



The Vermont Drinking Water
State Revolving Fund

Adopted Intended Use Plan

for Federal Fiscal Year 2015 Funding

June 25, 2015; Updated
August, 7, 2015

Prepared by Facilities Engineering Division
Department of Environmental Conservation

Executive Summary

Despite loan awards having hit a record high last year, the Vermont Drinking Water State Revolving Loan Fund (VT DWSRF) is presented with a number of challenges and opportunities relating to the timely and expeditious use of the funds.

Unliquidated Obligations (ULOs) defined as federal funds awarded to states but not yet spent, has been a focal point for the VT DWSRF over the past year and will continue to be in the short-term. The ULO reduction strategy has informed both short and long-term goals of the program (see Appendix A for full listing) as well as a number of program changes shaped through stakeholder processes. DWSRF and Drinking Water Program staff have put a tremendous amount of time and energy to ensure these program changes hit their intended marks of incentivizing proactive behavior, generating even more projects quicker, and addressing a funding gap that has not been fully realized in this state.

The three key program changes are:

- Restructuring of the planning loan forgiveness to target user rate affordability and asset management plan development and implementation;
- The addition of priority points to boost projects that have been identified as priority in an asset management plan, and;
- Providing interest rate incentives to water systems for developing, implementing, and contributing to the replacement of their short-term assets.

The common theme in these changes is promoting the practice of infrastructure asset management through incentives which will identify quality projects for DWSRF funding in the short run but will also position Vermont's public water systems for success as state and federal funds decrease and the need for the replacement of critical drinking water infrastructure increases. We believe the practice of asset management is

\$24M



Amount in loans
the VT DWSRF
awarded to 31
public water
systems (PWSs)
during calendar
year 2014.



the best tool for both local communities and the funding agencies to invest limited resources in the right places.

One noteworthy change and the most obvious from previous Intended Use Plans (IUPs), is the new format and look for this document. We received feedback over the years about what information is most important to our audience (i.e. – where is my project on the priority list) and have attempted to make this IUP a more communications friendly document while meeting required federal elements. This effort is part of a larger outreach and communications initiative by the Facilities Engineering Division (FED) Water Infrastructure Financing Programs to get the word out about these opportunities and educate local officials about the process of undertaking a capital improvement project financed with public funding. The DWSRF has been in existence since 1997 and while the program is extremely successful we see an opportunity to build upon that success by modernizing and further streamlining what already works.

New fact sheets, a joint municipal loan application with the Vermont Municipal Bond Bank, and a significant overhaul to the FED website due this summer are all changes visible to the public. Additionally, we are working on several internal improvement initiatives that may not be as obvious to the public but will impact the way we administer the programs. These include the implementation of a new database, the Loan and Grants Tracking System (LGTS), to manage all aspects of the SRF programs and two completed LEAN events on SRF processes. These efforts will help to provide clear and consistent information about the program, coupled with a greater staff presence in local communities, will help us achieve our overarching goal of funding the right projects, at the right time, for the right reasons, and at the right cost. As always feedback on our programs is greatly appreciated and we look forward to assisting you with your infrastructure improvement needs.

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We believe the practice of asset management is the best tool for both local communities and the funding agencies to invest limited resources in the right places.

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The 2015 Intended Use Plan

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 \$8,845,000 for Federal Fiscal Year (FFY) 2015. 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. Under the SDWA, each State is required to deposit in the DWSRF an amount equal to at least 20% of the total amount of the capitalization grant. The State of Vermont's Capitalization Grant request for FFY15 is \$8,845,000; therefore, the amount of state match funds required is \$1,769,000. The full state match of \$1,769,000 was appropriated in spring 2015 (SFY17 funds) through the annual Vermont State Capital Construction and State Bonding Act.

The SDWA requires that each state prepare an Intended Use Plan (IUP) every 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 (DWGWPD) 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.

Priority List

The State of Vermont will continue to use a point system to prioritize the order in which eligible water supply projects that are ready to proceed will be financed. 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. The projects must 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 capacity to operate the system in compliance with federal and state law. The priority list can be amended up to twice per year and if amended a public participation process will be followed.

The State is proposing to spend \$14,540,150 for construction projects. This amount includes \$6,904,800 of new federal funds, \$1,769,000 of new state funds, an estimated \$5,866,350 of 2nd tier funds and uncommitted prior year revolving loan funds. The total request for the 2015 list is \$37,409,971 with a total of 46 project applying. The federal cash draw ratio for the 2015 grant will therefore be \$6,904,800/\$8,673,800, or 79.6%. The 2015 DWSRF PPL identifies Anticipated Loan Recipients' projects with a total estimated cost of \$14,540,150, which is sufficient to provide loans to the first 18 projects on the comprehensive list. These projects should anticipate needing the estimated funding during the 2016 construction season.

The Anticipated Loan Recipients (ALRs) are those projects with the highest ranking that comply with the following:

- Under federal requirements, at least 15% of the capitalization grant funds, or \$1,326,750, must be used for projects serving communities with populations of less than 10,000 persons. Two projects identified as ALRs with a total loan request of \$2,660,600 serve a population of 10,000 or more, so this requirement has been

\$14.5M



Amount the State
is proposing to
spend for
construction
projects.



met.

- As required in Vermont legislation, funds for private water systems are limited to 20% of the available funds, or \$2,491,810 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 \$360,000, which is well below the 20% limit.
- As required in federal law applicable to the 2015 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 \$1,769,000 and a ceiling of \$2,653,500 of the federal funds. 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. In the event the ceiling is met, the subsidy will be provided to ALRs on a first come first serve basis. In the event actual subsidy is less than the minimum required or the maximum allowed, 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).

All required project data will be reported using the "PBR" federal on line reporting system each time a loan is transacted during the fiscal year. Reporting to NIMS will also be completed. In order to comply with the Federal Funding Accountability and Transparency Act (FFATA) the program will report an amount equivalent to the federal grant to the ffrs.gov system. All projects receiving federal funds will be required to comply with the requirements of the Single Audit Act. All projects regardless of funding source will need to comply with NEPA like review, DBE reporting, Davis-Bacon, American Iron and Steel, and other federal crosscutters.

TABLE 1

Comprehensive Project Priority List

The Comprehensive Project Priority List contains a list of fundable and non-fundable projects arrayed in priority order. The priority ranking system ensures funding precedence for projects that address the most serious risk to human health, are necessary to ensure compliance with SDWA requirements, and assist systems most in need.

Points	Type	Status	Water System Name	Pop.	Project Description	Loan Amount	Rate	Term
170	N	F	East Berkshire FD1	184	Comprehensive system improvements including new source, storage, distribution, and treatment	\$600,000	-3.0%	30
140	N	F	Westfield FD1	120	Construction of an Iron and Manganese removal system and connection of a newly drilled well to the system	\$105,000	-3.0%	30
130	N	F	Jericho East Home Owners Association	300	Install Manganese treatment system; upgrade existing pump station	\$360,000	3.0%	20
125	N	F	Burke FD1	142	Waterline replacement, disinfection, new source development, new storage, and flushing hydrants	\$300,000	3.0%	20
122	N	F	Waterville FD1	84	Replace 350 linear feet of waterline with material less susceptible to permeation of contaminated with hydrocarbons	\$112,550	3.0%	20
120	N	F	Wells River Village	490	Water system improvements including new water storage tank, booster pump station, well pump station and distribution replacement	\$2,800,000	-3.0%	30
105	N	F	Newport Center Water System	330	Connection of a new well to meet routine water shortages	\$500,000	-3.0%	30
102	N	F	Town of Franklin	400	Disinfection improvements, tank level control equipment, source metering, corrosion control treatment	\$100,000	3.0%	20
90	N	F	Town of West Windsor	750	Town of West Windsor acquisition of the Summit Water Co. and system improvements	\$300,000	3.0%	20
85	N	F	Alpine Haven	250	Connect newly drilled well to system. Add back-up generator	\$0	-3.0%	30
85	N	F	Rutland City	18500	Install new Water Equalization Tank on the south side of the City	\$1,500,000	-3.0%	30
83	N	F	Hardwick Town	1900	2,800 linear feet of watermain replacement from the intersection of North Main St to Vermont Ave to address low pressure during fire flow conditions	\$600,000	-3.0%	30
80	N	F	Rutland City	18500	Approximately 5,940 linear feet of 100+ year old distribution mains throughout system	\$1,160,600	-3.0%	30
80	N	F	Newport City	4766	New 1.5 MG storage tank	\$3,000,000	3.0%	23
78	N	F	Jeffersonville	700	Comprehensive system improvements including new booster station to serve Jeff Heights, new upper storage tank, new source and land purchase, and distribution system replacement	\$1,800,000	1.2%	30
75	N	F	Lunenburg FD1	250	Develop and connect new source to supplement existing water supply	\$250,000	3.0%	20
73	N	F	Richmond	1000	Replacement of watermain on East Main, Bridge and Pleasant Streets, and Lemroy Court	\$52,000	-2.2%	30
73	N	F	Fair Haven	3076	Waterline replacement throughout system in accordance with Long Range Plan	\$1,000,000	3.0%	20
70	N	NF	Brandon FD1	3865	Waterline replacement throughout the system in accordance with their Long Range Plan	\$2,500,000	3.0%	20
70	N	NF	St. Johnsbury	5000	Water treatment facility improvements	\$3,000,000	-2.7%	30

Points	Type	Status	Water System Name	Pop.	Project Description	Loan Amount	Rate	Term
70	N	NF	Rutland City	18500	Replace up to 2.5 miles of 100+ year old transmission mains	\$3,200,000	-3.0%	30
67	N	NF	Danville FD1	450	Replace approx. 5,600 linear feet of water main to improve pressure under fire flow conditions	\$2,326,000	0.0%	20
67	N	NF	Rutland Town FD6	137	Watermain replacement on Sunset Drive; Pump house upgrades	\$500,000	0.0%	20
65	N	NF	Chester	1490	Upgrade distribution main and construct 330,000 gallon storage tank	\$0	3.0%	21
65	N	NF	Mill River USD 40	960	New booster pump station, new precast concrete storage	\$50,000	3.0%	20
60	N	NF	St. Albans	9956	Construct new 1.52 MG storage tank to address domestic and fire flow demands	\$0	3.0%	20
57	N	NF	Bakersfield FD1	446	New source permitting, drilling and connection	\$350,000	3.0%	20
57	N	NF	St. George Town Center Association	25	Treatment building and pumping facility improvements	\$43,500	3.0%	20
55	N	NF	North Hero	2750	Water treatment plant improvements; new 175 GPM filter and appurtenances	\$1,000,000	3.0%	20
55	N	NF	Canaan FD2	350	Relocation via directional drill of the watermain currently attached to the Route 3 bridge spanning the Connecticut River to NH	\$260,000	1.8%	30
53	N	NF	South Hero FD4	760	Water treatment plant improvements	\$1,800,000	3.0%	20
53	N	NF	Quechee Central	2262	Replace existing storage tank with new 400,000 gallon one; construct 2,700 linear feet of watermain	\$640,000	3.0%	20
53	N	NF	Berlin Elementary School	305	Connect School to new municipal water system	\$25,000	3.0%	20
50	N	NF	Champlain Water District	1	New twin 1 million gallon CT tanks and wet well to provide redundancy and improve reliability	\$2,000,000	3.0%	20
50	N	NF	Rutland City	18500	Install 14 live-insertion valves on existing transmission and distribution lines	\$500,000	-3.0%	30
50	N	NF	Willows MHP	63	Installation of new master meters and flushing hydrants	\$76,000	3.0%	20
50	N	NF	Newport City	4766	1,600 linear feet of new watermain to serve the Lakemont HOA	\$500,000	3.0%	23
45	N	NF	Websterville FD3	367	Approximately 10,000 linear feet of watermain replacement; pump station improvements and addition of back up generator	\$100,000	0.0%	20
45	N	NF	Town of Arlington	1250	Town of Arlington's purchase of the Arlington Water Co. in addition to distribution system upgrades	\$500,000	3.0%	20
43	N	NF	Norwich FD1	870	Replacement of aging transmission main and customer meters	\$550,000	3.0%	20
40	N	NF	Alburgh Village	576	Replacement of residential water meters	\$227,000	-3.0%	30
40	N	NF	Bristol	1900	Replacement of 2,100 linear feet of distribution main on West St. 2,150 linear feet of new distribution main to consolidate Woodland Apartments into Bristol Water Dept	\$922,321	3.0%	20
40	N	NF	St. Johnsbury	5000	Replacement of 2,200 linear feet of undersized watermain on Emerson, Union, St. John and Southard Streets	\$450,000	-2.7%	30
33	N	NF	Jericho Underhill Water District	825	New Maple Ridge pump station and distribution. Other minor improvements	\$533,000	3.0%	20
32	N	NF	Lazy Brook MHP	205	Replacement of 750 linear feet of 2-inch water main, service lines, and installation of emergency generator	\$117,000	3.0%	20
30	N	NF	Milton MHP	260	Comprehensive replacement of the distribution system; installation of fire hydrants	\$700,000	3.0%	20

TABLE 1 (CONTINUED)

Comprehensive Project Priority List Notes

- Total available funding is based on Federal Capitalization Grant, State Match, interest earnings, and other fund income.
- Funding Type: E = Emergency Project, C = Continuing Project, N = New
- Funding Status: F = Fundable Project, NF = Non Fundable Project
- Final eligibility determinations will be made at time of the loan application review.
- Interest rates and loan terms are preliminary estimates only.
- 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.
- For multi-year projects that anticipate subsequent years of DWSRF funding, interest rates may change as the loan value increases.
- Point totals are subject to change as further documentation may be required to substantiate the priority points awarded.
- Projects with \$0 (or less than what requested on an application) are also on a prior priority list, but have not yet been awarded funds and are, therefore included on the list in the event the project is bypassed on the prior priority list due to lack of readiness. Should this occur, funds will be made available from this priority list for the project.

TABLE 2

Prior Years' Pending Loan Commitments

Table 2 summarizes projects with funding reserved for loan awards and amendments from prior years' project priority lists.

Loan Awards/Amendments at 6/25/2015- Pending Prior Fiscal Years' PPLs		
Water System	PPL	Loan Amount
Ascutney FD #2	FY10	\$105,610
Wells River	FY11	\$57,083
Aqua Haven	FY12	\$100,000
Northfield	FY13	\$1,808,031
Georgia Station	FY13	\$62,411
Hinesburg	FY13	\$1,500,000
Chester	FY13/FY14	\$3,800,000
Quechee	FY13	\$2,140,000
Richmond	FY13	\$75,000
Royal Pine Villa	FY13	\$250,000
Bellows Falls	FY14	\$4,000,000
Springfield	FY14	\$290,000
St. Johnsbury	FY14	\$800,000
Okemo Village Condominium	FY14	\$45,000
Berlin School	FY14	\$121,714
Hemlock Ridge Condominium	FY14	\$384,070
Warren Municipal Buildings	FY14	\$86,110
Arlington	FY14	\$2,000,000
Montessori School of Central Vermont	FY14	\$35,000
Alpine Haven Water Coop	FY14	\$450,000
Coldbrook FD #1	FY14	\$170,000
Georgia Industrial Development Corp	FY14	\$1,910,000
Websterville FD#3	FY14	\$2,600,000
Richmond	FY14	\$1,973,000
Sterling View MHP	FY14	\$50,000
Mill River USD	FY14	\$150,000
St. Albans	FY14	\$1,200,000
Total		\$26,163,029

Set-Asides

The State of Vermont plans to set aside \$1,940,200 (21.9%) 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 following outlines the allocations and provides a brief description of the proposed activities in each of the four set-asides.

Program Management Set-Aside

Up to 10% of the capitalization grant can be used for the DWSRF Program Management Set-Aside. We propose to take the full 10%, \$884,500 to support approximately 9.8 FTEs and associated operating costs within the DWGWPD. 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.

A one-to-one state match of \$884,500 is also necessary for the State Program Management Set-Aside. This match can be an in-kind match for money spent on Public Water System Supervision (PWSS) work in FFY93 and FFY15 in excess of the required PWSS match. No more than 50% of the in-kind match can come from the FFY93 money, leaving \$442,250 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 FFY15. The total estimated match available therefore exceeds the required match for the State Program Management Set-Aside. Following the close of FFY15, 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 FFY15. If actuals differ from projected amounts, the workplan will reflect the adjusted amounts.

Administrative Set-Aside

Up to 4% of the capitalization grant can be used for the DWSRF Administrative Set-Aside. We propose to take the full 4%, \$353,800, to support approximately 3.9 FTEs within the Facilities Engineering Division. These positions provide project development, construction oversight, loan administration, and financial management services for the operation of the DWSRF. Additionally, administrative funds are used to pay for the services 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.

Technical Assistance Set-Aside

Up to 2% of the capitalization grant can be used for the DWSRF Technical Assistance Set-Aside. We propose to take the full 2%, \$176,900, to provide technical assistance to small public water systems. The following activities are proposed:

WATER SYSTEM OPERATOR TRAINING CONTRACT

We are proposing to allocate \$140,000 for a contract to provide professional training to public water system owners and operators in Vermont. These training efforts support the Vermont Water Operator Certification Program administered by the DWGWPD. The current contract for these services expires April 30, 2016 and this allocation will ensure there will not be a gap in training services provided.

REVISED TOTAL COLIFORM RULE LEVEL 2 SITE ASSESSMENTS

We are proposing to allocate \$36,900 to hire a technical assistance provider to conduct Level 2 Site Assessments to assist small community and non-transient non-community water systems in complying with the Revised Total Coliform Rule.

\$4.5M

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Amount the DWSRF has spent on providing direct assistance for non-construction activities through grants and contracts to PWSs since program inception.

• • •

Local Assistance Set-Aside

Up to 15% of the capitalization grant can be used for the DWSRF Local Assistance Set-Aside with a further limitation that no more than 10% can be used to fund any one specific activity. We are proposing to use 5.9%, or \$525,000 to fund local assistance activities. The following activities are proposed:

CAPACITY PROGRAM OUTREACH AND COMMUNICATIONS

We are proposing to allocate \$10,000 to enhance outreach and communication specific to our capacity development initiatives. Activities could include updating the capacity development website to be more interactive, creating program fact sheets, re-instating the newsletter and other forms of outreach to the regulated community, webinar development, and board member training.

CAPACITY PROGRAM LEGAL ASSISTANCE

We are proposing to allocate \$75,000 to fund a legal services contract(s) to assist public water systems in identifying land ownership issues where public water system infrastructure is located and assist the systems on acquiring the necessary land through ownership and/or permanent easements.

CAPACITY PROGRAM ASSET MANAGEMENT INITIATIVES

We are proposing to allocate \$100,000 to asset management initiatives administered by FED and DWGWPD. Initiatives could include an extension of the asset management training program funded through previous grants, or new initiatives to further the overall objective of increasing the practice of infrastructure asset management at Vermont's public water systems.

CAPACITY PROGRAM POSITIONS

We are proposing to allocate \$250,000 to capacity development program positions to support approximately 2.75 FTEs within the DWGWPD and FED. These positions work directly with public water systems to develop and implement technical, managerial, and financial capacity measures.

WELL HEAD PROTECTION PROGRAM

We are proposing to allocate \$90,000 to the wellhead protection program to support approximately 1.0 FTE in the implementation of the groundwater portion of the Source Water Protection Program within the

\$525,000



Amount allocated from FFY15 grant funds to increase PWSs technical, managerial, and financial capacity.



DWGWPD. 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.

PLANNING LOAN PROGRAM

The planning loan program is capitalized through the Local Assistance Set-Aside. Due to a sustainable balance in this fund that will meet demand for planning loans the State of Vermont does not intend to capitalize this program with FFY15 capitalization grant funds. A financial summary of the planning loan fund is provided in the next section of this document.

TABLE 3

DWSRF FFY 15 Set-Aside Summary

Set-aside (Maximum %)	Funds Allowable	Grant Request
Administration (4%)	\$353,800	\$353,800
Technical Assistance (2%)	\$176,900	\$176,900
Program Management (10%)	\$884,500	\$884,500
Local Assistance (15%)	\$1,326,750	\$525,000
Totals	\$2,741,950	\$1,940,200

TABLE 4

FFY 15 Set-Aside Summary (including ARRA 2009 Funds)

Set-aside	Prior Years' Funds	Current Year FFY15 Funds	Total with FFY15 Funds	Expended (drawn) as of 3/31/2015	Unexpended (drawn) as of 3/31/2015
Administration	\$7,072,700	\$353,800	\$7,426,500	\$6,750,070	\$676,430
Technical Assistance	\$3,076,230	\$176,900	\$3,253,130	\$2,549,138	\$703,992
Program Management	\$14,742,467	\$884,500	\$15,626,967	\$12,586,386	\$3,040,581
Local Assistance	\$12,740,254	\$525,000	\$13,265,254	\$9,935,791	\$3,329,463
Totals	\$37,631,651	\$1,940,200	\$39,571,851	\$31,821,385	\$5,810,266

Financial Matters

Payment Schedule

EPA requires a payment schedule for planning the obligation of federal funds. 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.

TABLE 5

EPA Payment Schedule for Federal Fiscal Year

Payment No.	Quarter	Date	Amount
1	2017-1	10/1/2016 – 12/31/2016	\$3,000,000
2	2017-2	1/1/2017 – 3/31/2017	\$4,000,000
3	2017-3	4/1/2017 – 6/30/2017	\$1,500,000
4	2017-4	7/1/2017 – 9/30/2017	\$345,000
Total			\$8,845,000

Disbursement Schedule

EPA requires an estimated disbursement schedule for planning the outlay of federal funds. Below is the schedule for the new funding of \$8,845,000.

TABLE 6

EPA Estimated Disbursement Schedule

Disbursement Quarter	Amount
4QFFY2016	40,000
1QFFY2017	425,000
2QFFY2017	800,000
3QFFY2017	2,100,000
4QFFY2017	2,000,000
1QFFY2018	1,650,000
2QFFY2018	1,475,000
3QFFY2018	355,000
Total	\$8,845,000

DWSRF & CWSRF Transfer

The Safe Drinking Water Act Amendments of 1996 (Section 303) allow the 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.

Future Program Impact

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 to total approximately \$350,000 in state fiscal year 2016 (SFY16), which will be 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.

Program Financial Summary

As part of the Intended Use Plan, states must report on the financial status of their DWSRF. The first capitalization grant was awarded to Vermont on September 30, 1997. During this time cumulative loan awards total approximately \$182,000,000 for public drinking water construction projects and approximately \$8,700,000 for water planning and design loans. In addition to project funds and set-asides the DWSRF also maintains an administrative fee account, which is being reserved to sustain the administrative function of the program when the state is no longer receiving federal capitalization grants. As of March 31, 2015 the administrative fee account balance is \$3,481,706.

Tables on the following pages provide a financial summary of the program.

\$182M



Amount of
cumulative loan
awards for public
drinking water
construction
projects since first
capitalization
grant was
awarded.



\$8.7M



Amount of
cumulative loan
awards for water
planning and
design projects
since first
capitalization
grant was
awarded.



TABLE 7

DWSRF Source and Uses

Table 7 provides a comprehensive summary of the funding available to the program through federal capitalization grants and revolving loan funds and uses which include funding for construction projects and set-aside activities.

Sources	Current Fiscal Year (SFY2015; includes FFY2014 Grant)	Totals Thru SFY2015 (includes FFY 1998- 2014 Grants)	Projected SFY2016 (includes FFY2015 Grant)
Capitalization			
Federal Capitalization Grants: Project Funds	\$6,817,275.00	\$120,669,544.00	\$6,904,800.00
Federal Capitalization Grants: Set Asides	\$2,027,725.00	\$36,650,756.00	\$1,940,200.00
Federal ARRA Funds	\$ -	\$19,500,000.00	\$ -
State Match	\$1,769,000.00	\$31,464,060.00	\$1,769,000.00
Capitalization Subtotal	\$10,614,000.00	\$208,284,360.00	\$10,614,000.00
Net Construction Fund Revenues			
Loan Repayments	\$6,259,211.51	\$52,578,763.00	\$5,528,941.94
Loan Interest	\$313,175.05	\$3,767,516.00	\$ -
Loan Negative Interest	\$(865,941.86)	\$(6,878,222.00)	\$ -
Principal Subsidy	\$(1,927,615.62)	\$(13,009,549.00)	\$ -
Fund Interest	\$4,238.59	\$1,693,124.00	\$2,000.00
Net Construction Revenues Subtotal	\$3,783,067.67	\$38,151,632.00	\$5,530,941.94
Other Sources			
Carry Forward from Prior Fiscal Year Balance			\$32,417,808.06
Revenue received during SFY17 for FFY15 Projects			\$
Total Source	\$ 14,397,067.67	\$ 246,435,992.00	\$ 48,562,750.00

Uses	Current Fiscal Year (SFY2015)	Totals Thru SFY2015 (includes FFY 1998- 2014 Grants)	Projected SFY2016
Project Binding Commitments			
Base SRF Loans	\$ 11,427,776.07	\$ 163,786,798.94	\$ 14,540,150.00
ARRA Loans	\$ -	\$ 18,410,000.00	\$ -
Total Project Binding Commitment Subtotal	\$ 11,427,776.07	\$ 182,196,798.94	\$ 14,540,150.00
Projected New Loan Commitments off Previous Lists	\$ -	\$ -	\$ 26,163,029.00
Total New Binding Commitments Subtotal	\$ -	\$ -	\$ 26,163,029.00
Set-Asides			
DWSRF Administrative	\$ 269,597.00	\$ 6,750,070.00	\$ 353,800.00
State Program Management	\$ 1,320,934.00	\$ 12,586,386.00	\$ 1,500,000.00
Technical Assistance	\$ 357,667.00	\$ 2,549,138.00	\$ 325,000.00
Local Assistance	\$ 719,796.00	\$ 9,935,791.00	\$ 825,000.00
Set-aside Subtotal	\$ 2,667,994.00	\$ 31,821,385.00	\$ 3,003,800.00
Other Uses			
Carry Forward to Next Fiscal Year (Additional Project Fund Revenue)			\$ -
Carry Forward to Next Fiscal Year (Allocated but Unexpended Set-Asides)	\$ -	\$ -	\$ 4,855,771.00
Total Use	\$ 14,095,770.07	\$ 214,018,183.94	\$ 48,562,750.00
Balance		\$ 32,417,808.06	\$ -

TABLE 8

Planning Loan Program Sources and Uses

Table 8 summarizes the sources and uses for the Local Assistance Water Planning Loan Program. Sources include capitalization from federal funds and funds revolving into the program from loan repayments and uses which are in the form of new loan commitments.

Funding Year	Amount
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
FFY14	\$0
FFY15	\$0
Subtotal	\$7,481,755
Cumulative Net Other Funds 3/31/15 (repayments, interest, miscellaneous)	\$5,280,755
Projected Repayments thru SFY16	\$350,000
Total Funds Projected Received at 6/30/2016	\$13,112,510
Total Commitments at 3/31/2015	\$8,612,554
Projected Commitments thru SFY15	\$500,000
Projected Commitments thru SFY16	\$800,000
Total Commitments Projected at 6/30/16	\$9,912,554
Projected Available at 7/1/16	\$3,199,956

TABLE 9

Funding Commitments by Project Priority List (PPL)

Table 9 summarizes the total funding commitments made from the DWSRF project account by priority list. Commitment amounts for any given fiscal year's PPL are subject to change until all loans for that year are closed out and amounts final.

Actual Plus Anticipated Funding Commitments by Priority List (excludes ARRA)	
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	\$10,106,808
FFY 2002 Priority List	\$9,135,730
FFY 2003 Priority List	\$8,804,076
FFY 2004 Priority List	\$11,205,361
FFY 2005 Priority List	\$6,339,892
FFY 2006 Priority List	\$9,895,426
FFY 2007 Priority List	\$7,914,925
FFY 2008 Priority List	\$10,678,081
FFY 2009 Priority List	\$14,649,231
FFY 2010 Priority List	\$15,476,502
FFY 2011 Priority List	\$12,980,209
FFY 2012 Priority List	\$12,791,668
FFY 2013 Priority List	\$12,277,280
FFY 2014 Priority List	\$19,507,824
FFY 2015 Priority List	\$14,540,150
Total Funding Commitments	\$208,153,102

TABLE 10

Total Loan Program Funds

Table 10 summarizes the funding used to capitalize the project account by grant year. This includes the portion of the federal grant allocated to construction projects and the state match, which is collectively referred to as tier 1 funds. It does not include loan repayments, interest earnings, and fees, which is collectively referred to as tier 2 funds.

Total Loan Program Funds Projected thru SFY15 Excludes ARRA 2009 Funds (Obligated + Unobligated)			
	Federal	State	Total
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
FFY 14 Cap Grant	\$6,926,380	\$1,769,000	\$8,695,380
FFY 15 Cap Grant	\$6,904,800	\$1,769,000	\$8,673,800
Total Tier 1 Funds	\$127,683,449	\$33,233,060	\$160,916,509

Program Changes

We are proposing a change to the priority ranking system for projects that eliminate or minimize manganese contamination. Currently projects involving manganese treatment would receive 50 points as a secondary contaminant. We are proposing to treat them under the Maximum Contaminant Level (MCL) and elevate the facility improvement scoring to 120 points. The basis for this change is a recent Health Advisory issued by the Vermont Department of Health for manganese in drinking water. Please note, manganese is treated as an MCL strictly for priority ranking purposes and is not listed as an MCL in the Vermont Water Supply Rule. The DWGWPD will recognize the Health Advisory for Manganese as outlined in the advisory issued by the Vermont Department of Health.

As of July 1, 2015 the Vermont SRF Programs will begin to issue taxable loans to municipalities as opposed to tax exempt loans the program has historically issued. Issuing taxable loans will result in less administrative burden for FED and less paperwork for municipal borrowers to complete in the loan approval process. Municipalities are tax exempt entities so the issuance of taxable loans will not result in negative impacts.

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. Throughout the year DWSRF staff initiate contact with the most needy and highest 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. A public notice for the development of this IUP as well as a solicitation for priority list applications and a public meeting announcement was sent on March 19, 2015 to all public water system administrative contacts, stakeholder groups, and engineering consultants. A notice of availability of the draft project priority list and set-aside allocations for comment was distributed June 1, 2015 and a draft Intended Use Plan was distributed in advance of the public hearing held on June 10, 2015. Additionally, the draft IUP was posted on both the FED and DWGWPD websites in advance of the June 10, 2015 public hearing and the notice for the hearing was also placed on the Vermont Department of Libraries website.

Public Comment Responsiveness Summary

The following responsiveness summary will list questions (Q) and comments (C) received at the June 10, 2015 public hearing through the public comment period ending June 25, 2015. Some comments have been edited for brevity and clarity.

-
- [C] Please consider moving engineering services related to American Iron and Steel (AIS), Disadvantaged Business Enterprise (DBE), and Davis Bacon to non-standard services or consider revising the engineering fee curve.
- [A] The fee curve was last revised in September 2011 with a number of changes to the program since that time (such as those mentioned above) making the curve due for an update. We will not be able to take this project on until after the summer is over and will keep the

engineering community apprised of status through the various forms of outreach we do like blast emails and engineering liaison meetings.

[Q] Will the intensive asset management training be available to consultants?

[A] Consultants can participate if there is space in the training (water systems receive priority) and if the consultant is “sponsored” by a water system.

[C] Clarification was provided that the Drinking Water Program would not be treating high manganese as a Maximum Contaminant Level (MCL) violation, but the SRF program will treat high manganese as an MCL for purposes of priority ranking only.

[A] N/A

[Q] With new planning loan forgiveness criteria becoming effective on July 1, 2015, what will the program use to determine which forgiveness criteria to apply?

[A] The loan application receipt date will determine which forgiveness criteria will apply.

[C] There are some growing pains with new municipal loan application such as the inability to indicate N/A for certain fields that do not apply to certain loan types.

[A] The program is treating the loan application as a work in progress and we feel the benefits of combining numerous applications administered by DEC/VMBB into one combined document outweigh the costs. We will look into the issue of adding some N/A fields (e.g. N/A for project cost summary for Step I loan) to the application. Additionally, we will be working with our partner VEDA to make improvements to the loan application used for private drinking water loans.

[C] Are there other permit exceptions that were eliminated, i.e., fire safety?

[A] Municipalities lose their exemption for a number of permit fees, but not all. Below is a list of those fees that state capital-funded municipal projects would now need to pay that were previously exempt. Municipalities receiving capital funds (that includes SRF projects) will

still be exempt from having to pay fees for reviews, inspections or non-operating permits issued by the Department of Public Safety, District Environmental Commission and ANR, except those listed below.

Sec. 2822(j)(2)(A)(iii):	Stormwater Discharge Permits
Sec. 2822(j)(7)(A):	Public Water Supply Construction Permits and Amendments
Sec. 2822(j)(7)(B):	Water Treatment Plant Applications
Sec. 2822(j)(10):	Management of Lakes and Ponds Permits issued under 29 VSA Chapter 11
Sec. 2822(j)(11):	Stream Alteration Permits
Sec. 2822(j)(26):	Wetlands CUDs

[Q] Can you include a list of prior years' loan commitments in new IUP template as we did with previous IUPs?

[A] Yes, we will include a table in the priority list section that contains a list of projects we intend on awarding funds from prior years' priority lists.

[C] An application was received from the Norwich FD#1.

[A] The project has been added to the final priority list and has received 43 priority points.

[C] An application was received from Wells River Village.

[A] The project has been added to the final priority list and has received 120 priority points.

[C] An application was received from the Village of Fair Haven.

[A] The project has been added to the final priority list and has received 73 priority points.

[C] An application was received from Alpine Haven.

[A] The project has been added to the final priority list and has received 85 priority points.

[C] An application was received from the Town of Bristol.

[A] The project has been added to the final priority list and has received 40 priority points.

[C] An application was received from the Town of Franklin.

[A] The project has been added to the final priority list and has received 102 priority points.

[C] An application was received from the Brandon FD#1.

[A] The project has been added to the final priority list and has received 70 priority points.

[C] An application was received from the Rutland FD#6.

[A] The project has been added to the final priority list and has received 67 priority points.

[C] An application was received from Newport City- storage tank.

[A] The project has been added to the final priority list and has received 80 priority points.

[C] An application was received from Newport City- Lakemont HOA.

[A] The project has been added to the final priority list and has received 50 priority points.

[C] An application was received from the Village of Jeffersonville.

[A] The project has been added to the final priority list and has received 78 priority points.

[C] An application was received from the Mill River USD.

[A] The project has been added to the final priority list and has received 65 priority points.

[C] An application was received from the City of Rutland- Water Equalization Tank.

[A] The project has been added to the final priority list and has received 85 priority points.

[C] An application was received from the City of Rutland- Valve Installation.

[A] The project has been added to the final priority list and has received 50 priority points.

[C] An application was received from the City of Rutland- Distribution.

[A] The project has been added to the final priority list and has received 80 priority points.

[C] An application was received from the City of Rutland- Transmission.

[A] The project has been added to the final priority list and has received 70 priority points.

Appendix A: Short and Long Term Goals

Short Term Goals and Objectives

1. Secure the State's nineteenth 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 public 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. Liquidate all legacy ULO's by September 30, 2016.
12. Coordinate DWSRF activities with enforcement activities of the State and EPA.
13. Continue implementation of the statewide strategy to improve capacity for existing public water systems and assure capacity for new public water systems.
14. Use DWSRF set-aside funding to provide the additional resources required to manage the Vermont Drinking Water Program.
15. Continue programs to encourage participation of small water systems in the loan program.
16. Integrate Green Infrastructure funding into the DWSRF Program in accordance with federal guidelines.

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. Expend all federal funds within two years of grant award.
3. 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.
4. 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.
5. Use set-asides to improve source water protection and assessment efforts by providing technical and financial assistance.

6. Continue to update, develop, and implement administrative rules and guidance to carry out the DWSRF program.
7. Continue to update, develop, and implement the capacity development strategy for existing systems.
8. Continue providing operator training by DWGWPD staff and through grants and/or contracts with third-party technical assistance providers.

Appendix B: Guidance Documents

The guidance documents outline the policies and procedures the DWSRF uses for implementing the loan program.

Number	Title/Description	Last Updated
1	Priority List Applications Eligible public water systems must apply every year to the Project Priority List in order to access construction loan funds	6/8/2015
2	Priority List Development and Application Processing Outlines the process DWSRF staff take to produce a draft and final list, and includes a description of the priority ranking system	6/8/2015
3	Fund Availability Notification and Project Timeline Procedure for availability of funding and request for information, including a construction project timeline	6/18/2007
4	Project Bypass Procedures Details project bypass procedures used to meet state and/or federal funding requirements or when a project does not meet required deadlines to make money available for projects lower on the list	6/18/2007
5	Loan Application Forms The DWSRF program uses two standard funding application forms; one for municipally-owned systems and another for privately owned ones	7/26/2007
6	Loan Application Review and Approval Process DWSRF staff uses to process and approve a loan	11/19/2007
7	Municipal Authority to Execute Loan Agreements Statutory references that gives authority to Municipalities to enter into loan agreements	11/19/2007
8	Loan Eligibility Outlines eligible loan costs including for system expansion, project management, administrative and legal fees, and water system purchase	1/24/2013
9	Engineering Allowance for DWSRF Projects Procedures for engineering services agreements, engineering fee curve allowances, standard and non-standard tasks	1/24/2013
10	Loan Term, Interest Rate, Administrative Fee Determination and Loan Repayments Process for determining loan rate and terms	1/24/2013
11	Median Household Income Determination Outlines how the DWSRF program determines MHI in a given community, including procedures for conducting an income survey	10/29/2012
12	Preliminary Engineering Report DWSRF staff review procedures.	5/5/2008
13	Annual Operation and Maintenance Costs, Equivalent Units, and Existing Debt Outlines the three primary elements in determining the loan term and interest rate.	6/18/2007
14	Project Costs Estimate Adjustments and Loan Amount Adjustments Procedure for adjusting approved loan amounts.	5/13/2008

Number	Title/Description	Last Updated
15	Environmental Review Procedure for review and approval of required Environmental Report template for all DWSRF construction loan projects	1/24/2013
16	Emergency Projects Procedure for placing a project on the priority list, thereby bypassing all other projects.	5/8/2008
17	Archaeological and Historic Properties Review Reference to the Memorandum of Understanding with the State Historic Preservation Officer for review of archaeological and historic properties as part of the Environmental Report	1/24/2013
18	Project Design Review for Petroleum Contamination and Hazardous Waste Sites Procedure for when petroleum contamination is involved at a site where DWSRF funds will be used.	10/31/2008
19	Canadian Border Projects This outlines procedures for funding water systems that serve populations on both sides of the border.	1/21/2009
20	5-Year Municipal Construction Loans Procedure for municipalities that want to authorize loans for a term 5 years or less and a value less than \$75,000.	1/21/2009
21	Municipal Construction Loans for less than \$75,000 or loan increases of less than \$75,000 Statutory reference to municipalities' ability to authorize loan increases and DWSRF review and approval of such action.	1/21/2009
22	Planning Loan Forgiveness (Municipalities only) Procedure for forgiving municipally-sponsored planning loans.	6/8/2015
23	DWSRF Loan Capacity Reviews Procedure for determining the technical, managerial and financial capacity of any entity that applies for a DWSRF loan.	7/10/2007
24	Loan forgiveness for School Water Systems Procedure for construction loan forgiveness up to \$25,000 for a municipally-owned school.	4/7/2009
25	Procurement Guidelines Procedure the Construction Engineering section takes when bidding and procuring goods and services funded with DWSRF money.	12/15/2010
26	EPA's DWSRF Final Interim Rule The rule explains what the States must do to receive the federal grant, what States may do with the funds for projects and set-aside activities and identifies the roles of EPA and States for managing and administering the program.	8/7/2000
27	Vermont Statutes: Title 10, Chapter 55	Current
28	Vermont Statutes: Title 24, Chapter 120	Current