



The Vermont Drinking Water
State Revolving Fund

Intended Use Plan

for Federal Fiscal Year 2018 Funding

May 8, 2018;
updated 6/28/2018;
5/1/2019

Executive Summary

The 1996 Amendments to the Safe Drinking Water Act (SDWA) established the Drinking Water State Revolving Fund (DWSRF). This money can be used for a wide variety of activities, including public water system infrastructure improvements, source water protection, and water system management enhancements.

The SDWA requires that each state prepare an Intended Use Plan (IUP) 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 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) is responsible for preparing and submitting all of these documents. FED and the Drinking Water and Groundwater Protection Division (DWGWP) share responsibility for implementation of the various policies and procedures that are followed as part of the DWSRF, including the assurances and certifications contained in the capitalization grant request. It should be noted that due to recent organizational changes within DEC, FED is now responsible for preparation of the IUP, management of the project priority list, and preparation of set-aside workplans.

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 implementation of the Loans and Grants Tracking System (LGTS) database
- Aligning the DW and CW SRF programs by updating program Guidance Documents to reflect current practices
- Adding Readiness-to-Proceed criteria to the project priority ranking system
- Elimination of negative interest in favor of principal forgiveness
- Revision of Guidance Document #22 (Planning Loan Forgiveness) and Guidance Document #26 (Asset Management Plan Forgiveness)

\$13.35M

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Amount in loans
the VT DWSRF
awarded to 17
public water
systems (PWSs)
during Federal
fiscal year 2017.

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The 2018 Intended Use Plan

The 1996 Amendments to the Safe Drinking Water Act (SDWA) established the Drinking Water State Revolving Fund (DWSRF). 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 allotment for FFY18 is projected to be \$11,107,000; therefore, the amount of state match funds required is projected to be \$2,221,400. A partial state match was appropriated in the SFY18/19 Capital Appropriation Act and will be available July 1, 2018; the balance of the match is anticipated to be appropriated in the SFY20/21 Capital Appropriation Act, which should be available July 1, 2019. 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. **One change to the FFY18 IUP is highlighted below.**

Priority List

The State of Vermont will continue to finance projects based on a point system that ranks eligible water supply projects that are ready to proceed. 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 award \$35,176,353 for construction projects. The total request for the 2018 list is \$73,772,069 with 57 projects applying. The federal cash draw ratio for the 2018 grant will be \$7,339,018/\$9,620,418, or 76.91%.

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

- Under federal requirements, at least 15% of available funds, or \$5,276,453, 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 not expected to be an issue. One project identified as ALRs with a total loan request of \$6.4M serve a population of 10,000 or more, so this requirement has been met.
- As required in Vermont legislation, funds for private water systems are limited to 20% of the available funds, or \$7,035,271 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 \$2,533,000 which is below the 20% limit.
- As required in federal law applicable to the 2018 grant, no less than 20% of the federal grant shall be provided in subsidy and an additional

\$35.1M



Amount the State is proposing to allocate for FY18 Project Priority List projects. The largest amount to date.



subsidy of up to 30% of the federal grant may be provided to disadvantaged systems. This equates to a floor of \$2,221,400 and a ceiling of \$5,553,500 of federal funds; however, the DWSRF is proposing to cap additional subsidy at 30%, or \$3,332,100, of the federal grant. The DWSRF is proposing to use the 20% subsidy to provide loan recipients on a first come first served basis 30% of anticipated loan value in principal forgiveness until the 20% cap, or \$2,221,400, is reached. Further, the DWSRF is proposing to allocate \$37,600 for principal forgiveness for emergency projects on a first come first served basis. The DWSRF will use the remaining 30% disadvantaged subsidy allowed by law to provide principal forgiveness using the traditional disadvantaged subsidy calculations.

Subsidy for the list of ALRs is projected to be met by providing principal forgiveness pursuant to the requirements of Title 24 Chapter 120. 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 subsidy is less than the minimum required, additional subsidy will be provided through targeted additional principal forgiveness for those most in need. Principal forgiveness will be granted to the project(s) with the lowest MHI via affordability criteria below until the maximum per system is achieved and the minimum subsidy requirement is met.

Affordability (Community MHI/SCMI x 100 = X)	Principal Forgiveness points
$X \leq 60$	350,000
$61 \leq X \leq 70$	250,000
$71 \leq X \leq 80$	150,000
$81 \leq X \leq 90$	100,000
$91 \leq X \leq 100$	50,000
> 100	0

All required project data will be reported using the Public Benefits Reporting (PBR) federal on-line 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: \$35,176,353

Priority Points	WS Name	Residential Pop.	Project Description	Loan Amount	Rate	Term	Cumulative Total	Subsidy	Cumulative Subsidy
180	Coventry Fire District #1	126	Arsenic removal and water main improvements	\$0	0%	30	\$0		\$0
165	Saint Johnsbury, Town of	3800	Water treatment plant upgrades	\$4,940,000	3.00%	20	\$4,940,000		\$0
157	South Alburgh Fire District #2	150	Water system improvements-Phase 2	\$3,000,000	3.00%	20	\$7,940,000		\$0
145	Newport, City of	4766	East Side water tower	\$4,000,000	3.00%	20	\$11,940,000		\$0
145	Ascutney Town Fire District #2	485	Valve replacements and other system improvements	\$0	0%	30	\$11,940,000		\$0
142	Westminster Aqueduct Society	150	Source improvements	\$100,000	3.00%	20	\$12,040,000		\$0
140	Swanton, Village of	2986	MVU waterline replacement	\$0	3.00%	20	\$12,040,000		\$0
140	Brighton, Town of	1782	Water treatment plant refurbishment	\$2,800,000	0%	30	\$14,840,000	\$1,112,939	\$1,112,939
135	Randolph, Town of	2700	Water system improvements	\$1,000,000	0%	30	\$15,840,000	\$397,478	\$1,510,417
135	Richmond, Town of	1000	Bridge St bridge crossing	\$0	0%	30	\$15,840,000		\$1,510,417
132	Sterling View MHP	290	Water system improvements	\$0	3.00%	20	\$15,840,000		\$1,510,417
130	Lyndonville, Village of	4500	Vail Drive transmission main	\$2,280,000	0%	30	\$18,120,000	\$906,250	\$2,416,667
127	Proctor, Town of	2000	Water system improvements	\$805,069	0.00%	20	\$18,925,069		\$2,416,667

Priority Points	WS Name	Residential Pop.	Project Description	Loan Amount	Rate	Term	Cumulative Total	Subsidy	Cumulative Subsidy
125	Royalton FD#1	1500	Water treatment plant upgrades	\$1,330,000	3.00%	20	\$20,255,069		\$2,416,667
122	Killington Center Inn	75	Water system improvements	\$150,000	0.00%	0	\$20,405,069		\$2,416,667
120	Colchester, Town of ¹	0	Hercules Drive waterline replacement	\$600,000	3.00%	20	\$21,005,069		\$2,416,667
120	Dorset Fire District #1	530	Source and distribution system improvements	\$2,000,000	0.00%	20	\$23,005,069		\$2,416,667
120	Winooski, City of	6733	Main St Revitalization	\$2,400,000	0%	30	\$25,405,069	\$953,947	\$3,370,614
120	Hardwick, Town of	1900	Bridgeman Reservoir	\$450,000	3.00%	20	\$25,855,069		\$3,370,614
120	Bethel, Town of	915	Boulevard storage tank replacement	\$1,000,000	0%	30	\$26,855,069	\$397,478	\$3,768,092
115	Rutland Town Fire District #6	137	Pump station improvements	\$50,000	0%	30	\$26,905,069	\$19,874	\$3,787,966
115	Brattleboro, Town of	12200	Water treatment plant upgrade	\$6,400,000	3.00%	20	\$33,305,069		\$3,787,966
115	North Bennington, Village of	1700	Water distribution improvements	\$2,700,000	3.00%	20	\$36,005,069		\$3,787,966
115	Hyde Park, Village of	462	Water system improvements	\$4,600,000	0.00%	20	\$40,605,069		\$3,787,966
110	Springfield, Town of	9800	Water distribution improvements	\$2,125,000	0%	30	\$42,730,069	\$844,641	\$4,632,607
110	Richmond, Town of	1000	Bridge St infrastructure improvements- Phase I	\$0	-0%	30	\$42,730,069		\$4,632,607
105	Rutland, City of	18500	Northwest neighborhood project	\$200,000	3.00%	20	\$42,930,069		\$4,632,607
105	Northfield, Village of	5145	Water system improvements	\$3,600,000	0.00%	20	\$46,530,069		\$4,632,607
105	AHA Water Cooperative, Inc.	250	Water system improvements	\$383,000	3.00%	20	\$46,913,069		\$4,632,607

Priority Points	WS Name	Residential Pop.	Project Description	Loan Amount	Rate	Term	Cumulative Total	Subsidy	Cumulative Subsidy
100	Saint Johnsbury, Town of	3800	Waterline replacement- Gilman Ave and Pleasant St	\$2,800,000	3.00%	20	\$49,713,069		\$4,632,607
100	Winooski, City of	6733	Hickock St waterline replacement	\$1,100,000	0%	30	\$50,813,069	\$363,798	\$4,996,405
97	Hartford, Town of	7500	Waterline replacement- Latham, Nutt, Harrison	\$700,000	3.00%	20	\$51,513,069		\$4,996,405
95	Lunenburg Fire District #1	250	New water source	\$250,000	0%	30	\$51,763,069	\$78,881	\$5,075,286
95	Brandon, Town of ²	0	Park St infrastructure improvements	\$770,000	3.00%	20	\$52,533,069		\$5,075,286
95	Barton, Village of	950	New water supply	\$500,000	0%	30	\$53,033,069	\$198,739	\$5,274,025
92	Hinesburg, Town of	2800	New well source	\$750,000	3.00%	20	\$53,783,069		\$5,274,025
90	Marshfield, Village of	350	Water system improvements	\$350,000	0%	30	\$54,133,069	\$139,117	\$5,413,142
90	Bull Run	420	Water treatment plant upgrades	\$600,000	3.00%	20	\$54,733,069		\$5,413,142
90	Rutland, City of	18500	Water distribution improvements	\$2,700,000	3.00%	20	\$57,433,069		\$5,413,142
85	Arlington, Town of	1230	Water system improvements, Phase II	\$600,000	0%	30	\$58,033,069	\$238,487	\$5,651,629
85	Milton, Town of	5420	Lake Road waterline replacement	\$900,000	3.00%	20	\$58,933,069		\$5,651,629
85	Middlebury, Town of	5806	Waterline replacement	\$2,540,000	3.00%	20	\$61,473,069		\$5,651,629
85	West Windsor, Town of	75	Resort area waterline improvements	\$640,000	3.00%	20	\$62,113,069		\$5,651,629
82	Hartford, Town of	7500	Waterline replacement- downtown	\$990,000	3.00%	20	\$63,103,069		\$5,651,629

Priority Points	WS Name	Residential Pop.	Project Description	Loan Amount	Rate	Term	Cumulative Total	Subsidy	Cumulative Subsidy
82	Hartford, Town of	7500	Waterline replacement- Hartford, Manning, Norwich, Route 5	\$2,000,000	3.00%	20	\$65,103,069		\$5,651,629
80	Champlain Water District ³	0	Close-in cross-tie	\$0	3.00%	20	\$65,103,069		\$5,651,629
75	Milton Mobile Home Park	260	Waterline replacement	\$200,000	3.00%	20	\$65,653,069		\$5,651,629
75	Williston, Town of	7690	Route 2 waterline replacement	\$800,000	3.00%	20	\$66,453,069		\$5,651,629
72	Berlin, Town of	25	Connect new well source	\$1,000,000	0.00%	20	\$67,453,069		\$5,651,629
70	Shaftsbury, Town of	950	Waterline replacement- Phase I	\$744,000	3.00%	20	\$68,197,069		\$5,651,629
70	Bakersfield Town Fire District #1	446	Redundant well	\$350,000	3.00%	20	\$68,547,069		\$5,651,629
65	North Hero Fire District	800	Water treatment plant expansion	\$750,000	3.00%	20	\$69,297,069		\$5,651,629
60	Mountain Water Company	100	Water system improvements	\$1,100,000	3.00%	20	\$70,397,069		\$5,651,629
55	Milton, Town of	4520	Railroad St water main and PRV	\$2,000,000	3.00%	20	\$72,397,069		\$5,651,629
55	Tri-Town Water District	3500	Water system improvements	\$1,375,000	3.00%	20	\$73,772,069		\$5,651,629

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.

- 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 was 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 April 20, 2018. 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.
- Residential Population figures come from SDWIS
- Footnote 1: Town of Colchester has a residential population of 0 because the system is an NTNC
- Footnote 2: Town of Brandon has a residential population of 0 because the Town does not own or operate the municipal water system; Brandon FD#1 does
- Footnote 3: Champlain Water District has a residential population of 0 because it is a wholesale system; their purchasing water systems have an estimated residential population of 69,000
- Water System Improvements generally means system-wide work which may include distribution, storage, pump stations, etc. that are not specifically identified in the application.

Set-Asides

The State of Vermont plans to set aside \$3,707,982 (33.38%) 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 \$322,132 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%, \$1,135,900 plus \$322,132 in banked authority, for a total of \$1,432,832 to support approximately 15.08 FTEs, associated operating costs within the DWGWPD and partner agencies. 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.

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 4%, or \$444,280, 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 1.45%, or \$164,820, to provide technical assistance to small public water systems; the remaining amount will be added to the TA banked authority for use in the future. The following activities are proposed:

WATER SYSTEM OPERATOR TRAINING CONTRACT

We are proposing to allocate \$140,000 to 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.

DWGWPDP STAFF TRAINING

We are proposing to allocate \$24,820 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 \$1,666,050 can be used for the DWSRF Local Assistance Set-Aside with a further limitation that no more that 10% can be used to fund any one specific activity. The program is proposing to take the full 15%, or \$1,666,050, 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 participating water systems during water audits.

DRINKING WATER EDUCATION

We are proposing to allocate \$12,000 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 \$50,000 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 the 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 \$28,000 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.

TNC GENERAL PERMITTING PROCESSING

We are proposing to allocate \$20,000 to provide TNC general permitting processing assistance.

RTCR LEVEL 2

We are proposing to allocate \$35,000 to provide technical assistance to public water systems for RTCR Level 2 compliance.

TNC TECHNICAL ASSISTANCE

We are proposing to allocate \$10,000 to provide technical assistance to TNCs.

PLANNING LOAN PROGRAM

We are proposing to allocate \$430,043 to capitalize the planning loan (WPL) program. This revolving loan program is used by water systems to support a variety of pre-construction activities including source exploration, preliminary engineering, environmental reporting, income surveys, and final design.

CAPACITY PROGRAM POSITIONS

We are proposing to allocate \$232,862 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.

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.

Wellhead Protection Activity:

GEOLOGY, WATER RESOURCES AND REGIONAL OFFICE POSITIONS

We are proposing to allocate \$678,145 to the Geology Division, Water Resources Section, and to the Regional Offices to support their activities in supporting public water systems in source water protection.

TABLE 3

DWSRF FFY18 Set-Aside Summary

Set-aside (Maximum %)	Funds Allowable	Grant Request
Administration (4%)	\$444,280	\$444,280
Technical Assistance (2%)	\$222,140	\$164,820
Program Management (10%)	\$1,110,700	\$1,110,700
Program Management Banked Authority	\$0	\$322,132
Local Assistance (15%)	\$1,666,050	\$1,666,050
Totals	\$3,443,170	\$3,707,982

TABLE 4

FFY18 Set-Aside Summary

Set-aside	Prior Years' Funds	Anticipated FFY18 Funds	Unexpended as of 4/15/2018 ¹	Expended (drawn) as of 5/7/2018
Administration	\$8,156,730	\$444,280	\$141,552	\$8,015,178
Technical Assistance	\$3,647,024	\$164,820	\$402,213	\$3,244,811
Program Management	\$17,876,457	\$1,432,832	\$1,690,146	\$16,186,311
Local Assistance	\$15,853,859	\$1,666,050	\$2,030,579	\$13,823,280
Totals	\$45,534,070	\$3,707,982	\$4,264,490	\$41,269,580

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.

Banked Authority- Technical Assistance	
ARRA	\$300,000
FFY08	\$162,920
FFY16	(\$63,984)
FFY18	\$57,320
Total Available	\$456,256

Banked Authority- Program Management	
FFY97	\$1,105,880
FFY98	\$592,130
FFY99	\$226,380

FFY00	\$275,700
FFY01	\$48,910
FFY03	\$177,410
ARRA	\$1,730,000
FFY09	\$43,965
less prior transfers	(\$780,505)
FFY09 amendment	(\$222,387)
FFY11	(\$258,200)
FFY16	(\$300,000)
FFY17	(\$300,000)
FFY18	(\$322,132)
Total Available	\$2,017,151

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, 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	Federal Amount	State Amount
1	2018-4	7/1/2018-9/30/2018	\$3,000,000	\$1,136,702
2	2019-1	10/1/2018-12/31/2018	\$2,683,510	
3	2019-3	4/1/2019-6/30/2019	\$0	
4	2019-4	7/1/2019-9/30/2019	\$3,816,490	\$1,084,698
5	2020-3	4/1/2020-6/30/2020	\$1,607,000	
Total			\$11,107,000	\$2,221,400

Disbursement Schedule

EPA requires an estimated disbursement schedule for planning the outlay of federal funds. Below is the schedule for the new funding of \$11,107,000.

TABLE 6

EPA Estimated Disbursement Schedule

Disbursement Quarter	Amount
1QFFY2018	\$30,000
2QFFY2018	\$600,000
3QFFY2018	\$800,000
4QFFY2018	\$3,500,000
1QFFY2019	\$3,500,000
2QFFY2019	\$2,250,000
3QFFY2019	\$427,000
Total	\$11,107,000

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 for each open grant year. The program reserves the right to make this transfer and it 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 loans are those withdrawn for authorized set-aside uses and include: DWSRF Administration, Technical Assistance, PWSS Program Management, and Local Assistance. Lending procedures used by the Vermont Municipal Bond Bank (VMBB) for municipal loans and the Vermont Economic Development Authority (VEDA) 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 \$214,210,275 for public drinking water construction projects and approximately \$11,693,048 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 5/8/2018 the administrative fee account balance is \$5,950,591.43.

Tables on the following pages provide a financial summary of the program. All figures were updated on 4/18/2018 and data was generated from LGTS.

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- DWSRF	
DWSRF Capitalization Grant	\$11,107,000
State Match Needed	\$2,221,400
Anticipated Repayments (7/1/2018-6/30/2019)	\$6,073,053
Carry-Forward	\$19,482,882
Total Sources	\$38,884,335

Uses- DWSRF	
Anticipated Loan Commitments	\$35,176,353
Set Asides	\$3,707,982
Total Uses	\$38,884,335

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.

Sources- LASRF	
Carry Forward	\$1,140,190
FFY18	\$430,043
Total Sources	\$1,570,233

Uses- LASRF	
Anticipated Forgiveness	\$892,242
Total Uses	\$892,242

Total LASRF Available	\$677,991
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Footnote 1: Amount subject to revision due to project closeout.

Program Changes

Readiness-to-Proceed Priority Points

The DWSRF is proposing to provide 15 additional priority points to a project that has an accepted Preliminary Engineering Report (PER) or a valid Permit to Construct (PTC) issued by the Drinking Water and Groundwater Protection Division. The DWSRF is also proposing to provide an additional 15 priority points for projects that have voter authorization to incur debt. This authorization does not include authorizations made by governing bodies to incur debt associated with planning or final design loans. The purpose of these additional points is to elevate those projects that are truly ready-to-proceed enabling the DWSRF to meet the funding requirements outlined by the EPA.

Planning Loan Forgiveness

There have been a number of changes in planning loan forgiveness over the years. Feedback to the program from both internal and external partners has been that it is overly complex and confusing. As a result, the DWSRF is proposing to simplify forgiveness. Forgiveness would be provided at the end of the planning effort, when the project goes to construction, regardless of how construction is funded. Forgiveness will solely be tied to a community's MHI or if the planning loan is to complete a project this is identified in a DEC-approved Asset Management Plan. Additionally, forgiveness for plans will only be for Asset Management Plans developed under Guidance Document #26. In a further effort to simplify forgiveness, the DWSRF is proposing to apply this to all open planning loans, unless loan forgiveness would be greater under the 'old rules' but will not be waiting until construction is complete to forgive for these legacy loans.

Asset Management Plan (AMP) Planning Loan Changes

The DWSRF and DWGWRP proposes to limit the number of AMP planning loans to five in a calendar year beginning with CY2019. For the remaining CY2018 we will accept three more complete AMP applications by 6/30/2018, first come first served. We are proposing these changes to protect the solvency of the WPL fund and manage staff resources and water system commitment. We will accept CY2019 AMP loan applications from 1/1/2019 until 3/15/2019. The first five complete applications will be funded. A complete application must include a draft engineering services agreement, signed funding application completed in its entirety (no empty tables or missing information), and all supporting financial information as outlined in the application. The other proposed change to Guidance Document #26 is the requirement that to receive forgiveness, the applicant must have one member of the governing body and one water system operator complete an Asset Management Training course.

Additional Subsidy Changes

The DWSRF proposes to eliminate negative interest in favor of principal forgiveness. The DWSRF will continue to use 1% of MHI user rate post-project as the goal for determining additional subsidy however instead of subsidy being spread over the life of the loan in the form of negative interest, subsidy in the form of principal forgiveness will be provided at the close-out of the project, after construction is complete, and before the first loan payment is made. All existing

negative interest loans will be converted to principal forgiveness loans. We will discuss our plans during the public information meeting on April 5th.

An amount equal to 20% of the grant must be provided as subsidy, or at least \$2,221,400. An additional amount equal to 30% of the grant, or \$3,332,100, may also be provided in the form of subsidy to disadvantaged systems. In total, the fund may use up to 50% of the federal grant, or \$5,553,500 for additional subsidization, however, the DWSRF is proposing to cap additional subsidy at 30%, or \$3,332,100, of the federal grant. The DWSRF is proposing to use the 20% subsidy to provide loan recipients on a first come first served basis 30% of anticipated loan value in principal forgiveness until the 20% cap, or \$2,221,400, is reached. Further, the DWSRF is proposing to allocate \$37,600 for principal forgiveness for emergency projects on a first come first served basis. The DWSRF will use the remaining 30% disadvantaged subsidy allowed by law to provide principal forgiveness using the traditional disadvantaged subsidy calculations.

Repayment Start Date

All SRF construction loans will now have a repayment start date one year post final project completion. Final project completion is indicated on the final change order, also known as the balancing change order. Please see the attached signed Standard Operating Procedure (SOP).

Review of draft Engineering Services Agreements

To expedite review of draft engineering services agreements, the DWSRF will now accept and review ESAs independent of a signed loan application provided the ESA comes from the applicant.

Planning Advances

Planning Advances (PA) are required to be recovered once the planned project goes to construction. However, records are often old or non-extant, and with limited project details, are difficult to connect to current projects. Legislation is proposing that a PA issued prior to 9/1/2011, after an effort is made to find the details, can be forgiven.

All changes proposed in the FY2017 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 December 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 February 16, 2018 and a draft Intended Use Plan was distributed in advance of the public hearing held on April 5, 2018. Additionally, the draft IUP was posted on both the FED and DWGWPD websites in advance of the 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 5, 2018 public hearing through the public comment period ending April 20, 2018. Some comments have been edited for brevity and clarity.

- Q. (Regarding Repayment Start Date) Is it the final completion document or the balancing change order that is used when determining the repayment start date?
- A. The final completion date that is used for determining the repayment start date is listed on balancing change order. The project completion certificate is not used for this determination, just the date listed on the balancing change order.
- Q. (Regarding Repayment Start Date) What about projects where punch list items are dated after the balancing change order?
- A. They are included as part of the warranty period.

- Q. (Regarding Segmented Projects) What happens if you have project you can't get done in a year?
- A. Segmented project are addressed in our Repayment Start Date Guidance SOP. One contract has to be within one year of the previous contract. Once a project is started it needs to be completed in 2 years. If not within that time frame, we need to start a new loan. If a project is going to span 4/5 years, we need to give separate loan numbers with different end dates. Proctor is a good example. We will assign one loan rate and term for the project but will issue separate loans.
- Q. (Regarding Segmented Projects) What about when you have a project and it doesn't make sense to break it up into multiple contracts? For example, with winter shutdown, it may take a year and half to two years to complete.
- A. That timeline is fine. The only problem is when you get a bunch of contracts that want to extend it.
- Q. (Regarding Readiness to Proceed points) You listed three items but only 30 points, why not 45?
- A. Either Preliminary Engineering Report (PER) or Permit to Construct (PTC). If a community self-funds preliminary and final design, they can jump right into a PTC. Drinking Water and Groundwater Protection Division (DWGWP) would then evaluate what is required to issue a PTC. If applicant needs SRF to fund Step I or II, a PER would be required.
- Q. (Regarding Readiness to Proceed points) From a project development side, do you want to encourage PERs more?
- A. Not necessarily. Having a PER is important but for funding, we want encourage applicants to have either PER or PTC *and* voter authorization to incur debt to be in the fundable range.

Q. (Regarding Readiness to Proceed points) Are you extra incentivizing PER/PTC and Bond Vote?

A. Yes, this year. However, the SRF would like to propose that next year there won't be any points for readiness to process, just that a project will have to have certain documents to be considered for the fundable range (like a PER/PTC or voter authorization to incur debt). We haven't worked through these details—stay tuned for this in advance of next year's funding cycle.

Q. (Regarding Readiness to Proceed points) What if the bond comes after the priority list application deadline?

A. If the bond vote is after the deadline or after the readiness to proceed deadline, then the project doesn't get the points or is bypassed.

C: (Regarding Planning Loan Forgiveness changes) Would love to see every PER loan forgiven when it goes to construction. This incentivizes PER's.

A: It is something that could consider, but concern is the solvency of the program. The planning loan program was set-aside money and it hasn't been capitalized in the past couple of years. We are anticipating forgiving a lot of loans and we aren't charging interest on those loans that are repaid, so money is running out. Many PERs are costly, and we don't have the funds to forgive them.

Q: (Regarding Planning Loan Forgiveness changes) But what if it's only under certain criteria, like if a system-wide PER was completed?

A: That is basically an asset management (AM) plan.

C: (Regarding Planning Loan Forgiveness changes) That's infrastructure only, a PER will look at modeling system. This allows them to make priorities on what their needs are.

A: That is an AM program, looking at hydraulic analysis as part of AM plan.

Q: (Regarding Asset Management Plan forgiveness changes) Are forgiveness amounts changing?

A: No, keeping \$50k forgivable for now. A reminder, this is a standalone loan—it cannot be rolled into a construction loan. The loan is for work necessary to complete an AM plan, but will only get forgiveness up to loan amount or \$50k, whichever is less. Can take out a loan for more than \$50k, but the municipality will just pay back the unforgeable about at the standard loan rate and terms (5 years, 0%).

C: (Regarding Asset Management Plan forgiveness changes) This program is advantageous, hope to see them continue.

A: Because of large amount of forgiveness we may have to reevaluate the program in a year or so.

Q: (Regarding Asset Management Plan forgiveness changes) If for CY18 you receive 5 and only accept 3, what happens to those other 2?

A: They can wait to do the work or do the work using the regular planning loan program. We're not restricting the loans, only restricting the forgiveness. Once 3 more complete application, DWGWPD will post a notification on the website that day.

Q: (Regarding switch from negative interest to principal forgiveness) Can any loan can be paid off early?

A: Yes, any loan can prepay. It's just that with negative interest, it wasn't advantageous to pay early. Now with principal forgiveness, they can pay early and still receive the additional subsidy benefit.

Q: (Regarding Additional Subsidy) Will you still be subsidizing projects going forward with decreases in Federal funding?

A: The requirement for subsidy is tied to federal grant, so if we don't get the federal grant, we are not required to subsidize. And if the federal

grant goes down, the amount we are required to subsidize goes down (it's a minimum of 20% of the federal grant).

C: It was mentioned possible two list scenario, Vermont Rural Water Association (VRWA) wouldn't advocate for that as it might confuse applicants. Hopefully accomplish readiness to proceed projects through ranking system.

A: That is an issue. If there's no way of separating those that will go to construction vs those that are wish list items, it disincentivize those lower on the list to move their project. This helps us work with those that are truly going ready to go and get funds out the door.

Q: Are you turning people away yet?

A: No, we will never not put a project on the list as there will still be a comprehensive list. If there isn't enough ready to proceed project in the fundable range, we will move into the comprehensive list. Even with the added PER/PTC and vote points, there are still projects that have bond votes and PER's that are below fundable range; and projects without a PER/PCT or vote that are in the fundable range. Again, we haven't worked out the details of a two-list world so much of this is conjecture.

C: Just want to ensure systems can still get funding for projects.

A: Of course, and the planning loan program is still accessible. Utilization of it makes it much easier to meet readiness to proceed criteria and move efficiently into construction.

Priority List Applications after 2/16/2018

The following FFY18 priority list applications were received after the 2/16/2018 deadline:

Arlington for Phase II waterline replacement:

Cost: \$600,000

Points: 85

Bakersfield FD#1 to connect redundant well:

Cost: \$350,000

Points: 70

Killington Center for water system improvements:

Cost: \$150,000

Points: 122

Proctor for water system improvements:

Cost: \$805,069

Points: 127

Troy for Route 100 waterline replacement:

Cost: \$350,000

Points: 80

Appendix A: Short and Long-Term Goals

Short Term Goals and Objectives

1. Secure the State's latest available 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 DWGWP 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	1/29/2018
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	1/29/2018
3	Fund Availability Notification and Project Timeline Procedure for availability of funding and request for information, including a construction project timeline	3/16/2018
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	4/23/2018
5	Loan Application Forms The DWSRF program uses two standard funding application forms; one for municipally-owned systems and another for privately owned ones	3/16/2018

Number	Title/Description	Last Updated
6	Loan Application Review and Approval Process DWSRF staff uses to process and approve a loan	3/16/2018
7	Municipal Authority to Execute Loan Agreements Statutory references that gives authority to Municipalities to enter into loan agreements	3/16/2018
8	Loan Eligibility Outlines eligible loan costs including for system expansion, project management, administrative and legal fees, and water system purchase	3/16/2018
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	3/16/2018
11	Median Household Income Determination Outlines how the DWSRF program determines MHI in a given community, including procedures for conducting an income survey	3/16/2018
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.	3/16/2018
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.	7/12/2017
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 of 5 years or less and a value less than \$75,000.	3/21/2018
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.	3/20/2018

Number	Title/Description	Last Updated
22	Planning Loan Forgiveness (Municipalities only) Procedure for forgiving municipally-sponsored planning loans.	6/11/2018
23	DWSRF Loan Capacity Reviews Procedure for determining the technical, managerial and financial capacity of any entity that applies for a DWSRF loan.	3/16/2018
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.	6/11/2018