



DEPARTMENT OF
HOUSING



CDBG-MIT

**HAZARD MITIGATION GRANT PROGRAM SET-
ASIDE (HMGP-MIT)**

OPERATIONS AND MAINTENANCE (O&M)

PRELIMINARY PLAN FORM

HMGP-MIT APPLICATION – O&M PRELIMINARY PLAN

Section V.A.(2)(a)(10) of Federal Register Vol. 84, No. 169 (August 30, 2019), 84 FR 45838, 45848 requires grantees to plan for long-term operation and maintenance (**O&M**) of infrastructure and public facility projects funded with CDBG-MIT funds and include in its Action Plan a description of how it will fund long term operation and maintenance of CDBG-MIT projects.¹ Additionally, the grantee must describe any State or local resources that have been identified for the operation and maintenance costs of projects assisted with CDBG-MIT funds. Applicant must exclude O&M Costs from the total estimated project cost.

This document compiles information required for the Puerto Rico Department of Housing (**PRDOH**) to determine preliminary compliance with U.S. Department of Housing and Urban Development (**HUD**) requirements related to the O&M of the proposed project under the Application. Compliance with the O&M requirements affects the project's eligibility under CDBG-MIT. Also, PRDOH will require the Applicant to submit a complete and compliant O&M Plan, which will require PRDOH approval before committing CDBG-MIT funds to the project.

Requirements for the O&M are based on the current CDBG-MIT Operations and Maintenance Plan Guide.

Filing Instructions:

Applicants must complete all sections of this Form to the best of their knowledge to be considered for the CDBG-MIT Hazard Mitigation Grants Program Set-Aside (HMGP-MIT). This Form will serve to document basic O&M information required to determine compliance with this CDBG-MIT eligibility criteria.

If additional space is necessary, the Applicant may submit an attachment with the required information. Please specify the attachment in which the information is being included in the field for the section.

APPLICANT INFORMATION

ENTITY NAME | Puerto Rico Aqueduct and Sewer Authority

UNIQUE ENTITY ID (UEI) | 012926734

PROJECT INFORMATION

PROJECT NAME | South Region Water Supply

MUNICIPALITY | Coamo, Santa Isabel, Juan Diaz, and Ponce

¹ The CDBG-MIT Action Plan is available in the PRDOH website in English and Spanish at <https://cdbg-dr.pr.gov/en/cdbg-mit/> and <https://cdbg-dr.pr.gov/cdbg-mit/>.

OPERATION AND MAINTENANCE REQUIREMENTS DURING APPLICATION

PRELIMINARY ESTIMATE OF USEFUL LIFE AND COSTS ASSOCIATED WITH O&M ACTIVITIES.

- Describe a preliminary estimate of the useful life of the project and O&M costs associated to the project using project-specific industry standard practices.

Based on industry standards, the preliminary estimate of the useful project life is 50 years, and The Toa Vaca Water Treatment Plant maintenance and operational cost is approximately \$1,400,000.00. The proposed expansion or construction of the new plant will add 5.5 MGD to the existing WTP. If we used the average per MGD of \$186,000 and apply it to the 5.5 MGD, will results on an approximately of \$1,000,000 extra that will be needed for the Operation and Maintenance of the proposed WTP. Considering the increase in staff levels, payroll and benefits is PRASA's largest expense category with \$548,432 annually. Chemicals is PRASA's second largest expense category, which is about 390,000. Chemical costs are usually affected by inflation and worldwide demand as they are mostly commodities. PRASA is projecting \$362,129 and \$103,876 for utilities and Maintenance and Repair expenses respectively. Finally, PRASA's Other Expenses include several costs associated with the O&M of the System, including materials and replacements, supplies, security, treatment of residuals and rentals, and water transport, among others. PRASA is projecting about \$50,000 in Other Expenses. The future increase in Other Expenses could be the result of higher expected expenditures in: materials and replacements, professional services, technical assistance contracts, systems and information technology, security, and an increase in sludge disposal costs. The costs may vary in future years and projections may need to be adjusted.

PROPOSED RESPONSIBLE ENTITIES

- Describe the proposed entity(-ies) responsible of the O&M activities.
- Describe the entity's current capacity for carrying out similar O&M activities (related to their staffing, funds, management structure, etc.).

The Puerto Rico Aqueduct and Sewer Authority ("PRASA" or "Authority") will be fully responsible for the O&M activities. PRASA as public corporation of the Government of Puerto Rico, is the sole provider of water and sewer services in Puerto Rico. It serves a population of approximately 3 million residents plus approximately 5 million visitors annually, providing water and sewer service to about 98% and 59% of Puerto Rico's population, respectively.

PRASA's potable water system consists of 112 water treatment plants that supply an estimated average of 546 million gallons per day ("MGD") and the wastewater system consists of several collection systems that discharge into more than 51 wastewater treatment plants. The wastewater system treats on average 288 MGD of wastewater. Other elements of the system include over 1,900 pump stations, 14,000 miles of distribution pipelines and 5,300 of sewer pipeline.

PRASA is organized into five operational Regions (North, South, East, West and Metro) and is managed by an Executive Management team that provides the day-to-day management oversight and coordination for all institutional activities. It is supported by various departments in the organization including, but not limited to finance, human resources, customer services, purchase and logistics, and information systems. PRASA had approximately a total staff of 4000 with about 1,200,000 water customer accounts and more than 700,000 wastewater customer accounts

PROFORMA (PROJECTION OR FORECAST) OF BUDGET AND REVENUE

- Describe the projected sources of revenue and other sources of funding that are expected to support the O&M activities for the useful life of the project.
- In the case of Covered Projects², the budget calculations must provide detail at the individual O&M task level and schedule over the useful service life of the project.

Financial planning is a key component of PRASA's long term management overall system preparedness and PRASA's is constantly reviewing projecting revenue expectations, predicting capital improvement needs, forecasting expenses years into the future, and evaluating the adequacy of capital and operational budgets. Therefore, all costs are included and budgeted at appropriate level and PRASA's water rate covers operational expense, O&M Exp (Cost to pump, treat & deliver), depreciation, debt principal payments and capital and operational reserve.

PRASA will use a rate strategy tied to annual and predictable increases to address future capital and operating expenses requirements.

² Notice 84 FR 45838 defines a Covered Project as an infrastructure project having a total project cost of \$100 million or more, with at least \$50 million of CDBG funds (regardless of source (CDBG-DR, CDBG-National Disaster Resilience (NDR), CDBG-MIT, or CDBG)). According to HUD, an "infrastructure project," as it relates to Covered Projects, is an activity or group of related activities that develop the physical assets that are designed to provide or support services to the general public in the following sectors: surface transportation, including roadways, bridges, railroads, and transit; aviation; ports, including navigational channels; water resources projects; energy production and generation, including from fossil, renewable, nuclear, and hydro sources; electricity transmission; broadband; pipelines; stormwater and sewer infrastructure; drinking water infrastructure; and other sectors as may be determined by the Federal Permitting Improvement Steering Council. Infrastructure projects that meet the definition of a Covered Project must be included in the action plan or a substantial action plan amendment. 24 C.F.R. §58.32 (a)

O&M REQUIREMENTS DURING APPLICATION – ONLY REQUIRED FOR COVERED PROJECTS

O&M TASKS

- Based on the project's level of completeness, describe the O&M tasks required over the useful life of the project. Description of the O&M tasks should contain as much detail as possible based on the level of project completion.

PRASA will develop an O&M for the proposed infrastructure in accordance with best practices in the industry. Typically, PRASA's O&M manual and task includes a 1) general description of the facility such as: Principal Design Criteria, Water Characteristics, Operation and Control of Unit Operations, Distribution System, Valves, Piping and Fittings, Flow Meters, Pressure Main, Tunnel System, Normal Operation, Process Controls, Pump Maintenance Operations. 2) a monitoring plan that includes Operational Monitoring, Operational Parameters, General Monitoring Requirements for Tunnel Operation, Compliance Monitoring, Analytical Methods, Loading Rate Calculations, and Monitoring Quality Assurance. 3) Preventive Maintenance for General Plant Appearance, Equipment Maintenance and Scheduling, Supplies and Spare Parts; and 4) Records and Reporting for Plans and Specifications, Daily Operating Log, Operation, Sampling, and Testing Log, and Maintenance Records.

FUNDING SOURCES FOR O&M ACTIVITIES

- Describe, if applicable, any borrowing authority, retargeting of existing financial resources, proposed changes to tax policy or practices required, or any State or local resources identified to pay or provide the O&M costs and resources.

PRASA's operating expenses, including maintenance and operation of its facilities is paid from Operating Revenues generated for service billings. Annually, and as part of the regular budget process, PRASA reassess the financial needs to comply with its operating requirements for the following year and to determine if rate adjustments or other measures are required to ensure proper compliance of its operations and maintenance activities.

Applicant Certifications

Check	
<input checked="" type="checkbox"/>	I hereby understand that the Operations and Maintenance Plan is a HUD National Objective compliance aspect and understand that failure to comply could result in a potential re-payment of CDBG-MIT funds to PRDOH. I also understand that not meeting this National Objective may affect my eligibility to receive CDBG-MIT funds for the proposed project.
<input checked="" type="checkbox"/>	I hereby understand that specific requirements and elements are required for the Operations and Maintenance Plan, and I am familiarized with those requirements as defined under Appendix A of the CDBG-MIT Operations and Maintenance Guide.
<input checked="" type="checkbox"/>	I hereby understand that completion of the application or this Form does not guarantee my eligibility for this Program. Further, I understand that participation in HMGP-MIT is voluntary and that I may withdraw at any time. I also understand that if I choose to withdraw from participating in the Program, federal law states that I must return any funds CDBG-MIT disbursed to me.

My signature below indicates that I have read, understood, and agree to all statements in this Form. I affirm that all information provided in this Form is true and accurate to the best of my knowledge. I agree to hold harmless PRDOH and the CDBG-MIT Hazard Mitigation Grant Program, its employees, agents, and assignees from liability for any damages that may arise as a result of my participation in the CDBG-MIT Hazard Mitigation Grant Program.

X

Primary Applicant Signature

[January 10, 2023]

Date

Warning: Any person who knowingly makes a false claim or statement to HUD may be subject to civil or criminal penalties under 18 U.S.C. §287, §1001 and 31 U.S.C. §3729.