

State of Vermont
Intended Use Plan for the
Drinking Water State Revolving Fund
Authorized Under
The American Recovery and Reinvestment Act of 2009

June 5, 2009

I. Introduction

This Intended Use Plan (IUP) accompanies the State of Vermont's application for a \$19,500,000 capitalization grant for its Drinking Water State Revolving Fund (DWSRF) under the American Recovery and Reinvestment Act (ARRA) of 2009.

II. Program Goals

The State of Vermont is committed to using the capitalization grant for which it is applying to provide assistance to water systems for capital improvement projects which will proceed quickly to construction, creating jobs and furthering the public health protection objectives of the Safe Drinking Water Act (SDWA). Vermont's goal is to enter into binding commitments for projects that will proceed to construction or award construction contracts by February 17, 2010. The State intends to award assistance available under this capitalization grant in full conformance with the deadlines established under the ARRA and the terms and conditions of the capitalization grant award.

Vermont recognizes that the goal of the ARRA is to expeditiously fund projects that simultaneously create or preserve jobs, promote economic recovery, and generate long-term benefits from infrastructure investment. In this grant, the State is being called upon to accomplish goals that have not previously been priorities of the base SRF program. Priorities and activities in the base program which may not practically be attainable within the timeframes associated with the ARRA will be pursued using funds made available through the base program.

III. Sources and Uses of Funds

The State of Vermont is applying for a capitalization grant in the amount of \$19,500,000. This represents the amount that USEPA Region 1 informed the State is eligible to receive under the ARRA. Note that the ARRA has waived the match that the State is normally required to provide in order to receive a capitalization grant.

Although the State does not intend to transfer any money between the DWSRF and CWSRF, it retains the right to do so up to the allowable limit of 33% of the capitalization grant. Should the State decide at some later date to transfer funds, it will do so consistent with the requirements of the ARRA and USEPA guidance.

The State intends to take a set-aside of 4% for DWSRF program administration; a set-aside of 2% for small system technical assistance (which will be focused on working with the small water systems on the State's Project Priority List to proceed expeditiously to construction); and a set-aside of 5% to support the Public Water System Supervisory Program (PWSS) implementation. The PWSS program support will help preserve positions in the program and help fund additional short-term support. The State will provide the required 1:1 match to the 5% Program Management Set-Aside from a combination of in-kind services and credit for State 1993 PWSS program expenditures.

Work plans for the small system technical assistance and program management set-asides will be developed and implemented consistent with grant conditions required by USEPA guidance for the ARRA. Generally, set-aside funds will be used for activities that will assist systems eligible for ARRA funding. The following table summarizes the sources and uses of the capitalization grant for which the State is applying:

Table 1 - Sources and Uses of the Capitalization Grant

SOURCES	AMOUNT
Capitalization Grant	\$19,500,000
USES	AMOUNT
4% DWSRF Program Administration	\$780,000
2% Small Systems Technical Assistance	\$390,000
5% State Program Management for PWSS Program	\$975,000
Infrastructure Assistance Agreements	\$17,355,000

Activities funded with set-asides that will support ARRA construction loan recipients include: conducting archeological assessments for loan-eligible projects; providing technical assistance to small municipalities with filling out Vermont Municipal Bond Bank financial applications; and assigning SRF-related tasks to non-SRF staff within DEC, such as coordinating environmental reviews and assisting with project tracking.

IV. Criteria and Methods for Distribution of Funds

A. Loan Terms and Fees

Under the State of Vermont base DWSRF program, the standard loan term is 20 years at 3% interest, except loans to those systems that meet the Vermont statutory definition of disadvantaged. For such systems, the term may be extended up to a maximum of 30 years. Interest and administrative fees for loans range between +3% and -3%, and are determined in accordance with previously established methods as described in the adopted 2008 Intended Use Plan. Additionally, under the base program municipally-owned schools are eligible for up to \$25,000 in principal forgiveness for qualifying projects. The State will provide additional subsidy beyond what is currently allowed for in the base program as described in the following section.

B. Additional Subsidization

The ARRA requires that at least 50% of the capitalization grant be provided in the form of subsidy, either through forgiveness of loan principal, negative interest or grant. Vermont has decided to provide this 50% subsidy through loan forgiveness as it requires the least programmatic change of the three options. Because the minimum subsidy of 50% is based on the \$19,500,000 capitalization grant amount, or \$9,750,000, and since the State intends to take a portion of the grant for set-aside activities, the actual percentage of loan forgiveness must be greater than 50% of the grant. Based on taking 11% in set-asides, or \$2,145,000, the \$9,750,000 in subsidy must be applied to the balance available for loans, or \$17,355,000, which equates to 56.25% in principal

forgiveness. Rounding to the nearest whole percent, the minimum loan forgiveness will be set at 57%.

Vermont intends to provide this base subsidy of 57% to all loan recipients to encourage projects to proceed to construction that might not otherwise be undertaken under the current economic conditions. Under the ARRA, states are expected to target subsidy, as much as possible, to communities that could not otherwise afford an SRF loan. To meet this intent, additional subsidy will be provided to disadvantaged communities that qualify for negative interest. To provide a consistent approach resulting in the deepest subsidy possible to a community, ARRA loan term and interest rates will be computed assuming no principal forgiveness and then applied to the principal balance due after deducting the principal loan forgiveness. This method assures that the subsidy for ARRA loans under all circumstances is greater than the base SRF program subsidy, with the exception of small (~ \$25K) municipal school projects. For those small projects, the current SRF program can forgive up to \$25,000, which in some cases results in 100% principal forgiveness. For a community that receives a \$1,000,000 loan and qualifies for negative 3% over a 30-year term (currently, the deepest subsidy available for all but the small school projects) the principal forgiveness will be approximately \$750,000, or 75%.

Lastly, projects that include or are entirely comprised of Green Infrastructure will receive further principal forgiveness. To encourage water systems to incorporate green elements into their projects, Vermont will provide an additional 10%, or a total of 67% loan forgiveness for Green Infrastructure costs. More detail on Green Infrastructure is provided in the following section.

The Fundable portion of the Projects Priority List (PPL) in Section VI demonstrates that loans awarded with ARRA funds will meet the ARRA requirement of providing total subsidy equal to at least 50% of the capitalization grant. Any subsequent revision to the Fundable portion of the PPL will likewise demonstrate that ARRA loans provide principal forgiveness equal to at least 50% of the capitalization grant. The final adopted list shows total loan subsidy of \$10,722,912, which exceeds the minimum required subsidy of \$9,750,000.

C. Green Infrastructure

The ARRA requires that, to the extent there are sufficient eligible project applications, not less than 20% of the funds provided for projects must be used for water or energy efficiency, green infrastructure, or other environmentally innovative activities. The PPL includes 20%, or \$3,900,000 of the total grant amount for projects or portions of projects meeting one or more of the specific objectives required by this provision.

Vermont made and continues to make a concerted effort to identify green projects with the objective of meeting the 20% requirement by August 17, 2009 (180 days after the Feb. 17 enactment). The steps Vermont took to solicit green projects consisted of an announcement at the March 20, 2009 public hearing; an extension of the application deadline to encourage additional green projects or incorporate green components into an existing ARRA project application; a mass email following the public hearing soliciting

green projects to all ARRA project applicants and their engineers; and, targeted meetings with associations and other groups involved in green infrastructure. Additionally, program staff made direct phone contact with water systems that have projects on the PPL, as well as direct contacts with municipal officials known to have eligible green projects to encourage them to apply. It should be noted that when the public notice was prepared and published for this PPL, the ARRA had not yet been enacted, so the green infrastructure funding portion was not well understood at that time, resulting in the need to revise the PPL.

Projects on the PPL meeting one or more objectives are designated as follows: Green Infrastructure = G; Energy Efficiency = E; Water Efficiency = W; and Environmentally Innovative Activity = I. The final adopted list demonstrates achievement of the 20% green reserve requirement within the fundable list, with an addition of one project that is partially fundable as a green project. The comprehensive list includes approximately \$10,000,000 of projects qualifying under the green project reserve. Should green projects in the fundable range be bypassed due to project delays, the program anticipates substituting other green projects on the comprehensive list, which will be funded in priority order, subject to meeting readiness criteria, until the entire 20% reserve is satisfied.

Program staff evaluated green project applications and determined which projects require a business case. Those projects in the fundable range requiring a business case were given until April 30, 2009 (30 days from program staff contact) to submit the required documentation. Business cases were reviewed and the final adopted lists reflect the approved amount qualifying under the green project reserve. Each project file will contain documentation of the business case on which the project was judged to qualify, as described in Attachment 8 to the USEPA guidance for the ARRA.

Eligible green projects included in the PPL include renewable energy, water line replacement, new water meters, building envelope improvements, storage tank replacement, and consolidation of two PWSs resulting in the elimination of source water relying on electrical power and replaced by a distribution system pressurized entirely by gravity.

D. Priority for Projects Ready to Proceed to Construction

Vermont has a priority system for its DWSRF program that ranks projects in accordance with criteria primarily based on public health, compliance and affordability. However, the ARRA requires that priority be given to projects that will be ready to proceed to actual construction within 12 months of the date of enactment. Additionally, ARRA Section 1602 requires that recipients give preference to activities that can be started expeditiously, including a goal of using at least 50 percent of the funds for activities that can be initiated within the first 120 days following enactment of the ARRA. Vermont intends to implement this provision by elevating those projects determined as ready to proceed by July 1, 2009, which for this purpose are designated as Quick Start Projects (QSP), and are so designated on the PPL. A QSP project is defined as a project that publishes its bid advertisement on or before July 1, 2009.

The final adopted PPL consists of a fundable list and a comprehensive list of projects, all of which could proceed to construction by February 17, 2010, based on information provided in the priority list applications. The Comprehensive List (CL) consists of projects that currently fall below the fundable limit. However, through the bypass process (if implemented), projects on the CL could move into the fundable range.

The current adopted PPL includes 136 total projects, 41 of which are fundable or partially fundable and 1 project that is partially fundable to satisfy the 20% green reserve requirement. This adopted list reflects changes made as a result of public comment and updated information. Because the State will continue its practice of limiting the total loan amount to any one water system to \$2,000,000, several projects (both in the fundable and non fundable lists) are shown to have loans capped at \$2,000,000. If reallocation of ARRA funds becomes necessary later in the year due to project delays, the State can opt to provide funds in excess of the \$2,000,000 cap to ensure that all ARRA funds are awarded. The actual loan amount needed for each project is shown in the last column on the right hand side of the PPL, which aggregates to approximately \$125,000,000 for both the fundable and non fundable lists.

Due to the tight timelines associated with ARRA, Vermont will implement a rigorous bypass process to ensure all funds are committed in the required 1-year period. Program staff will closely monitor the progress of projects and will make bypass determinations as soon as it becomes apparent that a system cannot meet the required deadlines. There are two critical periods during this funding cycle relating to project bypass described as follows:

Up to July 1, 2009– Projects in the fundable range that experience delays that jeopardize the July 1 bid advertisement date (date the ad appears in the newspaper) will be bypassed and funds will be committed to, in priority order, those projects that can meet the July 1 deadline.

Post July 1 – Immediately following July 1, 2009, any additional projects in the fundable range determined to have missed the bid advertisement deadline of July 1, 2009 will be bypassed. The resulting available funds will then be committed in priority order to projects that are determined to have met the July 1 bid advertisement deadline.

Post July 1 – If funds are available after July 1 and there are no projects remaining that meet the July 1 bid advertisement deadline, the QSP designation terminates and projects will be re-ranked solely based on priority points and funded in priority order, subject to project readiness, which includes submitting a completed DWSRF loan application. Regarding project readiness, the most critical factors in making a positive readiness finding are a positive bond vote for the project and issuance of a Water Supply Division Permit to Construct.

Additionally, because some of the projects receiving an ARRA loan had funds reserved from a prior year's PPL, those funds will be freed up and reallocated to projects below the ARRA fundable line, enabling more projects to proceed to construction. These base

program funds will be awarded separately to projects and will not include the subsidy provisions that apply only to ARRA-capitalized loans.

E. Planning loans and ARRA Eligibility

As with other project-related costs, preliminary engineering and final design costs incurred prior to October 1, 2008 are not ARRA loan-eligible; therefore, planning loans awarded prior to that date cannot be consolidated with ARRA loans. For such projects, the balance due on a planning loan will either be consolidated with a non ARRA SRF construction loan, if awarded concurrent with an ARRA loan, or repaid separately at 0% interest over a 5-year term.

F. Avoidance of Re-allotment/Relationship to Base Program

In order to meet the requirements and deadlines of the ARRA for the expeditious and timely commitment and expenditure of funds, the State of Vermont will regularly collect and review project progress data for State tracking purposes and reporting to EPA. This data collection and reporting effort will facilitate compliance with ARRA deadlines and help identify any issues impeding timeliness. If timeliness problems arise, the State of Vermont will work with EPA to resolve them. The State will include conditions in its assistance agreements to ensure that loan recipients make timely progress with respect to entering into contracts and/or commencing construction. If a recipient fails to maintain progress with these conditions, it will receive funding from other DWSRF monies so that ARRA funds can be provided to a project that is ready to proceed. Consistent with timely use of these funds, a project that has not yet completed the environmental review process and which does not qualify for a categorical exclusion, will not be eligible for ARRA funding.

The State understands that EPA may de-obligate grant funds from states that fail to meet requirements that apply to the use of ARRA funds. However, if the State is eligible for additional funds made available by a re-allotment of ARRA funds, the State will provide EPA with a list of projects from its PPL that are immediately prepared to proceed to construction.

G. Public Participation

In compliance with the requirement in SDWA sec. 1452(b)(1) to provide for public review and comment, the State of Vermont has posted this Intended Use Plan in draft form at www.anr.state.vt.us/dec/watersup/grants.htm beginning on March 18, 2009. In February 2009, the State mailed notices to all community and non-transient non-community water system representatives, consultants and other stakeholders announcing the availability of priority list application forms for ARRA funding and establishing a deadline of March 13, 2009 for submittal. Notice was also published in several newspapers having a combined statewide circulation.

Both notices included announcement of a public hearing to be held March 20, 2009 in Waterbury, Vermont to present the Draft IUP, to receive public comment at the hearing, and to accept written comment through March 27, 2009. Additional effort was made through meetings, emails, etc. to inform various stakeholder groups of the impending IUP and hearing. The following is a copy of the February 12, 2009 public notice.

February 12, 2009

Re: Economic Stimulus Funding- Fiscal Year 2008 Priority List Amendment

Dear Public Water Supplier:

The Vermont Drinking Water State Revolving Fund (VT DWSRF) is anticipating a significant amount of additional federal funding to come into the DWSRF Program early in 2009 through passage of the American Recovery and Reinvestment Act of 2009. The United States House of Representatives and the United States Senate will vote on a final Bill this week. All information contained in this public notice is preliminary and subject to change until the legislation is finalized and the Bill enacted. At this time, we are anticipating additional funding in the amount of \$19,306,000 for the VT DWSRF. To be eligible for stimulus funding through the DWSRF you must be a Public Community Water System or a Public Non-Community Water System that is non profit (tax exempt).

Additionally, to be eligible to receive economic stimulus funds for water system improvements you must complete the DWSRF Priority List Application and the readiness to proceed form on the reverse side of this letter by the close of business Friday, March 13, 2009. If we receive your priority list application by the March 13, 2009 deadline your project will also be listed on the 2009 DWSRF Construction Priority List which is also currently under development. Please note the regular deadline for 2009 priority list applications will be delayed until May 1, 2009. We have scheduled a joint public hearing with the Clean Water State Revolving Fund for Friday, March 20, 2009 from 1:00-4:00 p.m. at the Summit Training Center located in the Osgood Building in the Waterbury State Office Complex to discuss stimulus funding, solicit public input, and to release the draft funding list.

Although the details of this program are not set, a few key points can be made. First and foremost, strong emphasis is placed on a project's readiness to proceed and the economic imperative for these funds to enter the economy. In order to be considered for stimulus funding off the 2008 Amended Construction Priority List you will need to meet the priority list application deadline, satisfy project readiness to proceed criteria (detailed on reverse side), and have a loan commitment and construction started by September 30, 2009. If stimulus funds remain uncommitted after September 30, 2009, then they will be allocated to projects on the 2009 Construction Priority List that are ready to proceed. Information regarding the economic stimulus is changing daily but these are some of the concepts we are currently considering in order to administer stimulus funds.

- 50% to 75% subsidy in the form of principal loan forgiveness.
- First in first out policy (based on readiness to proceed) for allocating funds.
- Adjust funding cap commensurate with the level of funding received (currently considering 25% of total EPA grant vs. the current \$2.0M funding cap)
- Require construction contract award within 45 days of making loan commitment.

The readiness to proceed form and priority list applications can be mailed to the attention of Bryan J. Redmond, DWSRF Program Specialist at the address above or it can be scanned and emailed to bryan.redmond@state.vt.us. Priority list applications are available by calling the Water Supply Division at (802) 241-3400 or by downloading the application from the Water Supply Division's website at:

<http://www.vermontdrinkingwater.org/DWSRFGuidanceDocuments/DWSRFPriorityListApplication.doc>

We thank you for your time and look forward to receiving your response.

Sincerely,

Gary Schultz
Director, Water Supply Division

**American Recovery and Reinvestment Act of 2009
 Drinking Water State Revolving Fund (DWSRF)
 Project Readiness Update Form**

Please complete this form and the enclosed priority list application by March 13, 2009. Both documents are required in order to be considered for stimulus funding. If you have multiple projects in a Town please complete this form for each and include a project description and anticipated total project cost for each segment on the priority list application.

<u>Economic Imperative- Readiness to Proceed</u>		(T) Target or (A) Actual
<u>Completion Date</u>		
1.	Submittal of Engineering Report:	() ___/___/___
2.	Submittal of Final Environmental Review Documents:	() ___/___/___
3.	Date of Authority to Borrow Funds:	() ___/___/___
4.	Submittal of Final Design Plans:	() ___/___/___
5.	Anticipated Project Start Date:	() ___/___/___

Print Name (Authorized Representative) _____

Signature _____ Date ___/___/___

E-Mail Address _____

Total Estimated Project Cost: _____

Project Description: _____

Return by March 13, 2009 to: Bryan J. Redmond
 Water Supply Division
 Old Pantry Building,
 103 South Main Street
 Waterbury, VT 05671-0403

H. Responsiveness Summary

Comments were made verbally during the public meeting in Waterbury on March 13, 2009. The comments have been edited and consolidated for brevity and clarity. In addition, verbal or written comments were received (i.e., letter, fax, phone, or email) during the public comments period. The Water Supply Division has a file available to the public that contains the notes from the public meetings and written comments received during the public comment period.

	Question or Comment	Response
1	Request for recalculation of points for the Village of Waterbury. Two projects were submitted for ARRA funding.	After reviewing the points it was determined that the Village Of Waterbury was not awarded points for their Downtown Designation. 5 points have been added to the projects and the priority ranking re-calculated.
2	Request for recalculation of preliminary interest rate determination for Danville FD #1.	Based on the revised information the preliminary interest rate/loan term determination has been adjusted.
3	Please add the Town of Plainfield to the priority list.	Application was received and the project has been added to the list.
4	Please add Hawk Pine Hills to the priority list.	Application was received and the project has been added to the list.

	Question or Comment	Response
5	Please add the Barre City Nelson Street Hydroelectric Energy Recovery Project to the priority list.	Application was received and the project has been added to the list.
6	East Montpelier School - revised project readiness form indicating a bid advertisement of July 1, 2009.	Information updated and QSP status granted.
7	Thetford Water Coop - revised project readiness form indicating a bid advertisement of July 30, 2009.	Information updated.
8	Town of Readsboro - revised project readiness form indicating a bid advertisement date of May 1, 2010.	Project has been removed from the ARRA priority list because it will not be ready to proceed by February 17, 2010.
9	Application received for Killington Gateway I.	System does not serve a year-round population (>80% full time residents) therefore not eligible for ARRA funding.

	Question or Comment	Response
10	Application received for Killington Gateway II.	System does not serve a year-round population (>80% full time residents) therefore not eligible for ARRA funding.
11	Village of Lyndonville - revised project readiness form indicating a bid advertisement date of June 20, 2009.	Information updated and QSP status granted.
12	VSARA - revised project readiness form indicating a bid advertisement of April 30, 2009.	Information updated.
13	Town of Troy - revised readiness form indicating a bid advertisement of July 1, 2009.	Information updated and QSP status granted. The waterline and pumping improvements have been maintained as a separate application not receiving quick start status.
14	Okemo Kettlebrook - revised readiness form.	System does not serve a year-round population (>80% full time residents) therefore not eligible for ARRA funding.

	Question or Comment	Response
15	Canaan Fire District No. 2 - Revised readiness form indicating the meter portion of the project will be ready for bid advertisement by July 1, 2009.	Metering project has been added to the list and designated QSP.
16	Jericho-Underhill Water District - revised project readiness forms.	Information updated.
17	Morrisville Water & Light - revised project readiness forms.	Information updated.
18	Town of Bennington - revised applications received for two projects.	Projects have been added to the list.
19	Barre City - revised project readiness form indicating a bid advertisement date of June 1, 2009.	Information updated and QSP status granted.

	Question or Comment	Response
20	Mountain Water Company - revised project readiness form.	System is private for-profit and not eligible for ARRA funding.
21	Drumleys Condominiums - revised readiness form.	System does not serve a year-round population (>80% full time residents) therefore not eligible for ARRA funding.
22	Village of Waterbury - revised project readiness forms.	Information updated.
23	Please add Red Cedar School application to the priority list.	The project has been added to the list.
24	Please add a new application for a green project at the Vergennes Panton Water District.	The project has been added to the list.

	Question or Comment	Response
25	Norwich Fire District #1 - revised project readiness forms for three projects.	Information updated and application #1 granted QSP status.
26	East Calais Fire District #1 - revised project readiness form.	Information updated.
27	Morristown Corners - revised project readiness form.	Information updated and QSP status granted.
28	Whitingham School - revised project readiness form.	Information updated.
29	Deerfield Valley School - revised project readiness form.	Information updated.

	Question or Comment	Response
30	Town of Sheldon - green project components.	W, E coding has been added to the project.
31	Town of Richmond - revised application.	Project added to the list.
32	Village of Swanton - revised project readiness form.	Project has been added to the list.
33	Town of Fair Haven - revised project readiness form.	Information updated and QSP status granted.
34	Town of Williamstown - revised total project cost.	Total project cost has been updated.

	Question or Comment	Response
35	Otter Valley High School - revised project readiness form.	Information updated and project granted QSP status.
36	Does the \$6 million cap on continuing project status apply to ARRA funding? It is our opinion ARRA is a special funding source and should not apply.	The existing \$6 million programmatic funding cap will apply to ARRA funding as well.
37	Jericho Underhill Water District - Please review our point calculation. Additionally, we feel the technical points should be added to form the number of assigned priority points.	Technical points have been revised. 95 points have been awarded for inadequate disinfection facilities and the priority ranking has been adjusted.
38	City of South Burlington, City of Winooski, and Colchester FD #1- Please reconsider the eligibility determination (not eligible) initially provided for hydrant replacement. The hydrants in these projects are multi-use and are required to for our flushing program and needed for water quality control in the distribution system.	Based on the information you have provided the hydrants are eligible for funding under the ARRA/DWSRF program. The project costs/assistance request has been adjusted.
39	Town of Randolph - Please review our priority points. Specifically, the Town holds a designated downtown and an income survey was recently completed by RCAP to survey the MHI of the water users. The affordability criteria should be based on the income survey not the census MHI.	5 points have been awarded for the downtown designation. Affordability points for all applications (including stimulus and non-stimulus) are calculated using the MHI data from the U.S. Census. We will use the data generated from the income survey when determining the loan term and interest rate for this project.

	Question or Comment	Response
40	Please consider revising the DWSRF ARRA eligibility criteria for private for-profit entities as well as private non-profit community systems that serve seasonal populations.	Following several public comments received on this issue we revisited the eligibility criteria for these entities in regards to ARRA funds. We sought input from the legislature, EPA, and other New England States on this issue. Following internal discussions it was decided to eliminate eligibility for private for profit entities and private non-profit community systems serving seasonal residences. Seasonal is defined as less than 80% continuously occupied units by local residents and at least 80 percent of the water produced is for residential use. It should be noted that the systems that were deemed ineligible for ARRA funding are eligible to receive project funding from the base DWSRF program and subsidized interest rates.
41	This round of proposed projects seems to do little to assist water districts that have to work to ensure they are in compliance with existing and future EPA drinking water regulations.	The priority ranking system used for ARRA is the same system used for the base DWSRF Program, which is based on public health protection and Safe Drinking Water Act Compliance. The ARRA priority ranking system differs in that preference is given to projects that are ready for construction, which meets the quick start spirit of the legislation.
42	ARRA funding should provide a unique opportunity for water systems to use innovative technologies to provide safe water without using chemicals.	So noted. Some systems may be able to utilize Ultraviolet Light (UV) for disinfection and thereby avoid having to add a chemical disinfectant. The applicability of UV, however, is system specific depending on source water characteristics and system class.
43	Town of Saint Johnsbury - Please review the preliminary loan term and interest rate determination for the Town.	Based on the revised information the preliminary interest rate/loan term determination has been adjusted.

	Question or Comment	Response
44	Town of Springfield - Please consider awarding 90 system improvement points to the Town for fished water storage vulnerable to contamination. Improvements to the Eastside and Westside water storage tanks will be incorporated into the contract documents for Contract B as originally intended.	Technical points have been revised. 90 facility improvement points have been awarded for storage tank vulnerable to contamination and the priority ranking has been adjusted.
45	Village of Poultney - the Village is replacing existing meters and should have a green project code listed.	We have coded W under the green project code for Village of Poultney. Meter replacement will require a business case to be submitted.
46	Please consider using the existing 20% funding cap to private water systems and include private for-profit and private non-profit community systems serving seasonal populations on the ARRA priority list.	See response to comment #40 above.
47	Town of Windsor - revised project readiness form.	Information updated and QSP status granted.
48	The requirement to use Davis Bacon wage scale will inflate project costs unnecessarily, which seems contrary to the concept of deriving maximum benefit from available funds.	We have no choice on the applicability of Davis Bacon because the requirement is in the federal law appropriating these funds.

	Question or Comment	Response
49	For those municipalities who do not intend to bond for projects, but instead plan to utilize capital reserve dollars as collateral, can they avoid the significant effort and cost associated with obtaining voter approval? Would a formal action (vote) by the elected Board of Water Commissioners be a suitable substitute?	No, voter approval is required to receive a DWSRF loan. We recommend that each community contact its bond counsel for guidance on applicable voting procedures.
50	Can a contract or written agreement be provided in lieu of a Bid Advertisement, as a measure of readiness to proceed?	If the system is able to proceed without formal bid advertisement because of the size/nature of the project (subject to Facilities Engineering Division concurrence), construction contract signing by July 1 meets the criteria. Further, small projects that qualify for small purchase procurement, obtain DEC concurrence, and received estimates by July 1, would meet the readiness criteria.
51	Are there alternatives to preparing an engineering report and conducting an environmental review for unique projects that include maintenance, replacement or rehabilitation in place, or work within existing buildings on existing equipment, etc.?	Some form of preliminary engineering is necessary for all funded projects, but in some cases (particularly small projects) it can be a brief statement or a basis of design submitted just prior to or along with final design. All funded projects require an environmental review with the level of review commensurate with the scope of the project. For example, a project entirely within the footprint of an existing structure could be reviewed and signed off by WSD SRF Program staff.
52	For projects that will not use bonded funds, how will financial readiness to proceed be determined? Specifically, will a copy of the District's Audit Report suffice, indicating the availability of previously approved capital reserve dollars, by both the voters and Board of Commissioners?	All projects must bond to receive a DWSRF loan. However, with ARRA funds, because of the principal forgiveness, some communities may opt to vote short term bonds for the project and pay back the balance of the DWSRF loan with capital reserve funds, thereby avoiding incurring long term debt.

	Question or Comment	Response
53	Can projects go out to bid before funds are available?	Yes, but they do so at risk since there is no guarantee of DWSRF funding until a loan is applied for and awarded.
54	Can a community that is not on the fundable list go out to bid provided that environmental review, Buy American, and Davis Bacon are satisfied? If so, what are the risks?	Yes, a community can proceed with bidding, but as noted in our response to comment #53 above, it does so without certainty of DWSRF funding. The safest approach for those communities that wish to proceed without a funding commitment is to maintain regular contact with us and follow program procedures.
55	Please clarify the definition of anticipated project start date as it relates to receiving quick start status?	Anticipated project start date is based on the bid advertisement date. Based on this new information we are allowing systems to resubmit their project readiness to proceed form during the public comment period.
56	How will the water supply pipe projects be coordinated with AOT's list of ARRA projects?	As presented at the public hearing, we expect project consultants to provide this coordination for their clients.
57	Do green projects add priority points?	No, but additional loan forgiveness of 10% will be provided.

	Question or Comment	Response
58	If a project is 1/3 green does it move the whole project up?	No.
59	Does the additional subsidy for green projects apply to total project costs?	No. The additional subsidy only applies to the green components of the project.
60	What is the status of providing municipalities with language for bond votes specific to ARRA funding?	We recommend that communities work with their bond counsel and Vermont League of Cities and Towns (VLCT). At the hearing we cited an example of what we believe to be a good article and passed that along to VLCT.
61	Do water systems need to reapply for the 2009 priority list?	If a community has submitted an ARRA priority list application they do not need to re-submit for placement on the 2009 list. We will continue to accept applications for the 2009 list. May 1 was the initial deadline for receipt of 2009 applications, but that date has since been pushed off to later this summer or fall. Public notice will go out with a new deadline and hearing announcement.
62	Does a community need to obtain interim financing for a project?	Generally, yes. These funds just like all other DWSRF loan funds are provided in the form of reimbursement, except for privately owned systems for which two party checks are written.

	Question or Comment	Response
63	If a project is in the design phase who do we talk to about greening the project?	As noted during the hearing, Ashley Lucht and Eric Law are the Department's primary contacts on Green projects.
64	Will DBE be applied to engineering contracts?	No.
65	Contractors are having trouble getting performance bonds. Can adjustments to the front end documents be made to address this issue?	Project-specific questions relating to front end documents should be directed to Allyn Lewis, Construction Section Chief.
66	What is the proposed process for using the green project reserve (GPR) and how are green dollars being applied to projects?	Projects will be funded in priority order. The green components to a project will receive 67% subsidy. Vermont needs to reserve \$3.9M for green projects through mid August 2009, so we will make every effort to fund green projects up to that point in time. If after mid August, there is GPR money left over, those funds will be used for the highest priority non green projects ready to proceed.
67	South Alburgh Fire District #2 - revised project readiness form.	Information updated and project has been added to the list.

	Question or Comment	Response
68	If a project has a green and a non-green component and the green component is fundable and the non-green component is not, does the non-green component receive continuing project status on the FY09 list?	Yes, but ranked among other continuing projects.
69	If an ARRA fundable project has multiple contracts with green components in each, can the ARRA funding be spread across the contracts to fund the green components?	Assuming all green elements meet readiness criteria, and the contracts are part of the same project, we could fund green components of multiple contracts.
70	Please explain the bypass process that will be used for projects on the fundable list that are not meeting their quick start deadlines.	<p>We will closely monitor the progress of projects and will make bypass determinations as soon as it becomes apparent that a system cannot meet the required deadlines. There are two critical periods during this funding cycle relating to project bypass described as follows:</p> <p>Up to July 1, 2009 – Projects in the fundable range that experience delays that jeopardize the July 1 bid advertisement date will be bypassed and funds will be committed in priority order to those projects that can meet the July 1 deadline.</p> <p>Post July 1 – If there are any funds available after July 1, those funds will be committed in priority order to projects that are determined to have met the July 1 bid advertisement deadline.</p>

	Question or Comment	Response
		Post July 1 – If funds are available after July 1 and there are no projects remaining that meet the July 1 bid advertisement deadline, the QSP designation terminates and projects are re-ranked solely based on priority points and funded in priority order, subject to project readiness, which includes submitting a completed DWSRF loan application.
71	The Village of Ludlow appeals the water system population that was used in the priority ranking calculation.	The Water Supply Division (WSD) has reviewed the information provided by your consulting engineer and agrees the correct population is 2,526. Three additional points have been awarded under the population ranking criteria and the priority ranking has been adjusted accordingly.
72	The Town of Hartford has submitted an appeal for both the Hartford and Quechee projects asking for the Quick Start Status designation for both projects.	WSD has reviewed the priority list application and the information submitted by the Town to support awarding Quick Start Project (QSP) status to the Hartford and Quechee projects. Based on the information provided, the WSD has determined that both projects qualify for QSP status and their priority ranking has been adjusted accordingly.

I. List of Projects to be Funded

See Attached Fundable List and Comprehensive List.