

**COLORADO WATER RESOURCES &  
POWER DEVELOPMENT AUTHORITY**

**BOARD PROGRAM WORK SESSION AGENDA**

**Thursday, June 2, 2022**

**(BPWS will directly follow the Board Retreat)**

**Warwick Hotel**

1776 Grant Street, Denver, CO 80203

Room: Millennium Ballroom

**Board Members:** Bob Wolff (Chair), Steve Vandiver (Vice Chair), Chris Treese (Secretary), George Corkle, Mike Fabbre, Eric Wilkinson, Patti Wells, Lucas Hale, Karen Wogsland.

**Authority Staff:** Keith McLaughlin, Jim Griffiths, Sabrina Speed, Justin Noll, Wesley Williams and Ian Loffert.

**Others present:** Michael Beck (WQCD), Mark Henderson (WQCD), Desi Santerre (DOLA), Victor Chen, Joe McConnell.

**AGENDA**

1. Administrative Fee Percentages – DWRF & WPCRF – Staff Recommended Increase – discussion and possible action (Wes, Jim).
2. DWRF & WPCRF Direct Loan, Disadvantaged Community, and BIL Interest Rates – Staff Recommendations – discussion and possible action (Wes, Ian).
3. Bipartisan Infrastructure Law (“BIL”) and base Disadvantaged Community Principal Forgiveness Limits – Staff Recommendations – discussion and possible action (Jim, Ian).
4. Additional SRF Staffing to Support BIL – discussion (Keith, Mike, Desi).

**Note:** A Zoom conference call has been scheduled to start following the Board Retreat, approximately at 3:00 pm on Thursday, June 2, 2022, for those who wish to attend virtually. The link to join can be found below: <https://us06web.zoom.us/j/86215942720?pwd=VzhEVDBtK2g5cFVQSExTbkJCQXRKdz09> If you prefer to dial-in, the call-in number is: 1-669-900-6833, and the Meeting ID is **862 1594 2720**. The passcode is: **085566**.



# COLORADO WATER RESOURCES & POWER DEVELOPMENT AUTHORITY

Logan Tower Bldg - Suite 620, 1580 Logan Street, Denver, Colorado 80203-1942  
303/830-1550 · Fax 303/832-8205 · info@cwrpda.com

## MEMORANDUM

June 3, 2022

**TO: Board of Directors and Karl Ohlsen**

**FROM: Jim Griffiths, Finance Director**  
**Wes Williams, Assistant Finance Director**

**RE: Drinking Water Revolving Fund (“DWRF”) and**  
**Water Pollution Control Revolving Fund (“WPCRF”)**  
**Administrative Fee Increase for All DWRF & WPCRF Loan Types**

The Authority directs the fiscal management of Colorado’s DWRF and WPCRF programs. Fiscal management includes loan credit decisions, loan portfolio management, budget management, loan servicing, bond activities, accounting, reporting, audit preparation, revenue and expense management and other related activities.

The Authority attempts to operate the DWRF and WPCRF as self-sustaining programs. One aspect of a self-sustaining program is generating enough revenue (via administration fees) to cover all expenses. Program revenue is generated from interest bearing loans\*, and program expenses include salaries and office overhead for the three organizations that run the DWRF and WPCRF programs, certain legal expenses, audit, arbitrage compliance and re-payment of state match to the Authority.

The administrative fee is calculated as a percentage of loan principal\*\* and is a carve out from the total loan interest (and is not in addition to loan interest). The administrative fee percentage must be designated in the DWRF and WPCRF planning documents (called the Intended Use Plans) per U.S. EPA rules.

As the general interest rate environment and DWRF and WPCRF interest rates increase, increasing the maximum allowable administrative fee will allow more of the loan interest to be retained as administrative fee. Staff recommends the following administrative fee percentage increases:

<b>Program</b>	<b>Current Admin Fee %</b>	<b>Recommended Admin Fee % (beginning 2023)</b>
DWRF	1.25%	1.50%
WPCRF	0.80%	1.00%

\*DWRF set-asides (totaling 31% of each annual DWRF cap grant) used to operate Colorado’s drinking water program at the Water Quality Control Division are funds that cannot be loaned and therefore don’t generate interest and admin fees. Similarly, “additional subsidy” (20% of each annual DWRF cap grant and 10% of each annual WPCRF cap grant) requires states to provide the specified amount in principal forgiveness (grant) each year that does not generate interest and admin fees.

\*\*Example Administrative Fee Calculation for a \$1,000,000, 20-yr term direct loan. The maximum allowable administrative fee in this scenario would be  $\$1,000,000 \times 0.0125 = \$12,500$  per year  $\times 20\text{-yr} = \$250,000$ . The maximum that could be collected on a typical (level amortizing) \$1,000,000, 20-yr loan with an interest rate of 1.50% (DAC Cat 1 rate) is only \$157,775

General Note: Administrative Fee is collected from interest bearing loans – **both direct loans and leveraged loans.**



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**RE: Drinking Water Revolving Fund (“DWRF”) and  
Water Pollution Control Revolving Fund (“WPCRF”)  
Direct Loan and Disadvantaged Community (“DAC”) Interest Rates and  
Bipartisan Infrastructure Law (“BIL”) Interest Rates**

The Authority Board of Directors establishes interest rates for the base DWRF and WPCRF programs, and now for the BIL DWRF and WPCRF funding as well.

Authority staff recommends the following interest rates (effective for loans approved after June 3, 2022):

Loan type – Base WPCRF & DWRF	Existing 2022 rates	Recommended rates
Direct Loan (not a DAC)	2.25% (up to 30 yr term)	2.50% (20 yr); 2.75% (30 yr)
DAC Category 1	1.50% (up to 30 yr term)	1.75% (up to 30 yr term)
DAC Category 2	0.50% (up to 30 yr term)	0.75% (up to 30 yr term)

Loan type – BIL WPCRF & DWRF (emerging contaminant funding is 100% PF)	Recommended rates	Recommended rate for Base Program DACs (up to \$3 M)
BIL DWRF Lead Service Line Repl.	2.50% (20 yr); 2.75% (30 yr)	Current DAC Cat 1 or 2 rate
BIL DWRF General Supplemental	2.50% (20 yr); 2.75% (30 yr)	Current DAC Cat 1 or 2 rate
BIL WPCRF General Supplemental	2.50% (20 yr); 2.75% (30 yr)	Current DAC Cat 1 or 2 rate

Staff recommends a 20-year and 30-year rate differential for BIL funding and non-DAC direct loans.\* Staff recommends no 20-year and 30-year rate differential for base program DACs.

A rate differential may result in some projects choosing the shorter term (20-yr) to get the lower rate. And a higher 30-year rate will provide additional interest (and administrative fee) on our long-term loans.

For simplicity, especially when blending BIL and base loans, Staff recommends the same rates for both BIL and base WPCRF and DWRF direct loans.

Staff further proposes that base program DACs get the reduced DAC interest rate for up to \$3 million of BIL repayable loan. For loans of over \$3 million, DAC’s will receive the first \$3 million at the Category 1 or Category 2 rate and the remaining loan at the Direct Loan rate of 2.5% (20yr) or 2.75% (30yr).

A slide with current market interest rates will be provided during the discussion to provide rate context.

\*At most times, the market rate yield curve is upward sloping, meaning that long-term rates are higher than short-term rates. During our Administrative Fee discussion in 2021, the Board was generally in favor of a rate differential for DWRF and WPCRF direct loans. For clarification, a 20-year loan may include a reasonable construction period, and therefore, may be a 21-, 22- or 23-year loan. Anything longer than 20-years plus construction would get the 30-year term interest rate.



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Wes Williams, Assistant Finance Director**

**RE: Drinking Water Revolving Fund (“DWRF”) and  
Water Pollution Control Revolving Fund (“WPCRF”)  
Bipartisan Infrastructure Law (“BIL”) and Base Program  
Principal Forgiveness (“PF”) Maximums and Limits**

The Authority Board of Directors establishes DWRF and WPCRF PF maximums and limits for the base programs and now for the BIL funding. Maximum and limit recommendations balance the timely distribution of funds as well as the desire to provide funding to multiple borrowers.

**1. Authority staff recommends the following base DWRF DAC Program PF maximum increases:**

Loan Type – Base DWRF DAC Loans	Current DAC PF Max	Recommended PF Max
Upfront loan principal forgiveness	\$400,000 for Category 1 \$1,000,000 for Category 2	\$2,000,000 for Category 1 \$2,000,000 for Category 2

The reasons for recommending an increase to the base DWRF DAC PF maximums include:

- Minimize federal requirements - certain requirements, including ‘Buy American’ apply to BIL funds and base program “equivalency” funds but will not apply to many base DAC loans. Increasing PF for these base DAC loans may limit their need for BIL funds.
- Provides the base DACs with PF benefit on par with, or more favorable than BIL loans, in most instances.
- Base DWRF DAC PF balances total \$6.7 million as of March 31, 2022 (does not include the additional PF from the 2022 Cap Grant that is coming in June 2022).

**2. Authority staff recommends the following BIL DWRF and WPCRF PF limits:**

Loan Type – BIL Funds	Limit per borrower	Repayable Loan / Grant Ratio
BIL DWRF Lead Service Line Funds	Availability & priority <sup>1</sup>	proportional loan/PF <sup>2</sup>
BIL DWRF Emerging Contaminant Funds	Availability & priority	PF only <sup>3</sup>
BIL DWRF General Supplemental Funds	Availability & priority	proportional loan/PF
BIL WPCRF Emerging Contaminant Funds	Availability & priority	PF only
BIL WPCRF General Supplemental Funds	\$1,500,000 PF <sup>4</sup>	proportional loan/PF

**3. Authority staff recommends limiting total principal forgiveness to \$40 million per year (and per project, unless the project is a logically phased project such as with lead line replacement).**

1. “Availability & priority” generally means that staff is not recommending a limit (in year one of BIL) other than the natural limit of availability, and priority scoring if there is more than one competing project, plus the limit proposed in #3 of \$40M PF.

2. “Proportional loan/PF” generally means that BIL allocations that include both loan and PF (51%/49%) will be provided in proportion of the BIL allocation net of set-asides. For Lead and WPCRF and DWRF General Supplemental BIL funds, that means approximately **51%/49% net of set-asides**. Entities will not be able to request PF only.

3. “PF only” generally means that BIL allocations that include 100% PF (example: WPCRF and DWRF emerging contaminant funds) will be provided as all PF while acknowledging that a project may need funding in addition to this BIL PF funding.

4. Limited to \$1.5 million in PF (plus proportional approximate \$1.5M loan). However, if there are funds remaining at the end of a cap grant period, this limit can be exceeded with Board approval in order to meet cap grant requirements (e.g. funds must be committed within one year of receipt). A total of approximately \$7.5 million of WPCRF General Supplemental PF will be available per yr.