



The Vermont Drinking Water
State Revolving Fund

Adopted Intended Use Plan

for Federal Fiscal Year 2016 Funding

July 21, 2016

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.

Over the past year, the DWSRF has seen a reduction in its unliquidated obligations (ULOs). DWSRF staff are now able to shift the focus to improving the program, making fundamental changes to statute and processes. Recent significant changes in staff, including the loss of long term SRF team members mostly due to retirement, have resulted in the need to streamline and document processes. Both DW and CW SRF programs are working toward aligning each program's processes to mirror each other. Other processes to streamline our interaction with external partners is also underway.

The key program updates and changes are:

- Full use of the LGTS database
- Aligning the DW and CW SRF programs
- Awarding priority points for Village Center Designation
- Adopting the American Community Survey for system MHI

The DWSRF will continue to implement the asset management goals and strategies of past years using the programmatic changes initially proposed in the FY14 IUP. Set-aside funds are being used to provide asset management training for public water system officials and grants to public water systems for management of their assets.

The overhaul of the website mentioned in the FY15 IUP occurred in May 2016. We hope the new layout will be more user friendly, while acknowledging there will be a learning curve. The new look of communication from the Water Infrastructure Financing Programs has been well received. The effort to make the municipal funding application apply to all funding opportunities that exist in the DWSRF including the privately-owned public water systems into the 'smart' funding application, will be completed shortly.

\$20.65M



Amount in loans
the VT DWSRF
awarded to 37
public water
systems (PWSs)
during calendar
year 2015.



The 2016 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 \$8,312,000 for Federal Fiscal Year (FFY) 2016. 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 FFY16 is \$8,312,000; therefore, the amount of state match funds required is \$1,662,400. A state match of \$780,600 is available from funds appropriated in Act 26 of 2015 for state fiscal year 2017 (beginning July 1, 2016) with a balance of \$881,800 expected to be appropriated spring 2017 and available July 1, 2017. Vermont generally receives its 20% match through the biennial 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 variety of state agencies are involved in the process, the Facilities Engineering Division (FED) of the Department of Environmental Conservation (DEC) has primary responsibility for preparing 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 \$26,229,500 for construction projects. This amount includes \$5,589,080 of new federal funds, \$1,662,400 of new state funds, an estimated \$6,000,000 in projected loan repayment funds received during SFY17 and \$13,251,480 from uncommitted prior year revolving loan funds. The total request for the 2016 list is \$45,124,500 with a total of 44 projects applying. The federal cash draw ratio for the 2016 grant will therefore be \$5,589,080/\$7,251,480, or 77.08%.

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 \$1,246,800, must be used for projects serving communities with populations of less than 10,000 persons. Because the vast majority of Vermont's public water systems serve populations <10,000, this requirement is never expected to be an issue. Two projects identified as ALRs with a total loan request of \$4,900,000 serve a population of 10,000 or more, so this requirement has been met.

\$26M



Amount the State
is proposing to
spend for
construction
projects.



- 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 \$185,000, which is well below the 20% limit.
- As required in federal law applicable to the 2016 grant, no less than 20% or more than 50% of the federal grant shall be provided in the form of loan subsidy. This equates to a floor of \$1,662,400 and a ceiling of \$4,156,000 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 fsrs.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.

Total Available Funding: \$26,229,500

Points	Type	Status	Water System Name	Pop.	Project Description	Loan Amount	Rate	Term
50	C	F	Champlain Water District	69000	New twin 1 million gallon CT tank and wet well to provide redundancy and improve system reliability	\$3,200,000	3.00%	20
160	N	F	East Berkshire Fire District No 1	184	Comprehensive systemwide improvements	\$1,300,000	-3.00%	30
135	N	F	Mountain View MHP	60	Treatment plant upgrades	\$0	3.00%	20
133	N	F	Randolph, Town of	2700	Source connection to address manganese issues	\$450,000	3.00%	20
128	N	F	South Hero Fire District #4	760	Water Treatment Plant Upgrades to address DBPs	\$250,000	3.00%	20
120	N	F	Wells River, Village of	398	New storage tank, upgraded booster station, approx. 6500 linear feet of waterline replacement	\$1,104,000	-3.00%	30
120	N	F	Newport, City of	5005	New 1.5-million-gallon storage tank	\$3,000,000	3.00%	20
118	N	F	North Bennington, Village of	1700	Waterline extension and booster pump station to connect contaminated private wells	\$2,000,000	-3.00%	30
115	N	F	Troy, Town of	315	Source drilling, permitting and connection	\$200,000	2.26%	30
115	N	F	Newport, Town of	460	New source permitting, drilling and connection	\$500,000	-3.00%	30
110	N	F	East Thetford Water Co	250	Comprehensive system upgrades	\$50,000	3.00%	20
108	N	F	Jeffersonville, Village of	750	Comprehensive system-wide improvements	\$4,680,000	-3.00%	30
105	N	F	North Harbor	225	Chlorine contact time and other systemwide improvements	\$135,000	3.00%	20
100	N	F	Fairlee, Town of	204	Removal and replacement of prematurely failing concrete roof on storage reservoir	\$650,000	3.00%	20
98	N	F	Hardwick, Town of	1600	Replacement of approx. 2,950 linear feet of waterline Along Church and Maple Streets and Slapp Rd	\$0	-3.00%	30
95	N	F	Irasburg Town Fire District #1	250	Source, distribution and treatment improvements	\$90,000	-3.00%	30
95	N	F	West Windsor, Town of	75	Comprehensive systemwide improvements	\$0	3.00%	20
85	N	F	Lunenburg Fire District #1	220	New source permitting, drilling and connection	\$250,000	-3.00%	30

85	N	F	Websterville Fire District #3	367	Comprehensive systemwide improvements	\$1,500,000	-3.00%	30
85	N	F	Rutland, City of	18000	New Water Equalization Tank on south side of City	\$1,700,000	-3.00%	30
80	N	F	Rutland, City of	18000	Replacement of approx. 5,940 liner feet of 100+ year old waterline	\$0	-3.00%	30
75	N	F	Richmond, Town of	1000	Waterline extension on West Main St	\$1,500,000	3.00%	20
75	N	F	Danville Town Fire District #1	450	Replace approx. 5,600 linear feet of water main to improve pressure under fire flow conditions	\$2,360,000	0.00%	20
75	N	F	Springfield, Town of	9078	New 12" main on Clinton St from Bridge to WWTF	\$960,500	1.30%	30
73	N	F	Jericho Underhill Water District	825	New booster pump station at Maple Ridge	\$350,000	3.00%	20
70	N	NF	Saint Johnsbury, Town of	4600	Upgrade existing water treatment plant	\$4,780,000	-3.00%	30
70	N	NF	Alburgh, Village of	400	Replace existing elevated storage tank	\$1,500,000	-3.00%	30
68	N	NF	Woodstock Aqueduct Company	1673	Add approx. 5,700 linear feet of distribution system looping	\$0	3.00%	20
68	N	NF	Fair Haven, Town of	2900	Replace approx. 5,975 linear feet of waterlines	\$0	3.00%	21
65	N	NF	Saint Albans, City of	13500	New 1.5 million gallon storage tank	\$1,200,000	3.00%	20
65	N	NF	Montpelier, City of	8700	Northfield St waterline replacement	\$1,500,000	3.00%	20
62	N	NF	Pinnacle Condominium Association	400	Pump house and treatment upgrades	\$150,000	3.00%	20
60	N	NF	Milton, Town of	5420	Waterline and PRV replacement Railroad and River Streets	\$1,915,000	3.00%	20
58	N	NF	South Hero Fire District #4	760	Water Treatment Plant upgrade	\$1,800,000	3.00%	20
53	N	NF	North Hero, Town of	800	Water treatment plant expansion	\$1,000,000	3.00%	20
50	N	NF	Champlain Water District	69000	New 600,000 Williston High Service storage tank on Mountainview Rd	\$1,560,000	3.00%	20
50	N	NF	Newport, City of	5005	Addition of 1,600 linear feet of waterline to serve the Lakemont Homeowners Association	\$500,000	3.00%	20
45	N	NF	Bakersfield Town Fire District #1	325	New source permitting, drilling and connection	\$350,000	3.00%	20
43	N	NF	Ludlow, Village of	2818	Replacement of approx. 1,200 linear feet of waterline	\$625,000	-3.00%	30
42	N	NF	Peacham Town Fire District #1	150	Replace approx. 3,500 linear feet of watermain	\$250,000	0.00%	20
40	N	NF	Saint Johnsbury, Town of	4555	Waterline replacement within the Oak Street drainage area	\$430,000	-3.00%	30
38	N	NF	Hinesburg, Town of	2800	New source permitting, drilling and connection	\$750,000	3.00%	20
35	N	NF	Bethel, Town of	915	New customer meters	\$400,000	3.00%	20

27	N	NF	Marshfield, Village of	350	Waterline replacement	\$185,000	-3.00%	30
----	---	----	------------------------	-----	-----------------------	-----------	--------	----

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.
- The annual maximum loan amount established in FY14 of \$3 million dollars per loan has been lifted this year to continue to address the ULO issue.
- Priority point calculations are outlined in DWSRF Guidance Document #1
- 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.
- Continuing Projects are projects that submitted a completed final design or construction loan application prior to June 1, 2016. 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 funding does not qualify for continuing status.

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 6/28/2016- Pending Loan Applications Prior Fiscal Years' PPLs		
Water System	PPL	Loan Amount
Georgia Station	FY13	\$62,411
Chester	FY13/FY14	\$3,481,830
Quechee Central (Town of Hartford)	FY13	\$2,140,000
Coldbrook FD #1	FY14	\$250,000
Richmond East Main St	FY15	\$999,740
West Windsor Mountain System	FY15	\$51,300
Total		\$6,985,281

Anticipated FY15 Loan Applications 6/28/2016		
Water System	PPL	Loan Amount
Jericho East HOA	FY15	\$192,000
West Windsor Mountain System	FY15	\$446,700
Websterville FD#3	FY15	\$250,000
Mountain View MHP	FY15	\$125,000
Rutland City- tank	FY15	\$14,500
Hardwick Church St	FY15	\$700,000
Rutland City- distribution	FY15	\$1,300,000
Fair Haven	FY15	\$2,100,000
Rutland FD#6	FY15	\$262,000
Woodstock Aqueduct	FY15	\$1,200,000
Champlain Water District	FY15	\$85,700
Total		\$6,675,900

Set-Asides

The State of Vermont plans to set aside \$2,722,920 (32.75%) of the Capitalization Grant for various non-construction related activities that are authorized in the Safe Drinking Water Act Amendments of 1996. The proposed set-aside amount exceeds the 31% limit because we are using \$300,00 in banked authority for program management. 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%, \$831,200 to support approximately 5.65 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. Additionally, we will be using \$300,000 in banked authority for an additional 2 FTEs to do the work described above.

A one-to-one state match of \$1,131,200 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 FFY16 in excess of the required PWSS match. No more than 50% of the in-kind match can come from the FFY93 money (\$519,208), leaving \$611,912 of required match. The State of Vermont has projected that at least \$611,912 of state match in excess of that required for the PWSS program under other grants will have been spent on PWSS programs

during FFY16. The total estimated match available is projected to exceed the required match for the State Program Management Set-Aside. Following the close of FFY16, 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 FFY16. 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%, \$332,480, to support approximately 3.5 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%, \$166,240, 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 DWGWP. The current contract for these services expires April 30, 2017 and this allocation will ensure there will not be a gap in training services provided.

ASSET MANAGEMENT INITIATIVES

We are proposing to allocate \$26,240 to asset management initiatives administered by FED and DWGWP. 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.

Local Assistance Set-Aside

Up to 15% of the capitalization grant, or \$1,246,800 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 13.5%, or \$1,093,000 to fund local assistance activities. The following activities are proposed:

WATER AUDIT PROPOSAL

We are proposing to allocate \$50,000 to provide a series of workshops to train public water system officials AWWA water auditing techniques and procedures. The training assistance provider would also be available to provide direct on-site assistance to the participating water systems during water audits.

LEAD AND COPPER AND EMERGING CONTAMINANT STUDIES

We are proposing to allocate \$125,000 to study lead and copper and other emerging contaminants. This project could entail a series of case studies or include a broader scoping study for the State of Vermont. Project elements could include distribution and source water inventorying and mapping, non-compliance sampling, and public outreach and education.

CAPACITY PROGRAM POSITIONS

We are proposing to allocate \$275,000 to capacity development program positions within the DWGWP and FED. These positions work directly with public water systems to develop and implement technical, managerial, and financial capacity measures.

GEOLOGY POSITIONS

We are proposing to allocate \$113,000 to the Geology Division to support their groundwater mapping effort for the benefit of public water systems.

\$616,240



Amount allocated from FFY16 grant funds to increase PWSs technical, managerial, and financial capacity.



WELL HEAD PROTECTION PROGRAM

We are proposing to allocate \$130,000 to the wellhead protection program to support approximately 1.4 FTEs in the implementation of the groundwater portion of the Source Water Protection Program within the 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.

REGIONAL OFFICE SOURCE PROTECTION ACTIVITIES

We are proposing to allocate \$400,000 to the Regional Office Program within the Drinking Water and Groundwater Protection Division. The funding will support the technical review of soil based wastewater system projects to ensure they do not contaminate public drinking water sources or groundwater supplies.

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 FFY16 capitalization grant funds. A financial summary of the planning loan fund is provided in the next section of this document

TABLE 3

DWSRF FFY16 Set-Aside Summary

Set-aside (Maximum %)	Funds Allowable	Grant Request
Administration (4%)	\$332,480	\$332,480
Technical Assistance (2%)	\$166,240	\$166,240
Program Management (10%)	\$831,200	\$831,200
Program Management Banked Authority		\$300,000
Local Assistance (15%)	\$1,246,800	\$1,093,000
Totals	\$2,576,720	\$2,722,920

TABLE 4

FFY16 Set-Aside Summary (including ARRA 2009 Funds)

Set-aside	Prior Years' Funds	Current Year FFY16 Funds	Total with FFY16 Funds	Expended (drawn) as of 6/30/2016	Unexpended as of 6/30/2016 ¹
Administration	\$7,424,250	\$332,480	\$7,756,730	\$7,147,944	\$608,786
Technical Assistance ²	\$3,251,980	\$166,240	\$3,418,220	\$2,886,372	\$531,848
Program Management ³	\$15,621,157	\$1,131,200	\$16,752,357	\$14,333,706	\$2,418,651
Local Assistance	\$13,370,909	\$1,093,000	\$14,463,909	\$10,801,270	\$3,662,639
Totals	\$39,668,296	\$2,722,920	\$42,391,216	\$35,169,292	\$4,499,004

¹ 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.

² 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.

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

FFY97:	\$369,258
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>
Total:	\$2,639,283

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.

Note 4: The FY97 banked authority was further reduced with the FY16 IUP from \$669,258 to \$369,258 (a decrease of \$300,000) to enable increased request above the 10% limit of the FY16 Program Management Set-Aside.

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	\$903,000
3	2017-4	7/1/2017 - 9/30/2017	\$4,409,000
Total			\$8,312,000

Disbursement Schedule

EPA requires an estimated disbursement schedule for planning the outlay of federal funds. Below is the schedule for the new funding of \$8,312,000.

TABLE 6

EPA Estimated Disbursement Schedule

Disbursement Quarter	Amount
1QFFY2017	\$30,000
2QFFY2017	\$600,000
3QFFY2017	\$800,000
4QFFY2017	\$2,500,000
1QFFY2018	\$2,500,000
2QFFY2018	\$1,250,000
3QFFY2018	\$632,000
Total	\$8,312,000

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 \$700,000 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.

\$199.5M



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



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 \$199,500,000 for public drinking water construction projects and approximately \$9,800,000 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 6/30/2016 the administrative fee account balance is \$4,259,009.

Tables on the following pages provide a financial summary of the program. All figures were updated on June 28, 2016 and data was generated from LGTS.

\$9.8M

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 (SFY2016; includes FFY2015 Grant)	Totals Thru SFY2016 (includes FFY 1998- 2015 Grants)	Projected Thru SFY2017 (includes FFY2016 Grant)
Capitalization			
Federal Capitalization Grants: Project Funds	\$ 6,859,460.00	\$ 127,529,004.00	\$ 5,589,080.00
Federal Capitalization Grants: Set Asides	\$ 1,927,540.00	\$ 38,578,296.00	\$ 2,722,920.00
Federal ARRA Grant: Project Funds	\$ -	\$ 18,410,000.00	\$ -
Federal ARRA Grant: Set-Asides	\$ -	\$ 1,090,000.00	\$ -
State Match	\$ 1,757,400.00	\$ 33,221,460.00	\$ 1,662,400.00
Capitalization Subtotal	\$ 10,544,400.00	\$ 218,828,760.00	\$ 9,974,400.00
Net Planning & Construction Revenues			
Project Fund Loan Repayments	\$ 5,552,920.10	\$ 59,085,881.00	\$ 6,000,000.00
Local Assistance Loan Repayments	\$ 256,640.97	\$ 5,525,845.00	\$ 250,000.00
Net Loan Interest	\$ (589,207.80)	\$ (3,886,168.00)	\$ (500,000.00)
Principal Subsidy	\$ (391,762.89)	\$ (13,401,311.00)	\$ (400,000.00)
Fund Interest & Miscellaneous	\$ 16,452.04	\$ 1,713,061.00	\$ 20,000.00
Net Revenues Subtotal	\$ 4,845,042.42	\$ 49,037,308.00	\$ 5,370,000.00
Other Sources			
Carry Forward from Prior Fiscal Year Balance			\$ 33,187,540.34
Revenue received during SFY17 for FFY16 Projects			
Total Source	\$ 15,389,442.42	\$ 267,866,068.00	\$ 48,531,940.34

Uses	Current Fiscal Year (SFY2016) *	Totals Thru SFY2016 (includes FFY 1998- 2015 Grants)	Projected SFY2017 (includes FFY2016 Grant)
Project Binding Commitments			
Base SRF Loans	\$ 17,819,544.00	\$ 181,099,235.66	\$ 26,229,500.00
ARRA Loans	\$ -	\$ 18,410,000.00	\$ -
Total Project Binding Commitment Subtotal	\$ 17,819,544.00	\$ 199,509,235.66	\$ 26,229,500.00
FFY13 Thru FFY15 PPL Pending Awards			\$ 6,985,281.00
Projected New Loan Commitments off FFY15 PPL	\$ -	\$ -	\$ 6,675,900.00
Total New Binding Commitments Subtotal	\$ -	\$ -	\$ 39,890,681.00
Set-Asides			
DWSRF Administrative	\$ 278,660.00	\$ 7,147,944.00	\$ 350,000.00
State Program Management	\$ 1,855,983.00	\$ 14,333,706.00	\$ 1,200,000.00
Technical Assistance	\$ 248,644.00	\$ 2,886,372.00	\$ 400,000.00
Local Assistance	\$ 595,267.00	\$ 10,801,270.00	\$ 1,350,000.00

Set-Asides Subtotal	\$ 2,978,554.00	\$ 35,169,292.00	\$ 3,300,000.00
Other Uses			
Carry Forward to Next Fiscal Year (Additional Project Fund Revenue)			\$ -
Carry Forward to Next Fiscal Year (Allocated but Unexpended Set-Asides)	\$ -	\$ -	\$ 3,921,924.00
Total Use	\$ 20,798,098.00	\$ 234,678,527.66	\$ 47,112,605.00
Balance		\$ 33,187,540.34	\$ 1,419,335.34

Note 1: Set-aside source for SFY17 includes \$300,000 of PM "banked authority"

Note 2: Loan repayments projected thru SFY17

*most uses in above table current thru 6/30/2016

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
FFY16	\$0
Subtotal	\$7,481,755
Cumulative Net Other Funds 3/31/15 (repayments, interest, miscellaneous)	\$3,910,731
Transfer to LACP & LAWH (2016)	\$(859,842)
Projected Repayments thru SFY16	\$250,000
State Payment (seed money)	\$100,000
WPL Administrative Costs	\$(15,627)
Total Funds Projected Received on 6/30/2016	\$12,397,759
Total Commitments at 6/28/2016	\$9,838,970
Projected Commitments thru SFY16 (6/30/2016)	\$0
Projected Commitments thru SFY17 (6/30/2017)	\$700,000
Total Commitments Projected on 6/30/16	\$10,538,970
Projected Available on 7/1/16	\$1,858,789

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	
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
ARRA 2009	\$18,410,000
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	\$11,628,264
FFY 2014 Priority List	\$14,320,232
FFY 2015 Priority List	\$7,626,940
FFY 2016 Priority List	\$26,229,500
Additional Loan Reductions	-\$642,867
Total Funding Commitments	\$239,399,917

Note 1: Given the transition to LGTS, some loan reductions are accounted for in the FY Priority List summary above, others are represented in the 'Additional Loan Reductions' line.

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
ARRA 2009	\$18,410,000	\$0	\$18,410,000
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	\$6,817,275	\$1,769,000	\$8,586,275
FFY 15 Cap Grant	\$6,859,460	\$1,757,400	\$8,616,860
FFY 16 Cap Grant	\$5,589,080	\$1,662,400	\$7,251,480
Total Tier 1 Funds	\$151,528,084	\$34,883,860	\$186,411,944

Program Changes

We are proposing to add an additional 5 priority points to any project benefiting a Designated Village Center. Designated Village Centers are authorized by the Department of Housing and Community Development. The village center designation process recognizes and encourages local efforts to revitalize Vermont's traditional villages. Once designated, the community receives priority consideration for state grants (MPG, VCDP) and other resources. Commercial property owners are eligible for tax credits to support building improvements. The SRF already provides 5 priority points for project benefiting Designated Downtowns, this will give a similar benefit to Villages.

In addition, the SRF is changing the source of Median Household Income data. Historically, the DWSRF program used the 2000 census data as a base for MHI. Beginning in 2003, a 4% inflation rate was added each year. Communities had the option to accept that data or perform an income survey if they believed the MHI for the community served was lower than the inflated census. The SRF program will now use the American Communities Survey 5-year data as the source of MHI figures beginning on May 12, 2016. The SRF program will use the most recent data available on the ACS website on the date IUP is adopted as the MHI that corresponds with that year's loans. For example, if the IUP is adopted on June 30, 2016 and the data available on ACS is the 2014 5-year data, those MHI figures will be used for all loans originating using FY2016 funds regardless of when the loan is actually issued. ACS has the benefit of being updated, generally, annually and it includes many more Census Designated Places (CDPs), typically village centers, than the 2000 census. An income survey may still be performed for a community if it does not feel the ACS data is representative of the community's MHI. Income surveys will be valid for two years, after which it will need to be redone, or the MHI will revert to the ACS.

During Summer 2016, DWSRF and DWGWPD staff in conjunction with stakeholders will endeavor to update the priority ranking criteria. It has been many years since significant changes to the ranking criteria has been

made and changes to both State and Federal priorities necessitate a reevaluation. The goal is to have the new ranking criteria developed, vetted and noticed so it can be implemented for the FY2017 Project Priority List and Intended Use Plan.

On June 8, 2016, the Vermont Legislature passed Act 172 of 2016 that eliminated the population cap on planning loans issued using Local Assistance Set-Aside money (these are loans that have a beginning loan number of WPL). This change will benefit Bennington in accessing planning money to address the PFOA issue (Bennington's population is greater than 10,000) as well as the other municipalities that exceed the 10,000 population threshold.

All changes proposed in the FY2015 IUP were implemented.

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 neediest 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 DWGWP 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 January 14, 2016 to all public water system administrative contacts, stakeholder groups, and engineering consultants via Constant Contact. A notice of availability of the draft project priority list and set-aside allocations for comment was distributed, also by Constant Contact, on April 1, 2016 and a draft Intended Use Plan was distributed in advance of the public hearing held on April 28, 2016. Additionally, the draft IUP was posted on both the FED and DWGWP websites in advance of the April 28, 2016 public hearing and the notice for the hearing was also placed on the Vermont Department of Libraries and Agency of Natural Resources websites.

Public Comment Responsiveness Summary

The following responsiveness summary will list questions (Q) and comments (C) received at the April 28, 2016 public hearing through the public comment period ending June 15, 2016. Some comments have been edited for brevity and clarity. Due to technical failures in recording the public hearing, on July 13, 2016 DWSRF staff reached out to attendees to ensure all comments made were captured and accurately represented.

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

[R] The project has been added to the final priority list and has received 60 priority points.

[C] An application was received from the City of Montpelier.

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

[C] An application was received from the Websterville FD#3.

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

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

[R] The project has been added to the final priority list and has received 133 priority points.

[C] An application was received from North Harbor.

[R] The project has been added to the final priority list and has received 105 priority points.

[Q] SRF staff posed the question as to whether a positive Bond Vote should be required prior to placement on the Project Priority List.

[A] The general response from the group was 'no'.

[C] An aggressive bypass procedure was supported by attendees.

[R] Currently, SRF staff uses the December 31st deadline for submission of a Preliminary Engineering Report as the first indication a project is not ready-to-proceed and they are bypassed. Attendees support the use of indicators in advance of the 12/31 date to bypass projects in favor of other lower ranked projects that may be ready-to-proceed.

[C] Attending engineering consultants commented that with the new Municipal Funding Application they are not able to complete the application in its entirety on behalf of their clients like they used to.

[R] That is by design. Due to increased review of applications for both financial and risk-based reasons, some applicant-specific information is required by SRF staff at the beginning of the project. Requesting it with the initial application is the most efficient way.

[C] Docu-sign/e-signatures is supported by many boards.

[R] The SRF program is moving toward an electronic signature format. We are encouraging our funding partners (VMBB and VEDA) to do the same.

[C] Village Designation was applied to qualifying applicants.

[C] ACS 2014 Median Household Income (MHI) data was applied to all applicants.

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