

Guidance on
Preparation and Certification of a
Fiscal Sustainability Plan (FSP)

Overview

On June 10, 2014, President Obama signed into law the Water Resources Reform and Development Act of 2014 (WRRDA). Among its provisions are amendments to Titles I, II, V, and VI of the Federal Water Pollution Control Act (FWPCA). On January 6, 2015, the Environmental Protection Agency (EPA) issued an interpretive guidance for those provisions affecting the Clean Water State Revolving Fund (CWSRF) program.

This guidance pertains to the preparation and/or certification of a Fiscal Sustainability Plan (FSP) as required of Clean Water State Revolving Fund financial assistance recipients when that assistance is in the form of a loan. FSPs are NOT required of assistance recipients that utilize municipal bonds.

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Water Resources Reform and Development Act (WRRDA)

Section 603(d)(1)(E)

WRRDA amended the FWPCA including section 603(d)(1)(E), which states:

for a treatment works proposed for repair, replacement, or expansion, and eligible for assistance under subsection (c)(1), the recipient of a loan shall—

(i) develop and implement a fiscal sustainability plan that includes—

- (I) an inventory of critical assets that are a part of the treatment works;*
- (II) an evaluation of the condition and performance of inventoried assets or asset groupings;*
- (III) a certification that the recipient has evaluated and will be implementing water and energy conservation efforts as part of the plan; and*
- (IV) a plan for maintaining, repairing, and, as necessary, replacing the treatment works and a plan for funding such activities; or*

(ii) certify that the recipient has developed and implemented a plan that meets the requirements under clause (i)

Guidance

Below is a link to a full copy of EPA's interpretive guidance on the WRRDA changes.

http://www.twdb.texas.gov/financial/programs/cwsrf/doc/sfy16/epa_wrrda_guidance.pdf

The WRRDA section 603(d)(1)(E) requires a recipient of a loan for a project that involves the repair, replacement, or expansion¹ of a publicly owned treatment works to develop and implement a fiscal sustainability plan (FSP) and certify that it has developed and implemented such a plan. This provision applies to all loans for which the borrower submitted an application² on or after October 1, 2014.

FSP Certification Due Dates:

- Before loan closing for borrowers that already have and are implementing a plan or
- Once a plan has been completed as a requirement of the loan agreement, but no later than the final funds disbursement on the final contract of the assistance recipient's project.

FSPs should be treated as “living documents” that are regularly reviewed, revised, expanded, and implemented as an integral part of the operation and management of the system. An FSP certification is a certification by the borrower that the FSP has been developed and is being implemented.

¹ FSPs are not required for new treatment works (unless they are physically replacing an existing treatment works or expanding the treatment capacity of an existing system) or for projects involving an upgrade that does not involve repair/replacement or expansion of the treatment capacity (e.g., adding advanced treatment).

² Application is defined as the forms or web-based system that the executive administrator determines must be completed for consideration for financial assistance from the CWSRF.

Certification is due by loan closing for systems with existing plans and that wish to self-certify at the time of the submittal of a financial assistance application.

The certification form will be due no later than the release of the final funds disbursement on the final contract of the subject project for systems that will be developing an FSP as part of a wastewater project funded by the Texas CWSRF. For these systems, the creation of the plan and certification requirement will be a condition of the funding loan agreement.

Required Elements

The statute requires that FSPs include, at a minimum:

- an inventory of critical assets that are part of the treatment works
- an evaluation of the condition and performance of inventoried assets or asset groupings
- a certification that the assistance recipient has evaluated and will be implementing water and energy conservation efforts as part of the plan, and
- a plan for maintaining, repairing, and as necessary, replacing the treatment works and a plan for funding such activities

Assistance recipients may either produce a plan that covers the whole wastewater system or take a phased approach, such that the initial FSP covers only the funded project and closely associated components.³ This approach should be applied in such a way that a comprehensive and cohesive plan that covers the entire treatment works eventually results as the utility continues to repair, replace, and expand the system.

At a minimum, loan recipients must certify that an FSP has been developed and is being implemented. See a copy of the certification form, attached hereto as **Exhibit A**. Development of an FSP is an eligible cost in the CWSRF financial assistance program.

³The treatment works should be broken down into logical sections using best professional judgment. For a sewer rehabilitation or replacement project, for example, it may be appropriate to segment a large collection system into areas or zones and create an FSP for the affected area only. On the other hand, for a small system it may be more appropriate to create a plan that covers the entire collection system.

Exhibit A

Certification Form



P. O. Box 13231, 1700 N. Congress Ave.
Austin, TX 78711-3231, www.twdb.texas.gov
Phone (512) 463-7847, Fax (512) 475-2053

Fiscal Sustainability Plan (FSP) Certification

This certification applies to loan applications submitted on or after October 1, 2014, that involve the repair, replacement, or expansion of a publicly owned treatment works in accordance with the Water Resources Reform and Development Act of 2014 (WRRDA), Section 603(d)(1)(E). FSPs are not required for new treatment works unless they are physically replacing an existing treatment works or expanding the treatment capacity of an existing system or for projects involving an upgrade that does not involve repair/replacement or expansion of the treatment capacity (e.g., adding advanced treatment).

Name of Entity: _____

TWDB Project Number: _____

Project Name: _____

WRRDA Section 603 (d)(1)(E) states that: *for a treatment works proposed for repair, replacement, or expansion, and eligible for assistance under subsection (c)(1), the recipient of a loan shall—*

- (i) *develop and implement a fiscal sustainability plan that includes—*
 - (I) *an inventory of critical assets that are a part of the treatment works;*
 - (II) *an evaluation of the condition and performance of inventoried assets or asset groupings;*
 - (III) *a certification that the recipient has evaluated and will be implementing water and energy conservation efforts as part of the plan; and*
 - (IV) *a plan for maintaining, repairing, and, as necessary, replacing the treatment works and a plan for funding such activities; or*
- (ii) *certify that the recipient has developed and implemented a plan that meets the requirements under clause (i)*

Check the appropriate statement below and sign the signature block.

- By signing below, the loan recipient certifies a plan has been developed and is being implemented to meet the requirements under clause (i) above.
- By signing below, the loan recipient agrees to develop and implement a fiscal sustainability plan, and will certify, using this certification form, the plan meets the requirements under clause (i) above as a deliverable under the loan agreement. In this case, the loan recipient shall submit the certification form to the TWDB prior to the final funds disbursement on the final contract of the stated project.

Signature of Authorized Official

Date

Printed Name of Authorized Official

Title of Authorized Official

TWDB-1700-A
Revised 08/22/16

TWDB Use Only – Review Engineer’s Acceptance Initials _____

Figure 1 Fiscal Sustainability Plan Certification

Exhibit B

Supplemental Information for Implementation

Under Section 603(d)(1)(E)(i)(III) of WRRDA, a recipient of a CWSRF loan for “repair, replacement, or expansion” of a treatment works must certify that it has evaluated and will be implementing water and energy conservation efforts as part of its fiscal sustainability plan to the maximum extent practicable.

Water Conservation

Water conservation includes efficiency and reuse efforts to not only conserve our raw water supply, but to also reduce flow to wastewater treatment plants. Therefore, one way CWSRF borrowers can fulfill the water conservation requirement is to consider alternative or complementary projects that result in reduced wastewater flows and therefore reduce a treatment works’ capacity needs. There are a number of water conservation projects borrowers can consider, including:

- **Water Reuse**—recycling and water reuse projects that replace potable sources with non- potable sources
 - Gray water, condensate, and wastewater effluent reuse systemsExtra treatment costs and distribution pipes associated with water reuse
- **Water Efficient Devices**—installing or retrofitting water efficient devices, such as plumbing fixtures and appliances
 - Shower heads, faucets, toilets, urinals, etc.
 - Education and incentive programs to conserve water such as rebates
- **Water Meters**—installing any type of water meter in a previously unmetered area, or replacing existing broken/malfunctioning water meters or upgrading them if rate structure is based on metered use
- **Water Audits and Conservation Plans**—performing audits of entire utilities or individual users (e.g., large corporations) to assess the amount of water being consumed, the need for retrofits, etc.

Utilities can also fulfill this requirement by considering water conservation projects that are not CWSRF eligible.

Water Efficiency Tools

Tools are readily available to help utilities determine how much water is being conserved, including:

- **TWDB Water Conservation Plan**—Texas Water Development Board has developed a set of guidelines, tutorials, and example plans to help utilities create a water conservation plan that can be adopted and utilized by different entities. <http://www.twdb.texas.gov/conservation/municipal/plans/index.asp> .
- **EPA’s WaterSense Program** — Tools and resources to promote water efficiency are available at <http://www.epa.gov/watersense/> . States, local governments, and utilities can partner with WaterSense to get access to additional tools and resources to help them design and implement water efficiency and conservation programs. Partnership is free.
- **EPA’s Water Conservation Plan Guidelines** — Helpful recommendations to utilities for creating and implementing a Water Conservation Plan, depending on the size of the population served by the utility, available at <http://epa.gov/watersense/pubs/guide.html> .
- **American Water Works Association (AWWA) Water Audit Software** — Free software specifically designed to help utilities perform water audits, to help quantify and track water losses, and determine areas for improved efficiency. Available at <http://www.awwa.org/resources-tools/water-knowledge/water-loss-control.aspx> .
- **Alliance for Water Efficiency (AWE) Water Conservation Tracking Tool**—A tool to evaluate water savings, costs, and benefits of conservation programs for a specific water utility, available to AWE members at <http://www.allianceforwaterefficiency.org/tracking-tool.aspx> .

Energy Conservation

Energy assessments help utilities identify the amount of energy being used in various aspects of its operations. Energy audits, in turn, allow utilities to identify and prioritize projects that will result in operational and capital improvements to their infrastructure and operations, cost savings, and other climate-related benefits like reductions in greenhouse gas emissions and the use of renewable energy.

Energy Use Assessments

A number of tools are available to help utilities conduct energy assessments, including:

- **EPA's Energy Use Assessment Tool**—this is a free Excel-based tool that can be downloaded and is specifically designed for small and medium sized wastewater and water utilities. It enables utilities to analyze their current energy bills and analyze energy consumption for major pieces of equipment. It also allows the utility to develop a printable summary report outlining current energy consumption and costs, generate graphs depicting energy use over time, and highlight areas of potential improvement in energy efficiency. It is available at http://water.epa.gov/infrastructure/sustain/energy_use.cfm .
- **NYSERDA Energy Benchmarking Tool**—The New York State Energy Research and Development Agency (NYSERDA) has developed a tool to help wastewater utilities assess and benchmark their current energy usage, along with a number of other useful self-audit checklists, available at <http://www.nyserdera.ny.gov/-/media/Files/EERP/Commercial/Sector/Municipal-Water-Wastewater-Facilities/benchmarking-water-wastewater-utilities.pdf> .

Energy Audits

Energy audits can be broadly characterized according to the following three levels:

- Level 1 (Walk Through Audits)
 - Generally last several hours at the facility
 - Usually result in suggestions for low cost improvements in areas like HVAC or lighting
- Level 2 (Energy Survey and Analysis Audits)
 - One or two days in duration, plus additional time to review energy bills, etc.
 - In addition to HVAC/lighting recommendations, usually result in recommendations for equipment upgrades in existing processes (e.g., variable frequency drives, more efficient motors, etc.)
- Level 3 (Process Energy Audit)
 - One or more days at the facility, time to analyze energy bills and pump curves, and time for additional data gathering
 - Audit covers energy use in both existing and alternative processes, potential design modifications, and optimization of processes and equipment
 - Audit suggestions covered detailed operational and process suggestions for both short-term and long-term payback periods as well as capital intensive projects that may require outside funding
 - Most likely to result in significant savings

EPA hosted a webinar in August 2014 describing a number of energy assessment and audit tools available to states and potential recipients of CWSRF funding. The webinar slides are available at <https://www.epa.gov/sites/production/files/2016-01/documents/nrwa-energy-audits-for-small-utilities-8-4-14.pdf> .

Tools available to help wastewater utilities obtain or conduct energy audits include:

- EPA’s Energy Use Assessment Tool—described in more detail above. Available at <https://www.epa.gov/sustainable-water-infrastructure/energy-use-assessment-water-and-wastewater-systems> .

Both energy assessments and audits are eligible for funding under the CWSRF, and a number of organizations can help utilities with these activities, including:

- Texas State Energy Conservation Office (SECO) <http://www.seco.cpa.state.tx.us/>
- Electric utilities serving wastewater utilities <http://www.dsireusa.org/>
- Technical assistance providers like the National Rural Water Association, RCAP, and others
- Department of Energy Industrial Assessment Centers <http://energy.gov/eere/amo/industrial-assessment-centers-iacs>