

Commonwealth  
Financing  
Authority

# H2O PA

## Program Guidelines

### Water Supply, Sanitary Sewer and Storm Water Projects

Commonwealth of Pennsylvania  
Edward G. Rendell, Governor  
[www.state.pa.us](http://www.state.pa.us)

Commonwealth Financing Authority  
Steven Kaplan, Chairman  
[www.newpa.com](http://www.newpa.com)

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## **Section I – Statement of Purpose**

The H2O PA Act was established by the General Assembly in July 2008. The Act provides for single-year or multi-year grants to municipalities or municipal authorities to assist with the construction of drinking water, sanitary sewer and storm sewer projects.

## **Section II – Eligibility**

### **A. Eligible Applicants**

Any of the following entities who will own the proposed project are eligible to apply for a grant.

1. **A Municipality** includes any city, township, borough, town, county, or home rule.
2. **A Municipal Authority** includes any authority created by a municipality pursuant to the act known as the "Municipal Authorities Act."

### **B. Eligible Projects**

Eligible H2O PA projects are those which commenced construction after January 1, 2007 and involve the acquisition, construction, improvement, expansion, or rehabilitation of all or part of a water supply, sewage disposal, or storm water system which is owned and maintained by an eligible applicant. An eligible project also includes consolidation or *regionalization* of two or more water supply systems, sewage disposal systems, or storm water systems which are managed or operated as an integrated system regardless of whether the system is physically connected.

### **C. Eligible Use of Funds**

H2O PA funds may be used by the applicant to pay for any of the following project costs:

1. Construction, improvement, expansion, repair, or rehabilitation of all or part of a water supply system, sewage disposal system, and storm water system.
2. Installation of security measures.
3. Acquisition of land, rights-of-way, and easements necessary to construct an eligible project.

4. Design costs required to solicit bids for a project approved for a H2O PA construction grant.
5. Inspection costs.
6. Permit Fees.
7. Costs to secure appropriate bonds and insurance.
8. Administrative costs of the applicant that are necessary to administer the H2O PA grant. Administrative costs will include advertising, legal, and audit costs as well as documented staff expenses. Administrative costs shall not exceed 3% of the H2O PA grant.

Ineligible costs include but are not limited to fees for securing other financing, interest on borrowed funds, and tap in fees.

## **Section III – Program Requirements**

### **A. Matching Fund Requirement**

An eligible applicant shall provide matching funds of not less than 50% of the amount awarded under the H2O PA Program. The cash match may come from any other source including PENNVEST.

### **B. Planning Approvals**

All recipients of H2O PA funding are required to demonstrate in the application that the project is in compliance with regional, county, and local comprehensive plans as evidenced by a letter from the appropriate local planning agency. If inconsistencies between plans exist, preference will be given to the approved county-level plans.

### **C. Other Requirements**

#### **1. Conflicts of Interest**

An officer, director, or employee of an applicant who is a party to or who has a private interest in a project shall disclose the nature and extent of the interest to the governing body of the applicant and may not vote on any action of the applicant concerning the project nor participate in the deliberations of the applicant concerning the project.

**2. Nondiscrimination**

No assistance shall be awarded to an applicant under this program unless the applicant and project user certify to the Commonwealth Financing Authority (the Authority) that they shall not discriminate against any employee or against any person seeking employment because of race, color, handicap, national origin, age or sex. All contracts for work to be paid with H2O PA assistance must contain the Commonwealth's official nondiscrimination clause.

**3. Project Records**

The applicant must maintain full and accurate records with respect to the project and must ensure adequate control over related parties in the project. The Authority requires access to such records, as well as the ability to inspect all work, invoices, materials, and other relevant records at reasonable times and places. Upon request of the Authority, the applicant must furnish all data, reports, contracts, documents, and other information relevant to the project.

**4. Pennsylvania Prevailing Wage Act**

All of the construction work associated with the project may be subject to the Pennsylvania Prevailing Wage Act, as determined by the Pennsylvania Department of Labor and Industry.

**5. Proof of Notification**

The applicant must provide proof that the county and host municipality or municipalities have been notified about the intended project.

**6. Project Audit**

For projects receiving grant funds in excess of \$100,000 an audit from a Certified Public Accountant (CPA) licensed in Pennsylvania listing all project costs must be submitted to the Authority within 90 days after expiration of the grant. In the opinion section of the audit, a statement shall be made certifying that funds were disbursed in accordance with the terms of the grant agreement.

**7. Bidding Requirements**

Applicants must comply with all applicable federal, state, and local laws and regulations dealing with bidding and procurement.

**8. Guideline Provisions**

The H2O PA guidelines provisions may be modified or waived by the Authority unless otherwise required by law.

**D. Fees**

The Commonwealth Financing Authority charges a \$100 non-refundable application fee for H2O PA applications. Application fee is due at the time of submission.

## **Section IV Grants**

1. Grants are available for projects with a total cost of \$500,000 or more.
2. Grants shall not exceed a total of \$20,000,000 for any project.
3. Multi-year grants may not be given for a period of more than six (6) years and shall not exceed a total of \$20,000,000 for any project.
4. A minimum of 50% of the grants shall be awarded to projects that will consolidate two or more systems or to regional systems.
5. Match requirements for grants may be acquired through any local, state, or federal program.
6. No funding may be authorized or distributed for any project within a city or county of the first or second class, other than those projects described in the Pennsylvania Gaming Economic Development and Tourism fund, until such time as an amount equal to \$750,000,000 has been authorized and distributed from the H2O PA Program for projects outside of a city or county of the first or second class.
7. To be eligible for reimbursement, project costs must be incurred within the time frame established by the grant agreement.

## **Section V – Application Procedures**

To apply for funding, the applicant must submit the electronic online Department of Community and Economic Development Single Application for Assistance located at <http://newpa.com/programFinder.aspx>. Once submitted, please print eleven (11) copies of the application, and send with the required supplemental information (please see Appendix I of these guidelines) via US Mail along with the signature page. Please reference the Web ID number on any documents sent with the signature page. Applications must be received at least 60 days prior to the next scheduled Authority meeting at which H2O PA applications will be considered. An application review schedule for the Authority meetings can be found on the [www.newpa.com](http://www.newpa.com) website.

## **Section VI – Application Evaluation**

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All applications for financial assistance will be reviewed by the Authority in conjunction with the Department of Community and Economic Development, Department of Environmental Protection, and PENNVEST to determine eligibility and competitiveness of the proposed project. A minimum of 50% of grants for water or sewer projects approved by the Authority shall be awarded to projects that will consolidate two or more systems or to regional systems. In addition, priority shall be given to eligible applicants that are currently subject to a Federal or State court or agency order, consent decree or new permit discharge requirements imposed after January 1, 2007. Projects will be evaluated using the following criteria:

1. The number of municipalities that will be part of the water or sewer project and the number of municipalities that will benefit from the project.
2. Whether the construction, repair or consolidation of a water or sewer project will enable customers of the system or regional system to be more efficiently served.
3. The nature of any Federal or State court or agency order, consent decree or new permit discharge requirements imposed after January 1, 2007 applicable to the project.
4. Project readiness.
5. Project is consistent with all local, state and regional comprehensive, regional resource management or economic development plans.
6. The cost-effectiveness of the proposed project.
7. Whether the project serves existing populations or whether the project is intended to serve new development.
8. The ability of the applicant to secure funding for the project.
9. The proactive implementation of practices to promote sustainability of the system.

## **Section VII – Procedures for Accessing Funds**

Following approval of an application by the Authority, a commitment letter will be issued to the applicant explaining the terms and conditions of the grant. The commitment letter must be signed and returned to the Authority within 45 days of the date of the commitment letter or the offer may be withdrawn by the Authority.

Following the acceptance of an offer by the applicant, a grant agreement will be sent by the Authority to the applicant for execution. The applicant shall obtain the services of a professional engineer or architect licensed in Pennsylvania who will certify to the Authority during construction that the expenses were incurred and were in accordance with the plans approved by the Authority. The Authority will release funds to the applicant at not less than 30-day intervals.

## **Section VIII – Program Inquiries**

Program inquiries should be directed to:

PA Department of Community and Economic Development  
Center for Business Financing – Site Development Division  
H2O PA Program  
Commonwealth Keystone Building  
400 North Street, 4<sup>th</sup> Floor  
Harrisburg, PA 17120-0225  
Telephone: (717) 787-7120  
Fax (717) 772-3581  
E-mail: [ra-dcedcbf@state.pa.us](mailto:ra-dcedcbf@state.pa.us)

These guidelines can also be accessed online at [www.newPA.com](http://www.newPA.com)



## **Appendix I – Supplemental Information**

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### **H2O PA**

In addition to completing the Department of Community and Economic Development Single Application for Assistance, please include the following items when applying for a grant under H2O PA:

- Exhibit 1:** Provide a description of the project which discusses all of the following: (a) the specific location of the project area; (b) whether the project is consistent with an existing county or local comprehensive plan; (c) whether the project will result in a substantiated positive economic development impact; (d) the historical and proposed use of land served by the project; (e) the estimated start and end dates of construction; (f) the names of the municipalities that will potentially benefit from the project; (g) how the project promotes the most efficient management of water resources and protects the health and safety of the citizens of the Commonwealth; (h) the sound management practices implemented by the applicant in the past five years to enhance the long-term sustainability of the system including but not limited to energy efficiency improvements, water conservation, full cost pricing, asset management, and the installation of non-structural alternatives to minimize the amount of storm water that infiltrates the system; and (i) whether the project serves existing populations or new development.
- Exhibit 2:** A statement as to the estimated cost of the project. This statement should be part of the cost-effectiveness analysis for each feasible alternative and include the identification of the most cost-effective alternative. The most cost-effective alternative is the treatment system that has the lowest present worth value, unless non-monetary costs are overriding, that meets the minimum requirements of applicable effluent limitations, groundwater protection, and other applicable standards. The period for this analysis should be the expected design life of the project. The costs to be considered in the analysis include the present worth or equivalent annual value of capital costs and operation and maintenance (O&M) costs. Monetary costs shall be presented as present worth values for all capital and operation and maintenance (O&M) costs over the expected design life of the project. A description of the significance and impact of non-monetary factors, such as environmental effects, implementation capability, operability, performance reliability, and flexibility.
- Exhibit 3:** Funding commitment letters, if available, from all other project funding sources (including equity commitments). Letters should include the term, rate, and collateral conditions and must be signed and dated.
- Exhibit 4:** A color-coded map detailing the location of the infrastructure, overlaid with the corresponding zoning of the project area.

- Exhibit 5:** The most recent audited financial statements of the applicant. Financial statement should include balance sheets, income statements, and notes to financials.
- Exhibit 6:** A statement as to the amount of grant funding requested.
- Exhibit 7:** A letter from the appropriate planning agency certifying that the proposed project is in compliance with the comprehensive land use plans.
- Exhibit 8:** Provide a resolution duly adopted by the applicant's governing board formally requesting the grant, designating an official to execute all documents, describing briefly the project scope, and identifying the grant amount (see Appendix II for a Sample Resolution).
- Exhibit 9:** A copy of all local, state, and federal planning approvals and permits from the appropriate agencies.
- Exhibit 10:** A copy of the Federal or State court agency order, consent decree, or new permit discharge requirements imposed after January 1, 2007.
- Exhibit 11:** Provide the current annual user rates and number of users, both commercial and residential, for the municipality(ies) in which the project is located.
- Exhibit 12:** Provide current tap-in fees and a projection of future tap-in fees along the project area.
- Exhibit 13:** For all applicants, provide copies of notifications provided to county and municipal governing bodies advising them of the proposed project.

Send 11 copies of completed application with all supplemental information and attachments to:

PA Department of Community and Economic Development  
Center for Business Financing – Site Development Division  
H2O PA Program  
Commonwealth Keystone Building  
400 North Street, 4<sup>th</sup> Floor  
Harrisburg, PA 17120-0225

If you have any questions on completing the application, please call the Center for Business Financing at (717) 787-7120.

## Appendix II – Authorized Official Resolution

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Be it RESOLVED, that the \_\_\_\_\_ (Name of Applicant) of \_\_\_\_\_ (Name of County) hereby request an H2O PA grant of \$\_\_\_\_\_ from the Commonwealth Financing Authority to be used for \_\_\_\_\_.

Be it FURTHER RESOLVED, that the Applicant does hereby designate \_\_\_\_\_ (Name and Title) and \_\_\_\_\_ (Name and Title) as the official(s) to execute all documents and agreements between the \_\_\_\_\_ (Name of Applicant) and the Commonwealth Financing Authority to facilitate and assist in obtaining the requested grant.

I, \_\_\_\_\_, duly qualified Secretary of the \_\_\_\_\_ (Name of Applicant), \_\_\_\_\_ (Name of County) \_\_\_\_\_, PA, hereby certify that the forgoing is a true and correct copy of a Resolution duly adopted by a majority vote of the \_\_\_\_\_ (Governing Body) at a regular meeting held \_\_\_\_\_ (Date) and said Resolution has been recorded in the Minutes of the \_\_\_\_\_ (Applicant) and remains in effect as of this date.

IN WITNESS THEREOF, I affix my hand and attach the seal of the \_\_\_\_\_ (Applicant), this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
Name of Applicant

\_\_\_\_\_  
County

\_\_\_\_\_  
Secretary