

VERMONT

DRAFT CLEAN WATER INTENDED USE PLAN

FEDERAL FISCAL YEAR 2014 FUNDS

March 6, 2014

A. Introduction

Vermont sends to the U.S. Environmental Protection Agency (EPA), as part of its annual application for a Clean Water Capitalization Grant under Title VI of the Water Quality Act of 1987 (the Act), a Clean Water Intended Use Plan (CWIUP) to meet the requirements of Section 606(c) of the Act and the Clean Water Capitalization Grant Agreement. The CWIUP serves as the planning document to explain how each fiscal year's appropriation for the Vermont – EPA Clean Water State Revolving Fund (CWSRF) will be used.

B. Short Term Goals and Objectives

- (1) To provide local government with low cost financial assistance.
- (2) To coordinate NPDES permit schedules with anticipated award of CWSRF loans such that projects are brought into preliminary and final planning in time to assure their readiness to proceed to construction when capitalization grant funds become available.
- (2) To develop any rules, guidance or procedures necessary to implement the Vermont - EPA pollution control revolving fund.
- (4) To coordinate state funded programs for wastewater treatment facilities with activities of the CWSRF.
- (5) To provide effective program management to ensure integrity of the CWSRF.
- (6) To expedite project development, funding and cash draws.
- (7) To address issues raised by US EPA Region One concerning the administration of the CWSRF.

C. Long Term Goals and Objectives

The primary long term goal of the CWSRF is to provide financial assistance to Vermont municipalities to fund the completion of all known enforceable requirements of the Act.

The second long term goal of the CWSRF is to ensure the fund operates in perpetuity to provide continuing financial assistance to Vermont municipalities for future pollution control needs. Future needs may include new wastewater treatment facility construction, existing facility enlargement or refurbishment, sewer extensions, combined sewer overflow abatement, sludge and septage treatment and disposal, stormwater management facilities, advanced waste treatment determined necessary to meet water quality standards, and other projects deemed necessary for pollution control.

State grants may be available for certain projects in addition to CWSRF loans. Combined sewer overflow (CSO) abatement projects presently receive a CWSRF loan in the amount of 50% of the total eligible project cost, and a 25% construction grant from state funds when available. The remaining 25% of project funds may come from local bond issues or in cases where federal subsidies are authorized may come from a CWSRF loan. Certain sludge and septage treatment and disposal projects presently qualify for a mix of 50% CWSRF loan and a 50% state grant on eligible project costs. When sufficient state capital funds cannot be secured to provide the grants, it may be necessary to fund CSO and sludge and septage projects with a loan on the total project in order to assure the most beneficial use of the federal loan funds.

Other eligible projects will receive CWSRF loans on 100% of eligible project costs. Such eligible projects include: sewer extensions, facility enlargement and refurbishment, and sludge and septage treatment improvements and disposal that do not qualify for state grant funding.

Although the CWSRF may be used for the refinancing of local debt obligations incurred after March 7, 1985, Vermont does not intend to use the fund in this way until all necessary pollution control projects have been constructed, unless there is compelling public benefit to be secured. The interest rate on CWSRF loans issued to refinance debt has been set at 80% of the average rate on marketable obligations of the state. All other CWSRF loans are currently issued at 0% interest. An administrative fee of up to 2% on construction loans took effect on July 1, 1999. Fee proceeds will be deposited into a dedicated account separate from the CWSRF account, referred to as the administrative account. In the future, if funds held in the administrative account are in excess of that necessary to fund the state's administration of the CWSRF program, some of those funds may be transferred to the CWSRF account for project funding.

D. CWSRF Capitalization Grants for Federal Fiscal Year 2014 and Future Years

The federal fiscal year 2014 capitalization grant allotment available to Vermont is \$6,953,000 as authorized by the Act. One hundred thousand dollars is allocated to the federal 604b program leaving \$6,853,000 for use as CWSRF loans and administrative costs. While the federal capitalization grant for future years is unknown at this time, it is assumed that the funding level will be similar to the level of funding in fiscal year 2014. Sources of CWSRF funds and uses are listed below.

Sources

CWSRF Capitalization Grant	\$6,853,000
State Match	\$1,370,600
Repayments	\$9,857,608
Interest	\$1,792
Carry-Forward	\$33,635,259
TOTAL	\$51,718,259

Uses

Loan Commitments	\$51,444,140
Administrative	\$274,119
TOTAL	\$51,718,259

State matching funds listed above are raised annually through the State capital bill appropriations. The State matching funds will be deposited into the CWSRF in the month before the quarter when federal funds are requested. The schedule for entering into binding commitments and timing of cash draws will be contained on an attached grant application form, Form 424, pg2. The CWSRF program will continue to comply with the Operating Agreement for Implementing and Managing the State Revolving Fund Program between the State of Vermont and US Environmental Protection Agency, Region I.

E. Criteria and Methods for Distribution of Funds

The Vermont General Assembly enacted Act 75 creating 24 V.S.A. Chapter 120 in the 1987 session, which established Vermont's CWSRF and set out certain priority criteria for the purpose of ranking prospective projects. The Municipal Pollution Control Priority System incorporates those criteria in addition to criteria required in federal construction grant regulations 40 CFR Section 35.915. Chapter 120 was amended in the 2007 session to increase the percentage of the fund which could be used for certain stormwater projects from 10% to 30%.

The Vermont CWSRF initiated operations in fiscal year 1989 and all initial financial assistance activities of the CWSRF have been in the form of loans. Loans will continue to be made in accordance with a project's priority list ranking as noted on the Priority List that is established annually through the Municipal Pollution Control Priority System.

The Pollution Control Project Planning List is intended to show anticipated construction

and planning projects for the immediate five-year period inclusive of state fiscal year 2015. At this time, there is a large volume of projects and requests for funds in state fiscal year 2014 and 2015 which the fund will likely support. A cap on the CWSRF loan funds is not needed at this time. Projects with continued project status receive an elevated priority when developing future priority lists.

F. Use of Funds for Nonpoint Source Projects

This year there are five nonpoint source projects on the priority and planning lists, The town of Waitsfield is planning on building three decentralized wastewater disposal systems and the town of Fairfield will be building two similar projects.

G. Reallocated Funds

In the event funds are reallocated from the DWSRF to the CWSRF, or additional federal funds are made available beyond the anticipated amount, Vermont will advance these funds to the appropriate projects in accordance with this Intended Use Plan, and the Municipal Pollution Control Priority System.

H. Public Participation

Vermont follows public participation procedures in the development of the annual Pollution Control Priority List (PPL), the CWIUP and in the environmental review process. The CWIUP is typically developed and adopted annually along with the PPL using the same public participation procedure employed for adoption of the PPL. That procedure is outlined in the Municipal Pollution Control Priority System rule. Vermont implements public participation for specific projects though the environmental review for CWSRF funded projects in accordance with the department's Environmental Review Procedures for projects funded through the Vermont/EPA Revolving Loan Program. This procedure was approved by the EPA Regional Administrator in accordance with the August 2, 1989 CWSRF Operating Agreement between the State of Vermont and the U.S. Environmental Protection Agency, Region I.

I. Annual Report

In accordance with the requirements of Section 606(d) of the Act, Vermont will provide EPA with an Annual Report within 90 days of the end of the state fiscal year. The Annual Report contains information on how the state has met the goals and objectives of the previous fiscal year as stated in the IUP and grant agreement. The Annual Report also reviews how well the existing SRF financial operating policies, alone or in combination with other state financial assistance programs, provides for the long term fiscal health of the fund, assists communities to increase local responsibility for compliance, and carries out other provisions specified in the State Clean Water Strategy. The Annual Report also provides information on loan recipients, loan awards/disbursements, and environmental assessment determinations.

The Annual Report will show that the State has completed the following:

- (1) Reviewed all CWSRF funded section 212 projects in accordance with the approved environmental review procedures (section 602(a));
- (2) Deposited its match on or before the date which each quarterly grant payment was made (section 602(b)(2));
- (3) Made binding commitments to provide assistance equal to 120% of the amount of each grant payment within one year after receiving the grant payment (section 602(b)(3)); and
- (4) Expended all funds in an expeditious and timely manner (section 206(b)(4)).

J. Environmental Benefits Reporting

Environmental benefits will be reported using the “CBR” federal on line reporting system each time a loan is transacted during the fiscal year. Reporting to NIMS will also be completed.

K. Additional Requirements

All projects receiving federal funds will be required to comply with the requirements of Single Audit Act, DBE reporting, Davis-Bacon, Buy American, other federal crosscutters and FFATA. Funds may be transferred between the CWSRF and the DWSRF, but are not planned at this time.

L. Project Funding

**Projects Anticipated to Receive Federal Fiscal Year (FFY) 2014 CWSRF Available Funds*
(Award of federal fiscal year 2014 Funds are anticipated to be made
during state fiscal years 2014 and 2015)**

Project /Activity	Total Project Cost**	SRF Loan	Federal Share FFY 2013 Funds
See 2015 Priority List Attached	\$37,759,670	\$37,759,670	\$6,578,880
Vermont SMRF Administrative Expense	\$274,120		\$274,120
Total	\$38,033,790	\$37,759,670	\$6,853,000

Please see attached Municipal Pollution Control Projects Priority List for state fiscal year 2015 for additional information on projects to be funded. The cash draw ratio is 1:5, or 17% to 83%.

* See attached Extended Portion of Intended Use Plan Project Funding List

** Costs will change as projects are refined

M. Green Project Reserve

The Vermont target for Green Project Reserve for federal fiscal year 2014 is \$ 685,300. This year the Town of Waitsfield will receive a loan from federal fiscal year 2014 funds to fund a decentralized wastewater system at an estimated cost of \$536,605, and Bellows Falls Village Corporation will receive a loan for \$330,000 to fund an Anaerobic Digester Cogen system as part of the wastewater treatment plant upgrades. The combined estimated cost of both projects is \$866,605 and both projects meet the green project reserve categorical criteria.

N. Additional Subsidy

Additional subsidy will be implemented using principal forgiveness to certain projects on the state fiscal year 2015 priority list. Additional subsidy will be at least \$372,924 and no more than \$559,386 in total, and will be made available either as a 5% subsidy with a \$100,000 cap to the higher priority projects allocated federal fiscal year 2014 plus State Matching funds, or as a targeted subsidy to address affordability pending the outcome of a public process to gain information on factors to consider in this process.

O. Plans for FFY2015

Should additional subsidy be known to be available in FFY 2015 prior to December 2014, the public process will include a discussion of targeting subsidy by need and or project type.