

**Maine Department of Environmental Protection
Clean Water State Revolving Fund (CWSRF) Guidance
for
Minimum Requirements for an Asset Management Program and
Reserve Account in Order to Qualify for
CWSRF Principal Forgiveness**

In 2013, the Department will provide financial incentives to encourage the implementation of asset management plans and the establishment of repair and replacement reserve accounts by offering a minimum of 5% principal forgiveness of any wastewater infrastructure design and construction loan. The following are the minimum requirements to qualify for this incentive.

Minimum Requirements for a CWSRF Asset Management Program:

Asset Management is a planning process that ensures that you get the most value from each of your assets and have the financial resources to rehabilitate and replace them when necessary. Successful asset management depends on knowing about your system's assets and regularly communicating with management and customers about your system's needs.

A CWSRF asset management program shall be documented in writing or through the use of computerized asset management software¹. The loan recipient shall request a modification to any MEPDES wastewater discharge license held by the loan recipient to include the use of the asset management program as a condition of the MEPDES license. The CWSRF asset management program shall be made available to DEP staff for review upon request at the loan recipient's office. The asset management program shall be fully implemented, as specified below, within one year of loan closing. The cost to develop an asset management plan, including any software, training or the use of consultants, is an eligible expense in the Clean Water SRF program.

At a minimum a CWSRF asset management program shall consist of the following:

1. **Inventory of Assets.** The program shall include an inventory of all collection system and treatment facility assets. At a minimum this will include: type of asset, age, condition, service history, and projected useful life.
2. **Prioritization of assets.** The program shall include a system to prioritize assets that considers at a minimum: remaining useful life, importance of the asset to the protection of public health and/or water quality, importance of the asset to the operation of the system, redundancy or lack thereof for the asset.

¹ There are many commercially available asset management software programs. Programs should be selected based on specific facility needs. EPA has a free asset management program (CUPSS) designed for small facilities (less than 1,000 connections). It is available free of charge at <http://www.epa.gov/cupss/index.html>. Please contact your facility inspector for information about free training resources for CUPSS

3. **Development of an asset management plan.** The program shall include a plan and schedule for the rehabilitation and replacement of assets including an estimate of money needed each year for at least five years into the future. This includes development of a budget and calculating required reserves. The asset management plan and schedule should be coordinated with the facility's overall master planning documents and any other applicable studies, audits, and evaluations to take into account the "big picture" issues. Examples of such issues that could influence the priority of an asset and /or the schedule to replace or rehabilitate it include: future treatment capacity needs, current and future permit compliance, excessive inflow and infiltration, potential energy savings, operational inefficiency and shortfalls, safety concerns, and coordination with other scheduled utility and infrastructure maintenance.
4. **Implementation of the asset management plan.** The program shall include a good faith effort on the part of the loan recipient to implement the plan through timely and appropriate interactions with municipal or district management, ratepayers, regulatory officials, and sources of financial assistance.
5. **Annual review of the asset management plan.** The program shall include provisions for review and updating of the plan at least annually.

Minimum Requirements for a Repair and Replacement Reserve Account:

2013 CWSRF principal forgiveness will be offered, as part of a regular wastewater infrastructure loan, to loan recipients if they agree to implement an asset management program in accordance with this Department guidance and agree to set aside a repair and replacement reserve account in the amount recommended in their asset management program in item 3 above, or, as a minimum, 2% of their total yearly wastewater operation and maintenance budget each year for five years. This account shall be used for the repair and replacement of equipment or infrastructure identified in the asset management program. The reserve account shall not be used for purposes such as labor, energy costs, equipment not associated with wastewater infrastructure or to artificially keep user fees down. The loan recipients shall provide yearly budget reports showing funds in the reserve account for each year for the five years and, if funds were expended, what the funds were used for. These requirements shall be included in the loan agreements. The loan recipients shall also agree to have their wastewater discharge permits modified to include these conditions. Loan recipients that currently have an asset management plan and a reserve account that meets the above requirements are eligible for principal forgiveness if they agree to continue the reserve account for five more years. The principal forgiveness would be a minimum of 5% and a maximum of 10% of the total principal borrowed.

Please note that CWSRF loan money or principal forgiveness may not be used to actually fund the reserve account.