



Department of
**Environment &
Conservation**

Best Practices in Collaborative Planning

Supporting Strategic Investment of ARP Funds
in Water Infrastructure Improvements

Tennessee Department of Environment & Conservation | October 2021



This document outlines a recommended set of activities for use by counties, municipalities, systems (including MS4s), and their partners to collaborate and identify investment-worthy water infrastructure projects for the State of Tennessee, Department of Environment and Conservation's Water Infrastructure Investment Program non-competitive grants. These grant funds are currently programmed to be distributed directly to counties. The counties will act as conveners of systems with projects within their county. Entities can come together and determine the best suite of projects to submit for the county level proposal. This will enable counties to propose projects as well as serve as pass-through entities to municipalities and systems operating in the county. TDEC recognizes the responsibility placed on counties to serve as conveners of systems and projects within their boundaries and encourages counties to consider working with collaborative partners to support the planning and facilitation activities described below.

While not exhaustive nor binding, the Department of Environment and Conservation (TDEC) has summarized some of the more significant activities that should be completed in preparation for application and use of ARP funds allocated to communities as part of this offering. TDEC further acknowledges that each activity offered below could be comprised of multiple sub-activities.

TDEC encourages all stakeholders to regularly visit tn.gov/environment/arp to view program updates and new guidance and sign up for TDEC's email distribution list. Questions about the Water Infrastructure Investment Program should be directed to TDEC.ARP@tn.gov.

Overview of Activities and Timeline

Below is a list of activities and their approximate timelines. Each party should consider engaging in these activities throughout various stages of the ARP water infrastructure non-competitive grant planning process. Specific timing for each step will be dependent on the resources available to each party and the pace with which each party decides to engage in this process. Initiating planning sooner rather than later is strongly encouraged, and **TDEC encourages counties to consider partnering with the collaborative partners described in this document to support facilitation efforts**. Subsequent sections provide additional details on specific steps. Parties involved in the planning process should keep in mind that **planning activities are eligible uses of ARP funds** – either those received directly

from the United States Department of Treasury (U.S. Treasury) or via the State through the non-competitive granting program.

Phase I – Pre-Work: October – December 2021

The following activities can be accomplished prior to the release of the Final Water Infrastructure Investment Plan, anticipated in late 2021. These activities will prepare counties, systems, and other local governments within the counties for formal project planning.

<u>Water, Sewer, and Stormwater Systems¹</u>	<u>Counties</u>	<u>Collaborative Partners²</u>
<p><u>Data Gathering</u></p> <ul style="list-style-type: none"> • Gather information that will serve as inputs in TN Infrastructure Scorecard (IS) (see “Additional Information” for detail) • Gather any existing project lists and associated cost estimates and sources of potential co-funding sources (see “Additional Information” for detail) <p><u>Communication and Outreach</u></p> <ul style="list-style-type: none"> • Reach out to county mayor/leadership to express your interest in participating in the non-competitive grant program <p><u>Plan Review</u></p> <ul style="list-style-type: none"> • Review TDEC’s Water Infrastructure Investment Plan (final expected December 2021) and direct any questions to TDEC.ARP@tn.gov 	<p><u>Data Gathering</u></p> <ul style="list-style-type: none"> • Identify municipalities and owners and operators of water, sewer, and stormwater infrastructure serving your county and make initial contact to explore their interest in participating in the non-competitive grant program • Try to understand the systems’ timeline for completing IS, as well as any projects they have already identified as high priority <p><u>Communication and Outreach</u></p> <ul style="list-style-type: none"> • Convene Collaborative Meeting #1 • Speak with your county commission or equivalent about the opportunities that investing in water infrastructure will provide for communities in your region. Also describe anticipated involvement of commission as part of the non-competitive grant program • Gauge intra- and inter-county interest in pursuing regional solutions 	<ul style="list-style-type: none"> • Review TDEC’s Water Infrastructure Investment Plan (final expected December 2021) and direct any questions to TDEC.ARP@tn.gov • Contact TDEC.ARP@tn.gov if you are interested in being on TDEC’s list of contractors available to support ARP water infrastructure projects that will be available for viewing by the public • Speak with existing clients operating water infrastructure in Tennessee to understand their interest in leveraging ARP dollars for water infrastructure enhancements

¹ See “Additional Information” for system types targeted by this opportunity.

² See “Additional Information” for additional information about collaborative partners.

<ul style="list-style-type: none"> Review county funding allocation and co-funding requirements, ranging from 20-40 percent 	<p>Plan Review</p> <ul style="list-style-type: none"> Review TDEC’s Water Infrastructure Investment Plan (final expected December 2021) and direct any questions to TDEC.ARP@tn.gov Review county funding allocation and co-funding requirements, ranging from 20-40 percent, to consider how funds may be divided among systems serving the county 	
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Collaborative Meeting #1: November or December 2021

Stakeholders should complete the tasks listed above prior to Collaborative Meeting #1. Counties municipalities, and systems should meet in late 2021 to discuss water infrastructure needs and opportunities at system, municipal, and county levels, existing project lists and associated cost estimates, potential sources of monies to meet co-funding requirements, system timelines for completing the Infrastructure Scorecard, interest in pursuing regional solutions, and how county allocations may be distributed across systems serving the county.

Phase II – Project Identification: November 2021 – November 2022

The following activities support identification of needs, priorities, and eligible projects county-wide. These activities will poise counties and systems and other local governments within the counties to identify and select projects for ARP funding when the solicitation opens in early 2022.

<u>Water, Sewer and Stormwater Systems</u>	<u>Counties</u>	<u>Collaborative Partners</u>
<p><u>Infrastructure Scorecard</u></p> <ul style="list-style-type: none"> • Complete IS and identify water infrastructure areas of need and opportunity <p><u>Project Identification</u></p> <ul style="list-style-type: none"> • Reference existing project lists and costs estimates to see if there is alignment between project lists and IS results. If no alignment, engage with engineering expertise (in house or out of house) to scope and estimate costs of projects that would address opportunity areas highlighted in scorecards and project priorities • Develop a list of projects that address drinking water or wastewater compliance issues, critical infrastructure needs, replacement of aging and failing infrastructure, or chronic stormwater concerns for inclusion in county proposals and send them to county(ies) you serve <ul style="list-style-type: none"> ○ If serving multiple counties, try to prioritize which projects you foresee 	<p><u>Infrastructure Scorecard</u></p> <ul style="list-style-type: none"> • Encourage systems to complete IS <p><u>Project Identification</u></p> <ul style="list-style-type: none"> • Consider how county allocations should be distributed across eligible water infrastructure systems (see “Additional Information”). Factors to consider include system size (population served or utility capacity), needs and opportunities identified by the system, and alignment with project priorities • Solicit the list of identified projects from each system and municipality, in line with the identified distribution of funding, serving your county for recommended inclusion in proposal • Identify potential local resources that can help fulfill county non-competitive grant co-funding requirements (see “Additional Information”) • Gauge intra- and inter-county interest in pursuing regional solutions 	<ul style="list-style-type: none"> • Support systems and municipalities in identifying investment-worthy opportunity areas and/or scoping and costing of projects • Support counties in convening systems and municipalities to engage in collaborative water infrastructure planning

<p>as maximizing impact in each of the individual counties you serve</p> <ul style="list-style-type: none"> • Identify potential local resources that can help fulfill county non-competitive grant co-funding requirements (see “Additional Information”) • Gauge adjacent system interest in pursuing regional solutions 	<p><u>Communication and Outreach</u></p> <ul style="list-style-type: none"> • Convene Collaborative Meeting #2 • Continue convening all systems and municipalities to discuss non-competitive grant project identification, as needed. Seek their input regarding how individual projects should be considered for inclusion in non-competitive grant application proposal (see “Additional Information” for detail) 	
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Collaborative Meeting #2: Early 2022

Following completion of IS by systems and early project identification, stakeholders across the county should meet again in early 2022 (January – March). Stakeholders should plan to review project selections by systems to gauge alignment with project priorities by the state, consider how selected projects fit into the county’s funding allocation, discuss co-funding sources, and gauge interest in regional solutions.

Phase III – Proposal Development: January 2022 – December 2022

The following activities support developing the county proposal that outlines how these ARP funds will be utilized for water, sewer, and stormwater infrastructure.

<u>Water, Sewer and Stormwater Systems</u>	<u>Counties</u>	<u>Collaborative Partners</u>
<p><u>Project Development</u></p> <ul style="list-style-type: none"> • Update project narratives, cost estimates, anticipated benefits, and other relevant information as requested by county(ies) you serve and/or are collaborating with to seek non-competitive grant funds • If projects are selected for inclusion in county(ies) proposal(s), contribute information as requested to support application process, including letters of support, and any commitment of co-funding, if applicable <p><u>Communication and Outreach</u></p> <ul style="list-style-type: none"> • Attend TDEC non-competitive grant workshop • Actively participate in meetings as requested by the county(ies) you serve or entities acting on their behalf during the proposal development process 	<p><u>Proposal Development</u></p> <ul style="list-style-type: none"> • Finalize county approach for distribution of funds and consideration of projects for inclusion in non-competitive grant proposal and apply it to projects received from systems and municipalities • Determine recommended listing of projects for inclusion in county non-competitive grant proposal. Share listing with all systems and municipalities serving your county and seek their input. Consider opportunities to be responsive to recommendations received as part of the feedback process • Confirm sources of co-funding to support county proposal • Consider seeking public input on planned use of ARP non-competitive grant funds <p><u>Communication and Outreach</u></p> <ul style="list-style-type: none"> • Attend TDEC non-competitive grant workshop • Convene large or small meetings with county stakeholders, as needed, to collaboratively discuss projects and the final county proposal 	<ul style="list-style-type: none"> • Attend TDEC non-competitive grant workshop • Support systems and municipalities in being responsive to requests for information that will support grant application development • Support counties in considering projects for inclusion in non-competitive grant application proposals (See “Additional Information” for detail) • Support counties in preparing and submitting non-competitive grant application proposals

Additional Information

System Types Targeted by Non-Competitive Grants

- Community public drinking water systems
- Wastewater systems with a component of municipal or domestic wastewater (e.g., wastewater treatment plants, collection systems, and decentralized systems)
- Stormwater management systems serving the public, including MS4s

TDEC is **not** targeting systems operating for the primary purpose of supporting commercial/industrial activities.

Collaborative Partners

TDEC recognizes the role of many collaborative partners across the state in supporting counties, municipalities, and systems in the processes described above. Collaborative partners described above may include:

- Contractors
- Consultants
- Third Party Partners

TN Infrastructure Scorecard

TDEC is partnering with the Tennessee Association of Utility Districts (TAUD) to support completion of TN Infrastructure Scorecards (IS), Version 2.0, for systems across the state. The IS is intended to provide a snapshot of the current operational, environmental, and financial health of each system, with pre-established thresholds for recommended action based on IS results. Results can highlight opportunity areas for investment of non-competitive grant funds. TAUD will launch version 2.0 and technical assistance in the form of training for medium and large systems and workshops for small systems in November 2021. Prior to then, systems should begin collecting the following information to prepare for IS completion.

- Financial
- Operational
- Environmental
- Compliance
- Risk & Resiliency

Non-Competitive Grant Co-Funding Requirements

TDEC is requiring each county to commit co-funding of its total non-competitive grant allocation ranging from 20-40 percent based on the Ability to Pay Index. Eligible co-funding sources include:

- Cash
 - Local ARP funds received either directly from the U.S. Treasury or passed through the State to non-entitlement units, or NEUs
 - State Revolving Fund loans or other financial assistance grants and loans
 - Cash reserves
 - Revenue bonds
 - Public-private partnerships or sponsors
- In-Kind
 - Goods or services, such as engineering plans and specifications, developed on or after March 3, 2021
 - Public-private partnerships or sponsors

Potential Factors to Consider for Project Inclusion in the County Grant Application Proposal

- Alignment with TDEC Water Infrastructure Investment Program priority areas of emphasis. ***Each proposal (collection of one or more projects) submitted by a county must address 3 or more priority areas.*** TDEC encourages alignment with multiple priority areas for a specific project.
- Anticipated return on investment. Generally, a higher return on investment is indicative of a more favorable project.
- Number of customers or individuals anticipated to derive benefit from the project. All other factors being equal, a higher number of customers or individuals anticipated to derive benefit is indicative of a more impactful project.
- Availability of other funding sources capable of supporting the project – in whole or in part – other than ARP. Counties should consider alternative funding sources which may be able to co-fund projects. See co-funding requirements above as well.
- Distribution of resources across multiple systems and/or the ability of a project to provide regional or multi-system benefits.
- Anticipated timeline for project execution. ***ARP funds must be obligated by December 31, 2024 and expended by December 31, 2026.*** This means projects

should be complete by the end of 2026. TDEC encourages communities to consider other funding sources for project phases that extend beyond 2026. If a project requires multiple phases, we encourage applicants meet with TDEC to discuss funding options early and identify parts of the project that can be considered stand alone in later phases.

- Project activities that extend beyond the ARP grant close-out period will not be reimbursed with ARP funds.
- Ability of and commitment by a system to meet depreciation requirements under state law.
- Potential for a streamlined project proposal and permitting process. More information on these project types will be detailed in the upcoming grant manual.

Resources

- [Overview of Clean Water State Revolving Fund Eligibilities](#)
- [Drinking Water State Revolving Fund Eligibility Handbook](#)
- [Additional Guidance for Eligible Stormwater Projects](#)
- [Sustainability and the Clean Water State Revolving Fund; A Best Practices Guide](#)