

State of Vermont
Agency of Natural Resources
Department of Environmental Conservation

Procedure:	Vermont Water Infrastructure Sponsorship Program (WISPR)	Effective Date:	6/4/2019
Applicable To:	Department of Environmental Conservation	Revision Date:	XX/XX/XXXX
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Procedure Objective

To outline policy and procedure surrounding the state of Vermont Clean Water State Revolving Fund (CWSRF) sponsorship program, Vermont Water Infrastructure Sponsorship Program (WISPR). This program was authorized under Act 185 of 2018 and described in 24 VSA Chapter 120 §4752 as: *“an arrangement in which natural resource projects are paired with water pollution abatement and control facilities projects, as defined in 10. V.S.A. §1571 for the purposes of water quality improvement. Under the sponsorship program, a municipality may obtain a loan for both a natural resources project and a water pollution abatement and control facilities project. The loan rate and terms shall be adjusted to forgive all or a portion of the natural resources project over the life of the loan. Only municipalities and nonprofit organizations may receive funds under a sponsorship program.”*

Background

WISPr is intended to address a limited and under-assisted category of water resource needs in Vermont known as natural resource projects. While significant progress has been made in reducing the impacts of municipal wastewater treatment on water quality, the best available data indicates that impacts from nonpoint source runoff, habitat degradation, and watershed disturbances may be impeding overall rates of water resource improvements. The goal of WISPr is to counter the loss of ecological function and biological diversity that jeopardize the health of Vermont’s water resources. This program will help achieve this goal by providing additional funds to finance the implementation of natural resource projects that protect or restore water resources.

WISPr intends to utilize the Clean Water Initiative Program’s Ecosystem Restoration Grants Application Manual for project eligibility, application requirements, and implementation expectations. There are expectations and requirements that are WISPr specific which are outlined in this Policy.

Impacted Departments or Divisions

Staff within the Facilities Engineering Division, Watershed Management Division and Clean Water Initiative Program.

Governing Documents

- Environmental Protection Rule Chapter 2, Municipal Pollution Control Priority System
- Clean Water Initiative Program's Ecosystem Restoration Grants Application Manual, current version

Roles of Implementers and Sponsors:

Municipalities that apply for CWSRF loans are eligible to participate in WISPr by undertaking natural resource projects themselves or by sponsoring an approved project that is undertaken by a nonprofit entity. For purposes of this policy, the "sponsor" is the municipality that is applying for the traditional water pollution abatement and control facility project and the implementer will refer to the entity (either municipal or nonprofit) that will undertake construction, legal control, and long-term operation and maintenance of the natural resource project.

Sponsoring project types:

Water pollution abatement and control facilities projects are defined as eligible projects for the purposes of sponsoring natural resource projects. Water pollution abatement and control facilities projects, also referred to as "traditional" projects, may involve a number of project types. For example, any project that intends the prevention, management, treatment, storage, or disposal of:

- Stormwater
 - Gray Infrastructure:
 - Traditional pipe, storage, and treatment systems
 - Green Stormwater Infrastructure (GSI):
 - Rainwater harvesting
 - Bioswales
 - Green roofs, streets, parking
 - Pervious pavement
- Sewage
 - Wastewater treatment facility (WWTF) refurbishments or upgrades
 - Filtration or disinfection
 - Decentralized (soil-based) systems
- Combined Sewer Overflows (CSOs)
 - Separation of sanitary and storm sewer
 - Downspout disconnection

WISPr Project Types:

Sponsored projects must be natural resource projects and must be owned or controlled by either a municipality or nonprofit organization, except in the case of dam removal. Natural resource projects are defined as a project to protect, conserve, or restore natural resources, including the acquisition of easements and land for the purposes of providing water quality benefits (24 VSA Chapter 120 §4752).

WISPr eligible projects must be consistent with the Clean Water Initiative Program's Ecosystem Restoration Grants Application Manual, Section C Natural Resource Restoration and Protection Projects.

WISPr Eligibility Determination

1. All projects seeking WISPr eligibility must apply to ERP, WISPr will use the ERP grant funding cycle for solicitation of projects
2. All ERP eligible projects will be offered WISPr planning and/or design funding until the WISPr funding cap is reached
3. The Department will fund planning and/or design for NR projects using either WISPr or ERP
4. WISPr and CWIP staff will meet after project eligibility determinations are made to evaluate projects for pairing with Municipal projects

Ranking of WISPr Project(s) with a Municipal Project:

A municipality must indicate the intent to sponsor a WISPr project upon submittal of a Step III loan application.

Timing of WISPr Project:

Because the WISPr project is reliant on a municipal project for funding, the timing of project implementation and completion is critical for ensuring a viable WISPr project. The program will enforce timing of the projects as such:

1. The sponsored project must reach final completion, have submitted for final disbursement, and in the event of a municipal-non-profit agreement, costs transferred to the municipality's loan, prior to the sponsoring project's repayment start date.
2. The municipal project's final completion date governs the repayment start date.
3. It is the policy of the program that loans begin repayment one year after final completion as identified in the balancing change order for the sponsoring project.

Financial Arrangement of Sponsorship:

1. A municipality is eligible to sponsor a NR project based on a 10:1 CWSRF to WISPr ratio. For example, a \$1M pipe replacement project can sponsor up to a \$100,000 land conservation project.
2. The municipality will receive one loan for both projects. In the example given above, the loan will be for a total of \$1.1M.

3. The administrative fee rate will be reduced from 2% in one-tenth of a percent increments until the sponsored project is forgiven over the payback of the loan. As a benefit to the municipality for participating in WISPr, the loan will be further reduced by .1%. In the example given above, the loan would be reduced to a 0.9% administrative fee rate.

The program has a responsibility to ensure that this exemption only be applied to an amount that will be forgiven. Given the variable nature of projects and potential challenges in timing, the program will take the following steps:

1. An initial loan agreement and draft amortization schedule will be completed, assuming the projects proceed according to the schedule and that 100% of the sponsored project will be forgiven.
2. In the case where either project is unable to proceed according to schedule, regardless of fault, the municipal loan agreement will default to a non-sponsorship program loan agreement and the municipality will repay at the standard CWSRF administrative rate. Any funds previously disbursed to the sponsored project will be forgiven and attempts will be made to secure additional financing to finalize the project.
3. Additionally, the sponsoring project may come in under budget. In order to offer predictable financing for the sponsored project, the CWSRF will honor the originally proposed forgiveness amount and will adjust the administrative rate to cover 100% of the natural resources project. In the previous example, if the \$1M project ended as a \$800,000, the administrative rate will be reduced to forgive the full \$100,000.
4. If a sponsoring project's final costs are less than or equal to 50% of their initial agreement amount, the project will not receive the administrative rate reduction. In no situation will the administrative fee be below 0%.

WISPr Project Financing:

Municipality sponsoring a municipally-owned NR Project:

To proceed to an executed loan agreement, the following steps should be followed:

1. CWIP application
2. CWSRF Step III funding application for all project costs
3. Bond counsel opinion letter indicating the Municipality is eligible to sponsor a project using WISPr.

Upon execution of a loan agreement, all WISPr project expenses will be submitted to FED for disbursement using procedures already in place. All WISPr eligible project costs will be paid under the CWSRF (RF1-XXX) loan. Upon completion of both projects, the loan will be closed out and the administrative rate will be adjusted to reflect 100% forgiveness of the NR project.

Municipality sponsoring a Private Non-Profit-owned NR Project:

Once the IUP and Priority List are adopted, the CWSRF program will pair a municipal and WISPr project. The WISPr project will then need the following to receive a loan to implement the NR project:

1. CWIP application
2. Resumes for the organization's management team
3. Step III CWSRF application from municipality for all project costs
4. Bond counsel opinion letter indicating the Municipality is eligible to sponsor a NR project using WISPr.

Upon execution of a loan agreement with VEDA, all WISPr project expenses will be submitted to FED for disbursement using procedures already in place. All WISPr eligible project costs will be paid under the WISPr (SPR-XXX) loan. Once the WISPr project is complete, all costs will be transferred to the corresponding CWSRF (RF1-XXX) loan. Upon completion of the municipal project, the loan will be closed out and the loan administrative fee will be adjusted to reflect 100% forgiveness of the sponsored project.

Funding of Multiple Sponsored Projects:

There may be situations that occur where the sponsoring to sponsored project ratio allows for multiple sponsored projects. For example, if a municipality is completing a WWTF upgrade for a total cost of \$10M, the amount of eligible sponsored projects would be approximately \$1M. In this situation, the municipality may choose to sponsor only one project at a lower ratio. For example, a \$500k sponsored project may be identified and it would be forgiven at a ratio of 20:1.

However, a municipality may choose to pair with multiple sponsored projects that total the approximate 10:1 ratio. For example, two land conservation easements totaling \$100k, a dam removal of \$500k, and a wetland reconstruction project of \$400k may be identified. These four sponsored projects could be bundled together into one sponsorship application. The challenge to this arrangement would be timing multiple projects to ensure that all sponsored projects are completed prior to repayment start date of the sponsored project.

Municipal Bonding Requirements:

Act 185 provided the governing body the authority to participate in the sponsorship program without formal voter authorization provided that:

- The amount of the debt incurred for the natural resource project does not exceed an amount to be forgiven or cancelled upon the completion of the project, and
- The municipality obtains voter approval for the water pollution abatement and control facilities project (the sponsoring project).

Federal Crosscutter Requirements for Sponsored Projects:

Treatment Works Policy

As of September 2017, Vermont CWSRF adopted its Treatment Works Policy, wherein it defined which project types would be considered treatment works versus non-treatment works. Based on that policy, WISPr projects will be considered non-treatment works projects. This means these projects are exempt from the following federal crosscutters:

- American Iron & Steel
- Davis Bacon Wage Act
- Fiscal Sustainability Planning
- Environmental Review

Utilization of Tier 2 Funds

The CWSRF will be using Tier 2, or repayment funds, to support WISPr projects. This means WISPr funds can be used as a non-federal match for projects where this is required. It also means that the only Federal Crosscutter that applies to these funds is Disadvantaged Business Enterprise (DBE).