

**State of Vermont**  
**Intended Use Plan for the Drinking Water**  
**State Revolving Fund**  
**Federal Fiscal Year 2013**  
**Prepared By**  
**Facilities Engineering Division**  
**Department of Environmental Conservation**  
**August 26, 2013**

# Table of Contents

1. Introduction.....	5
2. Short and Long Term Goals.....	5
2.1. Short Term Goals and Objectives .....	5
2.2. Long Term Goals and Objectives .....	6
3. Public Participation.....	6
3.1. Direct Contacts.....	7
3.2. Public Notices & Public Hearing.....	7
3.3. State Website Posting .....	7
4. Financial Matters .....	7
4.1. State Match Provisions .....	7
4.2. Funding Breakdown.....	8
4.2.1. Set-asides.....	8
4.2.2. Facility Improvement Loans .....	8
4.3. DWSRF Disbursement Schedule.....	9
4.4. Criteria and Method for Distributing Funds for Improvement Projects .....	9
4.5. Disadvantaged System .....	10
4.5.1. Community Water System Disadvantaged Program.....	10
4.5.2. School Water System Disadvantaged Program.....	12
4.6. Financial Status of Drinking Water State Revolving Fund .....	13
4.7. Administrative Fee Account .....	14
4.8. DWSRF and CWSRF Transfer.....	14
5. Priority Ranking System.....	15
5.1. Priority Ranking System Scoring Criteria .....	15
5.1.1. System Facility Deficiencies .....	16
5.1.2. Physical Consolidation of Water Systems.....	19
5.1.3. Financial Need/Affordability .....	19
5.1.4. Population Criteria .....	20
5.1.5. Downtown Area Preference .....	20
5.1.6. Security Projects.....	20
5.1.7. Source Protection Loan – Land Purchase or Conservation Easement .	21
5.2. Refinancing of Existing Facilities.....	21
5.3. Construction Loan Fund Priority List.....	21
5.3.1. Projects Partially Funded in Prior Year.....	22
5.3.2. Commingling of New Projects with Continuing Projects .....	22
5.3.3. Tie Breaking Procedure.....	22
5.3.4. Amendments.....	22
5.3.5. Funding Cap .....	22
5.3.6. Bypass System.....	22
5.3.7. Bypassed Projects.....	23
5.3.8. Bypass Mechanisms .....	23
5.3.9. Minor Changes to Fundable Projects .....	24
5.4. Planning Loan Fund.....	24
5.4.1. Planning Loan Forgiveness .....	24
5.5. Source Protection Fund.....	25
6. Information on Set-asides .....	25

6.1.	DWSRF Administrative Set-aside .....	26
6.2.	State Program Management Set-aside .....	26
	6.2.1. DWGWP Division Personnel Costs .....	27
	6.2.2. Continued Activities Using Prior Year Funds.....	27
6.3.	Small Systems Technical Assistance Set-aside .....	27
	6.3.1. Asset Management Technical Assistance Program.....	27
	6.3.2. Leak Detection Surveys.....	27
	6.3.3. Flood Vulnerability and Emergency Preparedness Assessments.....	28
	6.3.4. Continuing Activities .....	28
6.4.	Local Assistance and other State Programs Assistance Set-asides.....	28
	6.4.1. Capacity Implementation .....	28
	6.4.2. Wellhead Protection Program .....	30
6.5.	Summary of DWSRF Set-asides for FFY2013.....	31
7.	Program Changes .....	32
	7.1. Preliminary Engineering Report Template .....	32
	7.2. Incorporating Federal Grant Requirements .....	32
	7.3. Potential Future Changes .....	32
8.	Public Participation Documents.....	34
	8.1. Priority List Solicitation and Public Hearing Announcement .....	34
	8.2. Notice of Availability of 2013 Intended Use Plan for Public Comment .....	35
	8.3. Public Comments – Responsiveness Summary .....	36
9.	Projects Priority Lists and Anticipated Loan Recipients - Construction Loans .....	39
	9.1. Comprehensive List – New Funding Commitments.....	39
	9.2. Prior Years’ Pending Loan Commitments.....	42
10.	Program Description .....	44
	10.1. Construction Loans (Planning & Design also eligible) .....	44
	10.1.1. Eligible Organizations.....	44
	10.1.2. Eligible Projects .....	44
	10.1.3. Ineligible Projects.....	44
	10.1.4. Project Planning .....	45
	10.1.5. Loan Rates and Terms.....	45
	10.1.6. Comprehensive Project List .....	46
	10.1.7. Project Ranking and Selection Criteria .....	46
	10.1.8. Anticipated Loan Recipients .....	46
	10.1.9. Bypassed Projects.....	46
	10.1.10. Re-Application .....	47
	10.1.11. Engineering Reports and Plans and Specifications .....	47
	10.1.12. Procurement Requirements .....	47
	10.1.13. Maximum and Minimum Loan Amounts.....	47
	10.1.14. Project Approval Steps.....	47
	10.1.15. Municipal School Water System Disadvantaged Program .....	47
	10.1.16. U.S. Department of Agriculture RD - ANR Joint Funded Projects.....	48
	10.2. Planning Loan Fund.....	48
	10.2.1. Eligible Organizations.....	48
	10.2.2. Eligible Projects .....	48
	10.2.3. Loan Terms and Rates.....	48
	10.2.4. Maximum and Minimum Loan Amounts.....	48
	10.2.5. Project Ranking .....	48

10.2.6.	Priority List Applications .....	48
10.2.7.	Loan Recipients .....	48
10.2.8.	Loan Applications .....	49
10.2.9.	Loan Consolidation Requirement.....	49
10.2.10.	Procurement Requirements .....	49
10.2.11.	Repayment.....	49
10.3.	Source Protection Loans .....	50
10.3.1.	Eligible Organizations.....	50
10.3.2.	Eligible Projects .....	50
10.3.3.	Loan Terms and Rates.....	50
10.3.4.	Maximum and Minimum Loan Amounts.....	50
10.3.5.	Project Ranking .....	50
10.3.6.	Priority List Applications .....	50
10.3.7.	Loan Recipients.....	50
10.3.8.	Loan Applications .....	50
10.3.9.	Loan Conditions .....	50
10.3.10.	Procurement Requirements .....	51
10.3.11.	Repayment.....	51
10.4.	All Loans.....	51
10.4.1.	Lack of technical, managerial and financial capability.....	51
10.4.2.	Loan Application Fees .....	51
10.4.3.	Loan Disbursements .....	51
10.4.4.	Loan Repayment .....	51
10.4.5.	Financial Capability to Repay Loan.....	51

## **1. Introduction**

The 1996 Amendments to the Safe Drinking Water Act (SDWA) established the Drinking Water State Revolving Fund (DWSRF). The State of Vermont's allotment for the DWSRF is \$8,421,200 for Federal Fiscal Year (FFY) 2013. This money can be used for a wide variety of activities, including public water system infrastructure improvements, source water protection, and water system management enhancements.

The SDWA requires that each state prepare an Intended Use Plan (IUP) each fiscal year that details how the DWSRF money will be used. Once the IUP has undergone public comment, it is submitted along with other supporting documents to the regional United States Environmental Protection Agency (EPA) office. These various documents comprise the capitalization grant request for the DWSRF. While a wide variety of state agencies are involved in the process, the Facilities Engineering Division (FED) of the Department of Environmental Conservation (DEC) is responsible for preparing and submitting all of these documents. FED and the Drinking Water and Groundwater Protection Division (DWGWP) share responsibility for implementation of the various policies and procedures that are followed as part of the DWSRF, including the assurances and certifications contained in the capitalization grant request. It should be noted that due to recent organizational changes within DEC, FED is now responsible for the majority of program responsibility, which includes preparation of the IUP, management of the projects priority list, preparation of set-aside workplans, and maintenance of DWSRF guidance documents.

This intended use plan is for FFY13 federal funding of \$8,421,000 and a state match of \$1,684,200, and available loan repayment and fund interest. Information is also provided on prior years' funds and progress in meeting short- and long-term goals in the biennial report.

## **2. Short and Long Term Goals**

### **2.1. Short Term Goals and Objectives**

1. Secure the State's seventeenth capitalization grant to finance improvements for public water systems.
2. Administer a DWSRF program for projects that have been determined to be the highest priority to address contamination issues that pose the most serious risk to human health.
3. Provide loans to assist eligible public water systems listed in the IUP and priority list for projects to ensure compliance with the SDWA requirements and maintain and/or improve drinking water quality.
4. Provide loans to municipally owned and privately owned non-profit community water systems with populations of fewer than 10,000 people for conducting feasibility studies, preliminary engineering and final designs for water system improvements.
5. Provide loans to municipalities for purchasing land or conservation easements in order to protect public water sources and ensure compliance with drinking water regulations.
6. Promote capacity development by completing infrastructure improvement plans for small community water systems and schools through contracts.
7. Actively promote and pursue funding for all eligible systems, especially systems serving disadvantaged communities and systems with populations of fewer than 10,000 (small systems) that do not have adequate technical, managerial, or financial resources to come

into or maintain compliance, and to provide safe drinking water.

8. Ensure that at least 15% of the DWSRF Project Fund Account provides loan assistance to small systems on an annual basis.
9. Continue the Vermont Source Water Protection Program.
10. Provide effective program management and resources to ensure the integrity of the DWSRF.
11. Coordinate DWSRF activities with enforcement activities of the State and EPA.
12. Continue implementation of the statewide strategy to improve capacity for existing public water systems and assure capacity for new public water systems.
13. Use DWSRF set-aside funding to provide the additional resources required to manage the Vermont Drinking Water Program.
14. Continue programs to encourage participation of small water systems in the loan program.
15. Integrate Green Infrastructure funding into the DWSRF Program in accordance with federal guidelines.

## **2.2. Long Term Goals and Objectives**

1. Through effective management, provide a self-sustaining funding program that will assist public water systems in achieving compliance with the SDWA, maintaining the public health objectives of the SDWA, and ensuring the public has safe drinking water.
2. Maintain the fiscal integrity of the Drinking Water State Revolving Fund (DWSRF) and comply with generally accepted government accounting standards to assure continuance of loan funds for future generations.
3. Provide funding assistance to eligible public water systems for eligible projects associated with the improvement and maintenance of water treatment, storage and distribution facilities, and for consolidation or interconnection of water systems to improve service or develop capacity.
4. Use set-asides to improve source water protection and assessment efforts by providing technical and financial assistance.
5. Continue to update, develop, and implement administrative rules and guidance for carrying out the DWSRF program.
6. Continue to update, develop, and implement the capacity development strategy for existing systems.
7. Continue providing operator training by DWGWPD staff and through grants and/or contracts with third party technical assistance providers.

## **3. Public Participation**

FED recognizes that public participation and the persistent cultivation of stakeholder interests is an integral element in the development of an effective program. The public participation component in the development of this IUP is a continuation of previous comprehensive efforts. Public hearing locations are handicapped accessible. The FED will continue to cultivate and encourage public participation in the development of the IUP. In brief, the procedure for public participation in the development of this IUP included the following notifications and meetings. Copies of the public participation documents are in Section 8.

### **3.1. Direct Contacts**

Throughout the year DWSRF staff make contact with the most needy and high priority water systems to encourage them to apply to be included in the PPL. Contacts are made via on-site visits, by email and phone. Additionally, water systems are routinely directed to the DWSRF by DWGWPD staff, such as those conducting sanitary surveys.

### **3.2. Public Notices & Public Hearing**

A public notice for the development of this IUP as well as a solicitation for priority list applications and a public hearing announcement was sent on June 24, 2013 using Constant Contact to all public water system administrative contacts, stakeholder groups, and engineering consultants. A notice of availability of the draft 2013 IUP for public comment was distributed July 12, 2013 using the same method as the initial notice. A public hearing was held on July 16, 2013 to receive comments on the draft plan which included a public comment period of 10 days and closed on July 26, 2013. The adopted IUP will be sent out using the same distribution list used above for the other notifications.

### **3.3. State Website Posting**

The draft IUP was posted on both the FED and DWGWPD websites in advance of the July 16, 2013 public meeting. Notice of the July 16<sup>th</sup> public meeting was also posted on the Vermont Department of Libraries website. The adopted IUP will be posted on both websites as well.

## **4. Financial Matters**

### **4.1. State Match Provisions**

Under the provisions of the Safe Drinking Water Act Amendments of 1996 [Section 1452(e)], each State is required to deposit in the DWSRF an amount equal to at least 20% of the total amount of the capitalization grant. This amount must be deposited on the date of, or before, receiving federal payments under the capitalization grant agreements. The State of Vermont's Capitalization Grant request for FFY13 is \$8,421,000; therefore, the amount of state match funds required is \$1,684,200. A partial state match of \$705,000 is provided with funds appropriated in spring 2013 (SFY14 funds) through the annual Vermont State Capital Construction and State Bonding Act with the balance of the required match of \$979,200 available July 1, 2014.

An additional one-to-one state match of \$842,100 is also necessary for the State Program Management Set-aside. This match can be an in-kind match for money spent on PWSS work in FFY93 and FFY13 in excess of the required PWSS match under other grants. EPA has previously approved \$519,208 of FFY93 state match funds as eligible to use towards the one-to-one state match for the Program Management Set-aside. No more than 50% of the in-kind match can come from the FFY93 money, leaving \$421,050 of required match. The State of Vermont has projected that at least \$450,000 of state match in excess of that required for the PWSS program under other grants will have been spent on PWSS programs during FFY13. The total estimated match available therefore exceeds the required match for the State Program Management Set-aside. Following the close of FFY13, the State of Vermont will submit documentation to EPA together with the Program Management Set-aside workplan on the necessary state match funds based on PWSS FFY93 and actual state expenditures during FFY13.

## 4.2. Funding Breakdown

The State of Vermont will have a total of \$10,105,200 in new funds for the FFY13 DWSRF Program, consisting of \$8,421,000 in federal funds and \$1,684,200 in state match. This amount is to be divided between set-aside activities and loans for water system facility improvements. Additionally, revolving fund interest earnings, loan repayments and uncommitted prior year revolving loan funds, which are currently projected to total \$4,216,316, will be used to fund construction projects on the 2013 PPL.

### 4.2.1. Set-asides

The State of Vermont does not intend to take the full amount of set-asides allowed for in the DWSRF federal rule. If all the set-asides were maximized, \$2,610,510 of the \$8,421,000 would be allocated to them. Instead, the State is proposing to use \$2,000,830 for set-aside activities, which is 23.8% of the federal grant and 19.8% of the combined federal grant and state match. More specific information on the use of the set-asides is provided in Section 6 with a summary of the amounts taken for each set-aside in Section 6.5 of this IUP.

### 4.2.2. Facility Improvement Loans

The State is proposing to spend \$12,320,686 for construction projects. This amount includes \$6,420,170 of new federal funds, \$1,684,200 of new state funds, and an estimated \$4,216,316 of 2<sup>nd</sup> tier funds. The federal cash draw ratio for the 2013 grant will therefore be \$6,420,170/\$8,104,370, or 79.2%. The 2013 DWSRF PPL (Section 9) identifies Anticipated Loan Recipients' projects with a total estimated cost \$12,320,686, which is sufficient to provide loans to the first 16 projects on the comprehensive list.

EPA requires a payment schedule for planning the obligation of federal funds. A federal payment is defined as an increase to the ceiling in the Automated Standard Application for Payment System (ASAP).

Each payment occurs at the beginning of a quarter with planned commitments to be made through the end of that quarter. Except for the set-aside payments taken the first quarter, loan commitments in an amount equal to each federal plus state match payment must be made within one year of the payment date, in accordance with the Safe Drinking Water Act Amendments of 1996.

Payment No.	Federal Fiscal Year		Amount
	Quarter	Date	
1	2013-4	7/1/2013 – 9/30/2013	\$2,000,830
2	2014-1	10/1/2013 – 12/30/2013	\$1,524,170
3	2014-4	7/1/2014 – 9/30/2014	\$2,475,830
4	2015-1	10/1/2014 – 12/30/2014	\$2,000,000
5	2015-2	1/1/2015 – 3/31/2015	\$420,170
Total			\$8,421,000

### **4.3. DWSRF Disbursement Schedule**

EPA requires an estimated disbursement schedule for planning the outlay of federal funds. Below is the schedule for the new funding of \$8,421,000.

<b>Disbursement Quarter</b>	<b>Amount</b>
4QFFY2013	200,000
1QFFY2014	500,000
2QFFY2014	1,500,000
3QFFY2014	2,000,000
4QFFY2014	2,000,000
1QFFY2015	1,000,000
2QFFY2015	1,000,000
3QFFY2015	221,000
Total	\$8,421,000

### **4.4. Criteria and Method for Distributing Funds for Improvement Projects**

Projects with a total cost not exceeding the estimated funds available for the Priority List during this funding cycle are those projects designated with an ‘F’ in the 3<sup>rd</sup> column of the priority list. Projects that have a ‘C’ in the 2<sup>nd</sup> column of the list are continuing from a prior year’s priority list. These fundable projects are also referred to as “Anticipated Loan Recipients” (ALRs). Available funds will be used for the 16 highest ranking projects on the list. For projects added to the list that are not designated ALR, funding will be provided in priority order if funds become available during the funding cycle through the bypass procedure described in the Priority System Section (Section 5.3.8) and/or as a result of any projects coming in under their originally anticipated budgets. Projects that are ready to proceed but are not in the fundable range must notify FED in writing prior to the September 30, 2015 deadline to be considered for funding in the event project bypass is implemented. The ALRs are those projects with the highest ranking that comply with the following:

- Under federal requirements, at least 15% of the available funds for projects, or \$1,848,103 must be used for projects serving communities with populations of less than 10,000 persons. None of the systems to be funded have a population of 10,000 or more, so this requirement is met.
- As required in Vermont legislation, funds for private water systems are limited to 20% of the available funds for projects, or \$2,464,137 unless there are insufficient municipal projects ready to proceed and additional funds are available. There are currently 2 private water systems that are ALR’s in the amount of \$543,254, which is well below the 20% limit.
- As required in federal law applicable to the 2013 grant, no less than 20% or more than 30% of the federal grant shall be provided in the form of loan subsidy. This equates to a floor of \$1,684,200 and a ceiling of \$2,526,300 of the federal funds. Subsidy can be in

the form of grants, principal forgiveness or negative interest loans (or any combination of these). The subsidy for the list of ALRs is projected to be met by providing negative interest pursuant to current program methodologies to disadvantaged communities to meet the minimum required. The aggregate negative interest is estimated to total \$1,690,000; however, in the event actual subsidy is less than the minimum required, additional subsidy will be provided through targeted principal forgiveness for those most in need. We will manage the subsidy requirement by increasing the principal forgiveness to offset any reduction in negative interest following the last loan award from the priority list. Principal forgiveness will be granted to any system which receives affordability points (see section 5.1.3; 1 point=\$10,000 in principal forgiveness).

Criteria for determining loan interest rate and term are codified in state statute. Additionally, Section 10 - Program Description includes a summary of the applicable rates and terms for the various types of loans available from the DWSRF. A preliminary loan rate determination has been made for all projects on the Priority List in accordance with federal and state requirements.

The proposed method and financial terms for distributing project funds presented in this IUP should have a negligible impact on the long term financial status of the DWSRF. Principal and interest payments on loans plus the interest earnings on the fund balance are deposited into the DWSRF and made available for future water system capital improvement projects. The use of federally allowed subsidization from the capitalization grants are managed to ensure that these non-repayment funds enhance the program rather than result in long term detrimental consequences. The only other funds lost for revolving are those withdrawn for authorized set-aside uses and include: DWSRF Administration, Technical Assistance, PWSS Program, and Local Assistance. It is worth noting, within the Local Assistance Set-Aside is the Local Assistance State Revolving Loan Fund (LASRF), which provides planning and design engineering loans to eligible systems. This program has established a revolving nature with loan repayments totaling approximately \$4,500,000, which are made available to fund additional projects. Lending procedures used by the Vermont Municipal Bond Bank (VMBB) for municipal loans and the Vermont Economic Development Authority for loans to private entities include safeguards structured to minimize unforeseen losses to the fund. Additionally, the placement of the DWSRF within the financial structure of the VMBB guarantees that the Program will benefit in the long term from the management and financial planning expertise of this organization.

#### **4.5. Disadvantaged System**

The State of Vermont recognizes the need to provide additional assistance to certain water systems beyond what the standard DWSRF construction loan program offers. The disadvantaged system program is intended to provide longer loan terms and principal forgiveness to water systems that have relatively low income and relatively high water user costs. Unlike the standard loan program, certain disadvantaged systems are eligible for debt forgiveness as a means of making a water improvement project more affordable.

##### **4.5.1. Community Water System Disadvantaged Program**

A community water system is considered disadvantaged when certain conditions are satisfied. First, the municipality in which the water system is located or the users of the water system must have a median household income (MHI) below the average of the community median household

incomes of the state. Second, the water system must have an annual household water user cost greater than 1.0 percent of the median household income after construction of the proposed water supply improvements, or, for municipal applicants, if the MHI is at or above the state average of community MHIs, the water system must have an annual household water user cost greater than 2.5 percent of the median household income after construction of the proposed water supply improvements. The median household income of the system will either be taken from the most recent federal census data for the municipality or be determined from the area served by the water system based upon data gathered by an independent contractor hired by the applicant water system. The water system has the option of choosing which method is used to determine the median household income, although the Secretary of the Agency of Natural Resources shall make the final determination. The cost of the independent contractor may be included in the total project cost. The user cost of the water system shall take into account the monies needed to cover the project cost, prior drinking water projects, and the estimated annual operation and maintenance costs as determined by the Secretary. Disadvantaged municipally-owned water systems and privately-owned nonprofit community water systems that have an MHI below the state average are eligible to receive assistance in the form of negative interest.

Projects will be ranked using the priority system. Based on preliminary information, estimated subsidies from the Disadvantaged System Program are included on the priority list. Disadvantaged systems are eligible to receive loans up to 30 years in length and receive interest rates between plus three (+3) percent and minus three (-3) percent. The interest rate cannot be less than that necessary to achieve a target annual household user cost of 1.0 percent of the median household income of the municipality in which the water system is located or of the users of the water system. To achieve the target annual household user cost, a mixture of debt forgiveness, standard DWSRF loan rates, and extended loan terms will be offered. First, disadvantaged systems will have the loan extended from 20 to 30 years provided that the primary funded project elements have a design life equal to or greater than the term of the loan. If this action does not achieve the target annual household user cost, the interest rate will be incrementally reduced from plus three (+3) percent to zero (0) percent for systems that have an MHI at or above the state average to minus three (-3) percent for systems that have an MHI below the state average to achieve the target rate. If a disadvantaged system's user cost still exceeds the target annual household user cost after receiving the maximum debt forgiveness, no additional loan subsidy will be granted.

The application of the disadvantaged system program will be based on the best available information when the Department of Environmental Conservation approves the loan application. All other subsidies obtained from other institutions that will reduce the project and user cost shall be considered when calculating whether a system is disadvantaged or not. Normally, the total subsidy (negative interest plus principal forgiveness) for all loans cannot exceed 30 percent of the amount of the capitalization grant in any given year, with the exception of the federal ARRA FFY2009, FFY2010 and this year's FFY2011 appropriations to date. Other than the exceptions noted above, if the full amount of subsidy is met for a given priority list, any remaining projects eligible for subsidy can either receive standard loans for that funding year or delay the project so they may avail themselves of disadvantaged program funding in the future. The Secretary shall make the determination whether to defer the project based on public health and other factors.

#### **4.5.2. School Water System Disadvantaged Program**

Public funding for schools in Vermont is controlled by the State to ensure that all Vermont children have equal access to resources for education through high school. The complicated system of state wide property tax, property tax rebates and local school district property tax sharing requirements makes all municipally owned school water systems equally disadvantaged and typically discourages them from making needed water system improvements. All municipally owned public school water systems are eligible for loan principal forgiveness under the disadvantaged program.

Projects are ranked in accordance with the priority system. Loans for water system improvements to schools have a maximum term of 20 years and an interest rate of 3%. To make school system water projects more affordable, up to \$25,000 of the principal of a construction loan may be forgiven when the following conditions are met:

- 1) The system demonstrates capacity;
- 2) The system is in compliance with the Vermont Water Supply Rule including any temporary operating permit or other compliance schedule;
- 3) A Department of Environmental Conservation construction permit has been obtained and all conditions of the construction permit satisfied;
- 4) Competitive procurement procedures in accordance with Agency of Natural Resources (ANR) requirements were followed; and
- 5) A Professional Engineer or ANR staff has verified the completed work.

More detailed guidance on eligibility and procedures is provided in DWSRF Guidance Document No. 24. The standard ANR procedures for obtaining a loan must be followed and the system will not be eligible for principal forgiveness if the applicable 30% limit on loan subsidies has been reached by projects higher on the priority list, except as for projects funded off the ARRA FFY2009, FFY2010, and FFY2011 lists.

#### 4.6. Financial Status of Drinking Water State Revolving Fund

As part of the Intended Use Plan, states must report on the financial status of their DWSRF. The first capitalization grant was awarded September 30, 1997 and cumulative loan awards made since program inception through 6/30/2013 is \$131,614,298, excluding loans awarded with ARRA 2009 funds. Please note that due to the accelerated schedule for preparing this IUP the Facilities Engineering Division is still in the process of reconciling the programmatic financial information, including information pertaining to the set-aside funds and if adjustments are needed the goal is to have these reflected in the Biennial Report due September 30, 2013. The following table summarizes the fund balance at June 30, 2013 and the projected receipt of additional funds and loan awards through state fiscal year (SFY) 2014, again excluding receipt and use of ARRA 2009 funds.

Projected Loan Award Transactions Thru FFY13 PPL	Loan Awards	Total Loan Funds	Federal Funds	State Match Funds	Loan & Fund Interest	Repayments and Misc.
Cumulative Funds at 6/30/13	(131,614,298)	\$25,099,430	7,774,157	3,313,075	2,769,748	11,242,450
Transactions SFY2014						
Projected 2 <sup>nd</sup> Tier Funds		4,363,670			400,000	3,963,670
FFY 12 Grant & State Match		8,637,540	6,842,540	1,795,000		
FFY13 Grant & State Match		2,229,170	1,524,170	705,000		
Pending Loans Awards	(4,866,271)					
Projected Prior Year PPL Loans	(30,703,202)					
FFY13 PPL Loans (partial)	(4,760,337)					
Cumulative Projected SFY14	(40,329,810)	40,329,810	16,140,867	5,813,075	3,169,748	15,206,120
Carryover for FFY13 PPL		0				
Transactions SFY2015						
Projected 2 <sup>nd</sup> Tier Funds		4,400,000			400,000	4,000,000
FFY13 Grant & State Match		5,875,200	4,896,000	979,200		
FFY13 PPL Loans (balance)	(7,560,349)					
Projected Carry Forward FFY14 PPL		2,714,851			200,000	2,514,851

Actual Plus Anticipated Funding Commitments by Priority List	
FFY 1997 Priority List	\$12,490,858
FFY 1998 Priority List	\$5,046,384
FFY 1999 Priority List	\$6,330,532
FFY 2000 Priority List	\$7,982,165
FFY 2001 Priority List	\$10,156,886
FFY 2002 Priority List	\$9,135,730
FFY 2003 Priority List	\$8,846,618
FFY 2004 Priority List	\$11,174,326
FFY 2005 Priority List	\$6,339,892
FFY 2006 Priority List	\$9,966,461
FFY 2007 Priority List	\$7,929,206
FFY 2008 Priority List	\$10,692,845
FFY 2009 Priority List	\$14,609,641
FFY 2010 Priority List	\$15,607,100
FFY 2011 Priority List	\$11,947,706
FFY 2012 Priority List	\$18,927,421
FFY 2013 Priority List	\$12,320,686
<b>Total Funding Commitments</b>	<b>\$179,504,457</b>

Note: Commitment amounts for any given fiscal year's PPL are subject to change following final project audits.

<b>Total Loan Program Funds Projected thru SFY15 Excludes ARRA 2009 Funds (Obligated + Unobligated)</b>			
	<b>Federal</b>	<b>State</b>	<b>Total</b>
FFY 97 Cap Grant	\$10,399,392	\$2,511,760	\$12,911,152
FFY 98 Cap Grant	\$5,505,827	\$1,424,260	\$6,930,087
FFY 99 Cap Grant	\$6,045,972	\$1,492,760	\$7,538,732
FFY 00 Cap Grant	\$6,241,580	\$1,551,400	\$7,792,980
FFY 01 Cap Grant	\$5,856,754	\$1,557,820	\$7,414,574
FFY 02 Cap Grant	\$6,264,100	\$1,610,500	\$7,874,600
FFY 03 Cap Grant	\$6,593,314	\$1,600,820	\$8,194,134
FFY 04 Cap Grant	\$6,391,744	\$1,660,620	\$8,052,364
FFY 05 Cap Grant	\$6,394,868	\$1,657,100	\$8,051,968
FFY 06 Cap Grant	\$6,129,679	\$1,645,860	\$7,775,539
FFY 07 Cap Grant	\$6,031,592	\$1,645,800	\$7,677,392
FFY 08 Cap Grant	\$6,088,847	\$1,629,200	\$7,718,047
FFY 09 Cap Grant	\$5,747,505	\$1,629,200	\$7,376,705
FFY 10 Cap Grant	\$9,976,155	\$2,714,600	\$12,690,755
FFY 11 Cap Grant	\$6,922,230	\$1,884,160	\$8,806,390
FFY 12 Cap Grant	\$6,842,540	\$1,795,000	\$8,637,540
FFY 13 Cap Grant	\$6,420,170	\$1,684,200	\$8,104,370
<b>Subtotals</b>	\$113,852,269	\$29,695,060	\$143,547,329
Cumulative Interest Earnings Projected at 6/30/14			\$5,189,491
Cumulative Net Loan Repayments Projected at 6/30/14			\$29,612,216
Projected Net Interest and Repayments during SFY15			\$3,870,272
<b>Total Project Funds</b>			<b>\$182,219,308</b>
Admin Fee Account Projected at 7/1/14			\$2,646,869
<b>Total Funds</b>			<b>\$184,866,177</b>

See Section 9.3 for a list of funding commitments for all pending loan approvals for prior years' projects.

#### **4.7. Administrative Fee Account**

Administrative fees generated in the program can only be used for administration of the SRF Program or to fund additional projects on the project priority list. The funds in this account are being reserved to sustain the administrative function of the program when the state is no longer receiving federal capitalization grants with the 4% Administrative Set-aside or to supplement it as needed. The following table provides the current administrative fee account balance and a projection of the additional administrative fees the program anticipates receiving through SFY14.

<b>Admin Fee Account</b>	
Fund Balance 7/1/2013	\$2,216,869
Additional Fees Projected thru 7/1/14	\$430,000
Fund Balance Projected at 7/1/14	\$2,646,869

#### **4.8. DWSRF and CWSRF Transfer**

The Safe Drinking Water Act Amendments of 1996 (Section 303) allow a state to transfer up to 33% of the DWSRF capitalization grant from the DWSRF to the Clean Water State Revolving Fund (CWSRF) or an equivalent amount from the CWSRF to the DWSRF. This transfer is at the Governor's discretion. Vermont does not intend to transfer any money between these funds, although the right is reserved to do so at a later date.

## **5. Priority Ranking System**

The State of Vermont will continue to use a point system to prioritize the order in which eligible water supply system projects that are ready to proceed will be financed. To be eligible, projects must maintain or facilitate compliance with the drinking water regulations or further the protection of public health. The projects must also be needed and the proposed type, size and estimated cost of the project must be suitable for its intended purpose. Additionally, the water system must have or will have the technical, financial and managerial capability to operate the system in compliance with federal and state law and the system must not or will not be in significant noncompliance with the regulations. Projects on the list should anticipate needing the estimated funding during the next year. Projects will be phased if appropriate. Projects for final design are expected to submit a loan application together with a draft engineering services agreement prior to October 1st of the following year. Projects requesting construction funds are expected to advertise for bids prior to the October 1st deadline.

Priority in funding will be given to projects that address the most serious risk to human health, are necessary to ensure compliance with the requirements of the Safe Drinking Water Act (SDWA) and the Vermont Water Supply Rule (WSR), and assist systems most in need according to State affordability criteria. Examples of projects that might meet these goals include repairing or replacing aged infrastructure (e.g., install or replace/upgrade treatment, storage, or transmission facilities), water system restructuring such as consolidation of systems, or management changes to ensure technical, managerial, and financial capabilities of the water utility. Projects not eligible include operation and maintenance costs, future growth, fire protection, and laboratory fees for monitoring.

Municipal projects to purchase land or conservation easements for the purpose of protecting public drinking water supplies and planning projects are also prioritized using this system. Separate priority lists will be maintained for each of the loan types.

### **5.1. Priority Ranking System Scoring Criteria**

There are seven criteria used to prioritize projects. The criteria used will be determined based on the loan fund used to fund the project. Criteria one through five and seven (Section 5.1.1 through Section 5.1.5 and 5.1.7) will be used for the Revolving Loan Construction Fund and Planning Loan Fund and criteria 3 through 6 (Section 5.1.3 through Section 5.1.6) for the Source Protection Loan Fund.

The priority ranking system scores projects based on information submitted by water systems and from information in the DWGWPD files. The seven criteria are:

1. System facility deficiencies to be corrected by the project (a weighting factor of 1.2 is applied for eligible schools and childcare facilities).
2. Physical consolidation of water systems.
3. Financial need/affordability.
4. Population.
5. Downtown center preference.
6. Source protection (only applies to Source Protection Loans funded thru the LASRF).
7. Security improvements.

Priority points assigned to projects are computed in the manner described below. Projects to extend existing water systems or develop new water systems to replace contaminated non-public water sources are assigned points based on documented information on water facilities serving a majority of the homes to be served. Points for such projects are only awarded for System Facility Deficiencies (Criteria 1, Section 5.1.1) and must satisfy the EPA requirement of addressing significant threats to public health.

### 5.1.1. System Facility Deficiencies

The points assigned to each required improvement reflect the relative public health risk and compliance concern of the deficiency being corrected. Points are awarded for the deficiency corrected by the project that addresses the highest health risk and compliance concern, and represents a significant portion of the total project cost. The Secretary may phase projects for priority scoring purposes when more than one deficiency is being corrected, the associated costs of correcting each deficiency is significant, and the relative public health risk and compliance concern of the deficiencies are significantly different. A weighting factor of 1.2 will be applied to the system facility deficiency category for qualifying schools and childcare facilities, because the people served by these types of facilities are considered to be at higher risk. Priority points are awarded for the following deficiencies:

	<b>Deficiencies</b>	<b>Points</b>	<b>Description</b>
A	Microbiological Contaminated Source	120	Project will replace a documented contaminated source.
B	Contaminants above MCL	120	Project will correct a deficiency resulting in water being delivered to consumers exceeding an MCL. This project may be a new source, replacement of contaminated equipment, piping, or treatment.
C	Unapproved source of water	110	Water system is routinely using a non Drinking Water and Groundwater Protection Division permitted water source that requires a boil water or do not drink advisory. The project may include a new source or approval of the existing unapproved source.
D	Action level above DOH and DEC established levels of concern for eight chemicals (benzene; carbon tetrachloride; vinyl chloride; dibromochloropropane (DBCP); 1,2 dichloroethane; 1,2 dichloropropane; hexachlorobenzene, and tetrachloroethylene)	100	Points will also be awarded for other chemicals when DOH expresses a similar level of concern. Project may include new source, treatment or removal of contamination source.

	<b>Deficiencies</b>	<b>Points</b>	<b>Description</b>
E	Inadequate filtration performance	100	Documentation of inadequate performance should be available. This deficiency applies to filtration to control microbiological contamination or treatment to reduce an MCL contaminant. Inadequate filtration or other equipment to control secondary contaminants does not meet this criterion.
F	No treatment under influence of surface water	95	These points are awarded in those instances when a source has not been determined to be microbiologically contaminated; a) applies in those cases.
G	Inadequate chlorination or disinfection facilities	95	These points would be awarded to projects where water systems are required to continuously disinfect and maintain chlorine contact time. A project to provide equipment, controls or storage for the contact time could receive these points.
H	Daily or routine water shortages	95	These shortages should require either water conservation measures by customers, water hauling or use of an emergency source.
I	Lack of standby disinfection facilities	90	These points could be awarded for all community and non-transient non-community (NTNC) water systems without these facilities.
J	Finished storage vulnerable to contamination	90	These points could be awarded to correct a deficiency such as a reservoir with a leaking roof or within a building that is not insect or rodent proof.
K	Lead and Copper corrosion control	80	These points may be awarded for treatment systems needed to correct lead and copper corrosion control problems.
L	Contamination below MCL	80	These points may be awarded if the project is being undertaken to treat or eliminate contamination of a regulated contaminant below an MCL.

	<b>Deficiencies</b>	<b>Points</b>	<b>Description</b>
M	Seasonal water shortages	70	These points may be awarded if a water system experiences water shortages seasonally requiring hauling or water conservation measures. Improvements may include new source, increases in pump sizes or mains or treatment facilities, or replacement of leaking water mains.
N	Routine pressure below 20 psi in distribution system	70	Points may be awarded if pressure falls below 20 psi regularly on a weekly basis. Project may include storage, pumping, source, distribution or transmission facilities.
O	Source vulnerable to PSOCs	60	Points will be awarded if project is being undertaken to eliminate potential sources of contamination of a water source.
P	Pressure under 20 psi during fire flow	60	Points may be awarded if pressures will drop below 20 psi in the distribution system during system expected fire flows. Project may involve storage, transmission, pumping or distribution facilities.
Q	Redundancy of critical components	50	Points may be awarded if project will provide redundant facilities such as pumps, sources, storage or treatment facilities.
R	Iron, manganese, and other secondary contaminants	50	Points may be awarded if project will eliminate or minimize secondary contaminant problems. Project may involve replacement of piping, treatment facilities or new source.
S	Inadequate finished storage construction	50	Points may be awarded to replace or repair storage facilities. Routine operation and maintenance costs are not eligible.
T	Inadequate transmission main	40	Points may be awarded to repair or replace transmission mains. Routine operation and maintenance costs are not eligible.
U	Inadequate finished storage capacity	40	Points may be awarded to provide additional storage capacity.
V	Inadequate pumping facilities	30	Points may be awarded to replace or repair pumping facilities. Routine operation and maintenance costs are not eligible.

	<b>Deficiencies</b>	<b>Points</b>	<b>Description</b>
W	Lack of reserve capacity	30	Points may be awarded to provide system reserve capacity recommended by the Water Supply Rule. Project may include source, pumping, transmission mains or treatment facilities.
X	Inadequate cross-connection control	30	Points may be awarded to correct existing or potential cross-connection problems.
Y	Inadequate distribution facilities	20	Points may be awarded to replace or repair distribution facilities. Routine operation and maintenance costs are not eligible.
z	Inadequate backwash	20	Points may be awarded to correct inadequate back wash facilities. Projects may include pumping, storage, and backwash disposal facilities.
aa	Routine distribution pressure below 35 psi	20	Points may be awarded if project will correct distribution system pressures below 35 psi. Project may include pumping, storage, or distribution facilities.

### 5.1.2. Physical Consolidation of Water Systems

The physical consolidation of small water systems is a major factor in the capability of small systems to protect public health and comply with Safe Drinking Water Act regulations. The following points will be awarded to projects that consolidate systems. Higher points are awarded to projects that will have a greater positive impact on compliance and protecting public health. Points are awarded for only one of the four sub-criteria. Points for this criterion are not awarded for projects primarily intended to extend existing or create new water systems.

<b>Description (points received for 1 of the 4 areas only)</b>	<b>Priority Points</b>
Consolidation of interconnection of community system lacking capacity	20
Consolidation or interconnection of community system	15
Consolidation or interconnection of NTNC systems	10
Consolidation of interconnection of TNC systems	5

### 5.1.3. Financial Need/Affordability

Affordability only considers income because it is the most fundamental predictor of a household's ability to pay and is represented by the median community household income statistic. Affordability is based on a comparison of state community median household income (SCMI) to the median household income (MHI) of the water system or of the town(s) in which the system exists. The SCMI figure is \$59,105 (\$38,394\*1.04<sup>11</sup>) based on the 2000 federal census and inflated 4% per year beginning with the FFY 03 priority list. For water systems that

encompass more than one town, the MHI is based on the weighted number of household connections in each town if the MHI is to be based on town figures. The formula for affordability involves first dividing the community water system MHI by the SCMI (\$59,105), and then multiplying this figure by one hundred (100) to yield a percentage. Different percentage brackets are then assigned points. Points for this criterion are not awarded for projects primarily intended to extend existing or create new water systems.

<b>Affordability (Community MHI/SCMI x 100 = X)</b>	<b>Priority Points</b>
X < 60	35
60 < X < 70	25
70 < X < 80	15
80 < X < 90	10
90 < X < 100	5
100 < X < 120	2
X > 120	0

#### **5.1.4. Population Criteria**

Priority points will be assigned to the system based on population. Small systems are generally at a disadvantage because of economies of scale (affects ability to do physical improvements, improve system capacity, etc.); projects for small systems have a greater impact on protecting public health and compliance with regulatory requirements than projects for larger systems.

<b>Population</b>	<b>Priority Points</b>
25 to 100	20
100 to 200	15
200 to 300	10
300 to 500	5
500 to 3300	3
> 3300	0

The point values for population will be multiplied by a factor of 3 for the set-aside planning loan fund to give higher priority to small systems. Population used for assigning points will be total population served including seasonal population. Populations for unserved areas will be total estimated population of the geographical area to be served. Points for this criterion are not awarded for projects primarily intended to extend existing or create new water systems.

#### **5.1.5. Downtown Area Preference**

The points assigned for this factor will give minimal priority to projects that improve service to designated downtown areas.

<b>Downtown Area Preference</b>	<b>Priority Points</b>
Project improves service to a designated downtown area	5

#### **5.1.6. Security Projects**

Projects receiving technical points “a” through “aa” above will be awarded the following additional points if the project includes security improvements.

<b>Security Projects</b>	<b>Priority Points</b>
Project is strictly a security improvement project.	20
Points may be awarded if project includes security improvements to water system infrastructure. Project may include fencing and gates, alarm and detection systems, lock systems or other security type improvements necessary for critical infrastructure protection.	5

### **5.1.7. Source Protection Loan – Land Purchase or Conservation Easement**

Sources must have an approved hydrogeologically delineated Source Protection Area and an approved Source Protection Plan prior to loan approval.

- a. Land location points are not additive. Points for the highest applicable improvement are counted.

<b>Land Location</b>	<b>Priority Points</b>
Project achieves isolation zone control	40
Project achieves primary recharge zone control	10

- b. Potential Sources of Contamination (PSOCs) addressed. Points are not additive, and are awarded for the highest applicable improvement.

<b>PSOCs addressed</b>	<b>Priority Points</b>
Project addresses microbiological PSOCs	20
Project addresses nitrate PSOCs	15
Project addresses primary inorganic or organic PSOCs	10

## **5.2. Refinancing of Existing Facilities**

The DWSRF construction loan program may be used to buy or refinance municipal debt including all obligations for DWSRF eligible projects. Under federal law, privately owned systems (both profit and nonprofit) are not eligible for refinancing. The long-term debt must have been incurred and construction must have started after July 1, 1993 to be eligible for refinancing. The use of DWSRF funds are intended to be first directed at proposed projects that address ongoing compliance problems or public health risks.

State legislation allows for loans to systems that incurred debt and initiated construction after April 5, 1997 at interest rates and terms comparable to those for new projects. Projects that have initiated or completed construction in accordance with DWSRF environmental and procurement requirements will receive priority ranking using the procedure described for new projects for the next two annual priority lists compiled following the initiation of construction. All other applications to refinance existing debt or fund completed construction will not be considered.

## **5.3. Construction Loan Fund Priority List**

The fund provides construction loans to municipalities and certain privately-owned water systems for planning, design, construction, and repairing or improving public water systems to comply with State and Federal standards and protect public health. The projects that are ready to

proceed in the Federal fiscal year October 1 - September 30 are assigned points in accordance with the Priority Ranking system scoring criteria. Project funding is based on priority score and the following considerations:

### **5.3.1. Projects Partially Funded in Prior Year**

Projects that received partial funding from the construction loan fund in the current state fiscal year are placed at the top of the priority list. If there is more than one such project, priority order of these projects will be determined by priority score. Partial funding includes final design and/or partial construction. Planning and feasibility study loans are not considered partial funding. The water system must have submitted a loan application and Facilities Engineering Division funding commitments must be made prior to July 1st to receive this consideration; projects that have received in excess of \$7.5 million for construction costs are not eligible.

### **5.3.2. Commingling of New Projects with Continuing Projects**

At the Department's discretion, Continuing projects will be commingled with new projects receiving technical priority points in the categories a., b., and c. listed in Section 5.1.1, i.e., for a microbiological contaminated source, 120 points; contaminants above MCL, 120 points; and unapproved source of water, 110 points, respectively. New projects with technical points in one of these three categories will be commingled with continuing projects based on the total amount of points available for the project. The projects will be funded in priority order.

### **5.3.3. Tie Breaking Procedure**

When two or more projects score equally under the project priority system, the higher total score under the system facility deficiencies criteria will be used as a tiebreaker. If the projects are still tied, the system serving the lowest population will be given priority.

### **5.3.4. Amendments**

The state revolving fund priority list may be amended up to twice a year to consider updated or new information from water systems. A public participation process will be followed for any amendments to the priority list.

### **5.3.5. Funding Cap**

All three loan funds have maximum annual funding limits. No more than the following amounts of funds available in any given year can go to a single project, except when there is a surplus of funds, or when the Secretary specifically approves an exception.

<b>Loan Fund</b>	<b>Funding Cap</b>
Construction Loan Fund	\$2,500,000
Source Protection Loan Fund	\$250,000
Planning Loan Fund	\$150,000

### **5.3.6. Bypass System**

It is the intention of the state of Vermont to adhere to the priority list to the maximum extent possible. However, there are certain funding limits that could result in changes to the list. Also, the state recognizes that some systems may not be ready to proceed or emergency events could occur that would necessitate systems being bypassed in a given funding year. Anticipated Loan Recipients with a total cost of projects that does not exceed the estimated funds available during

the fiscal year are identified in the Intended Use Plan.

### **5.3.7. Bypassed Projects**

Bypassed projects in any given year may be eligible for funding in the next funding year. The projects will be considered for the following year's project priority list. Updated information on project plans and scheduling will be required. Projects that will be bypassed will receive formal written notification in advance of being bypassed.

Programs funded under the technical assistance and the local assistance set-aside will be used to assist bypassed systems with pre-project activities required for project approval and funding.

### **5.3.8. Bypass Mechanisms**

#### **5.3.8.1. Small Water Systems**

A minimum of 15 percent of the DWSRF monies must go to systems serving fewer than 10,000 persons. Meeting this minimum funding requirement should not be a problem in Vermont since all but eight systems serve a population of fewer than 10,000 people. However to ensure compliance with this item, the projects on the list serving more than 10,000 people will be bypassed in any given year by the highest priority projects serving fewer than 10,000 people as necessary to meet the 15% funding requirement for the Anticipated Loan Recipients.

#### **5.3.8.2. Private Water Systems**

A maximum of 20 percent of the available funds for projects can go to privately owned water systems. If necessary, privately owned water system projects on the list will be bypassed to comply with the 20% limitation for Anticipated Loan Recipients.

#### **5.3.8.3. Financial Capacity or Readiness**

Systems that have not demonstrated financial capacity (e.g., positive bond vote) or are not ready to proceed (i.e., do not meet schedules approved by the Department of Environmental Conservation such as feasibility and engineering studies, final design, construction or signed agreements) may be bypassed in any given funding year. In general, projects requiring bond votes with fund commitments will be bypassed if there is not a positive bond vote by March 2015. When projects not meeting the eligibility guidelines are bypassed, the highest priority projects not identified as Anticipated Loan Recipients will become eligible for funding, utilizing the monies made available. In general, new funding commitments will not be made after September 30<sup>th</sup> of the funding year. Any uncommitted funds identified after September 30<sup>th</sup> can be awarded to those projects outside the fundable range that have notified FED in writing prior to September 30<sup>th</sup> of project readiness and determined by FED to meet readiness-to-proceed criteria. Such additional projects will be funded in priority order. Any remaining funds will be used to fund projects on the following year priority list.

#### **5.3.8.4. Disadvantaged Community**

When grant awards limit loan subsidy, systems qualifying for disadvantaged assistance can elect to be bypassed if they are not able to receive loan subsidy

because an annual maximum has been reached, which with most grants is 30%, exceptions being the ARRA 2009, the 2010, and 2011 federal grants. The highest priority project(s) not identified as Anticipated Loan Recipients will then be selected for funding up to the dollar amount allocated to the bypassed project. Lack of funding does not alter the obligation of the bypassed system to comply with the SDWA and WSR regulatory requirements.

#### **5.3.8.5. Emergencies**

Systems either on or off the Priority List that experience an emergency resulting in an imminent and substantial threat to the public health may bypass all other projects and may be assigned top priority. Emergency additions to the Priority List will result in the lower priority projects identified as Anticipated Loan Recipients being bypassed. The number of projects bypassed will depend upon the amount of funds needed to cover the emergency. Projects that may be required to address such a health risk could involve installation of treatment facilities, construction of a new water source, or replacement of a failed system element.

#### **5.3.9. Minor Changes to Fundable Projects**

Once a project is determined to be fundable, minor scope changes that occur during project development or during construction may be eligible without having to re-rank the project. This will be acceptable provided the project scope includes correction of the facility deficiency that was the basis for the points awarded to the project on the adopted list.

### **5.4. *Planning Loan Fund***

The planning loan fund provides loans to municipalities and privately owned non-profit community water systems (other privately owned water systems are not eligible) for preparation of preliminary engineering planning studies and final engineering plans and specifications for water system improvement projects. The maximum annual loan amount for planning loans is \$150,000, except when there is a surplus of funds or the Secretary specifically approves an exception. Note: the planning loan fund is currently at surplus so loan amounts exceeding the cap can be approved. Priority list applications for planning loans may be submitted at any time for projects that are ready to proceed. Proposed projects that are ready to proceed are assigned points in accordance with the priority ranking system scoring criteria and available funds are used to fund the projects with the highest scores. Initial funding commitments for new funding will be made based on priority list applications received on or before October 1st. Additional projects are funded in priority order as funds become available. Water systems are given 60 days to submit loan applications following notification of available funds. Additional time to submit applications based on a project schedule approved by the Facilities Engineering Division may be authorized by the DWSRF Program Manager. Expenditures by the applicant prior to fund commitment by the Department are not loan eligible. Assigning points and prioritization of planning loans will only be implemented when planning loan requests equal the current balance of unobligated funds, consisting of prior years' allocations, loan repayments plus fund interest.

#### **5.4.1. Planning Loan Forgiveness**

Under certain circumstances up to \$50,000 of the unpaid balance of a planning loan to a municipality may be forgiven by the Secretary. Potentially eligible preliminary engineering and design cost forgiveness will be determined by DEC using DEC guidance documents

(Engineering Fee Allowance Curve) and the completed documented construction cost eligible for revolving loan funds. The forgiveness criteria may be modified in the future based on operating experience. Procedures and eligibility criteria for planning loan forgiveness are detailed in a Facilities Engineering Division guidance document.

#### **5.4.1.1. General Eligibility Criteria**

- 1) The system must demonstrate capacity.
- 2) The system must be in compliance with the Water Supply Rule including any temporary operating permit or other compliance schedule.
- 3) The system must be current on fee payments.
- 4) A construction permit must be issued and the requirements must be satisfied including O&M manual and as-built requirements.
- 5) The loan funding agreement must be signed following the effective date of legislation authorizing loan forgiveness (June 16, 2001).

#### **5.4.1.2. Specific Eligibility Criteria**

Projects must meet at least one of the criteria below to qualify for forgiveness.

- 1) Construction of the project was completed using non-Drinking Water State Revolving Loan Funds (DWSRF) and the project did not receive other state appropriated funds for project costs.
- 2) If the project serves a small population, the maximum forgiveness shall be \$25,000. Projects for systems serving populations of 300 or fewer shall receive 100 percent of eligible forgiveness. The percent eligible for forgiveness for systems serving 300 to 500 populations shall be reduced by 0.5% for an increase of one in the design population. Systems serving populations of 500 and above will not be eligible for any forgiveness under this criterion.
- 3) User rates exceed 2% of the median household income. The amount of forgiveness will be determined by increasing the forgiveness until the 2% target, the \$50,000 maximum, or the amount of the unpaid balance is reached. The annual planning loan cost to the municipality will be determined using construction loan terms and interest rates for DWSRF funded projects.

### **5.5. Source Protection Fund**

The source protection fund provides loans to municipalities (privately-owned water systems are not eligible) for purchasing land or conservation easements in order to protect public water sources and ensure compliance with drinking water regulations. Priority list applications for land purchase or conservation easement projects may be submitted at any time for projects that are ready to proceed. The proposed projects are assigned points in accordance with the Priority Ranking System Scoring Criteria; projects are funded in priority order when funds become available. Water systems are required to submit a project schedule for approval by the Facilities Engineering Division within 30 days of notification of available funding.

## **6. Information on Set-asides**

The State of Vermont plans to set aside \$2,000,830 (23.76%) of the Capitalization Grant for various non-construction related activities that are authorized in the Safe Drinking Water Act Amendments of 1996. These activities are often vital to water systems so that they can develop and maintain the financial, technical, and managerial capacity to run their system effectively. A

portion of the set-aside money will be used to develop and implement programs within state government necessary to implement the DWSRF and the SDWA Amendments of 1996.

The SDWA provides guidance for a variety of uses of the set-aside money. The set-aside money will be placed in separate accounts outside the Project Fund. The SDWA allows for transfers between the set-aside accounts, and from the Set-aside Account to the Project Fund Account, but not from the Project Fund Account to the Set-aside Account. The set-aside amounts and Project Fund amounts are the current best estimates of the funds required to complete the programs and projects described in the IUP. Transfers of funds between accounts and projects in accordance with EPA requirements will be made as necessary to accomplish the programs and projects described and efficiently and effectively use the available funds. The SDWA limits the percentage of the capitalization grant that can be used in each of these set-asides and whether the set-aside funds can be “banked” or reserved for future use.

### **6.1. DWSRF Administrative Set-aside**

Up to 4% of the capitalization grant can be used for the DWSRF Administrative Set-aside. The full 4%, \$336,840, will be taken for the various uses described below. The maximum 4% administrative set-aside has been taken each year. Expenditures are made from the earliest fiscal year funds available. Total administrative set-aside funding awarded through July 1, 2013 (inclusive of ARRA 2009 funds) is \$6,382,060. With the award of the FFY13 funds, the total will be \$6,718,900.

The set-aside will be used to pay for approximately 1.6 FTEs within the Facilities Engineering Division to support their role in project development and financial management of the DWSRF. Project development activities include reviewing engineering contracts, ensuring that state and federal guidelines are followed, monitoring and approving funding obligations, environmental reviews, project approvals, preparation of the IUP and grant applications, preparation of reports, and legislative testimony in support of the state match. Financial management activities include coordination/preparation of loan documents, maintaining project financial records, approving loan disbursements, completing project audits, inspections, managing loan closeouts, monitoring loan repayments, managing compliance with Federal Cross-cutting Authorities, and general program accounting. Additional FTEs performing work in the DWSRF Program are funded through other sources.

As part of the financial administration required by Vermont Statute and federal guidelines, set-aside funds will be used for financial administration of the DWSRF. This money will go to other state agencies or authorities in accordance with Memoranda of Understandings contained in the FFY97 Capitalization Grant Application and subsequently amended. Briefly, these organizations consist of the Vermont Municipal Bond Bank, which is responsible for the overall fund and is a party to all loan awards to municipal applicants, and the Vermont Economic Development Authority, which is responsible for conducting creditworthiness reviews of loan applicants for privately-owned water systems and is a party to those loans.

### **6.2. State Program Management Set-aside**

Up to 10% of the capitalization grant can be used for the DWSRF Program Management Set-aside, plus up to the amount of authority reserved from prior capitalization grants. The state is requesting to take \$842,100 or the full 10% of the grant for the Program Management Set-aside.

The State Program Management Set-aside can be used to fund a variety of SDWA required programs, including emergency support and various federal Public Water Supply Supervision programs. This year's Program Management Set-aside funds will be used to fund Drinking Water and Groundwater Protection Division personnel costs.

### **6.2.1. DWGWP Division Personnel Costs**

Amount - \$842,100

The money will provide funding for approximately 6.0 FTEs and associated operating costs. Duties of the FTEs include capacity development, consumer confidence report assistance, adoption and implementation of new regulations, implementation of new and existing federal rules, source water assessment and protection, planning, outreach, data management, engineering and construction supervision, compliance supervision, and other drinking water program activities.

### **6.2.2. Continued Activities Using Prior Year Funds**

A number of programs described and funded under prior IUPs are still active but do not require additional funding this year. These include Drinking Water and Groundwater Protection Division owner/operator communications, group training and one-on-one technical assistance, Public Service Board user rate setting assistance, board member/owner's manual, consolidation assistance, emergency support, electronic permits & fees, SDWIS State, DWGWPD personnel and operating expenses. If limited additional funding is required for some of these programs, funds will be transferred between the various program management set-aside activities.

## **6.3. *Small Systems Technical Assistance Set-aside***

The State of Vermont has chosen to take the allowed 2% of the DWSRF for the Small Systems Technical Assistance Set-aside and continue activities initiated with the FY 97 Capitalization Grant. The state is requesting the full amount of FFY13 funds available for this set-aside, or \$168,420. These funds will be combined with the funds remaining from previous grants to provide technical assistance to small public water systems.

### **6.3.1. Asset Management Technical Assistance Program**

Amount - \$70,000

The Facilities Engineering Division is proposing to fund a position to provide direct technical assistance to communities for developing water system infrastructure asset management plans. The position is envisioned to provide technical assistance to multiple communities in getting them started with an asset management program as well as providing on-going assistance to the community as they develop their program.

### **6.3.2. Leak Detection Surveys**

Amount - \$80,000

The Facilities Engineering Division is proposing to hire a contractor to provide free leak detection surveys to Vermont community water systems serving populations of less than 10,000 persons. The program would be modeled after a similar program developed in 2012 by the State of New Hampshire and funded through their Drinking Water SRF set-asides.

### **6.3.3. Flood Vulnerability and Emergency Preparedness Assessments**

Amount - \$18,420

Additional funding provided to the Drinking Water and Groundwater Protection Division to fund a position to conduct flood vulnerability and emergency preparedness assessments for small community water systems.

### **6.3.4. Continuing Activities**

Past years' funds will be used for a number of programs described in prior IUPs, which include the operator training contract with the VRWA, possible resumption of a multi-year engineering contract to provide operational troubleshooting assistance to small water systems, additional funding for DWSRF assistance for income surveys, archeological and legal services, energy and water conservation audits, and asset management assistance.

## **6.4. *Local Assistance and other State Programs Assistance Set-asides***

States are authorized to take up to 15% of the capitalization grant for this set-aside. The authorized activities under this set-aside include a land acquisition and conservation easement loan program, a voluntary source water quality protection efforts loan program, establishment and implementation of a wellhead protection program, and technical and financial capacity implementation. No more than 10% of the capitalization grant can be used for any one of these authorized activities. The State of Vermont is requesting to take \$653,470 for this set-aside, which is 7.76% of the capitalization grant.

### **6.4.1. Capacity Implementation**

Capacity implementation includes a variety of activities to support the development and implementation of technical, financial, and managerial capacity for public water systems. The Facilities Engineering Division will allocate \$601,365 of the FFY13 grant to provide this assistance.

#### **6.4.1.1. Planning Loan Program**

Amount - \$427,050

The Planning Loan Program was established with FFY98 funds to make planning loans to municipally owned water systems serving populations of fewer than 10,000. The program was expanded to provide loans for both planning and final design and to authorize loans to owners of non-profit privately owned community water systems in October 2001. This program is part of the state capacity development strategy to provide assistance to small systems to conduct feasibility studies, preliminary engineering reports, and prepare final designs in order to comply with state and federal standards and protect public health. This loan program is described in more detail in the Program Description Section of this IUP and the administrative details were described in the initial workplan for this activity, which was included with the FFY98 EPA grant application.

The State of Vermont intends to increase available funds in this account by \$427,050. Current planning loan commitments, pending loan applications, and set-aside funding amounts are summarized in the following table.

<b>Summary of Planning Loan Set-aside Amounts</b>	
<b>Funding Year</b>	<b>Amount</b>
FFY98	\$534,195
FFY99	\$300,000
FFY00	\$200,000
FFY01	\$500,000
FFY02	\$250,000
FFY03	\$225,000
FFY04	\$225,000
FFY05	\$225,000
FFY06	\$300,000
FFY06 (Transfer from Source Protection Loan Fund)	\$632,515
FFY07	\$450,000
FFY08	\$500,000
FFY09	\$500,000
FFY10	\$1,153,705
FFY11	\$542,330
FFY12	\$516,960
FFY13	\$427,050
<b>Subtotal</b>	<b>\$7,481,755</b>
Cumulative Net Other Funds 7/1/13 (repayments, interest, miscellaneous)	\$4,598,369
Projected Repayments thru SFY14	\$300,000
<b>Total Funds Projected Received at 7/1/2014</b>	<b>\$12,380,124</b>
Total Commitments at 7/1/2013	\$7,798,966
Projected Commitments SFY14	\$1,000,000
<b>Total Commitments Projected at 7/1/14</b>	<b>\$8,798,966</b>
<b>Projected Available at 7/1/14</b>	<b>\$3,581,158</b>

#### **6.4.1.2. Capacity Positions**

Amount - \$174,315

Starting in the FFY 03 IUP, the State funded approximately 1.09 FTEs and associated costs as part of the capacity implementation program. We increased the FTEs to approximately 2.0 with the FFY 05 grant. In FFY 06, we added funding for another FTE in a temporary service position to provide direct assistance to systems with the preparation and implementation of the surface water treatment rules, with a particular focus on the Long Term 2 Surface Water Treatment Rule and the Stage 2 Disinfection By-products Rule. The SWTR position is now shown as a part-time position. With the FFY13 grant we will provide funding to implement a new form of capacity development assistance to municipalities consisting of groundwater mapping for public water systems. The allocation for this activity is \$48,000 to fund personnel in the Geology Division. The balance of \$126,315 FFY13 will be allocated to fund on going capacity activities as described above, which will fund approximately 2.0 FTEs and associated costs.

#### **6.4.1.3. Ongoing Capacity Activities**

Ongoing activities with prior year's funds include the Drinking Water and Groundwater Protection Division newsletter, the Source Protection Loan Program, asset management assessments contracts, engineering contracts to prepare O&M manuals, and other forms of technical assistance to public water systems.

## **6.4.2. Wellhead Protection Program**

Amount - \$42,105

We are proposing to continue the funding of positions to implement the groundwater portion of the Source Water Protection Program. We are seeking to provide funding for approximately 0.3 of an FTE and associated costs. The funding for surface water protection activities performed by these positions is funded under the Program Management Set-aside. This program includes the review and approval of Source Protection Plans, creating and reviewing Source Water Assessments, reviewing Source Protection Plans as part of the Phase II/V waiver review process, and outreach and assistance on source protection.

### **6.4.2.1. Licensed Designer and Installer Training**

Amount - \$10,000

Partial funding provided for training of licensed designers and installers of decentralized wastewater systems specific to those aspects of the training related to groundwater and drinking water source protection.

## 6.5. Summary of DWSRF Set-asides for FFY2013

<b>DWSRF Set-asides for FFY13</b>		
<b>Set-aside (Maximum %)</b>	<b>Funds Allowable</b>	<b>Grant Request</b>
Administration (4%)	336,840	336,840
Technical Assistance (2%)	168,420	168,420
Program Management (10%)	842,100	842,100
Local Assistance (15%)	1,263,150	653,470
<b>Totals</b>	<b>\$2,610,510</b>	<b>\$2,000,830</b>

<b>DWSRF Set-asides Summary (Includes ARRA 2009 Funds)</b>					
<b>Set-aside</b>	<b>Prior Years' Funds</b>	<b>Current Year FFY13 Funds</b>	<b>Total with FFY13 Funds</b>	<b>Expended (drawn) as of 7/1/2013</b>	<b>Unexpended as of 7/1/2013<sup>1</sup></b>
Administration	\$6,382,060	\$336,840	\$6,718,900	\$5,786,664	\$932,236
Technical Assistance <sup>2</sup>	\$2,730,910	\$168,420	\$2,899,330	\$2,004,207	\$895,123
Program Management <sup>3</sup>	\$13,015,867	\$842,100	\$13,857,967	\$9,835,430	\$4,022,537
Local Assistance	\$11,583,364	\$653,470	\$12,236,834	\$8,704,415	\$3,532,419
<b>Totals</b>	<b>\$33,712,201</b>	<b>\$2,000,830</b>	<b>\$35,713,031</b>	<b>\$26,330,716</b>	<b>\$9,382,315</b>

<sup>1</sup> Plans for use of unexpended funds are included in work plans; some of these funds are committed in grants, contracts, or loans committed to activities described in previous work plans.

<sup>2</sup> Vermont has reserved the right to take additional technical assistance funds from future grants totaling \$462,920, based on deferred authority from ARRA FFY09 for \$300,000 plus FFY2008 for \$162,920.

<sup>3</sup> Vermont has reserved the right to take additional program management funds from future grants based on the following authorization balances from prior grants:

FFY97:	\$669,258
FFY98:	\$592,130
FFY99:	\$226,380
FFY00:	\$275,700
FFY01:	\$48,910
FFY03:	\$177,410
ARRA FFY09:	\$1,730,000
Less Prior Transfer:	<u>\$(780,505)</u>
<b>Total:</b>	<b>\$2,939,283</b>

Note 1: The above ARRA Program Management (PM) Set-aside amount is \$1,730,000, which is the sum of \$975,000 plus a transfer of \$755,000 of unexpended Project Management Set-aside funds to the Fund.

Note 2: The FY97 banked authority was \$1,105,880, but has been reduced by \$178,422 to the amount shown to reflect amendment to the 2009 grant, which was increased by \$222,387, \$43,965 of which was within the 10% allowable from the 2009 grant.

Note 3: The FY97 banked authority was further reduced with the FFY11 IUP from \$927,458 to \$669,258 (a decrease of \$258,200) to enable increased request above the 10% limit of the FY11 Program Management Set-aside.

## **7. Program Changes**

### **7.1. Preliminary Engineering Report Template**

The DWSRF will require the use of the Interagency Preliminary Engineering Report template, dated January 16, 2013 for all projects funded through the DWSRF Program. For small water system improvement projects with a limited scope, DWSRF staff may waive some or all of the portions of the report template that do not apply to the specific application process. A copy of the report template can be found on the Facilities Engineering Division's website or by contacting DWSRF staff.

### **7.2. Incorporating Federal Grant Requirements**

The FFY2013 funds include the same provisions as the FFY2012 grant. We do not anticipate the need to make any additional program changes in order to comply with the grant requirements. Below is a list of the recent changes.

- Davis-Bacon wage rate requirements will continue to apply to all construction loans on the FFY2013 PPL. This requirement applied for the first time to the ARRA 2009 projects and was subsequently expanded to apply to all projects receiving loan awards after October 30, 2009.
- All loan recipients must obtain a D-U-N-S number prior to receiving a loan to enable the state to satisfy Federal Funding Accountability and Transparency Act (FFATA) requirements. DWSRF employees will report FFATA information on a monthly basis to the Business Office for upload into the Federal Sub-award Reporting System (FSRS).
- At least 20% but no more than 30% of the grant funds must be provided in the form of additional loan subsidy.
- Beginning with the ARRA 2009 grant and continuing with the FFY2010 grant and all future grants, all project loans capitalized, at least in part, with these funds are entered in a national database known as Drinking Water Projects & Benefits Reporting, or PBR for short. DWSRF employees enter information into PBR following award of a loan agreement or amendment, generally on a weekly basis.

### **7.3. Potential Future Changes**

The DWSRF is considering a number of potential program changes as outlined below.

- The DWSRF program is considering implementing a requirement for all loan recipients to develop a short lived assets reserve table, require an annual payment to a reserve fund based on the short lived asset table, and require annual verification of deposits to the reserve fund.
- The DWSRF Program is considering changing the data we use to determine the statewide median household income and the median household income of an applicant community. Currently the data is derived from the 2000 Census and inflated 4% a year starting with

the 2003 data. The income information was not updated in the 2010 Census release. Consideration is being given to adopting the American Communities Survey (ACS) to obtain income data for the program. In Vermont, the ACS data is collected for each Town and is updated every five years.

- The DWSRF is considering a change to the method for providing subsidy to disadvantaged communities. The change would eliminate the current negative interest methodology and move towards providing all subsidies in the form of principal forgiveness. A more detailed proposal will be developed in the future, likely to be included in the FFY2014 Intended Use Plan.

## 8. Public Participation Documents

### 8.1. *Priority List Solicitation and Public Hearing Announcement*

#### **FY2013 DWSRF Project Priority List and IUP Public Hearing Announcement June 24, 2013**

The Drinking Water State Revolving Fund (DWSRF) provides low interest loans to municipalities and certain privately owned water systems for planning, final design and construction of water system improvements that protect public health and facilitate compliance with the Safe Drinking Water Act (SDWA). Due to a higher degree of uncertainty at the federal level the DWSRF is moving at an accelerated rate to secure our State's Federal Fiscal Year 2013 Capitalization Grant from the Environmental Protection Agency. The DWSRF is now accepting [priority list applications](#) for placement on the 2013 DWSRF Project Priority List. **The deadline for 2013 priority list applications is Wednesday, July 10, 2013.**

The remaining schedule for the Federal FY2013 Capitalization Grant award process is as follows:

Deadline for Priority List Applications	7/10/2013
Complete Draft Intended Use Plan (IUP) for the 2013 Grant and Send out Notice of its Availability	7/12/2013
Conduct Public Meeting*	7/16/2013
Closeout of Public Comment Period	7/26/2013
Adoption of Intended Use Plan for 2013 Grant	8/1/2013
Anticipated Grant award (funds available for project loans)	9/30/2013

\*The public meeting will be held at the [National Life Building in Montpelier](#), Vermont from 11:00 A.M. - 12:00 P.M.

All projects not currently in the fundable range on the *2012 Construction Priority List* will be automatically transferred to the 2013 Construction Priority List. As in the past few priority lists, there will be increased emphasis on projects ready to proceed, which will essentially be defined as a project with voter approval by Town Meeting Day 2014 and a contract bid advertisement prior to July 1, 2014.

A draft priority list will be available on our [website](#) by the close of the business day on Friday, July 12, 2013. A public meeting to receive comments on the draft priority list and FY2013 Vermont Intended Use Plan will be held on Tuesday, July 16, 2013 from 11:00 A.M. to 12:00 P.M. in the Winooski Room at the [National Life Building in Montpelier](#), Vermont. The meeting will be held in a wheelchair accessible facility. Upon request, the agency will provide interpreters, listening devices, auxiliary aides or other assistance that may be necessary to make this hearing accessible to all interested parties.

If you have questions about completing the application or the loan program in general, please contact Eric Law at 802-585-4905 or by [email](#). We look forward to assisting you with your infrastructure improvement needs.

Sincerely,



Eric Law, DWSRF Program  
Facilities Engineering Division, Department of Environmental Conservation, State of Vermont

## 8.2. Notice of Availability of 2013 Intended Use Plan for Public Comment

# FY2013 DWSRF Draft IUP and Project Priority List

July 12, 2013

Dear Leila,

Please find attached the draft Federal Fiscal Year 2013 Drinking Water State Revolving Fund (DWSRF) Intended Use Plan (IUP) and Project Priority List. For FFY2013 the State of Vermont will have a total of \$10,105,200 of new funding, consisting of \$8,421,000 in new federal funds and \$1,684,200 of required state matching funds, plus an additional \$2,230,062 in projected revolving loan funds. Section 6 of the document outlines the intended uses for \$2,000,830 of new funding in the DWSRF set-aside accounts, which can fund non-construction related activities as authorized by the Safe Drinking Water Act Amendments of 1996. Section 9 of the document contains the comprehensive construction project priority list, which proposes \$10,334,432 for new construction projects.

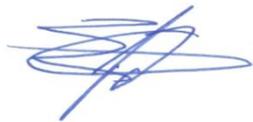
The remaining schedule for the FFY2013 Capitalization Grant award process is as follows:

Conduct Public Meeting*	7/16/2013
Closeout of Public Comment Period	7/26/2013
Adoption of Intended Use Plan for 2013 Grant	8/1/2013
Anticipated Grant award (funds available for project loans)	9/30/2013

The public meeting will be held in the Winooski Room at the [National Life Building in Montpelier](#), Vermont from 11:00 A.M. - 12:00 P.M.

If you have questions regarding priority ranking, would like to request a breakdown of priority points, or have general loan program questions, please contact Eric Law at 802-585-4905 or by [email](#). We look forward to assisting you with your infrastructure improvement needs.

Sincerely,



Eric Law, DWSRF Program  
Facilities Engineering Division, Department of Environmental Conservation, State of Vermont

### 8.3. Public Comments – Responsiveness Summary

The following responsiveness summary lists questions and comments received during the July 16, 2013 public hearing through the public comment period ending July 26, 2013. Some comments have been edited for brevity/clarity.

	<b>Question or Comment</b>	<b>Response</b>
	In relation to the discussion regarding impediments to initiating new construction projects, comments were received to consider eliminating planning loan forgiveness eligibility criteria in favor of blanket forgiveness for projects proceeding to construction.	The program will take this recommendation into consideration and will review current loan forgiveness procedures and eligibility criteria.
	A concept akin to the State’s planning advance program (i.e., community does not repay planning engineering unless the project is constructed) was discussed. The comment was made that seed money is needed for new projects that are more speculative in nature.	<p>Comment is noted.</p> <p>The planning loan program offers delayed repayment up to five years at a 0% interest rate for these types of projects.</p> <p>Although in recent years the Department of Environmental Conservation (DEC) has not awarded many planning advances they are available if funding for the project is authorized through the legislative process. There is special provision passed during the Spring 2013 session to re-allocate past years state funds for new planning advance projects.</p>
	Does the Local Assistance Set-aside have broad applicability or is it project specific?	The Local Assistance set-aside is, generally speaking, broad in nature with a purpose to assist water systems with source water protection and capacity development efforts. With that said the planning loan program and the water source protection loan program are funded through this set-aside which provides funding for specific projects.
	<p>Should the State capitalize the planning loan program this year given the current available balance in the program?</p> <p>Can the funding be re-allotted at a later point in time?</p>	<p>Yes, the funds can be re-allotted through an amendment to the set-aside work plan which can occur up to the last federal grant payment. Based on this fact the general consensus of the group was the state should allocate the proposed funding to the planning loan program.</p>

	<b>Question or Comment</b>	<b>Response</b>
	<p>The concept of funding a contract through the set-asides to provide income surveys to loan recipients was discussed. There was unanimous support from the public participants for an income survey contract.</p>	<p>The program will evaluate this request and if funding allows will provide an allocation to fund an income survey contract.</p>
	<p>The state's proposal to fund a temporary position to provide asset management program development assistance to communities was discussed. There was unanimous support for this proposal amongst the participants. The following is noted:</p> <ul style="list-style-type: none"> <li>- The state should consider doing this as an RFP rather than a temporary position.</li> <li>- The state should consider adding a rate setting and public outreach component to this effort.</li> </ul>	<p>The program will consider these comments when developing this proposal further.</p>
	<p>Can the state issue priority points for readiness to proceed?</p>	<p>No, there is a federal prohibition on assigning priority points for a projects readiness as this may result in funding projects that are not the highest risk to public health. The state can address the readiness issue through the implementation of the program's approved bypass procedures.</p>
	<p>The state should consider lowering the flow allocation in the equivalent residential unit (ERU) calculation and at the very least use the same figure as USDA – RD.</p>	<p>The program will review USDA's procedure for calculating ERU's and if the methodology is the same to what we currently use we will adopt the USDA allocation figure.</p>
	<p>Given the accelerated schedule for the FFY13 grant, the program should consider amending the 2013 priority list when developing the FFY14 list. This would be a single solicitation and program staff will determine which list the project should be placed based on the project schedule.</p>	<p>Staff will continue to monitor the need for an amendment and will likely pursue this approach when soliciting for the FFY14 list (Feb./March 2014).</p>

	<b>Question or Comment</b>	<b>Response</b>
	Application received from the Town of Hartford	The project has been added to the final priority list and has received 55 priority points.
	Application received from the East Berkshire Water Cooperative	The project has been added to the final priority list and has received 140 priority points.
	Notification received from USDA-Rural Development that they are prepared to close on a loan for Contract 2 of the Phase IV Improvements	The project has been removed from the final priority list.
	A Funds Availability Letter was issued to the Town of St. Johnsbury's for waterline replacement funding under the 2012 Project Priority List in the amount of \$2,500,000.	St. Johnsbury's waterline replacement project will continue to be classified as a fundable project on the FFY13 project priority list in the amount of \$400,000 due to a revised project cost summary and anticipated funding from the FFY12 project priority list.
	The Program should consider re-instating the small systems technical assistance DWSRF contract.	The Program is continuously evaluating the needs of our loan applicants and services that will improve/streamline the DWSRF loan approval process. At the present time we are not considering re-instating this contract and are focusing improvements on a new data management system that will result in improvements to our process.

## 9. Projects Priority Lists and Anticipated Loan Recipients - Construction Loans

### 9.1. Comprehensive List – New Funding Commitments

#### 2013 Drinking Water State Revolving Fund Capitalization Grant

#### Comprehensive Project Priority List, August 26, 2013

**Total Available Funding: \$12,320,686**

Priority Points	Funding Type	Funding Status	WSID	WS Name	Pop	Project Description	Loan Amount	Rate	Term	Cumulative Total
133	C	F	VT0005212	CASTLETON FIRE DISTRICT 1	1940	Replacement of existing tuberculated 10-inch cast iron transmission main with 12-inch ductile iron main on Main St. (RT 4A) from Seminary St. to Ellis Orchard Drive (urban section) and then up Ellis Orchard Dr. (rural section)	\$350,000	-3.00%	30	\$350,000
73	C	F	VT0005132	SWANTON VILLAGE WATER	2986	New 16' transmission line extending east along the Rail Trail, southeast on Waugh Farm Rd., and includes a new river crossing under the Missisquoi River by directional bore	\$1,922,025	3.00%	21	\$2,272,025
63	C	F	VT0005084	RICHMOND WATER DEPT	1000	Construction of new cast-in-place reservoir to provide domestic use and fire protection	\$1,190,157	3.00%	20	\$3,462,182
140	N	F	VT0005115	EAST BERKSHIRE WATER COOP	184	Water system upgrades to address significant deficiencies in the system, including filtration for groundwater under the direct influence of surface water	\$418,254	3.00%	20	\$3,880,436
120	N	F	VT0005048	SUTTON WATER SYSTEM	190	Engineering assistance, source exploration to resolve nitrate issues, and disinfection treatment improvements	\$100,000	3.00%	20	\$3,980,436
117	N	F	VT0005027	ROYAL PINE VILLA	100	Construction of a new consolidated water storage tank and treatment facility	\$125,000	3.00%	20	\$4,105,436
117	N	F	VT0006707	HARWOOD UNION HIGH SCHOOL	900	Connection of a new well or wells to provide an adequate supply of water to meet the school's water demand	\$117,250	3.00%	20	\$4,222,686
110	N	F	VT0005076	HUNTINGTON FIRE DISTRICT 1	120	Replacement of the well supply line, control wiring, the distribution main to Roberts Park, and the backup line in the wake of a catastrophic flooding and landslide event	\$35,000	3.00%	20	\$4,257,686
92	N	F	VT0005261	CABOT TOWN WATER SYSTEM	250	Install 4,600' of water main and appurtenances to connect residents in Lower Cabot to the Town of Cabot Water System to eliminate private water supplies that have been contaminated by an active hazardous waste site	\$555,000	3.00%	20	\$4,812,686
80	N	F	VT0005045	ST JOHNSBURY WATER SYSTEM	5000	Waterline, valve, hydrant, and service replacement in conjunction with a larger water, wastewater, and stormwater project	\$400,000	-3.00%	30	\$5,212,686

73	N	F	VT0020568	DERBY LINE VILLAGE WATER DISTRICT	1630	Distribution line improvements to improve flow and pressure to the west end of Elm Street	\$1,200,000	-3.00%	30	\$6,412,686
70	N	F	VT0005275	NORTHFIELD WATER DEPT	5145	Installation of approximately 2,500 linear feet of new 12-inch and 4,250 linear feet of 8-inch diameter ductile iron water main to replace the 100-year-old cast iron pipe on Central Street, Washington Street, Jarvis Lane, and King Street. This project will reduce excessive leakage in the 100-year-old distribution system. The project would also replace the 16 fire hydrants that have been "locked out" of service due to insufficient water line sizes and fire flows.	\$2,240,000	3.00%	20	\$8,652,686
70	N	F	VT0005130	ST ALBANS WATER DEPT	9956	Construction of a second 1.0 mg storage tank at the same hydraulic grade line as the Aldis Hill Tank to provide adequate volume for domestic and fire flow conditions	\$1,200,000	3.00%	20	\$9,852,686
70	N	F	VT0005045	ST JOHNSBURY WATER SYSTEM	5000	Replacement of three 1.0 mgd clarifier filter units	\$1,925,000	-3.00%	30	\$11,777,686
68	N	F	VT0005084	RICHMOND WATER DEPT	1000	Install new 12" water main below the river via directional boring or on the Bridge St. Bridge	\$193,000	3.00%	20	\$11,970,686
68	N	F	VT0005136	ALBURGH VILLAGE WATER SYSTEM	576	Painting and refurbishment of existing water storage tank	\$350,000	-3.00%	30	\$12,320,686
68	N	NF	VT0005070	HINESBURG WATER DEPT	2800	Connection of the Lyman Meadows Water System to the Hinesburg Water System	\$300,000	3.00%	20	\$12,620,686
65	N	NF	VT0005277	PLAINFIELD WATER SYSTEM	985	Waterline replacement behind the old Plainfield Town Hall in an easterly direction to connect to a previously upgraded waterline segment	\$1,100,000	3.00%	20	\$13,720,686
65	N	NF	VT0005556	GEORGIA STATION	120	Storage reservoir rehabilitation, storage reservoir cleaning, control replacement, pump station roof structure reinforcement, additional blow-off valve installation, and customer meter upgrade/replacement to include back flow prevention, install and replace security at pump stations and sources	\$55,000	3.00%	20	\$13,775,686
63	N	NF	VT0005084	RICHMOND WATER DEPT	1000	Construction of water system upgrades and appurtenances on East Main St.	\$755,000	3.00%	20	\$14,530,686
63	N	NF	VT0005084	RICHMOND WATER DEPT	1000	Construction of water system upgrades and appurtenances on Bridge St., Depot St. and Pleasant St.	\$908,000	3.00%	20	\$15,438,686
62	N	NF	VT0005289	WORCESTER FIRE DISTRICT 1	350	Installation of a new telemetry system for the pump and tank controls; project also includes replacement of existing filter media and chemical feed equipment	\$33,000	3.00%	20	\$15,471,686
58	N	NF	VT0005070	HINESBURG WATER DEPT	2800	New well source to provide additional capacity and redundancy; connecting a new source may also result in less manganese	\$750,000	3.00%	20	\$16,221,686

57	N	NF	VT0005114	BAKERSFIELD FIRE DISTRICT 1	446	Addition of second gravel pack well within the vicinity of existing well to provide redundancy	\$350,000	3.00%	20	\$16,571,686
55	N	NF	VT0005320	QUECHEE CENTRAL	2262	Addition of a new 200,000-gallon water storage tank to supplement the existing 40,000-gallon tank on Quechee Hartland Rd. and provide adequate storage and redundancy on the south side of the Ottaquechee River; also includes approximately 3,200 lf of new transmission main	\$1,500,000	3.00%	20	\$18,071,686
55	N	NF	VT0005637	TUCKERVILLE MHP	60	Construction of a new pump house, flushing hydrants, and water meters	\$250,000	3.00%	20	\$18,321,686
53	N	NF	VT0005170	BRADFORD VILLAGE WATER SYSTEM	1512	Abandonment of the existing Well #2 Building and installation of a new submersible-based pump station	\$75,000	3.00%	20	\$18,396,686
50	N	NF	VT0020820	GREEN LANTERN MHP	144	Reconstruction of distribution manifold and installation of blow-off devices and sampling bib	\$50,000	3.00%	20	\$18,446,686
45	N	NF	VT0020801	WHITE BIRCHES MHP	125	Installation of master meters for the three lines coming into the park from the Town of Bennington Water System and installation of flushing valves at distribution dead-ends	\$40,000	3.00%	20	\$18,486,686
45	N	NF	VT0005040	LYNDONVILLE WATER SYSTEM	4500	Water distribution improvements (Phase VI, Contract 2)	\$500,000	3.00%	20	\$18,986,686
40	N	NF	VT0005098	WILLISTON WATER DEPT	7690	Relocation of waterline on Route 2 and Industrial Avenue	\$400,000	3.00%	20	\$19,386,686
40	N	NF	VT0005298	BELLOWS FALLS WATER DEPT	3700	12-inch diameter ductile iron water main to replace approximately 8,940 lf of 10-inch diameter asbestos cement main and 325 lf of 8-inch diameter ductile iron main on Route 5	\$2,500,000	-3.00%	30	\$21,886,686
35	N	NF	VT0005298	BELLOWS FALLS WATER DEPT	3700	Replacement of 6-inch main on Mill St. with 8-inch ductile iron piping	\$476,000	-3.00%	30	\$22,362,686
25	N	NF	VT0005318	CHESTER WATER DEPT	1490	Replacement of deteriorated 6-inch cast iron main with 600 lf of new 8-inch water main and an additional 900 lf of 8-inch to complete a distribution system loop	\$400,000	3.00%	20	\$22,762,686
13	N	NF	VT0005315	BETHEL WATER DEPT	915	Installation of water meters for a currently unmetred system	\$300,000	3.00%	20	\$23,062,686

**Notes:**

- 1) Total available funding is based on Federal Capitalization Grant, State Match, interest earnings, and other fund income.
- 2) Funding Type: E = Emergency Project, C = Continuing Project, N = New
- 3) Funding Status: F = Fundable Project, NF = Non Fundable Project.
- 4) Final eligibility determinations will be made at time of the loan application review.
- 5) Interest rates and loan terms are preliminary estimates only.
- 6) Interest rates and loan terms for new water systems is initially set to 3%, 20 years and is subject to change as further information becomes available.
- 7) For multi-year projects that anticipate subsequent years of DWSRF funding, interest rates may change as the loan value increases.
- 8) Point totals are subject to change as further documentation may be required to substantiate the priority points awarded.

## 9.2. Prior Years' Pending Loan Commitments

Loan Awards/Amendments at 6/30/2013- Pending Prior Fiscal Years' PPLs		
Water System	PPL	Loan Amount
Barre City (over-run)	FY10	50,000
Proctor (FY10, FY11 PPL)	FY10	3,325,015
Hemlock Ridge Condominiums	FY11	192,500
Bennington (FY11, FY12 PPL)	FY11	3,200,000
Middletown Springs School	FY11	21,000
Wells River	FY11	150,000
South Alburgh FD2 (FY03, FY04 PPL)	FY11	1,591,796
Swanton	FY11	928,300
Springfield	FY11	500,000
Champlain Water District	FY11	1,750,000
Killington Gateway I	FY11	100,000
Burlington	FY11	214,170
Barre City	FY11	1,061,000
Hardwick	FY11	1,192,000
Eagles Resort	FY12	222,000
Burke Fire District No. 1	FY12	125,000
Grand Isle Consolidated Water District	FY12	1,200,000
Arlington Town	FY12	2,000,000
Aqua Haven	FY12	400,000
Royal Pine Villa	FY12	60,000
Killington Town	FY12	2,500,000
Child Care Center of Norwich	FY12	7,000
Berlin	FY12	500,000
Ryegate Fire District No. 2	FY12	150,000
Wells River Village	FY12	1,500,000
Barnet Water System	FY12	1,000,000
Bellow Falls	FY12	654,000
Canaan Fire District No. 1	FY12	1,000,000
Wilmington Water District	FY12	1,060,000
Richmond	FY12	214,421
Barre Town	FY12	30,000
Cabot Town	FY12	555,000
East Ridge Acres Association	FY12	150,000
East Montpelier Fire District No.1	FY12	500,000
Newport Center	FY12	100,000
St. Johnsbury	FY12	2,500,000
<b>Total</b>		<b>\$30,703,202</b>

Approved \* Loan Awards/Amendments at 6/30/2013- Pending Prior Fiscal Years' PPLs

Water System	PPL	Loan Amount
Castleton Fire District No. 1	FY08 & FY09	2,129,611
HFI – Charettes MHP (Decrease)	FY10	(29,803)
Waterville School District Amendment	FY07	7,108
Bennington	FY08	201,980
Central Vermont Community Land Trust – Verdmont	FY04	125,964
Town of Elmore	FY07	517,700
Twinfield Union High School	FY08	50,415
Springfield	FY09	1,532,692
Windsor	FY10	350,000
Killington Gateway II	FY10	120,000
Sugar Run Condominiums	FY11	41,295
Swanton Village	FY11	149,675
Poultney (Decrease)	FY08	(330,365)
<b>Total</b>		<b>4,866,271</b>

\* Approved means the loan or loan amendment has been approved by FED for preparation of legal documents.

## **10. Program Description**

### **PROGRAM DESCRIPTION VERMONT DRINKING WATER STATE REVOLVING FUND**

The following is a brief and general overview of the Drinking Water State Revolving Fund (DWSRF) program; official interpretations of policies and procedures may be obtained from FED (802-585-4905). The four sections in this Program Description are Construction Loans, Planning Loans, Source Protection Loans, and All Loans.

#### **10.1. Construction Loans (*Planning & Design also eligible*)**

##### **10.1.1. Eligible Organizations**

- 1) Publicly owned community water systems.
- 2) Privately owned community water systems.
- 3) Non-profit, Non-community water systems.

##### **10.1.2. Eligible Projects**

Nearly all water system improvement projects are eligible (new construction, renovation or replacement, or consolidation of systems) which will facilitate compliance with federal primary drinking water regulations or otherwise significantly further health protection objectives of the Safe Drinking Water Act (SDWA).

Generally, the complete project will be eligible for a loan. Examples of eligible projects include:

- Replacement of contaminated sources with new sources;
- Construction of treatment facilities;
- Installation of disinfection facilities;
- Projects required to address compliance or enforcement issues;
- System consolidation or interconnection to address capacity issues;
- Costs for planning and engineering design associated with a DWSRF eligible project;
- Land acquisition integral to a DWSRF eligible project.
- Replacement of aging infrastructure, including all distribution and transmission lines;
- Upgrade or rehabilitation of existing water facilities;
- Installation of meters and back flow prevention devices; and
- Refinancing of DWSRF eligible projects where the debt was incurred after July 1, 1993. (Funds currently not available.)

##### **10.1.3. Ineligible Projects**

The fund cannot provide funding assistance for the following projects and activities:

- Dams or rehabilitation of dams;
- Water rights, except if the water rights are owned by a system that is being purchased through consolidation as part of a capacity development strategy;
- Reservoirs, except for finished water reservoirs and those reservoirs that are part of the treatment process and are located on the property where the treatment facility is located;
- Laboratory fees for monitoring;
- Operation and maintenance expenses;
- Projects needed mainly for fire protection;
- Projects for systems that lack adequate technical, managerial and financial capability, unless assistance will ensure compliance;
- Projects for systems in significant noncompliance, unless funding will ensure compliance; and

- Projects primarily intended to serve future growth. This includes projects to develop new water systems and/or water system extensions. Under certain circumstances, a new water system or water system extension may be determined to be eligible. Please contact the Drinking Facilities Engineering Division for further information.

#### 10.1.4. Project Planning

The phasing of construction projects over multiple years is an acceptable practice. However, each application must identify a stand-alone project. The funding of future phases will be contingent on availability of funds and project priority.

#### 10.1.5. Loan Rates and Terms

The following rates are subject to change based on determinations by the State Treasurer and the Secretary.

LOAN TYPE <sup>[1]</sup>	ORGANIZATION TYPE	INTEREST RATE PLUS ADMINISTRATIVE FEE	MAX TERM <sup>[2]</sup>
Planning	All	0%	5 yrs.
Construction	Municipal Community <sup>[3]</sup> Non-disadvantaged	(3%) - (0%) <sup>[7]</sup>	20 yrs.
Construction	Municipal/Disadvantaged <sup>[4]</sup>	(3%) - (-3%) <sup>[7]</sup>	30 yrs.
Construction	Private-Profit Community	3% <sup>[8]</sup>	20 yrs.
Construction	Private-Non-Profit Community (Disadvantaged) <sup>[4]</sup>	(3%) - (-3%) <sup>[10]</sup>	30 yrs.
Construction	Private-Non-Profit Community (Non-disadvantaged)	3% <sup>[8]</sup>	20 yrs.
Construction	Private-Non-Profit Non-Community	3% <sup>[8]</sup>	20 yrs.
Construction	Municipal (Non-Community)	3% <sup>[9]</sup>	20 yrs.
Refinancing	Municipal (Debt incurred July 1, 1993 - April 5, 1997)	4.376% <sup>[5]</sup>	20 yrs.
Refinancing	Municipal (Debt incurred after April 5, 1997)	New loan rates <sup>[6]</sup>	New loan <sup>[6]</sup> terms

- 1) Planning loans may include feasibility studies, preliminary engineering, engineering design etc., and will be rolled over into a long term loan if a loan is obtained for the proposed facilities. Construction loans include all system improvement type loans.
- 2) Loan durations are for maximum terms but may be for a shorter time based on loan amount and other considerations.
- 3) Municipal includes city, town, village, fire district, school district, etc. Interest rate plus administrative fee will not be less than necessary to achieve an annual household user cost of 1.00% of median household income.
- 4) A disadvantaged municipality has a median household income below the state average community median household income ( $\$40,368 * 1.04^{11} = \$62,145$ ) or the user cost exceeds 2.5% of the MHI (applicable to municipal applicants only). Interest rate plus administrative fee and term will not be less

than necessary to achieve an annual household user cost of 1.0% of median household income, and final adjustments will be made when loan is finalized after construction completion.

- 5) Interest rate set by State Treasurer.
- 6) Interest rate plus administrative fee and term will be the same as for new loans if funded within 2 years of the initiation of construction.
- 7) Administrative fee will be from 0% to 2%.
- 8) Administrative fee will be 3%.
- 9) Administrative fee will be 2%.
- 10) Administrative fee will be from 0% to 3%

#### **10.1.6. Comprehensive Project List**

The Facilities Engineering Division maintains a list of known projects eligible for loans. The list is developed/updated annually and water systems are encouraged to identify projects and submit applications for this list. The Facilities Engineering Division may add projects to the list without an application from the water system.

#### **10.1.7. Project Ranking and Selection Criteria**

A project priority list is established for projects needing funds during the Federal fiscal year (October 1 - September 30 of each year). A priority score is established for each eligible project by assigning points based on established criteria. The criteria required by Federal and State regulations are covered under the following general categories:

- 1) System facility deficiencies (weighting factor of 1.2 is applied for eligible schools and childcare facilities).
- 2) Physical consolidation of water system,
- 3) Financial need/affordability,
- 4) Population,
- 5) Downtown area preference,
- 6) Security projects, and
- 7) Source protection (applies only to source protection loans funded thru the LASRF).

Further information on each of these criteria is provided in Section 5.1.1 through Section 5.1.7. Projects are listed in priority order based on total point scores.

#### **10.1.8. Anticipated Loan Recipients**

The highest priority projects with a total cost that does not exceed the estimated funds available during the fiscal year and which comply with the following Federal and State regulatory requirements are identified as Anticipated Loan Recipients on the list.

- 1) A minimum of 15% of the funds must be used for projects serving communities with populations of fewer than 10,000 persons.
- 2) Funds for private systems cannot exceed 20% of the available funds.
- 3) With the exception of ARRA FFY2009, FFY2010 and FFY2011 funds, subsidies for disadvantaged communities cannot exceed 30% of the federal capitalization grant.

Projects not identified as Anticipated Loan Recipients will be funded in priority order, if funds became available during the year.

#### **10.1.9. Bypassed Projects**

Anticipated Loan Recipients may be bypassed if they do not proceed in accordance with the planned project schedule or if emergency projects are funded to address imminent and substantial threats to public health.

### **10.1.10. Re-Application**

Priority lists will be revised at least annually; updated information or new applications will be required. The Facilities Engineering Division may include projects on the list without applications.

### **10.1.11. Engineering Reports and Plans and Specifications**

Drinking Water and Groundwater Protection Division approval of feasibility studies and engineering reports funded by the program is required. The Vermont Water Supply Rule requires approval of plans and specifications for all water system improvements.

### **10.1.12. Procurement Requirements**

Competitive procurement requirements and approvals will be included in loan agreements. Force account construction will not be allowed except in unusual circumstances. The Construction Section of the Facilities Engineering Division manages procurement procedures and requirements for DWSRF funded projects.

### **10.1.13. Maximum and Minimum Loan Amounts**

A minimum loan amount has not been established; not more than \$2.5 million of the funds available in any given year can go to a single project, without specific review and approval by the Secretary. Projects with costs exceeding the \$2.5 million cap will be treated as continuing projects and have a maximum value of \$7.5 million before it loses its elevated continuing status.

### **10.1.14. Project Approval Steps**

Following are the steps for a standard construction project.

- 1) Application for priority list or updated information submitted by applicant. (April of each year.)
- 2) The eligibility of each project is reviewed, and priority points awarded to each project.
- 3) Priority list developed.
- 4) Public meeting held and public comment obtained on priority list.
- 5) Capitalization grant finalized and submitted to EPA.
- 6) EPA approves grant to State.
- 7) Anticipated loan recipients required to attend a pre-application meeting.
- 8) Anticipated Loan Recipients required to submit a project schedule.
- 9) Project schedule approved by Facilities Engineering Division.
- 10) Anticipated Loan Recipients requested to submit application.
- 11) Application to include information for environmental review.
- 12) Project determinations made (eligibility, scope, interest rate, etc.).
- 13) Environmental review process completed.
- 14) Bond Bank or VEDA notified of project approval.
- 15) Applicant submits loan application to VEDA or Bond Bank if required.
- 16) VEDA or Bond Bank executes loan agreement with applicant.
- 17) Plans and Specifications approved.
- 18) Contracts awarded in accordance with loan agreement.
- 19) Construction initiated.
- 20) Loan disbursements made during construction for completed work.
- 21) All construction completed.
- 22) All loan agreement conditions and/or Capacity Improvement Plans completed.
- 23) Loan closed out.
- 24) Loan payments begin.

### **10.1.15. Municipal School Water System Disadvantaged Program**

Up to \$25,000 of a loan from the construction fund for improvements to a municipally owned public school water system may be forgiven. The following criteria must be satisfied.

- 1) The system must demonstrate capacity.
- 2) The system must be in compliance with the Water Supply Rule including any temporary operating permit or other compliance schedule.
- 3) The improvements must be completed in accordance with a construction permit issued by DEC and all of the construction permit conditions must be satisfied.
- 4) Competitive procurement procedures must be followed for the construction.
- 5) The completed work must be inspected and completed in accordance with the construction permit verified by a professional engineer or DEC staff.
- 6) Standard procedures for obtaining a loan must be followed.

The determination by the Secretary on loan forgiveness will be final. The determination will be made when the loan is finalized following construction completion.

### **10.1.16. U.S. Department of Agriculture RD - ANR Joint Funded Projects**

The Secretary may designate certain projects as joint funded projects and reduce the ANR administrative fee plus interest rate to make the total cost to the borrower equivalent to an ANR DWSRF loan for the total project. Municipalities will be contacted prior to making such decisions and this procedure will generally only be considered for large projects.

## **10.2. Planning Loan Fund**

### **10.2.1. Eligible Organizations**

Municipal systems and private non-profit community systems with populations under 10,000 are eligible for planning and final design funding from the planning loan fund.

### **10.2.2. Eligible Projects**

Preliminary engineering planning studies and final engineering plans and specifications for water system improvement projects needed to comply with state and federal standards and to protect public health.

### **10.2.3. Loan Terms and Rates**

Planning Loans are at 0% interest for a 5-year term, and may be rolled into a construction loan from the priority list (based on points) at the interest and term identified for the construction loan.

### **10.2.4. Maximum and Minimum Loan Amounts**

The maximum loan amount is \$150,000.

### **10.2.5. Project Ranking**

Planning loan projects are only scored when there will be an anticipated shortage of funds. When necessary, project priority list for planning loans is maintained by the Facilities Engineering Division. A priority score is established for each eligible project by assigning points for the water system improvement project based on established criteria. The criteria are the same as for construction projects.

### **10.2.6. Priority List Applications**

Applications will be accepted on a continuing basis.

### **10.2.7. Loan Recipients**

The highest priority projects on the priority list will be funded as funds become available.

### **10.2.8. Loan Applications**

Water systems will generally be given 60 days to submit a loan application following notification of available funds.

### **10.2.9. Loan Consolidation Requirement**

Consolidation of the planning loan with a loan from the construction loan fund for the water system improvements will be required as a loan condition. Consolidation will be made when the construction loan is finalized following completion of construction.

### **10.2.10. Procurement Requirements**

Procurement requirements will be included in loan agreements. All professional service contracts will require review and approval of scope of services, level of effort, and cost. All feasibility studies, planning documents, preliminary engineering reports, and plans and specifications require review and approval by the Facilities Engineering Division. Costs incurred prior to a commitment of loan funds by DEC are not eligible for a loan.

### **10.2.11. Repayment**

The first loan repayment will be two years after last loan disbursement or approval of the engineering report or final design, whichever occurs first, except for those loans that are eligible for forgiveness, in which case the repayment starts five years after last loan disbursement or engineering report or design approval. Under certain circumstances up to \$50,000 of the unpaid balance of a planning loan to a municipality may be forgiven by the Secretary following the completion of project construction. The following criteria must be satisfied to obtain loan forgiveness; the Secretary's determinations on loan forgiveness shall be final. Potential eligible preliminary engineering and design cost will be determined by DEC using DEC guidance documents (Engineering Fee Allowance Curve) and the completed documented construction cost eligible for revolving loan funding.

#### 1) General Criteria

- a. Must demonstrate capacity,
- b. Must be in compliance with the Water Supply Rule including any temporary operating permit or other compliance schedule,
- c. Must be current on fees,
- d. Improvements for which planning loan was provided must be completed in accordance with a Drinking Water and Groundwater Protection Division construction permit.
- e. All construction permit requirements must be satisfied including O & M manual and as-builts.
- f. Loan agreement must be executed following the effective date of the authorizing legislation (June 16, 2001).

#### 2) Specific Criteria. The project must meet at least one of the following specific criteria.

- a. Construction of the project was completed using non-Drinking Water State Revolving Loan Funds (DWSRF) and the project did not receive other appropriated state funds for project costs.
- b. The project serves a small population. The maximum forgiveness shall be \$25,000. Projects for systems serving populations of 300 or less shall receive 100% of eligible forgiveness. The percent eligible for forgiveness for systems serving 300 to 500 population shall be reduced by 0.5% for an increase of one in design population. Systems serving populations of 500 and above will not be eligible for forgiveness under this provision.
- c. User rates exceed 2% of the median household income. The amount of forgiveness will be determined by increasing the amount of forgiveness until the 2% target, the \$50,000 maximum, the amount of the unpaid balance or the eligible preliminary engineering and design cost is reached. The annual planning loan cost to the municipality will be determined using construction loan terms and interest rates for DWSRF funded projects.

## **10.3. Source Protection Loans**

### **10.3.1. Eligible Organizations**

Municipal water systems are eligible for source protection loans.

### **10.3.2. Eligible Projects**

For purchasing land or conservation easements in order to protect public water sources and ensure compliance with state and federal drinking water regulations.

Source must have hydrogeologically delineated source protection area (no 3000' radius source protection areas) and an approved source protection plan prior to loan award.

Water system must demonstrate how the project will directly promote public health protection or compliance with national drinking water regulations.

### **10.3.3. Loan Terms and Rates**

Source Protection Loans are at 3% interest for a term of 20 years.

### **10.3.4. Maximum and Minimum Loan Amounts**

The maximum loan amount is \$200,000. There is no minimum loan amount.

### **10.3.5. Project Ranking**

The Facilities Engineering Division maintains a project priority list for source protection loans. A priority score is established for each eligible project by assigning points based on established criteria. The criteria, most of which are the same as for construction projects, include the following general categories:

- 1) Population;
- 2) Financial need/affordability;
- 3) Downtown area preference;
- 4) Source protection.

Further information on each of these criteria is provided in Section 5.1.1 through Section 5.1.7.

### **10.3.6. Priority List Applications**

Applications will be accepted on a continuing basis.

### **10.3.7. Loan Recipients**

The highest priority projects on the priority list will be funded when funds become available.

### **10.3.8. Loan Applications**

Water systems will be required to submit a project schedule for approval by the Facilities Engineering Division within 30 days of notification of available funding.

### **10.3.9. Loan Conditions**

Loan conditions on land use may include:

- 1) Management in accordance with source protection plan;
- 2) Prohibition of sale as long as source is an approved water source;
- 3) Requirement for an annual inspection and report.

### **10.3.10. Procurement Requirements**

Procurement requirements will include:

- 1) A minimum of two appraisals will be required for evaluation purposes;
- 2) Proposed easements and purchase agreements will require review and approval by FED;
- 3) Normal closing requirements, such as title search, will apply;
- 4) Purchase must be from a willing seller.

### **10.3.11. Repayment**

Payments begin one year after last loan disbursement.

## **10.4. All Loans**

### **10.4.1. Lack of technical, managerial and financial capability**

A loan fund may not provide any type of assistance to a system that lacks the technical, managerial or financial capability to maintain SDWA compliance, unless the owner or operator of the system agrees to undertake feasible and appropriate changes in operation or if the use of the financial assistance will ensure capacity over the long-term.

Facilities Engineering Division staff in coordination with Drinking Water and Groundwater Protection Division staff, will make a determination on system capacity based on information available in DWGWPD records, the priority list application, completion of the capacity evaluation form at the pre-application meeting, and the loan application. Some considerations include current compliance status with requirements for an operation and maintenance manual, operator certification, water quality monitoring, source protection plan, payment of lawful fees, groundwater under the influence determination, sanitary survey recommendations, and long range planning. Financial capacity determination will also consider current and projected water rates, delinquent water accounts, and financial planning.

The existence of an active organization with identified responsible officials and business practices with respect to customer complaints will be considerations in managerial capability determinations.

Loan applications will rarely be rejected based on capability determinations (e.g., capacity determination), however, loan agreements will frequently include corrective action requirements to improve capability.

### **10.4.2. Loan Application Fees**

There are no application fees, however an administrative fee will be charged on some loans.

### **10.4.3. Loan Disbursements**

Loan disbursements will be made in accordance with the loan agreement, however, only one disbursement will be allowed in a calendar month and disbursements must be for expenses incurred and paid. An estimated disbursement schedule will be required at the time of loan execution.

### **10.4.4. Loan Repayment**

Loan repayment requirements will be specified in the loan agreement; however, repayments must start no later than 1 year after project completion.

### **10.4.5. Financial Capability to Repay Loan**

The Vermont Municipal Bond Bank shall make these determinations for all loans to municipal organizations and the Vermont Economic Development Authority (VEDA) will make these determinations for all loans to private organizations.

The Bond Bank and VEDA make the loans on behalf of the state. Applicants must submit the necessary applications and other information to these entities as necessary for processing the loans.