

The Vermont Drinking Water  
State Revolving Fund

# Intended Use Plan

for Federal Fiscal Year 2019 Funding



June 5, 2019

Prepared by Facilities Engineering Division  
Department of Environmental Conservation

 **VERMONT**  
**AGENCY OF NATURAL RESOURCES**  
Department of Environmental Conservation

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## 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 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.

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:

- Guidance Document #10
- Guidance Document #11
- Guidance Document #13
- Guidance Document #22
- Additional Subsidy
- Recommendation the State Treasurer to eliminate interest rate on municipal loans
- Extension of loan terms from 20 to 30 years; 30 to up to 40 for disadvantaged applicants

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## The 2019 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 FFY19 is projected to be \$11,004,000; therefore, the amount of state match funds required is projected to be \$2,200,800, which is currently included in the State's FY20 Capital Construction and State Bonding Bill (H.534) and should be available July 2019.

The SDWA requires that each state prepare an Intended Use Plan (IUP) every fiscal year that details how 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.

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## Short and Long-Term Goals

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### Short Term Goals and Objectives

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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 through the priority list and IUP to address contamination issues that pose the most serious risk to human health and to ensure compliance with the SDWA requirements and maintain and/or improve water quality.

3. Provide loans to address aged infrastructure.
4. Ensure that at least 15% of the DWSRF Project Fund provides 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 as well as promotion of capacity development for disadvantaged and small systems that do not have adequate technical, managerial, or financial resources to come into or maintain compliance, and to provide safe drinking water..
5. Provide loans to municipalities for purchasing land or conservation easements in order to protect public water sources and ensure compliance with drinking water regulations through the Vermont Source Water Protection Program.
6. Provide effective program management and resources to ensure the integrity of the DWSRF.
7. Coordinate DWSRF activities with enforcement activities of the State and EPA.
8. Continue implementation of the statewide strategy to improve capacity for existing public water systems and assure capacity for new public water systems.
9. Use DWSRF set-aside funding to provide the additional resources required to manage the Vermont Drinking Water Program.

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### Long Term Goals and Objectives

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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. Provide funding assistance to eligible public water systems for eligible projects associated with the improvement and maintenance of water treatment, storage and distribution facilities, and for consolidation or interconnection of water systems to improve service or develop capacity.

4. Use set-asides to improve source water protection and assessment efforts by providing technical and financial assistance.
5. Continue to update, develop, and implement administrative rules and guidance to carry out the DWSRF program.
6. Continue to update, develop, and implement the capacity development strategy for existing systems.
7. Continue providing operator training by DWGWPD staff and through grants and/or contracts with third-party technical assistance providers.

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## Financial Matters

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### Payment Schedule

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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.

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### Disbursement Schedule

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EPA requires an estimated disbursement schedule for planning the outlay of federal funds. Below is the schedule for the new funding of \$11,004,000.

TABLE 1

EPA Payment Schedule for Federal Fiscal Year

Payment No.	Quarter	Date	Federal Amount	State Amount
1	2019-4	7/1/2019-9/30/2019	\$3,000,000	\$2,200,800
2	2020-1	10/1/2019-12/31/2019	\$3,000,000	
3	2020-3	4/1/2020-6/30/2020	\$1,000,000	
4	2020-4	7/1/2020-9/30/2020	\$2,500,000	
5	2021-3	4/1/2021-6/30/2021	\$1,504,000	
<b>Total</b>			<b>\$11,004,000</b>	<b>\$2,200,800</b>

TABLE 2

EPA Estimated Disbursement Schedule

Disbursement Quarter	Amount
1QFFY2020	\$300,000
2QFFY2020	\$800,000
3QFFY2020	\$1,000,000
4QFFY2020	\$3,000,000
1QFFY2021	\$3,000,000
2QFFY2021	\$1,250,000
3QFFY2021	\$1,654,000
<b>Total</b>	<b>\$11,004,000</b>

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 positive 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 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.

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### Program Financial Summary

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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 obligations total \$223,921,185.49 for public drinking water construction projects and \$11,850,776.18 for water planning and design loans. In addition to project funds and set-asides, the DWSRF also maintains an administrative fee account, which is used to cover the costs of the program. As of 4/30/2019 the administrative fee account balance is \$6,412,801.58.

Historically, the program has described the loan administrative fees as program income but has tracked this fee income as either program or non-program income. The SRF program has detailed funds separately, to allow non-program income to be used for a broader array of SDWA eligible activities than is allowed with program income. All program and non-program income is accounted for in a separate fund outside the SRF fund.

Tables on the following pages provide a financial summary of the program. All figures were updated on 5/20/2019 and data was generated from LGTS.

TABLE 3

#### DWSRF Sources

*This table provides a summary of the funding available to the program through federal capitalization grants and revolving loan funds.*

Sources- DWSRF	
DWSRF Capitalization Grant minus set-asides	\$7,592,760
State Match Needed	\$2,200,800
Anticipated Interest (7/1/2019-6/30/2020)	\$1,500,000
Anticipated Repayments (7/1/2019-6/30/2020)	\$6,499,533
Carry-Forward	\$32,862,574
<b>Total Available for FFY19 Projects</b>	<b>\$50,655,667</b>

TABLE 4

Planning Loan Program Sources and Uses

*This table 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	\$1,753,253
Estimated interest (7/1/2019-6/30/2020)	\$48,000
Estimated repayments (7/1/2019-6/30/2020)	\$368,975
<b>Total Sources</b>	<b>\$2,122,228</b>

Uses- LASRF	
Pending Loan Obligations	\$388,700
Estimated loan commitments (6/1/2019-6/30/2020)*	\$1,300,000
<b>Total Uses</b>	<b>\$1,688,700</b>

<b>Total Projected LASRF balance</b>	<b>\$433,528</b>
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\*estimated based on commitments 6/1/2017 - 6/30/2018

## Set-Asides

The State of Vermont plans to set aside \$3,411,240 (31%) of the Capitalization Grant for various non-construction related activities that are authorized in the Safe Drinking Water Act Amendments of 1996. These activities are often vital to water systems so that they can develop and maintain the financial, technical, and managerial capacity to run their system effectively. A portion of the set-aside money will be used to develop and implement programs within state government necessary to implement the DWSRF and the SDWA Amendments of 1996. The following outlines the allocations and provides a brief description of the proposed activities in each of the four set-asides.

### Program Management Set-Aside

Up to 10% of the capitalization grant can be used for the DWSRF Program Management Set-Aside. We propose to take the full 10%, \$1,100,400 to support

approximately 10.98 FTEs, and associated operating costs within the DWGWP. 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.

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### Administrative Set-Aside

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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 \$440,160, to support approximately 4.68 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.

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### Technical Assistance Set-Aside

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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 2%, or \$220,080, to provide technical assistance to small public water system. 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 DWGWP.

#### DWGWP STAFF

We are proposing to allocate \$50,080 to provide technical training for DWGWP staff to enable personnel to provide direct technical assistance to small public water systems. This will result in approximately .55 FTEs

## TNC TECHNICAL ASSISTANCE

We are proposing to allocate \$30,000 to provide technical assistance to TNCs.

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## Local Assistance Set-Aside

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Up to 15% of the capitalization grant, or \$1,650,600 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 take the full 15%, or \$1,650,600, to fund local assistance activities. The following activities are proposed:

### Capacity Activity:

#### WATER LOSS CONTROL

We are proposing to allocate \$50,000 to provide leak detection surveys performed by a professional leak detection firm per American Water Works Association's standards. These surveys will be provided to community drinking water systems to promote water conservation efforts, reduce pumping and treatment costs, extend the useful life of assets, and minimize the risks of contamination

#### LEAD LINE REDUCTION STRATEGIES GRANT

We are proposing to allocate \$84,550 for grants to help public community water systems reduce the risks of exposure to lead in drinking water. The grants will be utilized to develop and implement risk reduction strategies, with an emphasis on finding and removing lead service lines via inventorying and mapping, non-compliance sampling, as well as public outreach and education.

#### CAPACITY PROGRAM ASSET MANAGEMENT INITIATIVES

We are proposing to allocate \$50,000 to extend the asset management training program funded through previous grants to promote the practice of infrastructure asset management at Vermont's public water systems.

#### RTCR LEVEL 2

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

#### RATES STUDY

We are proposing to allocate \$50,000 to conduct surveys of water rates for community water system and develop a dashboard based on the results of the survey. This dashboard will help Vermont water systems

evaluate their financial performance and influence future planning to improve their financial and managerial capacity.

#### LOCAL ASSISTANCE PROGRAM POSITIONS

We are proposing to allocate \$496,646 for operations staff to provide direct assistance during site visits, phone calls and emails regarding operational and maintenance issues. They also assist by explaining basic water supply regulatory and technical concepts from source to tap with water systems. The engineers provide assistance by evaluating Preliminary Engineering Reports, Engineering Services Agreements, and construction plans and specifications in support of Drinking Water State Revolving Fund projects, and other public water system modifications as well. Assistance is provided to water systems and consultants to ensure that technical decisions are viable, appropriate and meet standards.

We are proposing to allocate \$100,300 for staff to explain technical issues regarding monitoring schedules and frequency, sampling techniques, and provide training to operators. Particular attention is needed for distribution-related contaminants. Templates are developed for public water systems, such as sampling plans, public notice and CCRs

#### 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 an MOU

#### Wellhead Protection Activity:

##### WATER RESOURCES POSITIONS

We are proposing to allocate \$216,450 for staff to review and approve source protection plans, work with systems to update them, review and approve source construction to ensure they meet technical requirements. Also work with systems to ensure that proper testing occurs, to ensure long-term viability of new sources, and work with systems to develop new source if needed.

##### REGIONAL OFFICE POSITIONS

We are proposing to allocate \$400,654 for staff to ensure that groundwater is adequately protected by reviewing plans and specifications for wastewater systems.

NEW REGIONAL OFFICE POSITION

We are proposing to allocate \$147,000 for one new staff person that will be doing work of the Regional Offices half-time and the work of Engineers in the Operations and Engineering program half-time.

TABLE 5

DWSRF FFY19 Set-Aside Summary

Set-aside (Maximum %)	Funds Allowable	Grant Request
Administration (4%)	\$440,160	\$440,160
Technical Assistance (2%)	\$220,080	\$220,080
Program Management (10%)	\$1,100,400	\$1,100,400
Program Management Banked Authority	\$0	\$0
Local Assistance (15%)	\$1,650,600	\$1,650,600
<b>Totals</b>	<b>\$3,411,240</b>	<b>\$3,411,240</b>

TABLE 6

FFY19 Set-Aside and Banked Authority Summary

Set-aside	Prior Years' Funds	Anticipated FFY19 Funds	Unexpended as of 4/15/2019 <sup>1</sup>	Expended (drawn) as of 5/7/2019
Administration	\$8,601,010	\$440,160	\$290,968	\$8,335,042
Technical Assistance	\$3,811,844	\$220,080	\$214,779	\$3,597,065
Program Management	\$19,309,289	\$1,100,400	\$1,302,235	\$18,007,054
Local Assistance	\$17,519,909	\$1,650,600	\$1,779,079	\$15,740,830
<b>Totals</b>	<b>\$49,242,052</b>	<b>\$3,411,240</b>	<b>\$3,587,061</b>	<b>\$45,654,991</b>

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

Banked Authority- Technical Assistance	
ARRA	\$300,000
FFY08	\$162,920
FFY16	(\$63,984)
FFY18	\$57,320
FFY19	\$0
<b>Total Available</b>	<b>\$456,256</b>

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)
FFY19	\$0
<b>Total Available</b>	<b>\$2,017,151</b>

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## Project 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. Priority ranking methods, as outlined in Guidance Document #2, and preliminary loan term and rate determinations are outlined in Guidance Document #10.

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 fiscal year, and if amended, a public participation process will be followed. The adopted FFY19 Project Priority List is included as Appendix A.

The State is proposing to award \$51,725,378 for construction projects. The total request for the FFY19 list is \$75,464,000 with 73 projects applying. The federal cash draw ratio for the FFY19 grant will be \$7,592,760/\$9,793,560, or 77.53%.

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 \$7,598,352, 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. Five projects identified as ALRs with a total loan request of \$7.25M serve a population of 10,000 or more, so this requirement will be met.
- As required in Vermont legislation, funds for private water systems are limited to 20% of the available funds, or \$10,131,135 unless there are insufficient municipal projects ready to proceed and additional funds are available. There are currently 11 private water systems that are ALRs in the amount of \$5,053,000 which is below the 20% limit.
- As required in federal law applicable to the FFY19 grant, a minimum 20% subsidy shall be provided and no less than 6% of the federal grant and no more than 35% disadvantaged subsidy to state-defined Disadvantaged Communities, provided adequate applicants exist. This equates to \$2,200,800 in subsidy plus a minimum of \$660,240 and a maximum of \$3,851,400 in disadvantaged subsidy, for a total of \$6,052,200 in available subsidy. The DWSRF is proposing for the FFY19 IUP to provide the maximum in subsidy allowed. Please see below for a comprehensive summary of proposed changes.

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.

**\$50.6M**



Amount the State is proposing to allocate for FFY19 Project Priority List projects, the largest amount to date in one year.



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## Program Changes

### Additional Subsidy

1. Additional Subsidy (AddSub): Will use the 20% allowed by law, or \$2,200,800 for:
  - a. All applicants will receive up to 25% in total loan value in principal loan forgiveness on a first-come, first-served basis.
  - b. All lead related components in a proposed project will receive 100% principal loan forgiveness.
  - c. If a project contains lead and non-lead related components, the applicant would first receive 100% forgiveness on lead containing components, followed by 25% principal forgiveness on the remainder of the project, as subsidy is available.
2. Disadvantaged-directed Additional Subsidy (DisSub): Will use the 35% allowed by law, or \$3,851,400 for:
  - a. Those communities that meet the statutory definition of disadvantaged will receive disadvantaged subsidy enough to reach 1% of MHI post project, not to exceed 50% principal forgiveness, using the calculations outlined in Guidance Document #13.

FFY19 subsidy will be applied to Public Community water systems regulated as such by the Drinking Water and Groundwater Protection Division (DWGWP). An applicant may receive both 25% additional subsidy and an amount of subsidy enough to achieve a user rate of 1% MHI post-project. Municipally-owned non-transient, non-community school water systems are categorically disadvantaged per State statute and are eligible for up to \$25,000 in construction loan principal forgiveness; there is no further subsidy provided to these applicants. There is no cap on the subsidy an applicant can receive, and an applicant may receive AddSub and DisSub. All subsidy is available on a first-come, first served basis. The Department reserves the right to make final determination on eligible loan amounts, and lead component amounts will be determined through the permitting process.

### **Guidance Document #10**

Guidance Document #10 (GD#10) outlines loan term, interest rate and administrative fee determinations and loan repayment start date. The DWSRF is proposing to eliminate the interest rate, pending Vermont State Treasurer approval, and is updating how disadvantaged subsidy is calculated.

### **Guidance Document #11**

Guidance Document #11 (GD#11) outlines how Median Household Income (MHI) is calculated. Currently income survey results are accepted for two years and inflated at 4% each year thereafter. Income surveys will be valid for five (5) years, after that time the community must conduct another income survey or revert to the American Communities Survey MHI data.

### **Guidance Document #13**

Guidance Document #13 (GD#13) contains primary elements in determining a loan term and interest and administrative rates. Annual operation and maintenance costs, equivalent units, and existing debt are the figures used as a basis for determining user rate post project and are integral in determining if an applicant qualifies as disadvantaged under Title 24 Chapter 120 Section §4752(12). The DWSRF is will add reserve contribution to the calculation.

### **Guidance Document #22**

The DWSRF is eliminating planning loan forgiveness for applicants that do not use DWSRF funds for construction.

### **Loan Term**

The loan term for non-disadvantaged applicants is now a max of 30 years based on the weighted average expected useful life of the assets being funded. Disadvantaged applicant's loan terms are now a maximum of 40 years, limited to calculations outlined in GD#13 and the weighted average expected useful life of the assets being funded.

## **Loan Rate**

The Agency of Natural Resources will be making a recommendation to the State Treasurer to eliminate the 1% interest rate charged to municipal applicants. This would not change the 2% administrative fee charged to municipal applicants or the 3% administrative fee charged to private applicants.

## **FFY20 Priority List Readiness-to-Proceed changes**

Beginning with the FFY20 priority list, the DWSRF will require all projects meet Step III readiness to proceed criteria, including submitting a Step III funding application, by June 30, 2021. Projects failing to meet this requirement will be bypassed and expected to reapply for the following funding cycle.

Also beginning with the FFY20 IUP, the DWSRF will require all applicants seeking placement on the project priority list to have submitted a Preliminary Engineering Report or Permit to Construct Application.

All changes proposed in the FY2018 IUP were implemented.

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## **Public Participation**

FED recognizes that public participation and the persistent cultivation of stakeholder interests is an integral element in the development of an effective program. Throughout the year DWSRF staff initiate contact with the neediest and highest priority water systems to encourage them to apply to be included in the PPL. Contacts are made via on-site visits, by email and phone. Additionally, water systems are routinely directed to the DWSRF by DWGWP staff, such as those conducting sanitary surveys. A public notice for the development of this IUP as well as a solicitation for priority list applications and a public meeting announcement was sent on January 15, 2019 to all public water system administrative contacts, stakeholder groups, and engineering consultants via Constant Contact. A notice of availability of the draft project priority list and set-aside allocations for comment was distributed, also by Constant Contact, on April 1, 2019 and a draft Intended Use Plan was distributed in advance of the public hearing held on May 1, 2019. Additionally, the draft IUP was posted on

both the FED website 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.

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### Public Comment Responsiveness Summary

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The following responsiveness summary will list questions (Q) and comments (C) received at the May 1, 2019 public hearing through the public comment period ending May 15, 2019. Some comments have been edited for brevity and clarity.

Q: Do lead-eligible components that qualify for subsidy include interior plumbing?

Answer/Response: No, the loan can only be used to install WaterSense labeled fixtures that are lead-compliant, but not interior plumbing.

Q: Can an applicant still use the UVM contract to conduct archaeological reviews even if the project is not using the DWSRF planning loan program?

A: Yes, if the project *might* use the DWSRF to fund the project it can access the UVM contract. This also goes for projects that may be joint CW and DW SRF funded; it cannot be used for CWSRF-only funded projects, however. A reminder that there is a 30-day SHPO and federally recognized Indian tribes, if applicable, review period that *all* potentially funded projects must go through prior to any archaeological resources assessment (ARA). If SHPO/UVM/Tribes requires anything past an ARA, the applicant is responsible for paying for it, but is loan eligible.

Q: Regarding proposed changes to planning loan forgiveness: what if a water system is considering a large construction project with multiple funding agencies, is there a minimum amount DWSRF needs to fund to receive forgiveness?

A: There is no minimum that the DWSRF would be required to fund; if the SRF is involved in the construction, the associated planning loan is eligible for forgiveness.

Q: When would the planning loan forgiveness changes apply?

A: This change will apply to municipalities that apply for their initial planning loan after 6/15/2019. There will be no change to planning loans already approved/applied.

Q: We have a lot of galvanized lines throughout our distribution system does the lead subsidy apply?

A: The DWGWPD would determine what qualifies as lead reduction and what percentage of the project qualifies as lead. That percentage would apply to all soft and hard costs throughout the project (preliminary, final design and construction).

C: Can you talk about the proposed legislative hardship category.

R: There is language working its way through the legislature this session that would include the following:

- Municipal water systems that serve 250 people or less
- Emergency project (as defined in Guidance Document #16)
- Will have a user rate post project of a \$1,000 or 1.5% of MHI

Will be eligible for \$200,000 in principal loan forgiveness; this on top of any other subsidy the community may be eligible for. And the \$200,000 is exempted from bonding authority. However, it is still a loan so all DWSRF funding requirements apply.

C: Regarding future readiness-to-proceed, the requirement requiring a PER to be submitted prior to being placed on the project priority list should also allow for hydraulic modeling or a capital improvement plan or other similar planning document to meet project readiness. Often a community has identified a project in a different planning document and the project can move quickly through the preliminary and design but after the priority list application deadline.

R: The Drinking Water and Groundwater Protection Division has determined that only a Preliminary Engineering Report will satisfy this readiness-to-proceed criterion.

Q: When would the loan term changes apply?

A: This change will apply to applicants that begin initial loan repayment after 1/1/2019. Applicants may request a reevaluation of their loan rate/term at the new statutorily allowed levels.

Q: Would vinyl lined asbestos cement waterlines be considered for the 100% subsidy?

A: The SRF considered that eligibility but because of the need to move projects quickly, it was decided not to include this class of infrastructure in the 100% subsidy. Additionally, the SRF wants to spread the subsidy to as many projects as possible. These projects are eligible for 25% principal forgiveness, first come first served. The SRF can consider providing additional significant subsidization of vinyl lined AC pipes in future IUPs.

C: Champlain Water District is requesting that PCE (Tetrachloroethylene) contamination be eligible for 100% principal loan forgiveness, similar to the lead related components. PCE contamination is caused from leaching of vinyl-lined asbestos cement waterlines. Short term exposure from drinking water can cause dizziness, headaches, nausea, vomiting, irritation of the eyes and respiratory tract. Long term exposure can increase the risk of cancer. While cases like this are not wide-spread, there have been similar cases in recent years in Cavendish, Vermont (2000-2002); Sandwich, Massachusetts, and other communities in New England. Most water systems do not test for PCE during routine water quality sampling; therefore, the issue may not yet be well documented. If 100% principal forgiveness cannot be awarded to projects with PCE contamination, then CWD would request that some level of additional principal loan forgiveness, beyond the 25% Additional Subsidy, be provided.

R: DEC appreciates the health risks associated with PCE that may be present in vinyl-lined AC waterlines, but it was the decision of both the SRF and

DWGWPD to not incentivize that specific class of contaminants/waterlines this year. There does need to be a better understanding of the scope of the issue and whether incentivizing replacement of these waterlines above the already subsidized loan terms available is necessary.

C: Under the proposed FY19 DWSRF IUP, communities can only be eligible for additional 25% subsidy on a first-come-first-serve basis, ONLY if the community meets the following requirements:

- Eligible to apply (meaning within fundable range)
- Executed Step III Loan Application
- Submitted a Permit to Construct Application
- Submitted an Environmental Report
- Received authorization to incur debt

Under this current format, projects outside the fundable range would be ineligible for the additional 25% subsidy. In the past, many projects within the fundable range have not shown the “readiness to proceed”. CWD is requesting that a bypass system be in place for projects outside the fundable range to procure the additional 25% subsidy or remove the requirement that projects be within the fundable range.

R: The SRF cannot provide funding to projects based *solely* on readiness-to-proceed criteria, effectively bypassing those with a higher public health protection deficiency to be addressed. What we will do is aggressively bypass projects that will not meet the milestones outlined in the IUP. This will mean projects outside the fundable range on the final priority list may have an opportunity to access funding sooner than anticipated. The DWSRF will begin aggressively bypassing late summer. And to note, beginning with the FFY20 Priority List, only those projects that have submitted a Preliminary Engineering Report or a Permit to Construct application will be placed on the project priority list.

## FFY19 Priority List Changes

South Alburgh FD#2's project was reduced to \$0 in anticipation of a USDA-RD funding commitment. Funding from the DWSRF will be available if USDA-RD funding is not provided.

Winooski's Main St project was reduced to \$0 as USDA-RD provided a funding commitment.

West Rutland's waterline replacement project was reduced to \$275,000 as the amount listed in the draft PPL was in error.

### **The following FFY19 priority list applications were received after the 2/15/2019 deadline:**

Barnet FD#2 submitted an application for water system improvements in the amount of \$500,000. The project received 102 priority points.

Pinnacle Condominium Association submitted an application for a replacement well project in the amount of \$70,000. The project received 97 priority points.

Champlain Water District submitted an application for Colchester tank south loop project in the amount of \$620,000. The project received 135 priority points.

Town of Bennington submitted an application for lead service line replacement in the amount of \$2,200,000. The project received 105 priority points.

City of Burlington submitted an application for waterline replacement in the amount of \$2,200,000. The project received 95 priority points.

Town of Essex submitted an application for the Route 15 waterline replacement in the amount of \$750,000. The project received 50 priority points.

Okemo Village Owners Association submitted an application for uranium treatment in the amount of \$105,000. The project received 140 priority points.

Town of Richford submitted an application for waterline replacement in the amount of \$1,000,000. The project received 110 priority points.

City of St. Albans submitted an application for the Aldis Hill storage tank in the amount of \$1,200,000. The project received 90 priority points.

City of St. Albans submitted an application for the Kingman St waterline replacement in the amount of \$200,000. The project received 60 priority points.

City of St. Albans submitted an application for the Lake St waterline replacement in the amount of \$300,000. The project received 90 priority points.

City of St. Albans submitted an application for the Stebbins St waterline replacement in the amount of \$400,000. The project received 60 priority points.

East Calais FD#1 submitted an application for disinfection system upgrades in the amount of \$250,000. The project received 152 priority points.

## Appendix A: 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: \$50,655,677**  
 Total Available AddSub: \$2,200,800  
 Total Available DisSub: \$3,851,400

Priority Points	WS Name	Residential Population	Project Description	Loan Amount	Rate	Term	Cumulative Total	DisSub	Cumulative DisSub
180	Alburgh, Village of	579	Water system improvements	\$832,000	0.00%	30	\$832,000	\$330,701	\$330,701
157	South Alburgh Fire District #2	150	Water system improvements- Phase 2	\$0	0.00%	20	\$832,000		\$330,701
152	East Calais Fire District #1	200	Disinfection upgrades	\$250,000	0.00%	20	\$1,082,000		\$330,701
150	Bull Run	420	Water treatment and storage tank improvements	\$1,400,000	3.00%	20	\$2,482,000		\$330,701
150	Hardwick, Town of	1900	Bridgeman Reservoir Cover	\$0	3.00%	20	\$2,482,000		\$330,701
145	Lyndonville, Village of	4500	Vail Drive transmission main replacement	\$2,750,000	0.00%	30	\$5,232,000	\$1,093,064	\$1,423,765
145	Saint Johnsbury, Town of	3800	Pleasant St and Gilman Ave waterline replacement	\$2,510,000	3.00%	20	\$7,742,000		\$1,423,765
140	Okemo Village Owners Association, Inc.	180	Uranium Treatment	\$105,000	3.00%	20	\$7,847,000		\$1,423,765

Priority Points	WS Name	Residential Population	Project Description	Loan Amount	Rate	Term	Cumulative Total	DisSub	Cumulative DisSub
140	Jeffersonville, Village of	700	Water system improvements	\$200,000	0.00%	30	\$8,047,000	\$79,495	\$1,503,260
140	Winooski, City of	8500	Main St waterline replacement	\$0	0.00%	30	\$8,047,000		\$1,503,260
140	Ascutney Town Fire District #2	485	Meter and valve replacement	\$0	0.00%	30	\$8,047,000		\$1,503,260
140	Westminster Aqueduct Society	150	Source improvements	\$100,000	1.39%	30	\$8,147,000		\$1,503,260
135	Thompson Point Association <sup>1</sup>	0	Water system upgrades	\$350,000	3.00%	20	\$8,497,000		\$1,503,260
135	Champlain Water District <sup>3</sup>	0	Colchester South Tank Loop	\$620,000	3.00%	20	\$9,117,000		\$1,503,260
130	Lunenburg Fire District #1	250	New water source	\$250,000	0.00%	30	\$9,367,000	\$99,369	\$1,602,629
130	Dorset Fire District #1	530	Source and distribution improvements	\$3,000,000	0.00%	20	\$12,367,000		\$1,602,629
130	Hyde Park, Village of	462	Water system improvements	\$4,267,000	0.00%	20	\$16,634,000		\$1,602,629
127	Randolph, Town of	2700	Storage tank improvements	\$1,200,000	3.00%	20	\$17,834,000		\$1,602,629
127	Danville Fire District #1	450	Waterline replacement	\$3,173,000	0.00%	20	\$21,007,000		\$1,602,629
125	Saint Johnsbury, Town of	2800	Water treatment plant upgrades	\$5,240,000	3.00%	20	\$26,247,000		\$1,602,629
125	Milton Mobile Home Cooperative	260	Water distribution upgrades	\$800,000	0.00%	30	\$27,047,000	\$317,982	\$1,920,611

Priority Points	WS Name	Residential Population	Project Description	Loan Amount	Rate	Term	Cumulative Total	DisSub	Cumulative DisSub
120	Battleground Condominiums	166	Water system improvements	\$302,000	3.00%	20	\$27,349,000		\$1,920,611
120	Bethel, Town of	915	Water system improvements	\$3,000,000	0.00%	30	\$30,349,000	\$1,192,434	\$3,113,045
120	Royalton Town Fire District #1	1500	Water Treatment Plant upgrades	\$1,500,000	0.00%	30	\$31,849,000	\$596,217	\$3,709,262
120	Brighton, Town of	1782	Water treatment plant refurbishment	\$2,800,000	0.00%	30	\$34,649,000	\$1,112,938	\$4,822,200
120	Rutland, City of	18500	NW Neighborhood Phase IA	\$0	3.00%	20	\$34,649,000		\$4,822,200
120	Country Club Condominiums	80	Water system improvements	\$406,000	3.00%	20	\$35,055,000		\$4,822,200
117	Murray Hill Homeowners	212	Water system improvements	\$210,000	3.00%	20	\$35,265,000		\$4,822,200
117	HFI- Mobile Acres MHP	252	Water system upgrades	\$0	3.00%	20	\$35,265,000		\$4,822,200
115	Newport, City of	4766	East side water tower	\$4,000,000	3.00%	20	\$39,265,000		\$4,822,200
115	Winooski, City of	8500	Hickok St waterline replacement	\$0	0.00%	30	\$39,265,000		\$4,822,200
115	Colonial Estates Condominium Association	79	Replacement well connection	\$0	3.00%	20	\$39,265,000		\$4,822,200
115	Bennington, Town of	13250	Waterline extension, Phase B	\$0	3.00%	20	\$39,265,000		\$4,822,200
115	Irasburg Town Fire District 1	200	Route 14 waterline replacement	\$120,000	0.00%	30	\$39,385,000	\$47,697	\$4,869,897

Priority Points	WS Name	Residential Population	Project Description	Loan Amount	Rate	Term	Cumulative Total	DisSub	Cumulative DisSub
115	Milton, Town of	5420	Lake Rd waterline replacement	\$0	3.00%	20	\$39,385,000		\$4,869,897
110	Springfield, Town of	9800	Water system improvements	\$2,125,000	0.00%	30	\$41,510,000	\$844,640	\$5,714,537
110	West Windsor, Town of	75	Water system improvements	\$0	3.00%	20	\$41,510,000		\$5,714,537
110	Richford, Town of	1700	Waterline replacement	\$1,000,000	3.00%	20	\$42,510,000		\$5,714,537
105	Stowe Town Fire District #4	87	Source improvements	\$100,000	0.00%	30	\$42,610,000	\$39,747	\$5,754,284
105	Bennington, Town of	13250	Lead Service line replacement project	\$2,200,000	0.00%	30	\$44,810,000	\$874,451	\$6,628,735
105	Brandon Town Fire District #2	98	Booster pump and treatment building improvements	\$200,000	3.00%	28	\$45,010,000		\$6,628,735
102	Barnet Fire District #2	205	Water system improvements	\$500,000	0.00%	20	\$45,510,000		\$6,628,735
97	Hartford, Town of	7500	Latham Ave/Nutt Ln/Harrison Ave waterline replacement	\$750,000	3.00%	20	\$46,260,000		\$6,628,735
97	Pinnacle Condominium Association	400	Replacement well connection	\$0	3.00%	20	\$46,260,000		\$6,628,735
95	Richmond, Town of	1000	Bridge St Bridge Crossing	\$320,000	0.00%	20	\$46,580,000		\$6,628,735
95	HFI- Shady Pines MHP	76	Water system upgrades	\$100,000	3.00%	21	\$46,680,000		\$6,628,735
95	Burlington, City of	42000	Distribution system improvements	\$2,200,000	0.00%	30	\$48,880,000	\$874,451	\$7,503,186

Priority Points	WS Name	Residential Population	Project Description	Loan Amount	Rate	Term	Cumulative Total	DisSub	Cumulative DisSub
95	Brandon, Town of <sup>2</sup>	0	Park St waterline replacement	\$0	3.00%	20	\$48,880,000		\$7,503,186
92	Hartford, Town of	7500	S. Main, N. Main, and Gate Sts. waterline replacement	\$1,740,000	3.00%	20	\$50,620,000		\$7,503,186
90	Saint Albans, City of	9956	Lake St waterline replacement	\$300,000	3.00%	20	\$50,920,000		\$7,503,186
90	Saint Albans, City of	9956	Aldis Hill storage tank	\$1,200,000	3.00%	20	\$52,120,000		\$7,503,186
90	Mountain Water Company	100	Water system upgrades	\$1,100,000	3.00%	20	\$53,220,000		\$7,503,186
90	Rutland, City of	18500	Waterline replacement	\$2,850,000	2.38%	30	\$56,070,000		\$7,503,186
90	West Rutland, Town of	2400	Pleasant St waterline replacement	\$275,000	3.00%	20	\$56,345,000		\$7,503,186
85	Swanton, Village of	2986	Missisquoi river crossing	\$400,000	3.00%	20	\$56,745,000		\$7,503,186
85	Bristol, Town of	1985	Pine St waterline replacement	\$940,000	3.00%	20	\$57,685,000		\$7,503,186
85	Middlebury, Town of	5806	Waterline replacement	\$2,500,000	3.00%	20	\$60,185,000		\$7,503,186
85	Marshfield, Village of	350	Water distribution improvements	\$350,000	0.00%	30	\$60,535,000	\$139,117	\$7,642,303
85	Milton, Town of	5420	River St PSV upgrade	\$200,000	3.00%	20	\$60,735,000		\$7,642,303
75	East Middlebury Town Fire District #1	642	Water system improvements	\$925,000	3.00%	20	\$61,660,000		\$7,642,303
75	Northfield, Town of	5145	Main St waterline and Cheney Farm Tank replacement	\$3,800,000	0.02%	20	\$65,460,000		\$7,642,303
72	Hyde Park Fire District #1	275	Booster station and stand-by power	\$110,000	3.00%	20	\$65,570,000		\$7,642,303
72	Shaftsbury, Town of	950	Watermain replacement	\$744,000	3.00%	20	\$66,314,000		\$7,642,303

Priority Points	WS Name	Residential Population	Project Description	Loan Amount	Rate	Term	Cumulative Total	DisSub	Cumulative DisSub
70	Williston, Town of	7690	Route 2 waterline replacement	\$800,000	3.00%	20	\$67,114,000		\$7,642,303
70	Milton, Town of	5420	Railroad St waterline replacement	\$1,970,000	3.00%	20	\$69,084,000		\$7,642,303
67	Hinesburg, Town of	2800	New well source connection	\$750,000	3.00%	20	\$69,834,000		\$7,642,303
60	Saint Albans, City of	9956	Stebbins St waterline replacement	\$400,000	3.00%	20	\$70,234,000		\$7,642,303
60	Saint Albans, City of	9956	Kingman St waterline replacement	\$200,000	3.00%	20	\$70,434,000		\$7,642,303
55	Snow Mountain Village	210	Pump station upgrades	\$180,000	3.00%	20	\$70,614,000		\$7,642,303
55	Milton, Town of	5420	Flanders Development waterline replacement	\$2,000,000	3.00%	20	\$72,614,000		\$7,642,303
50	Champlain Water District <sup>3</sup>	0	Essex West pump station and transmission main	\$2,100,000	3.00%	20	\$74,714,000		\$7,642,303
50	Essex, Town of	9734	Route 15 waterline upgrade	\$750,000	3.00%	20	\$75,464,000		\$7,642,303

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#### Project Priority List Notes

- Footnote 1: Thompsons Point Association is a Transient, Non-Community water system therefore it has no residential population
- Footnote 2: Town of Brandon has a residential population of 0 because the Town does not own or operate the municipal water system, however 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

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## Appendix B: Guidance Documents

The guidance documents outline the policies and procedures the DWSRF uses for implementing the loan program. A comprehensive summary of program Guidance Documents can be found on [SRF Guidance Documents webpage](#).

Number	Title/Description
1	Priority List Applications
2	Priority List Development and Application Processing
3	Fund Availability Notification and Project Timeline
4	Project Bypass Procedures
5	Loan Application Forms
6	Loan Application Review and Approval
7	Municipal Authority to Execute Loan Agreements
8	Loan Eligibility
9	Engineering Allowance for DWSRF Projects
10	Loan Term, Interest Rate, Administrative Fee Determination and Loan Repayments
11	Median Household Income Determination
12	Preliminary Engineering Report
13	Annual Operation and Maintenance Costs, Equivalent Units, and Existing Debt
14	Project Costs Estimate Adjustments and Loan Amount Adjustments
15	Environmental Review
16	Emergency Projects
17	Archaeological and Historic Properties Review
18	Project Design Review for Petroleum Contamination and Hazardous Waste Sites
19	Canadian Border Projects
20	5-Year Municipal Construction Loans
21	Municipal Construction Loans for less than \$75,000 or loan increases of less than \$75,000
22	Planning Loan Forgiveness (Municipalities only)
23	DWSRF Loan Capacity Reviews
24	Loan forgiveness for School Water Systems
25	Procurement Guidelines
26	Asset Management Plan