[PROJECT LOCATION]

Separate sealed bids will be received for [PROJECT NAME] by the Owner, [UTILITY NAME], at [MAILING ADDRESS] until [BID TIME] on [BID DATE]. Bid will then be opened and read aloud at this location.

This project consists of [PROJECT DESCRIPTION].

Bidding documents for this project may be examined at:

- [LIST LOCATIONS WHERE PLANS ARE AVAILABLE FOR INSPECTION. INCLUDE NAME AND ADDRESS.]

Bidding documents may be obtained from:

- [LIST LOCATIONS WHERE THE PLANS CAN BE PURCHASED. INCLUDE NAME OF SOURCE, ADDRESS, PHONE NUMBER, AND COSTS (PLAN COSTS AND SHIPPING COSTS).]

All bidders shall submit with their bid an acceptable bid bond or a certified check in the amount of five percent (5%) of the bid, payable to the Owner.

The Owner reserves the right to waive any informalities or to reject any and all bids.

No bidder may withdraw their bid within [NUMBER OF DAYS] after the date of the bid opening.

The award of this project will be to the lowest, responsive, responsible bidder.

The Bidder awarded the contract shall complete this project within [NUMBER OF DAYS] calendar days. Liquidated damages will be assessed at [DOLLAR AMOUNT] per calendar day.

This project is funded with funds provided by the Kentucky WWATERS Program.

[LIST OTHER FUNDING AGENCIES]

Small and Disadvantaged Business Enterprises are encouraged to bid on this project. [UTILITY NAME] is an Equal Opportunity Employer.

PROJECT REVIEW AND COST SUMMARY

This questionnaire/checklist is furnished as an administrative aid and is required for use in supplying information and documents, reporting minor changes, and project status. The information and documents should be submitted to KIA as soon as possible after bid opening.

DRINKING WATER WASTE WATER

SECTION 1.

1. Project Name Project Number

2. Changes: Have there been any changes in the project since DOW’s approval of the plans and specifications?

- Yes No Construction Drawings. If yes, submit revised drawings and addenda. **See Note***
- Yes No Specifications. If yes, submit addenda. **See Note***
- Yes No Site Changes. If so, new Clear Site Certificates are required prior to start of construction.
- Yes No Authorized Representative (Mayor, City Manager, etc.). If so, provide name and title.

***Note:** **Prior approval is required for changes in design, scope, type of treatment, size, capacity, time to complete the project, etc. Changes, which result in increase in the amount of a contract, must be procured in accordance with state requirements, as applicable.**

SECTION 2.

DATE BIDS OPENED: _____ DATE BIDS EXPIRE: _____

1. The following items should be submitted to KIA after bid opening:
 - a) Executed Project Review & Cost Summary Form (this form).
 - b) Revised (As-bid) Budget (form attached).
 - c) Original bid advertisement or copy of advertisement with affidavit of publication.
 - d) Certified Bid Tabulations with engineer’s seal.

2. The following items must be submitted to KIA:
 - a) Executed Contract Documents (once contract is signed).
 - b) Bid Bond, Payment Bond, and Performance Bond (generally included in executed contract).
 - c) Technical Specification (generally included in executed contract).

3. Comments: _____

I hereby certify that all documentation outlined in Section 2.1 and 2.2 will be retained in our project files and all documentation outlined in Sections 2.1 and 2.2 will be submitted to KIA prior to any release of funds..

Signature of Authorized Representative

Date

Print Name and Title

Project Cost Summary

Project Title: _____

WRIS#: _____

Project Budget: Estimated enter date

As Bid enter date

Revised enter date

Cost Classification	KY WWATERS	Funding Source 1	Funding Source 2	Funding Source 3	Funding Source 4	Funding Source 5	Local Funds	Unfunded Costs	Total
1	Administrative Expenses								
2	Legal Expenses								
3	Land, Appraisals, Easements								
4	Relocation Expenses & Payments								
5	Planning								
6	Engineering Fees – Design								
7	Engineering Fees – Construction								
8	Engineering Fees – Inspection								
9	Engineering Fees – Other								
10	Construction								
11	Equipment								
12	Miscellaneous								
13	Contingencies								
	Total								

Funding Sources	Amount	Date Committed
1		
2		
3		
4		
5		
	Total	

Local Funding Sources	Amount	Date Committed
1		
2		
3		
	Total	

Total Funding \$ _____

Cost Categories	Funding Source	Total Cost
Treatment (DW)		
Transmission and Distribution (DW)		
Source (DW)		
Storage (DW)		
WWTP Secondary Portion (CW)		
WWTP Advanced Portion (CW)		
Inflow and Infiltration Correction (CW)		
Major Sewer Rehabilitation (CW)		
Collector Sewers (CW)		
Interceptor Sewers including Pump Station (CW)		
Combined Sewer Overflow Correction (CW)		
Purchase of Systems (DW and CW)		
Restructuring (DW and CW)		
Land Acquisition (DW and CW)		
	Total Costs	

KY Infrastructure Authority Financial Analysts

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(502) 892-3743
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Carmen Ignat
(502) 892-5844
CarmenV.Ignat@ky.gov

Rick Harris
New Hire – Phone Number to come
New Hire – email to come

KY Infrastructure Authority Regional Compliance Coordinators

Debbie Landrum
(502) 892-3454
Debbie.Landrum@ky.gov

Julie Bickers
(502) 892-3455
Julie.Bickers@ky.gov

Pay Requests



Note! **PAY REQUESTS must be received by KIA by the 5th calendar day of the month via the email kia.KYWWATERS@ky.gov request will not be processed until the following month.**

Pay Requests

KIA disbursement processing is assigned to a Regional Compliance Coordinator by Area Development District (ADD) of the project.

Contact: *Julie Bickers, Kentucky Infrastructure Authority*
 (Julie.Bickers@ky.gov, 502-892-3455)
 Purchase, Pennyrile, Green River, Barren River, Lake Cumberland ADDs

Debbie Landrum, Kentucky Infrastructure Authority
 (Debbie.Landrum@ky.gov, 502-892-3454)
 Lincoln Trail, KIPDA, Northern KY, Bluegrass ADDs

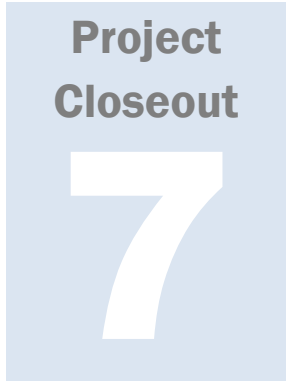
The project is finally in the construction phase and it is time to pay the contractor.

The Assistance Agreement must be fully executed before any draws can be made. At that time you will be sent an electronic draw workbook for preparing draw requests. Requests are to be submitted to kia.KYWWATERS@ky.gov, and must be received by the 5th of each month to be disbursed within the same month. If a draw request is received after the 5th, it will be held until the following month. **NOTE:** All reports **MUST** be current in order to process any draw request. If not, the draw will be held until the reports are submitted.

Note! **KIA will no longer be accepting copies of pay requests to be mailed in or emailed to staff email addresses.**



Project Closeout



Project Closeout

Contacts: Julie Bickers, Kentucky Infrastructure Authority, (Julie.Bickers@ky.gov, 502-892-3455): Purchase, Pennyrite, Green River, Barren River, Lake Cumberland ADDs

Debbie Landrum, Kentucky Infrastructure Authority, (Debbie.Landrum@ky.gov, 502-892-3454): Lincoln Trail, KIPDA, Northern KY, Bluegrass ADDs

The project is finally finished and it is time to close the KY WWATERS financing. The following is a list of closeout items needed by the KIA Regional Compliance Coordinator:

- Final Pay Request Form (Exhibit B)**
KIA will hold \$25,000 or 20% of the final draw (whichever is greater) until all closeout documents have been submitted.
- Initiation of Operation Letter**
The date of the initiation of operation signifies when the constructed items will be doing what they were designed to do.
- Release of Lien from Contractor(s)**
- Final adjusting change order(s), if applicable**
- Record drawings** (aka As-Builts, *these can be a .pdf copy*)
- Consulting engineer’s Certification of Completion on letterhead**
- Borrower’s Certification of Completion on letterhead**

Final Steps

Upon notification of a final inspection, KIA will request submission of all the closeout items listed above to close out the project financing. An “Exhibit F” and amortization schedule are prepared by the KIA and sent to the loan recipient. The Exhibit F must be signed and returned to KIA. These documents complete the borrowing cycle by establishing the final loan balance and when repayments will be made.