



Dig Deep Research
STRATEGIC FUNDING PLAN Ver. 1
and
TOP PROSPECTS FUNDING LIST Ver. 1

Prepared for
County of Hawai'i
Department of Environmental Management
Wastewater Division
October 2020

INTRODUCTION

This Strategic Funding Plan (Ver. 1) accompanies and introduces the Top Prospects List (Ver. 1) of funding opportunities for the County of Hawai'i Department of Environmental Management (County), Wastewater Division. Dig Deep Research (Dig Deep) conducted strategic funding research between July and October 2020 on behalf of the County to identify grant and loan options to address the Division's priority wastewater projects. This document includes a summary of Dig Deep's findings, as well as our initial recommendations for pursuing identified funding opportunities.

RESEARCH METHODS

Dig Deep employs a mixed-methods approach to funding research—relying upon both qualitative and quantitative research—to develop the Funding Opportunity List, narrow that list to top prospects, and make recommendations about future pursuits. This is a multi-step iterative process. Multiple phone calls, emails with County staff, and documents were employed for Dig Deep to gather information about the Division's wastewater capital projects. This information was formulated into search criteria to guide the research that followed.

Dig Deep's research specialists reviewed loan and grant opportunities, analyzing them based on multiple criteria, and developed a list of funding opportunities to best meet the County's needs. Sources of this research data include Dig Deep's proprietary database of capital funding opportunities, commercial research products, and significant time revisiting Federal and state agency websites. This enabled Dig Deep to identify funding opportunities most relevant to the wastewater division's capital projects and to ensure that the list is as up to date as possible.*

From there, Dig Deep's expert strategy team analyzed the available funding opportunities and selected the most strategic pursuits to include on the Top Prospects List.

* Any funding opportunity list is only a "snapshot" in time—meaning that the information provided was true when it was accessed. Funding agencies regularly change, update, replace, or remove eligibility criteria, match requirements, funding size, or even an entire opportunity itself. All data in this report are current as of October 1, 2020.

STRATEGIC FUNDING PLAN Ver. 1

Strategic Funding Plan Ver. 1 differs in important ways from Ver. 2 that is to follow in January 2021. In this initial analysis, Dig Deep provides a list of funding opportunities for which the County is eligible that are most likely to align with wastewater funding priorities. This is a data-driven process guided by what funding is available. Funding types included in the Top Prospects List Ver. 1 include grants, loans, and grant-loan combo funding mechanisms. Regarding the opportunities in the list, Dig Deep provides initial recommendations that begin on page 3.

What this Strategic Funding Plan does not include is a list of every grant or loan for which the County could possibly apply at some time in the future. Nor does it link specific opportunities to specific County projects. Significant vetting and analysis have been applied to produce a list of funding opportunities with the potential to generate funding proportional to the County's needs and for which the County is most likely to be competitive.

STRATEGIC FUNDING PLAN Ver. 2

The Top Prospects List Ver. 2 to be submitted in January 2021 will capture any new funding opportunities (whether announced due to COVID relief funds or otherwise). However, the main purpose of Top Prospects List Ver. 2 is to present specific funding opportunities that Dig Deep recommends be pursued in 2021 and 2022 and provide further guidance on how to pursue them. In-depth analysis will be provided, including known or anticipated deadlines, technical assistance materials, recent funding patterns (e.g. geography, size, type of project), match requirements, and steps the County should take to prepare for submitting funding applications.

In order to produce Strategic Funding Plan Ver. 2, the Dig Deep team will collaborate with County staff following the Next Steps outlined here. The Next Steps process will be essential to helping the County align its highest priority projects with the best-fit funding opportunities to pursue for those projects.

NEXT STEPS

The County's Dig Deep Project Manager and relevant Dig Deep team members will spend time during regularly scheduled monthly calls collaborating with County staff to further align

available funding opportunities with the Division’s priority needs. This analysis will take multiple factors into account, including the following:

- ↓ **Important Dates:** application deadline(s), when funding first becomes available, and length of period of performance, all considered in the context of project stages
- ↓ **Financial Considerations:** match requirements, restrictions on what funds can be used for match, loan terms
- ↓ **Project Fundability:** which of the Division’s projects have the highest likelihood of best aligning with funders who have the capacity to give and who prioritize the project’s activities or outcomes
- ↓ **Project Stage(s):** whether funds are eligible to be spent during planning or construction phases and funding for which the project may be eligible when a project is near completion (e.g. wetlands mitigation)
- ↓ **Previous Grant Scores:** Dig Deep will request from USBR the reviewer scores and comments on the previous Title XVI applications to ensure that future applications address any weaknesses reviewers have identified.
- ↓ **Final Strategic Funding Report (Report #2):** this work and additional research performed by the Dig Deep team will lead to the production of Strategic Funding Report Ver. 2 in January 2021

TOP PROSPECTS LIST

The Top Prospects List Plan is sorted alphabetically by funding agency and by program name within agencies. A copy will also be provided as an Excel file, enabling County staff to sort and filter the list by multiple variables.

RECOMMENDATIONS

Based upon Dig Deep’s experience and knowledge of wastewater funding options—as well as the current funding landscape—we make the following recommendations:

Recommendation #1 - For the R-1 Upgrade Project, Maximize Title XVI Funds

This funding from USBR which is already being pursued holds the most potential for the R-1 project for the next two years. Most other avenues of funding are not accessible to the County until the Feasibility Study has been completed and approved. For future Title XVI applications, Dig Deep can collaborate with the County to explore ways to maximize that funding. This is important because there is no guarantee Congress will appropriate sufficient funds to fully cover all authorized projects. Employing strategies to maximize each Title XVI request guards against this future possibility. Reconsidering how County matching funds are recorded can also shift the funding landscape. If any other Federal funds become available for the project in the form of grants, appropriations, or even some loans, can diminish what the County is allowed to count as match, since Federal funds cannot be used to match Federal funds.

Dig Deep recommends that the County more actively engage its state and Federal delegates and USBR in the R-1 upgrade and other planned projects. USBR was quite clear that the only path to expanding the Title XVI level of approved funding or getting the R-1 project approved for WIIN Act funding would be through the efforts of Hawai'i's Federal delegation.

Recommendation #2 - Consider Adding These Pursuits to your Calendar

From among the numerous grant funding opportunities in the Top Prospects List Ver. 1, Dig Deep recommends the County consider focusing first on the prospects listed in Table 1. In the Strategic Funding Plan Ver. 2, Dig Deep will recommend which of the County's projects are the most fundable prospects for the identified pursuits, should the County elect to apply for them.

Table 1. Top Grant Prospects for Initial Planning and Action				
Agency	Program	Amount	Notes	Deadline
Bureau of Reclamation	Water Marketing Strategy Grants	\$400,000	The County intends to market recycled water produced by the R-1 upgrade to new customers. This grant funds activities such as financial and economic analyses to identify buyers, assess demand, and determine they economic, social, community and environmental impacts of the plan.	Feb. 2021 Annual
FEMA	BRIC (Building Resilient Infrastructure	\$50M	This pursuit requires coordination with State Office of Emergency Management, so advance relationship building is important. States usually	Sept. 2021

	in Communities)		require pre-applications from all applicants and then will invite full applications in time for the Federal deadline.	
U.S. Economic Dev't Admin.	Public Works Program	\$30M	Would need to explore if the service area of the project to be funded fits EDA's definition of "distressed community." Although the deadline is "rolling," acting quickly is wise, as the EDA stops making awards when total appropriated funds run out.	Rolling
Bureau of Reclamation	WaterSMART Drought Response Contingency Planning	\$200,000	If any of the capital projects are planned in response to challenges caused by drought, having a Drought Plan on record will enhance competitiveness on future funding applications.	Feb. 2021, annual

Recommendation #3 - Leverage Low-Interest Loans and Loan/Grant Combos to Save Millions

Given that the County is eligible for low-interest loan programs (as shown on p. 3 of the Top Prospects List), the County should invest additional resources in evaluating the terms and costs savings of the loan programs. Even during non-pandemic times, leveraging low-interest loans frequently saves many more millions than what grant-seeking will yield. Dig Deep predicts that grant funds will tighten and competition for these funds will increase during the post-COVID economic recovery period.

Comparing loan scenarios will help the County identify the best possible interest rates, terms, and grant incentives. ("Grant incentives" refers to the fact that some loan vehicles are grant-loan combination vehicles, and funding agencies often exercise discretion in what percentage of an award is made as a loan and what percentage is made as a grant. Often this strategy can yield grant funds that are not available through traditional grant-only pursuits.) Furthermore, funding agencies that make loans are in the business of selling loans and compete against one another to win an applicant's business. Loan options are also included in the Top Prospects List Ver. 1 that accompanies this plan. Dig Deep team will further discuss this recommended strategy in the Strategic Funding Plan Ver. 2.

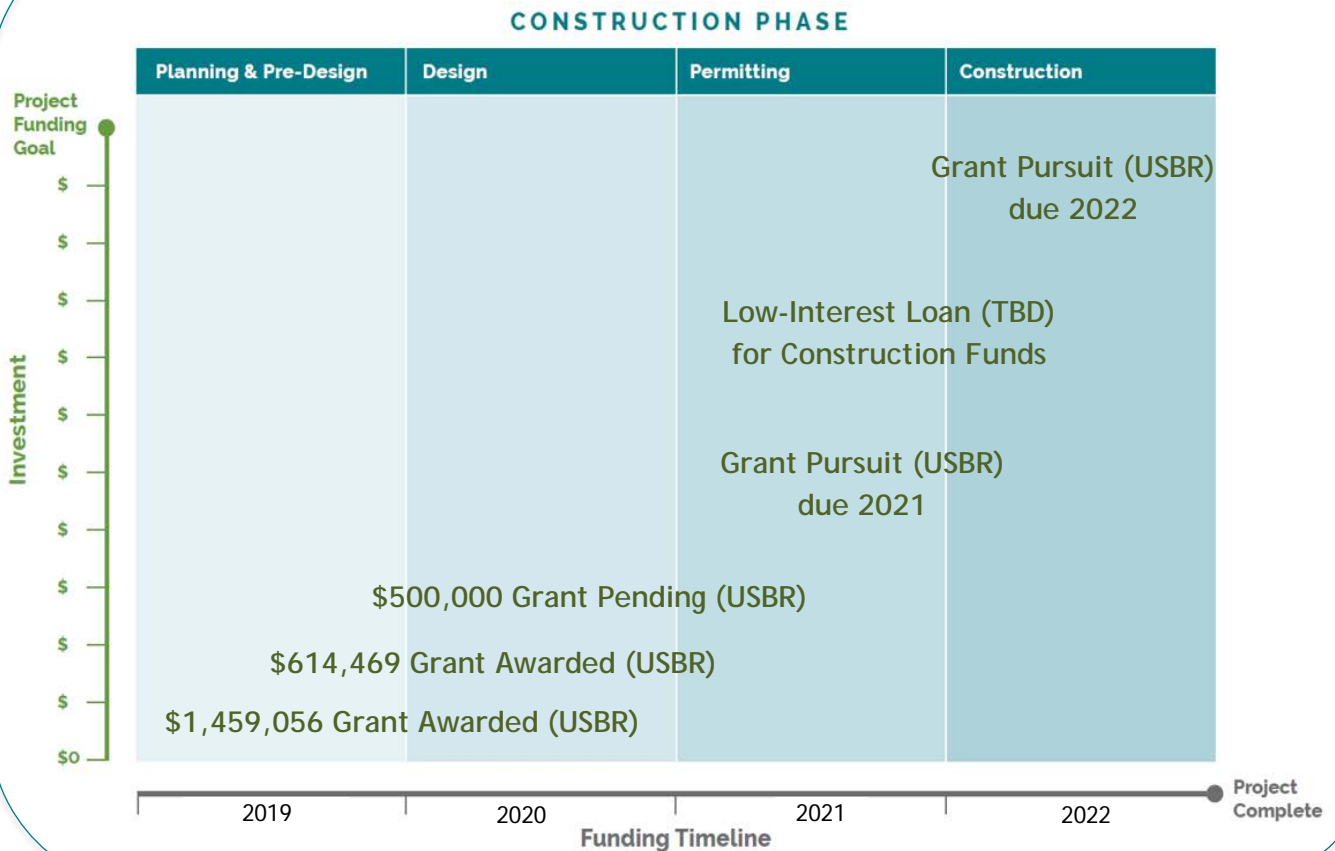
Recommendation #4 - Stack Funding Pursuits Based on Project Phasing

Dig Deep recommends pursuing funding options that coincide with distinct planning and construction phases. For example, some projects are eligible to use USDA grants and loans for

design and permitting work, with SRF funding allocated for construction. One benefit of staging funding pursuits and financing in this manner is that it enables the recipient to benefit from some funding vehicles in which grant funds are tied to loan programs, while avoiding the bridge loan requirement typically necessary with USDA loans. See the funding opportunity titled “USDA Community Facilities Direct Loan and Grant Program” for an example of one of these.

Figure 1 illustrates how the phased approach has applied and can continue to apply to the Wastewater Treatment Plant R-1 upgrade project. It is an illustration only and not intended to be inclusive of all options. Dig Deep can help the County devise a similar strategy for one or more priority capital projects.

Figure 1. Phased Funding Illustration for R-1 Wastewater Reclamation



Recommendation #5 - Be Prepared to Act Quickly on “Shovel-Ready” Projects

In addition to taking a strategic approach to the County’s current capital projects list and seeking funding for various pre-construction phases of those projects, Dig Deep recommends that the County also consider if it has projects more fully developed that could begin construction rapidly if funds unexpectedly became available.

Based on how Congress and the Federal agencies disbursed Recovery Act funds during the prior recession, it would be prudent for the County to anticipate possible new or expanded capital projects funding announcements in 2021 and 2022. These will mostly likely prioritize or be available only for “shovel-ready” projects—projects that have already cleared environmental and other reviews and for which construction can begin within months of award. While this definition can change, generally “shovel-ready” has referred to projects with engineering 90%-100% complete and with environmental permits secured.

In addition, the County should be prepared to be able to respond quickly to any such funding opportunities. They are often announced with little to no advance warning and with very short deadlines (such as applications due 30 days after publication in the Federal Register). If the County has already planned for how it will evaluate funding opportunities to make a go/no-go decision and which projects might be viable given their developmental stage, it will be better positioned to respond strategically rather than reactively to any unanticipated funding notices.

While this recommendation may seem as if it contradicts Dig Deep’s prediction that post-COVID grant funds may be limited, Congress has a track record of reducing appropriations to other grant programs to fund recovery funding vehicles. Paradoxically, both recommendations can be true simultaneously—the amount of grant funding may be reduced or more challenging to win while some grant funding streams, such as for shovel-ready infrastructure projects, may temporarily increase.

CONCLUSION

The Top Prospects List Ver. 1 begins on the next page, with prospects grouped by grant funding opportunities and loans. The Dig Deep team looks forward to working with you through the Next Steps process to develop Strategic Funding Plan Ver. 2 and the Top Prospects List Ver. 2.

Notice: This report does not constitute legal advice and should not be used as such. Applicants should review funding documents individually and consult legal and tax counsel when necessary.

County of Hawaii, Wastewater Division Top Prospects List Ver. 1

Top Grant Prospects (in Alpha Order by Funding Agency)

Funding Agency	Program Name	Phases Funded	Max Award	Match Req.	Funder Type	Program Summary	Deadline Notes	Website
Bureau of Reclamation	Water Marketing Strategy Grants	Planning	\$400,000	50%	Federal	Reclamation will provide grants to conduct planning activities in developing a water marketing strategy to establish or expand water markets or water marketing transactions. Water marketing refers to water rights transactions, include these lease, sale or exchange of water rights, undertaken in accordance with state and federal laws, between willing buyers and sellers.	Funding announcement estimated release: February 2021	https://www.usbr.gov/watersmart/watermarketing/index.html
Bureau of Reclamation	WaterSMART Drought Response Program Contingency Planning	Planning	\$200,000	50%	Federal	Funds are available for applicants to develop a drought contingency plan or to update an existing plan to meet the required elements described in the Drought Response Framework.	Estimated February 2021, based on past years	https://www.usbr.gov/drought/planning.html
Bureau of Reclamation	WaterSMART Water & Energy Efficiency Grants	Planning, Construction	\$2,000,000	50%	Federal	Through WaterSMART Water and Energy Efficiency Grants (formerly Challenge Grants) Reclamation provides assistance to states, tribes, irrigation districts, water districts, and other entities with water or power delivery authority to undertake projects that result in quantifiable and sustained water savings and support broader water reliability benefits. These projects conserve and use water more efficiently; increase the production of hydropower; mitigate conflict risk in areas at a high risk of future water conflict; and accomplish other benefits that contribute to water supply reliability in the western United States. The focus is on projects that can be completed within two or three years.	Not yet published for 2021. Historically has been in September.	https://www.usbr.gov/watersmart/weeg/index.html
Environmental Protection Agency (EPA)	Wetland Program Development Grants	Planning	\$250,000	25%	Federal	Wetland Program Development Grants (WPDGs) provide eligible applicants an opportunity to conduct and promote the coordination and acceleration of research, investigations, experiments, training, demonstrations, surveys, and studies relating to the causes, effects, extent, prevention, reduction, and elimination of water pollution. WPDGs assist state, tribal, local government agencies and interstate/intertribal entities in building programs to protect, manage and restore wetlands.	RFPs are typically issued each spring (annually).	https://www.epa.gov/wetlands/wetland-program-development-grants
Federal Emergency Management Agency (FEMA)	Building Resilient Infrastructure and Communities (BRIC)	Planning, Construction	\$50,000,000	25%	Federal	The Federal Emergency Management Agency (FEMA) makes federal funds available through the new Building Resilient Infrastructures and Communities (BRIC) grant program to states, local communities, tribes and territories for pre-disaster mitigation activities. BRIC is a new FEMA pre-disaster hazard mitigation program that replaces the existing Pre-Disaster Mitigation (PDM) program. The BRIC priorities are to incentivize public infrastructure projects, projects that mitigate risk to one or more lifelines, projects that incorporate nature-based solutions, and adoption and enforcement of modern building codes.	Next funding cycle will begin in September 2021	https://www.fema.gov/grants/mitigation/building-resilient-infrastructure-communities
National Fish and Wildlife Foundation	National Coastal Resilience Fund	Planning, Construction	\$5,000,000	33%	Private	The National Coastal Resilience Fund restores, increases and strengthens natural infrastructure to protect coastal communities while also enhancing habitats for fish and wildlife. Established in 2018, the National Coastal Resilience Fund invests in conservation projects that restore or expand natural features such as coastal marshes and wetlands, dune and beach systems, oyster and coral reefs, forests, coastal rivers and floodplains, and barrier islands that minimize the impacts of storms and other naturally occurring events on nearby communities.	Pre-proposals estimated deadline: April 2021	https://www.nfwf.org/coastalresilience/Pages/home.aspx

Funding Agency	Program Name	Phases Funded	Max Award	Match Req.	Funder Type	Program Summary	Deadline Notes	Website
National Fish and Wildlife Foundation	Resilient Communities	Construction	\$500,000	50%	Private	This \$3 million per year program aims to help communities in the United States and territories, prepare, strengthen and bounce back more quickly after a disaster. Categories for 2020 awards included (1) Adaptation through conservation projects - highly impactful and visible conservation projects; (2) Community capacity building and demonstration projects - helping multiple communities understand, organize and take action to address risks and opportunities through preparedness and adaptation; and (3) Adaptation focused on affordable housing and small businesses - supporting projects that advance scalable, nature-based resilience solutions benefiting affordable housing and/or small businesses in communities vulnerable to impacts from natural disasters.	Pre-proposals estimated deadline: April 2021	https://www.nfwf.org/programs/resilient-communities-program
U.S. Army Corps of Engineers (USACE)	Planning Assistance to States	Planning	\$5,000,000	50%	Federal	Despite the title of "Planning Assistance to States," other non-Federal entities are eligible, including local governments and Tribes. Provides assistance in the preparation of comprehensive plans for the development, utilization, and conservation of water and related land resources. Typical studies are only planning level of detail; they do not include detailed design for project construction. The program can encompass many types of studies dealing with water resources issues including water supply & demand, water conservation, water quality, environmental / conservation, wetlands evaluation / restoration, dam safety / failure, flood damage reduction, coastal zone protection, and harbor planning.	Rolling Deadline	http://www.nae.usace.army.mil/Missions/Public-Services/Planning-Assistance-to-States/
U.S. Department of Housing and Urban Development (HUD)	Hawaii Non-Entitled Community Development Block Grant (CDBG) Program	Planning, Construction	Unknown	Unknown	Federal	HUD's Honolulu Field Office directly administers the CDBG Program for non-entitlement counties in the State of Hawaii. The Non-Entitlement CDBG Grants in Hawaii offer a source of funding to benefit community needs in but not limited to economic development, housing rehabilitation, public facilities, construction or installation for the benefit of low- to moderate-income persons.	Estimated November 2021	https://www.hudexchange.info/programs/cdbg-hud-administered/
U.S. Economic Development Administration	Public Works Program	Planning, Construction	\$30,000,000	Required; Sliding Scale	Federal	EDA Public Works program investments help facilitate the transition of communities from being distressed to becoming competitive by developing key public infrastructure, such as technology-based facilities that utilize distance learning networks, smart rooms, and smart buildings; multitenant manufacturing and other facilities; business and industrial parks with fiber optic cable; and telecommunications and development facilities. In addition, EDA invests in traditional public works projects, including water and sewer systems improvements, industrial parks, business incubator facilities, expansion of port and harbor facilities, skill-training facilities, and brownfields redevelopment.	Rolling Deadlines	https://www.eda.gov/programs/eda-programs/
U.S. Fish and Wildlife Service	North American Wetlands Conservation Act (NAWCA) Grants - Small	Planning, Construction	\$100,000	50%	Federal	The Small Grants Program is a competitive, matching grants program that supports public-private partnerships carrying out projects in the United States that further the goals of the North American Wetlands Conservation Act. These projects must involve long-term protection, restoration, and/or enhancement of wetlands and associated uplands habitats for the benefit of all wetlands-associated migratory birds. This program supports the same type of projects and adheres to the same selection criteria and administrative guidelines as the U.S. Standard Grants Program. However, project activities are usually smaller in scope and involve fewer project dollars. Funding priority is given to grantees or partners new to the Act's Grants Program.	Estimated October 2021	https://www.fws.gov/birds/grants/north-american-wetland-conservation-act/small-grants.php
U.S. Fish and Wildlife Service	North American Wetlands Conservation Act (NAWCA) Grants - Standard	Planning, Construction	\$1,000,000	50%	Federal	The U.S. Standard Grants Program is a competitive, matching grants program that supports public-private partnerships carrying out projects in the United States that further the goals of the North American Wetlands Conservation Act (NAWCA). These projects must involve long-term protection, restoration, and/or enhancement of wetlands and associated uplands habitats for the benefit of all wetlands-associated migratory birds.	Historically in February and July.	https://www.fws.gov/birds/grants/north-american-wetland-conservation-act/standard-grants/united-states.php

Top Loan Prospects (in Alpha Order by Funding Agency)

Funding Agency	Program Name	Phases Funded	Max Award	Match Req.	Funder Type	Program Summary	Deadline Notes	Website
CoBank	Rural Water and Wastewater Lending	Planning, Construction	Unknown	Unknown	Private	CoBank works with rural water and wastewater not-for-profit systems, municipalities, and investor-owned utility companies to provide interim and bridge financing, refinancing of existing debt, term loans for system upgrades, and lines of credit.	Rolling Deadline	https://www.cobank.com/corporate/industry/water
Environmental Protection Agency (EPA)	Water Infrastructure Finance and Innovation Act (WIFIA)	Planning, Construction	\$20,000,000	51%	Federal	The WIFIA program accelerates investment in our nation's water infrastructure by providing long-term, low-cost supplemental loans for regionally and nationally significant projects. WIFIA works separately from, but in coordination with, the State Revolving Fund (SRF) programs to provide subsidized financing for large dollar-value projects.	Not yet published for 2021	http://www.epa.gov/wifia
Hawaii Department of Health	Clean Water State Revolving Fund (CWSRF)	Planning, Construction	Unknown	None	State	The Clean Water SRF (CWSRF) Program assists in financing the construction of water pollution control projects necessary to prevent contamination of our groundwater and coastal water resources and to protect and promote the health, safety and welfare of the citizens of the State of Hawaii. The CWSRF Program provides low interest loans to county and state agencies to construct point source and nonpoint source water pollution control projects.	Intended Use Plan for FY2021 announced in June 2020	https://health.hawaii.gov/wastewater/home/cwsrf/
U.S. Department of Agriculture (USDA) Rural Development	Community Facilities Direct Loan Program	Construction	Unknown	None	Federal	This program provides affordable funding to develop essential community facilities in rural areas. An essential community facility is defined as a facility that provides an essential service to the local community for the orderly development of the community in a primarily rural area, and does not include private, commercial or business undertakings.	Rolling Deadline	https://www.rd.usda.gov/programs-services/community-facilities-direct-loan-grant-program/
U.S. Department of Agriculture (USDA) Rural Development	Water & Waste Disposal Guaranteed Loan Program	Construction	Unknown	10%	Federal	Guarantees up to 90% available to eligible lenders to provide a loan guarantee for the construction or improvement of water and waste disposal projects serving the financially needed communities of rural areas. This is achieved through bolstering existing private credit structure through the guarantee of quality loans.	Rolling Deadline	https://www.rd.usda.gov/programs-services/water-waste-disposal-loan-guarantees/
U.S. Department of Agriculture (USDA) Rural Development	Water & Waste Disposal Loan Program	Construction	Unknown	15%	Federal	This program provides funding for clean and reliable drinking water systems, sanitary sewage disposal, sanitary solid waste disposal, and storm water drainage to households and businesses in eligible rural areas. This program assists qualified applicants who are not otherwise able to obtain commercial credit on reasonable terms. If funds are available, a grant may be combined with a loan if necessary to keep user costs reasonable.	Rolling Deadline	https://www.rd.usda.gov/programs-services/water-waste-disposal-loan-grant-program/
U.S. Department of Agriculture (USDA) Rural Development	Water & Waste Disposal Revolving Fund	Planning, Construction	\$100,000	20%	Federal	This program helps very small communities extend and improve water and waste treatment facilities for households and businesses.	Estimated June 2021	https://www.rd.usda.gov/programs-services/revolving-funds-for-financing-water-and-wastewater-projects/