



The Vermont Drinking Water
State Revolving Fund

Amended Intended Use Plan

for Federal Fiscal Year 2017 Funding

Original May 8, 2017; revised May 1, 2019

Prepared by Facilities Engineering Division Department of
Environmental Conservation

Executive Summary

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. Both DW and CW SRF programs are working toward aligning each program's processes to mirror each other.

The key program updates and changes are:

- Full use of the Loans and Grants Tracking System (LGTS) database
- Aligning the DW and CW SRF programs
- Overhauling the Project Priority Ranking criteria
- Adopting the American Communities Survey for system MHI
- Review of all Memorandums of Understanding (MOUs) with our external partners that are involved with loan actions (Vermont Economic Development Authority, State Historic Preservation Office, for example)
- Updating program Guidance Documents to reflect current practices

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.

This May 2019 amendment only updates the subsidy amounts the DWSRF are aiming to meet and adds one project to the Project Priority List. The amended items in this IUP are in **bold and highlighted**.

\$16.6M



Amount in loans
the VT DWSRF
awarded to 18
public water
systems (PWSs)
during fiscal year
2016.



The 2017 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) 2017. 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 FFY17 is \$8,312,000; therefore, the amount of state match funds required is \$1,662,400. The state match is anticipated to be appropriated in this year's State Capital Construction and State Bonding Act, with the funds to be available beginning 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 rank 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 necessary 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 award \$23,101,876 for construction projects. This amount includes \$5,367,760 of new federal funds, \$1,662,400 of new state funds, an estimated \$11,400,000 in projected loan repayment funds received through CY2018 and \$24,306,766 from uncommitted prior year revolving loan funds. The total request for the 2017 list is \$50,395,000 with a total of 57 projects applying. The federal cash draw ratio for the 2017 grant will therefore be \$5,367,7660/\$8,312,000, or 76.4%.

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. Five projects identified as ALRs with a total loan request of \$1,430,000 serve a population of 10,000 or more, so this requirement has been met.

\$23.1M



Amount the State
is proposing to
allocate for FY17
Project Priority
List projects.



- As required in Vermont legislation, funds for private water systems are limited to 20% of the available funds, or \$3,890,205 unless there are insufficient municipal projects ready to proceed and additional funds are available. There are currently 6 private water systems that are ALRs in the amount of \$2,921,700, which is below the 20% limit.
- **As required in federal law applicable to the FFY17 grant, no less than 20% of the federal grant shall be provided in additional subsidy and an additional up to 30% of the federal grant may be provided in disadvantaged subsidy to the extent applicants exist. This equates to a floor of \$1,662,400 and a ceiling of \$4,156,000 of the federal funds.**
- **The DWSRF is proposing to allocate up to 20% additional subsidy to emergency projects on a first come first served basis.**
- Disadvantaged subsidy will be made available for the list of ALRs and 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 reached, the subsidy will be provided to ALRs on a first come first serve basis. In the event actual total subsidy is less than the minimum required by law (20%), additional subsidy will be provided through targeted principal forgiveness for those most in need. Subsidy requirement will be managed 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 the project(s) with the lowest MHI until the minimum amount of subsidy is achieved via affordability points; 1 point = \$10,000 in principal forgiveness.

Affordability (Community MHI/SCMI x 100 = X)	Principal Forgiveness points
$X \leq 60$	35
$61 \leq X \leq 70$	25
$71 \leq X \leq 80$	15
$81 \leq X \leq 90$	10
$91 \leq X \leq 100$	5
> 100	0

- **Minimum subsidy requirements are anticipated to be met through a combination of additional subsidy and disadvantaged subsidy.**

All required project data will be reported using the Public Benefits Reporting (PBR) federal online reporting system each time a loan is transacted during the fiscal year. Reporting to National Information Management System (NIMS) will also be completed. 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 Federal Single Audit Act. All projects regardless of funding source will need to comply with National Environmental Protection Act (NEPA) like review, Disadvantaged Business Enterprises (DBEs) 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: \$23,101,876

Priority Points	Pop.	WS Name	Project Description	Loan Amount	Rate	Term	Subsidy	Cumulative Total	Cumulative Subsidy
145	450	Wells River, Village of	Water system improvements	\$0	-3.00%	30		\$0	\$0
140	290	Sterling View MHP	Water treatment improvements	\$80,000	3.00%	20		\$80,000	\$0
135	250	Cabot, Town of	Cabot-Danville water main replacement	\$940,000	2.35%	30		\$1,020,000	\$0
130	126	Coventry Fire District #1	Arsenic treatment on existing well source	\$500,000	-3.00%	30	\$198,739	\$1,520,000	\$198,739
130	2700	Randolph, Town of	Connect new wells	\$650,000	3.00%	20		\$2,170,000	\$198,739
130	260	Milton, Town of	Milton MHP waterline upgrades	\$200,000	3.00%	20		\$2,370,000	\$198,739
130	330	Newport, Town of	Arsenic treatment	\$0	-3.00%	30		\$2,370,000	\$198,739
122	87	Alburgh Town Fire District #1	Improvement to source water intake	\$250,000	0.00%	20		\$2,620,000	\$198,739
122	150	South Alburgh Fire District #2	Water system improvements-Phase 2	\$3,000,000	0.00%	20		\$5,620,000	\$198,739
120	13250	Bennington Water Department	Waterline extension, Phase B	\$1,200,000	3.00%	20	\$1,200,000	\$6,820,000	\$1,398,739
120	250	Lunenburg Fire District #1	Connect new well source	\$250,000	-3.00%	30	\$99,370	\$7,070,000	\$1,498,109

115	4500	Lyndonville, Village of	Water distribution system improvements	\$925,000	3.00%	20		\$7,995,000	\$1,498,109
115	760	South Hero Fire District #4	DBP improvements	\$0	3.00%	20		\$7,995,000	\$1,498,109
110	2818	Ludlow, Village of	High Street waterline improvement	\$690,000	-1.02%	30	\$50,182	\$8,685,000	\$1,548,291
110	1000	Richmond, Town of	Bridge St bridge crossing	\$200,000	-3.00%	30	\$79,496	\$8,885,000	\$1,627,787
110	180	Otter Creek MHP	Water system improvements	\$327,200	-1.26%	30	\$59,817	\$9,212,200	\$1,687,604
110	4766	Newport, City of	Lakemont waterline replacement	\$400,000	3.00%	20		\$9,612,200	\$1,687,604
107	150	Peacham FD #1	Waterline replacement	\$0	0.00%	20		\$9,612,200	\$1,687,604
105	3800	Saint Johnsbury, Town of	Water treatment plant upgrades	\$4,780,000	-3.00%	30	\$1,899,945	\$14,392,200	\$3,587,549
105	1410	Village of Jericho	Waterline replacement	\$1,100,000	3.00%	20		\$15,492,200	\$3,587,549
100	530	Dorset Fire District #1	Source and distribution improvements	\$3,500,000	0.00%	20		\$18,992,200	\$3,587,549
100	250	East Thetford Water Co	Water system improvements	\$1,046,500	3.00%	20		\$20,038,700	\$3,587,549
100	68923	Champlain Water District	PCE Contamination in Town of Colchester	\$600,000	3.00%	20		\$20,638,700	\$3,587,549
97	500	Cold Brook Fire District #1	Quail Hollow, Mountain Ponds and Two Brook Village improvements	\$325,000	3.00%	20		\$20,963,700	\$3,587,549
95	1700	Poultney, Village of	Beaman St waterline replacement	\$250,000	3.00%	20		\$21,213,700	\$3,587,549
95	9800	Springfield, Town of	Waterline replacement	\$2,125,000	-3.00%	30	\$844,641	\$23,338,700	\$4,432,190
95	7500	Hartford, Town of	Latham Works, Nutt Ln, Harrison Ave waterline replacement	\$700,000	-0.83%	30	\$86,231	\$24,038,700	\$4,518,421

95	7500	Hartford, Town of	White River Junction watermain replacement	\$1,000,000	-2.90%	30	\$386,156	\$25,038,700	\$4,904,577
92	116	Bear Creek Condominium	Bear Creek Pump House remediation	\$100,000	3.00%	20		\$25,138,700	\$4,904,577
92	350	Marshfield, Village of	Water system improvements	\$185,000	0.00%	20		\$25,323,700	\$4,904,577
90	6733	Winooski, City of	Hickock St waterline replacement	\$1,100,000	-3.00%	30	\$437,226	\$26,423,700	\$5,341,803
90	5145	Northfield, Village of	Water system improvements	\$3,600,000	3.00%	20		\$30,023,700	\$5,341,803
90	825	Jericho Underhill Water District	Maple Ridge improvements	\$450,000	3.00%	20		\$30,473,700	\$5,341,803
90	18500	Rutland, City of	South End water system improvements	\$0	3.00%	20		\$30,473,700	\$5,341,803
90	4766	Newport, City of	Water storage tank	\$3,000,000	3.00%	20		\$33,473,700	\$5,341,803
87	450	Danville Town Fire District #1	Watermain replacement	\$2,909,000	0.00%	20		\$36,382,700	\$5,341,803
85	485	Ascutney Town Fire District #2	Valve replacement and related system improvements	\$100,000	-3.00%	30	\$39,748	\$36,482,700	\$5,381,551
82	8700	Montpelier, City of	Northfield St infrastructure improvements	\$0	0.00%	20		\$36,482,700	\$5,381,551
80	1000	Richmond, Town of	Bridge St infrastructure improvements	\$465,000	-3.00%	30	\$85,458	\$36,947,700	\$5,467,009
80	440	Bridges Owners Association	Water system improvements	\$268,000	3.00%	20		\$37,215,700	\$5,467,009
80	1000	Richmond, Town of	West Main waterline extension	\$1,631,300	-3.00%	30	\$648,406	\$38,847,000	\$6,115,415
77	5806	Middlebury, Town of	Waterline upgrades	\$2,540,000	3.00%	20		\$41,387,000	\$6,115,415
75	576	Alburgh, Village of	Water storage tank improvements	\$760,000	-3.00%	30	\$302,083	\$42,147,000	\$6,417,498
75	2986	Swanton, Village of	MVU waterline replacement	\$375,000	3.00%	20		\$42,522,000	\$6,417,498
72	915	Bethel, Town of	New customer meters	\$400,000	3.00%	20		\$42,922,000	\$6,417,498

70	9734	Essex, Town of	Dalton Ave waterline replacement	\$650,000	3.00%	20		\$43,572,000	\$6,417,498
70	18500	Rutland, City of	Northwest Neighborhood (Phase IA)	\$200,000	3.00%	20		\$43,772,000	\$6,417,498
70	446	Bakersfield Town Fire District #1	Connect new well	\$350,000	3.00%	20		\$44,122,000	\$6,417,498
70	3800	Saint Johnsbury, Town of	Oak St infrastructure improvements	\$431,000	-3.00%	30	\$171,313	\$44,553,000	\$6,588,811
70	18500	Rutland, City of	Vernon St infrastructure improvements	\$80,000	3.00%	20		\$44,633,000	\$6,588,811
65	760	South Hero Fire District #4	Water treatment plant upgrades	\$0	3.00%	20		\$44,633,000	\$6,588,811
65	7500	Hartford, Town of	Quechee Main St waterline replacement	\$500,000	3.00%	20		\$45,133,000	\$6,588,811
65	800	North Hero Fire District	Water treatment plant improvements	\$1,000,000	3.00%	20		\$46,133,000	\$6,588,811
65	9956	Saint Albans, City of	Aldis Hill tank	\$1,200,000	3.00%	20		\$47,333,000	\$6,588,811
62	3865	Brandon FD#1	Park Street Improvements	\$612,000	3.00%	20		\$47,945,000	\$6,588,811
60	100	Mountain Water Company	Water system improvements	\$1,100,000	3.00%	20		\$49,045,000	\$6,588,811
55	5420	Milton, Town of	Railroad and River St waterline improvements	\$2,000,000	3.00%	20		\$51,045,000	\$6,588,811
50	68923	Champlain Water District	Close-in cross-tie	\$550,000	3.00%	20		\$51,595,000	\$6,588,811

Comprehensive Project Priority List Notes

- Total available funding is based on Federal Capitalization Grant, State Match, interest earnings, and other fund income.

- 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 the summary of program changes in Appendix C.
- 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 years' 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 May 1, 2017. 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.
- **The FFY17 PPL is being amended to add Bennington as an emergency project, with 100% subsidy as allowed by law.**

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.

Pending Loan Awards Prior Fiscal Years' PPLs as of 4/1/2017		
Water System	PPL	Loan Amount
Hardwick	15	\$648,200
Fair Haven	15	\$1,874,600
North Harbor	16	\$135,000
Champlain Water District- Williston Tank	16	\$1,700,000
Champlain Water District- CCT and Wet Well	15	\$3,715,000
Montpelier- Northfield St	16	\$1,500,000
Mountain View MHP	15	\$175,000
Woodstock Aqueduct	15	\$443,250
Websterville FD#3	16	\$1,300,000
Total		\$11,491,050

Anticipated FY16 Loan Applications as of 4/1/2017	
Water System	Loan Amount
South Hero FD#4	\$780,000
Rutland City- 'non-tank'	\$1,000,000
Pinnacle Condo	\$150,000
Peacham FD#1	\$350,000
Wells River	\$1,104,000
St Johnsbury Water Treatment Plant	\$4,780,000
Total	\$8,164,000

Set-Asides

The State of Vermont plans to set aside \$2,944,240 (35.42%) 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 \$300,000 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 8.74 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, compliance supervision, and other drinking water program activities. Additionally, we will be using \$300,000 in banked authority for an additional 3.15 FTEs to do the work described above.

The one-to-one state match that was previously required for this set-aside has been eliminated beginning with the FFY17 grant.

Administrative Set-Aside

Up to 4% of the capitalization grant can be used for the DWSRF Administrative Set-Aside. Changes to the FY17 grant requirement allows the program to take 4%, or .002 x total net position or \$400,000. The program will be taking \$400,000 to support approximately 3 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 (TA) Set-Aside. TA funds are to be used for systems less than 10,000 population. The program will 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 DWGWPDP. 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.

TECHNICAL STAFF TRAINING

We are proposing to allocate \$26,240 to provide technical training for DWGWPDP staff to enable personnel to provide direct technical assistance to small 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. The program is proposing to use the full 15% to fund local assistance activities. The following activities are proposed:

Capacity Activity:

WATER LOSS CONTROL

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

DRINKING WATER EDUCATION

We are proposing to allocate \$4,000 to provide for the development of outreach and education activities regarding the importance of safe, clean drinking water.

STANDBY POWER EVALUATION

We are proposing to allocate \$100,000 to provide for the evaluation of the need for and affordability of standby power at public drinking water systems.

VALVE CONDITION AND LOCATION ASSESSMENT

We are proposing to allocate \$50,000 to provide for condition assessment of distribution system valves and assistance with locating valves to effectively manage distribution system flows.

LEAD AND COPPER AND EMERGING CONTAMINANT STUDIES

We are proposing to allocate \$50,000 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 ASSET MANAGEMENT INITIATIVES

We are proposing to allocate \$50,000 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.

ASDWA

We are proposing to allocate \$2,850 to cover membership fees for representation and support by the Association of State Drinking Water Administrators.

VERMONT DEPARTMENT OF HEALTH MOU

We are proposing to allocate \$20,000 for support of the Vermont Department of Health. Use of these funds are outlined in the MOU.

CAPACITY PROGRAM POSITIONS

We are proposing to allocate \$169,900 to capacity development program positions within the DWGWPD and FED. These positions work directly with public water systems to develop and implement technical, managerial, and financial capacity measures.

ENGINEERING AND OPERATION PROGRAM POSITIONS

We are proposing to allocate \$37,493 to fund engineering and sanitary survey positions within the DWGWPD.

COMPLIANCE POSITIONS

We are proposing to allocate \$31,512 to the Compliance Section of the Drinking Water and Groundwater Protection Division to fund compliance positions directed to compliance assistance with the Safe Drinking Water Act.

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 FFY17 capitalization grant funds. A financial summary of the planning loan fund is provided in the next section of this document

Wellhead Protection Activity:

GEOLOGY POSITIONS

We are proposing to allocate \$126,398 to the Geology Division to support their groundwater mapping effort for the benefit of public water systems.

WELL HEAD PROTECTION PROGRAM

We are proposing to allocate \$93,659 to the wellhead protection program to support staff 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 \$460,988 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.

TABLE 3

DWSRF FFY17 Set-Aside Summary

Set-aside (Maximum %)	Funds Allowable	Grant Request
Administration (4%)	\$400,000	\$400,000
Technical Assistance (2%)	\$166,240	\$166,240
Program Management (10%)	\$831,200	\$831,200
Program Management Banked Authority	\$0	\$300,000
Local Assistance (15%)	\$1,246,800	\$1,246,800
Totals	\$2,644,240	\$2,944,240

TABLE 4

FFY17 Set-Aside Summary

Set-aside	Prior Years' Funds	Anticipated FFY17 Funds	Expended (drawn) as of 4/1/2017	Unexpended as of 4/1/2017 ¹
Administration	\$7,756,730	\$400,000	\$668,036	\$7,088,694
Technical Assistance ²	\$3,418,220	\$166,240	\$163,496	\$3,254,724
Program Management ³	\$16,752,357	\$1,131,200	\$544,697	\$16,207,660
Local Assistance	\$14,463,911	\$1,246,800	\$1,109,103	\$13,354,808
Totals	\$42,391,218	\$2,944,240	\$2,485,332	\$39,905,886

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.

Note 5: The FY97 banked authority was further reduced with the FY17 IUP from \$369,258 to \$69,258 (a decrease of \$300,000) to enable increased request above the 10% limit of the FY17 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	2018-1	10/1/2017 - 12/31/2017	\$3,000,000
2	2018-2	1/1/2018 - 3/31/2018	\$903,000
3	2018-4	7/1/2018 - 9/30/2018	\$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
1QFFY2018	\$30,000
2QFFY2018	\$600,000
3QFFY2018	\$800,000
4QFFY2018	\$2,500,000
1QFFY2019	\$2,500,000
2QFFY2019	\$1,250,000
3QFFY2019	\$632,000
Total	\$8,312,000

\$206.8M



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



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 for each open grant year. This transfer is at the Governor's discretion.

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. 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 \$206,790,000 for public drinking water construction projects and approximately \$10,431,00 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 3/30/2017 the administrative fee account balance is anticipated to be \$4,998,708.

Tables on the following pages provide a financial summary of the program. All figures were updated on 3/30/2017 and data was generated from LGTS.

\$10.4M



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	Totals Thru 4/1/2017	Projected Thru SFY2018 (includes FFY2017 Grant)
Capitalization		
Federal Capitalization Grants	\$193,919,300.00	\$8,312,000.00
Federal Capitalization Grants: Set Asides	\$(42,391,216.00)	\$(2,944,240.00)
State Match	\$34,883,860.00	\$1,662,400.00
Capitalization Subtotal (Project Money)	\$186,411,944.00	\$7,030,160.00
Net RF3 Revenues		
Project Fund Loan Repayments	\$63,656,300.00	\$11,400,000.00
Net Loan Interest	\$(4,955,590.00)	
Principal Subsidy	\$(14,659,426.00)	
Fund Interest & Miscellaneous	\$1,759,710.00	\$20,000.00
Net Revenues Subtotal	\$45,800,994.00	\$11,420,000.00
Other Sources		
Carry Forward from Prior Fiscal Year Balance		\$24,306,766.00
Total Source	\$232,212,938.00	\$42,756,926.00

Uses	Totals Thru SFY2017 (includes FFY 1998-2016 Grants)	Projected SFY2018 (includes FFY2017 Grant)
Project Binding Commitments		
Base SRF Loans	\$207,906,172.00	
Total Project Binding Commitment Subtotal	\$207,906,172.00	
Anticipated FY17 PPL loans		\$23,101,876.00
FFY14 Thru FFY16 PPL Pending Awards		\$11,491,050.00
Projected New Loan Commitments off FFY16 PPL	\$-	\$8,164,000.00
Total New Binding Commitments Subtotal	\$-	\$42,756,926.00

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

Note 2: Loan repayments projected thru 12/31/2018

Note 3: Set-Asides are reported in separate tables

*most uses in above table current thru 3/30/2017

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
FFY17	\$0
Subtotal	\$7,481,755
Cumulative Net Other Funds 3/31/2017 (repayments, interest, miscellaneous)	\$5,787,260
Transfer to LACP & LAWH (2016)	\$(859,842)
Projected Repayments thru SFY18	\$250,000
State Payment (seed money)	\$100,000
WPL Administrative Costs	\$(17,112)
Total Funds Projected Received on 6/30/2017	\$6,137,260
Total Commitments at 3/31/2017	\$10,381,157
Projected Commitments thru SFY18 (6/30/2018)	\$500,000
Total Commitments Projected on 3/30/17	\$10,881,157
Projected Available on 7/1/17	\$1,860,904

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	\$12,816,173
FFY 2013 Priority List	\$11,628,264
FFY 2014 Priority List	\$14,064,065
FFY 2015 Priority List	\$10,481,525
FFY 2016 Priority List	\$17,083,700
FFY2017 Priority List	\$23,101,876
Additional Loan Reductions	-\$642,867
Total Funding Commitments	\$255,978,916

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 SFY17 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
FFY 17 Cap Grant	\$5,367,760	\$1,662,400	\$7,030,160
Total Tier 1 Funds	\$156,895,844	\$36,546,260	\$193,442,104

Program Changes

The last time the priority ranking system was revised with significant changes was in 2007. With changes to the Revised Total Coliform Rule, Disinfection By-Product Rule, and coming changes to the Water Supply Rule that address concerns about failing infrastructure and emerging contaminants, the Facilities Engineering and Groundwater and Drinking Water Protection Divisions decided to come together to update the ranking system. Through the course of internal meetings, feedback from external stakeholders, and a public hearing, which was held on Thursday December 1, 2016 at 1:30PM in the Calvin Coolidge Room at National Life in Montpelier, the following changes were made.

Under the current ranking system, points are primarily awarded for deficiencies, with the highest public health risk deficiency receiving the highest points. Second, there are additive criteria for sensitive populations (eligible schools and childcare facilities have a weighing factor of 1.2 applied to the deficiency points), physical consolidation, financial need/affordability, population, downtown and village center preference, security improvements, and asset management.

Proposed changes to the deficiency ranking system include: streamlining the deficiency point categories, preserving award of the highest points to the most serious public health risks, elevating projects that will address lead and copper issues, and refining how aged infrastructure is addressed. For the aged infrastructure issue, three new categories were created to better reflect what the funding and regulating programs are witnessing: inadequacy of critical components, system vulnerable to contamination, and improvements to/redundancy of system components. Additionally, the language used to describe each deficiency was updated for clarity and consistency.

Proposed changes to the additive points include: eliminating the 1.2 weighing factor in favor of a straight point category for sensitive populations (eligible schools and person-care facilities), eliminating the population category in favor of a service connection category, eliminating security points, updating the consolidation category, and updating the

State Designation Programs category. There are also four new point categories being proposed: project(s) proactively addressing contamination below the MCL; installation of distribution or individual meters; project to protect assets from flooding; and, systems under an enforcement action.

A comprehensive summary of the changes is included in Appendix C.

Changes to all Guidance Documents are proposed. They are being updated to reflect current practices, often to bring the CWSRF's practices in line with those of the DWSRF. These documents are summarized in Appendix B.

During the 2016 Legislative session, Title 10 Chapter 55 and Title 24 Chapter 120 were revised under Act 103 of that Session. Primarily, the changes reorganized those two areas of law so that all SRF-related provisions are now contained in Title 24 instead of being split between Title 24 and Title 10. In addition, language was added to allow municipalities to receive forgiveness if they produce an accepted plan using the planning loan program. Before a municipality needed to complete a construction project to receive forgiveness.

Also during the 2016 Legislative session, how Median Household Income (MHI) is calculated was changed. Title 10 Chapter 55 Section 1624(b)(6) had read "...The census data shall be adjusted for inflation beginning in the second year of availability of the data by increasing it four percent per year...". As above, Title 10 Chapter 55 and Title 24 Chapter 120 were revised and combined; Title 24 Chapter 120 Section 4763c(f) eliminated the four percent inflation projection requirement. Statute simply now requires the use of the most recent federal census date available.

All changes proposed in the FY2016 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 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 February 15, 2017 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 March 15, 2017 and a draft Intended Use Plan was distributed in advance of the public hearing held on April 6, 2017. Additionally, the draft IUP was posted on both the FED and DWGWPD websites in advance of the April 6, 2017 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 6, 2017 public hearing through the public comment period ending April 21, 2017. Some comments have been edited for brevity and clarity.

[C] Received a Priority List application from Ascutney FD#2

[R] The project was added to the list and received 85 priority points.

[C] Received a Priority List application from Coventry FD#1

[R] The project was added to the list and received 130 priority points.

[C] Received a Priority List application from the Town of Cabot

[R] The project was added to the list and received 135 priority points.

[C] Received a Priority List application from the Village of Lyndonville

[R] The project was added to the list and received 115 priority points.

[C] Received a Priority List application from the Town of Milton

[R] The project was added to the list and received 55 priority points.

[C] Received a Priority List application from the Bridges Owners Association

[R] The project was added to the list and received 80 priority points.

[C] Received a Priority List application from the Village of Jericho

[R] The project was added to the list and received 105 priority points.

[C] Received a Priority List application from Brandon FD#1

[R] The project was added to the list and received 62 priority points.

No Comments were received during the public comment period, however there were a number of questions and comments at the public hearing concerning clarification of loan process, priority ranking on the draft List, loan forgiveness.

Appendix A: Short and Long Term Goals

Short Term Goals and Objectives

1. Secure the State's twenty second 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 address aged infrastructure.
5. 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.

6. Provide loans to municipalities for purchasing land or conservation easements in order to protect public water sources and ensure compliance with drinking water regulations.
7. Promote capacity development by completing infrastructure improvement plans for small community water systems and schools through contracts.
8. 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.
9. Ensure that at least 15% of the DWSRF Project Fund Account provides loan assistance to small systems on an annual basis.
10. Continue the Vermont Source Water Protection Program.
11. Provide effective program management and resources to ensure the integrity of the DWSRF.
12. Liquidate all legacy ULO's by September 30, 2017.
13. Coordinate DWSRF activities with enforcement activities of the State and EPA.
14. Continue implementation of the statewide strategy to improve capacity for existing public water systems and assure capacity for new public water systems.
15. Use DWSRF set-aside funding to provide the additional resources required to manage the Vermont Drinking Water Program.
16. Continue programs to encourage participation of small water systems in the loan program.
17. 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.	4/27/2017
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	Asset Management Forgiveness and Plan Outlines the criteria for what a DEC-approved Asset Management Plan must contain. Also outlines loan and forgiveness criteria.	4/21/2017

Appendix C: Priority Ranking Criteria Changes

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. To be eligible, projects must maintain or facilitate compliance with the drinking water regulations or further the protection of public health, necessary, 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; and the system must not or will not be in significant noncompliance with the regulations. Projects will be phased if appropriate. Projects seeking to secure *Continuing Status* on the following FFY Project Priority List shall submit a Final Design application on or before the close of the current IUP public comment period.

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 per State affordability criteria. Projects not eligible include routine operation and maintenance, system expansion, fire protection, and laboratory fees for routine monitoring.

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

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

There are twelve criteria used to prioritize projects. The criteria used will be determined based on the loan fund used to fund the project. Criteria one through eleven (Section 1 through 11) will be used for the

Construction and Planning Loan Funds and criteria 3, 4, 8, 11, and 12 are for the Source Protection Loan Fund.

The priority ranking system scores projects based on information submitted by applicants, from information in the DWGWPD files, and in consultation with DWGWPD staff familiar with the water system. The twelve criteria are:

1. System facility deficiencies
2. Physical consolidation of water systems
3. Financial need/affordability
4. Service connections
5. Project directly benefiting a school or person-care facility
6. Project is based on a DEC-approved asset management plan
7. Contamination below the MCL
8. Flood Vulnerability
9. System under State or Federal enforcement action
10. Project will install distribution system and/or service connection meters
11. State Designation Programs
12. Source protection (only applies to Source Protection Loans funded thru the LASRF)

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

1. System Facility Deficiencies

Priority points provided for each required improvement project reflect the relative public health risk and compliance concern of the deficiency being corrected. Points are awarded for the deficiency corrected by the project that addresses the highest health risk and compliance concern, and represents a significant portion of the total project cost. The Secretary may phase projects for priority scoring purposes when more than one deficiency is being corrected, the

associated costs of correcting each deficiency is significant, and the relative public health risk and compliance concern of the deficiencies are significantly different. Priority points are awarded for the following deficiencies:

Deficiency	Description	Points
Microbial Contamination	Project will address known microbial contamination by providing adequate treatment or eliminating the sources(s) of contamination.	100
Chemical Contaminants above Primary MCL or HAL	Project will address water quality data obtained from a public water system that exceed primary maximum contaminant levels (MCLs), Federal Lead and Copper action level, health advisory levels (HALs) established by Vermont Department of Health (DOH), or water quality data that requires treatment as directed by the Secretary.	100
Action level above DOH and DEC established levels of concern for ten chemicals	Project will address water quality data obtained from a public water system that exceeds benzene; carbon tetrachloride; vinyl chloride; dibromochloropropane (DBCP); 1,2 dichloroethane; 1,2 dichloropropane; hexachlorobenzene; tetrachloroethylene; pentachlorophenol; and, trichloroethylene or other chemicals when DOH expresses a similar level of concern	100
Inadequate treatment for Surface Water or GWUDISW Source(s)	Project will address inadequate treatment systems supplied by surface water sources or sources determined to be groundwater under the direct influence of surface water (GWUDISW)	100
Inadequate disinfection facilities	Project will provide 4-log inactivation of viruses for a water system that does not currently have this capability, or to a project addressing documented inadequacies in disinfection treatment performance	100
Lead and Copper Control	Project will address documented water quality and/or infrastructure concerns related to lead and/or copper	90

Deficiency	Description	Points
Inadequacy of critical components	Project will correct a significant deficiency or sanitary defect identified during a sanitary survey or Site Assessment(s). If not previously identified, please provide documentation of inadequacy.	80
System vulnerable to contamination	Project will address vulnerabilities documented to exist for a water system	70
Improvements to and/or redundancy of existing system components	Project will provide protection of existing, improvements to existing, and/or construction of redundant facilities	50
Inadequate cross-connection control	Project will correct existing or potential cross-connection problems or to make system improvements under an established cross connection control plan	40

2. Physical Consolidation of Water Systems

Additional priority points will be provided for project(s) that consolidate regulated public water systems. Physical consolidation of small water systems is a major factor in the capability of small systems to protect public health and comply with Safe Drinking Water Act regulations. The highest points are awarded to projects that will result in the elimination of a regulated public community water system. Points for this criterion are not awarded for projects primarily intended to extend existing or create new water systems.

Description (points received for 1 of the 3 areas only)	Priority Points
Interconnection of PCWS (resulting in declassification)	20
Interconnection of PCWS (remaining a regulated PCWS)	15
Interconnection of non-community system	10

3. Financial Need/Affordability

Additional priority points will be provided for project(s) based on a comparison of state community median household income (SCMI), the median of the median, to the median household income (MHI) of

the town(s) in which the system exists or the water system. For water systems that encompass more than one town, the MHI is based on the weighted number of household connections in each town. The formula for affordability involves first dividing the community water system MHI by the SCMI, and then multiplying this figure by one hundred (100) to yield a percentage. Different percentage brackets are then assigned points. Points for this criterion are not awarded for projects primarily intended to extend existing or create new water systems. Beginning with the FY16 Project Priority List, MHI data is obtained using the currently available data from the 5-year American Communities Survey (ACS).

Affordability (Community MHI/SCMI x 100 = X)	Priority Points
$X < 60$	35
$61 \leq X \leq 70$	25
$71 \leq X \leq 80$	15
$81 \leq X \leq 90$	10
$91 \leq X \leq 100$	5
$101 \leq X \leq 120$	2
$X > 120$	0

4. Service Connection Criteria

Additional priority points will be provided for the project(s) based on system service connections. Small systems are generally at a disadvantage because of economies of scale (affects ability to do physical improvements, improve system capacity, etc.). Additionally, services connections, not population, are often more of a factor in water rates.

Service Connection	Priority Points
<100	20
101 to 330	15
331 to 1100	10
1101 to 3300	5

5. Project Benefiting School

Additional priority points will be provided for project(s) that directly benefit a non-profit school or non-profit person-care facility. The

school or person-care facility does not necessarily need to be a regulated public water system. **20 points**

6. Asset Management

Additional priority points will be provided for project(s) with a DEC-approved asset management plan where the proposed project is ranked highest in the plan. **15 points**

7. Contamination below MCL/HAL

Additional priority points will be provided for project(s) that proactively address a regulated contaminant present at concentrations below the MCL or HAL. **10 points**

8. Flood Vulnerability

Additional priority points will be provided for project(s) that will improve water system infrastructure documented to be vulnerable to adverse effects from flood events. **10 points**

9. State or Federal Enforcement Action

Additional priority points will be provided for project(s) that will address a State or Federal enforcement action, including but not limited to enforcement orders (ex. Assurances of Discontinuance (AOD), or Administrative Orders (AO) of the court). **10 points**

10. Meter Project

Additional priority points will be provided to project(s) that propose distribution and/or service meters. Meters can be new or replacement. The applicant does not need to propose service meters on the entire system. **5 points**

11. State Designation Programs

Additional points will be provided to applicants or projects with a state designated program. These programs include Designated Downtowns, Designated Village Centers, New Town Centers, Growth Centers and Neighborhood Development Areas. SRF staff will refer to the Agency of Commerce and Community Development's website for the most current information. **5 points**

12. Source Protection Loan – Land Purchase or Conservation Easement

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

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

Land Location	Priority Points
Project achieves isolation zone control	40
Project achieves primary recharge zone	10

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

PSOCs addressed	Priority Points
Project addresses microbiological PSOCs	20
Project addresses nitrate PSOCs	15
Project addresses primary inorganic or	10