Hawaiian Homes Commission meeting
January 27-28, 2020 – Agenda Item G-2

US Department of Agriculture
Water and Environmental Program
financing
Workshop Agenda

I. Introduction and Background
II. Hoʻolehua water improvements project
III. Anahola water improvements project
IV. US Department of Agriculture WEP project financing
   a. Grant Set-Aside funds
   b. Benefits and Challenges
V. Next Steps
Major capital improvements needed for DHHL water systems – Hoʻolehua (Molokaʻi) and Anahola (Kauaʻi)

In 2016 and 2018, DHHL was awarded over $28M in federal grant and loan funds

DHHL committed to provide a contribution of over $16M

Refer to HHC Items H-1 and H-2, November 2018
Anahola Farm Lots Water System improvements — Need for Project

- Aging infrastructure
  - 0.5 MG steel storage tank has reached its useful life
  - Replace distribution lines, meters, backflow preventers, fire hydrants
- Inconsistent water pressure
- Improve system safety and security
  - Emergency inter-tie with County water system is highly vulnerable to vandalism
Anahola Farm Lots Water System Improvements - Project Objectives

- Increase operational efficiencies and system reliability
- Address water pressure issues
- Repair/replace system components including distribution lines, fire hydrants, water meters and backflow preventers
- Improve system safety and security

Project estimated cost = $13 million
Hoolehua Water System

Multiple Improvement Projects Proposed In Seven Areas
Hoolehua Water System improvements
Need for Project

- Aging infrastructure
- Low water pressure
- Un-accounted for water due to leaks
- High energy costs to run the well pumps
- System components are inaccessible 24/7
- System is vulnerable to vandalism
- Maintenance building is inadequate to store water system equipment and supplies
Project Objectives

- Increase operational efficiencies and system reliability
- Reduce energy costs
- Achieve 24/7 access to system components
- Address water pressure issues
- Repair/replace system components
- Increase fire protection
- Improve system safety and security

Project estimated cost = $31.3 million
US Department of Agriculture
Water Environment Program

• Provides funding for clean and reliable drinking water systems, sanitary sewage disposal, sanitary solid waste disposal, and storm water drainage in eligible rural areas, with populations < 10,000.

• This is primarily a loan program. Grants may be combined with a loan based on several factors.

• WEP loans are offered at very low interest rates, up to 40-year re-payment term.
A word about the USDA Set-Aside grant funds
Benefits

✓ Leverages State CIP & DHHL Trust resources by 1.75 federal / DHHL

✓ Allows DHHL to implement much-need improvements in a timely manner

✓ Improvements needed to protect public health & safety, increase operational efficiencies, keep water rates affordable
## USDA WEP Requirements Challenges

<table>
<thead>
<tr>
<th>Challenge</th>
<th>DHHL response</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-year Federal statutory limit to spend down all funds</td>
<td>DHHL target to start construction by July 2020</td>
</tr>
<tr>
<td>WEP rules on priority order for spend down</td>
<td>DHHL will advance its own funds</td>
</tr>
<tr>
<td>Interim construction loan</td>
<td>DHHL intends to self-fund construction</td>
</tr>
<tr>
<td>USDA grant funds disbursed on a reimbursement basis</td>
<td>DHHL may request reimbursement as frequently as monthly</td>
</tr>
<tr>
<td>State versus Federal construction documents</td>
<td>DHHL and USDA negotiated final documents</td>
</tr>
<tr>
<td>Federal loan documents</td>
<td>DHHL and USDA negotiating</td>
</tr>
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</table>
Implement the USDA RD WEP Funds

Refer to:
Tables on “Sources and Uses”
Exhibit E Anahola and Exhibit F Hoʻolehua
Anahola – Budget Planning Purpose
Refer to Exhibit E

**TABLE 1 - Sources**

<table>
<thead>
<tr>
<th>Source</th>
<th>2016 Grant</th>
<th>2018 Grant</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>DHHL</td>
<td>$3,770,723</td>
<td></td>
<td></td>
</tr>
<tr>
<td>USDA Loan</td>
<td>$4,100,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>USDA 2016 Grant</td>
<td>$3,055,137</td>
<td></td>
<td></td>
</tr>
<tr>
<td>USDA 2018 Grant</td>
<td>$1,999,946</td>
<td></td>
<td></td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$12,925,806</strong></td>
<td></td>
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</tbody>
</table>

**TABLE 2 - Uses**

<table>
<thead>
<tr>
<th>Phase</th>
<th>2016 Grant</th>
<th>2018 Grant</th>
<th>2016 Grant</th>
<th>2018 Grant</th>
<th>TOTAL</th>
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</thead>
<tbody>
<tr>
<td>Phase 1</td>
<td>$4,100,000</td>
<td></td>
<td>$3,055,137</td>
<td>$1,999,946</td>
<td><strong>TOTAL</strong></td>
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<tr>
<td>Other costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>$12,925,806</strong></td>
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</tbody>
</table>

This is not a spend down plan.
Information subject to change.
Anahola – Budget Planning Purpose
Refer to Exhibit E

**TABLE 3**

**DHHL Budget Need**

<table>
<thead>
<tr>
<th></th>
<th>(1) DHHL</th>
<th>(2) USDA Loan $4,100,000</th>
<th>(3) USDA 2016 Grant $3,055,137</th>
<th>(4) USDA 2018 Grant $1,999,946</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget secured</td>
<td>$3,770,723</td>
<td>$1,260,639</td>
<td>$0</td>
<td>$0</td>
<td>$5,031,362</td>
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<tr>
<td>Encumbered by contract</td>
<td>$3,770,723</td>
<td>$1,260,639</td>
<td>$0</td>
<td>$0</td>
<td>$5,031,362</td>
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<tr>
<td>Additional funds needed</td>
<td>$0.00</td>
<td>$2,839,361</td>
<td>$3,055,137</td>
<td>$1,999,946</td>
<td>$7,894,444</td>
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</table>

$4.1 M will be reimbursed by the USDA Loan
$5.1 M will be reimbursed by the USDA Grants

Rounded $8,000,000
TABLE 1 - Sources

<table>
<thead>
<tr>
<th></th>
<th>(1) DHHL</th>
<th>(2) USDA Loan</th>
<th>(3) USDA 2016 Grant</th>
<th>(4) USDA 2018 Grant</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$12,273,250</td>
<td>$7,455,000</td>
<td>$10,011,750</td>
<td>$1,592,333</td>
<td>$31,332,333</td>
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</table>

This is not a spend down plan. Information subject to change.

TABLE 2 - Uses

<table>
<thead>
<tr>
<th>Planning, Design, CM, Package 1 (continued)</th>
<th>Package 1 (continued) Package 2, 3, 4</th>
<th>Package 3 (continued) Other costs</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>$12,273,250</td>
<td>$7,455,000</td>
<td>$10,011,750</td>
<td>$1,592,333</td>
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</tbody>
</table>
### TABLE 3

**DHHL Budget Need**

<table>
<thead>
<tr>
<th></th>
<th>(1) DHHL contribution</th>
<th>(2) USDA Loan</th>
<th>(3) USDA 2016 Grant</th>
<th>(4) USDA 2018 Grant</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget secured</td>
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<td>$7,455,000</td>
<td>$0</td>
<td>$0</td>
<td>$19,575,174</td>
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<td>$0</td>
<td>$0</td>
<td>$1,825,174</td>
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<tr>
<td>Additional funds needed</td>
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<td>$153,076</td>
<td>$10,011,750</td>
<td>$1,592,333</td>
<td>$11,757,159</td>
</tr>
</tbody>
</table>

- $7.5 M will be reimbursed by the USDA Loan
- $11.6 M will be reimbursed by the USDA Grants
Next Steps

- DHHL to execute the construction contracts
- DHHL to negotiate, finalize and execute the USDA WEP loan terms and conditions