

The Vermont Drinking Water  
State Revolving Fund

## Intended Use Plan

for Federal Fiscal Year 2020 Funding

July 16, 2020

Amended 1/27/2021



Prepared by Water Investment 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 Water Investment Division (WID) of the Department of Environmental Conservation (DEC) is responsible for preparing and submitting all these documents. WID 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. **Amendment changes are highlighted and removed or added.**

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 the Clean Water SRF programs are working toward aligning each program's processes to mirror each other.

The key program updates and changes are:

- COVID-19 response
- Priority List Development and Ranking (Guidance Document #2)
- Readiness to Proceed (Guidance Document #4)
- Loan Rate and Terms (Guidance Document #10)
- Emergency Priority Ranking Criteria (Guidance Document #16)
- Capacity Evaluation (Guidance Document #23)
- Water Planning Loan forgiveness (Guidance Document #22)
- Lead Subsidy Policy
- Additional Subsidy
- Recommendation to 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 (pending legislative approval)
- Extension of base loan terms from 20 to 30 years; 30 to up to 40 for private disadvantaged applicants as provided in recently passed legislation, H.552 of 2020.

- Private non-profit water systems meeting Disadvantaged criteria may be awarded Disadvantaged Subsidy for up to 100% of ALV for preparation of Asset Management Plans.
- Additional Subsidy may be offered at the terms offered to construction loans to water systems receiving planning/design loans to address contamination by PFAS.

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## The 2020 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 its state match 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 FFY20 is projected to be \$11,011,000; therefore, the amount of state match funds required is projected to be \$2,202,200, which is planned to be available July 2020.

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 Water Investment Division (WID) of the Department of Environmental Conservation (DEC) has primary responsibility for preparing these documents. WID 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.
5. Provide support to small systems to conduct 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.

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 through the Vermont Source Water Protection Program.
7. Provide effective program management and resources to ensure the integrity of the DWSRF.
8. Coordinate DWSRF activities with enforcement activities of the State and EPA.
9. Continue implementation of the statewide strategy to improve capacity for existing public water systems and assure capacity for new public water systems.
10. Use DWSRF set-aside funding to provide the additional resources required to manage the Vermont Drinking Water Program.
11. Expend all federal funds within two years of grant award.
12. Make strategic use of unallocated additional subsidy from the FFY2010 and FFY2011 grants to incentivize system improvements and to help rate payers afford such improvements during this time of crisis caused by the COVID-19 pandemic.

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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. 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.
3. Use set-asides to improve source water protection and assessment efforts by providing technical and financial assistance.
4. Continue to update, develop, and implement administrative rules and guidance to carry out the DWSRF program.
5. Continue to update, develop, and implement the capacity development strategy for existing systems.
6. Continue providing operator training by DWGWP 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 federal funds obligation. Each payment occurs at the beginning of a quarter with planned commitments to be made through the end of that quarter. Except for 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 federal funds outlay. Below is the schedule for the new funding of \$11,011,000.

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**TABLE 1**

EPA Payment Schedule for Federal Fiscal Year

| Payment No.  | Quarter | Date                 | Federal Amount      | State Amount       |
|--------------|---------|----------------------|---------------------|--------------------|
| 1            | 2021-1  | 10/1/2020-12/31/2020 | \$6,000,000         | \$2,172,200        |
| 2            | 2021-2  | 1/1/2021-3/30/2021   | \$2,000,000         |                    |
| 3            | 2021-3  | 4/1/2021-7/30/2021   | \$2,500,000         | \$30,000           |
| 5            | 2022-4  | 7/1/2022-9/30/2022   | \$511,000           |                    |
| <b>Total</b> |         |                      | <b>\$11,011,000</b> | <b>\$2,202,200</b> |

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**TABLE 2**

EPA Estimated Disbursement Schedule

| Disbursement Quarter | Amount              |
|----------------------|---------------------|
| 1QFFY2021            | \$974,954           |
| 2QFFY2021            | \$930,938           |
| 3QFFY2021            | \$908,930           |
| 4QFFY2021            | \$292,706           |
| 1QFFY2022            | \$1,518,277         |
| 2QFFY2022            | \$2,467,372         |
| 3QFFY2022            | \$2,467,372         |
| 4QFFY2022            | \$1,450,451         |
| <b>Total</b>         | <b>\$11,011,000</b> |

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### DWSRF & CWSRF Transfer

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The Safe Drinking Water Act Amendments of 1996 (Section 302) 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 at the Governor's discretion.

Additionally, the Water Infrastructure Funding Transfer Act of 2019 allows transfers from CWSRF to the Drinking Water State Revolving Fund (DWSRF) during a one-year period ending on October 4, 2020, in an amount up to 5% of the state's cumulative CWSRF federal grant dollars. Funds transferred are to be used by the State to provide 100% additional subsidy to eligible recipients for lead abatement projects. Vermont is proposing under this IUP to take advantage of this new provision.

Since the inception of the fund, Vermont has received \$223,498,706 in federal grant dollars. Five percent of these grant dollars total \$11,174,935. Due to the high balance within the CWSRF and public drinking water systems identified with significant needs related to lead abatement, the state considers this an appropriate public health investment. \$11,000,000 is proposed for transfer from CWSRF to DWSRF for this purpose. This IUP and associated priority list identifies the Town of Bennington's lead service line replacement project of \$11 million as the only project to be funded under this transfer. This loan will be executed no more than three years after the transfer and the project funds must be fully drawn within five years from the transfer date.

The CWSRF and DWSRF programs have evaluated the financial impact of this transfer on the CWSRF, including short and long term impacts on the fund's ability to fund high priority projects.

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### Future Program Impact

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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 while accounting for loan subsidy. 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 the following authorized set-aside uses: DWSRF Administration; Technical Assistance; PWSS Program Management; and Local Assistance. Lending procedures used by the Vermont Bond Bank (VBB) 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 VBB 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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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          | \$7,597,590         |
| State Match Needed                                   | \$2,202,200         |
| Anticipated Investment Interest (7/1/2020-6/30/2021) | \$820,766           |
| Anticipated Repayments (7/1/2020-6/30/2021) *        | \$0*                |
| Carry-Forward                                        | \$34,032,208        |
| <b>Total Available for FFY20 Projects</b>            | <b>\$44,652,764</b> |

\* Loan repayments are suspended for SFY21 in response to COVID-19.

| Uses - DWSRF              |                     |
|---------------------------|---------------------|
| <b>FFY20 PPL Projects</b> | <b>\$44,652,764</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 that are in the form of new loan commitments.*

| Sources – LASRF                           |                  |
|-------------------------------------------|------------------|
| Carry Forward                             | \$93,000         |
| Estimated interest (7/1/2020-6/30/2021)   | \$5,000          |
| Estimated repayments (7/1/2020-6/30/2021) | \$500,000        |
| <b>Total Sources</b>                      | <b>\$598,000</b> |

| <b>Uses - LASRF</b>                             |                  |
|-------------------------------------------------|------------------|
| Pending Loan Obligations                        | \$100,000        |
| Estimated loan commitments (7/1/2020-6/30/2021) | \$498,000        |
| <b>Total Uses</b>                               | <b>\$598,000</b> |

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## Set-Asides

The State of Vermont plans to set aside \$3,413,410 (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.

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### 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%, \$1,100,100, to support approximately 9.45 FTEs, and associated operating costs within the DWGWPD. Duties of the FTEs include capacity development, consumer confidence report assistance, adoption and implementation of new regulations, implementation of new and existing federal rules, source water assessment and protection, planning, outreach, data management, engineering, compliance supervision, and other drinking water program activities.

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### 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 \$440,440, to support approximately 3.28 FTEs within the Water Investment Division. These positions provide project development, construction oversight, loan administration, and financial management services for the operation of the DWSRF. Administrative funds are also used to pay for the services of the Vermont 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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### Small Systems 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 may be used for systems serving populations under 10,000 people. The program will take 2%, or \$220,220, to provide technical assistance to small public water systems. The following activities and allocations are proposed:

#### WATER SYSTEM OPERATOR TRAINING CONTRACT

\$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 DWGWPD.

#### DWGWPD STAFF

\$65,220 to provide technical training for DWGWPD staff to enable personnel to provide direct technical assistance to small public water systems. This will result in approximately .30 FTEs.

#### TNC TECHNICAL ASSISTANCE

\$15,000 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 \$1,651,650 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 will take the full allowable amount of \$1,651,650, to fund local assistance activities. The following activities and allocations are proposed:

#### Capacity Activity:

##### WATER LOSS CONTROL

\$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

##### CAPACITY PROGRAM ASSET MANAGEMENT INITIATIVES

\$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

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

#### VALVE CONDITION AND LOCATION ASSESSMENT

\$50,000 to provide for the assessment of distribution system valve condition and location to effectively manage distribution system flows.

#### DRINKING WATER EDUCATION

\$12,000 to provide for the development of outreach and education activities regarding the importance of safe, clean drinking water.

#### LOCAL ASSISTANCE PROGRAM POSITIONS

\$558,056 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 assist by evaluating Preliminary Engineering Reports, Engineering Services Agreements, and construction plans and specifications in support of DWSRF projects, as well as other public water system modifications. Assistance is provided to water systems and consultants to ensure that technical decisions are viable, appropriate, and meet standards.

\$112,490 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 have been and are being developed for public water systems, such as sampling plans, public notice and CCRs. In total, this set aside will fund 5.65 FTEs.

#### VERMONT DEPARTMENT OF HEALTH MOU

\$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

\$255,230 for staff to review and approve source protection plans and work with systems to update them, to review and approve source construction to ensure work meets technical requirements, to work with systems to ensure that proper testing occurs to ensure long-term viability of new sources, and to work with systems to develop new sources as needed.

##### REGIONAL OFFICE POSITIONS

\$482,670 for staff to review wastewater system plans and specifications to ensure adequate protection of groundwater.

##### GEOLOGY POSITIONS

\$26,204 to the Geology Division to support their groundwater mapping effort for the benefit of public water systems.

In total, this set aside will fund 5.63 FTE.

**TABLE 5****DWSRF FFY20 Set-Aside Summary**

| <b>Set-aside (Maximum %)</b> | <b>Funds Allowable</b> | <b>Grant Request</b> |
|------------------------------|------------------------|----------------------|
| Administration (4%)          | \$440,440              | \$440,440            |
| Technical Assistance (2%)    | \$220,220              | \$220,220            |
| Program Management (10%)     | \$1,101,100            | \$1,101,100          |
| Local Assistance (15%)       | \$1,651,650            | \$1,651,650          |
| <b>Totals</b>                | <b>\$3,413,410</b>     | <b>\$3,413,410</b>   |

**Banked Authority**

The DWSRF reserves the right to use Banked Authority.

**TABLE 6****FFY20 Set-Aside and Banked Authority Summary**

| <b>Set-aside</b>     | <b>Prior Years' Funds<sup>2</sup></b> | <b>Anticipated FFY20 Funds</b> | <b>Unexpended as of 4/20/2020<sup>1</sup></b> | <b>Expended (drawn) as of 4/20/2020<sup>3</sup></b> |
|----------------------|---------------------------------------|--------------------------------|-----------------------------------------------|-----------------------------------------------------|
| Administration       | \$9,041,170                           | \$440,440                      | \$468,747                                     | \$8,572,423                                         |
| Technical Assistance | \$4,033,074                           | \$220,220                      | \$282,564                                     | \$3,750,510                                         |
| Program Management   | \$20,415,499                          | \$1,101,100                    | \$519,060                                     | \$19,896,439                                        |
| Local Assistance     | \$19,170,509                          | \$1,651,650                    | \$1,313,907                                   | \$17,856,602                                        |
| <b>Totals</b>        | <b>\$52,660,252</b>                   | <b>\$3,413,410</b>             | <b>\$2,584,278</b>                            | <b>\$50,075,974</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.

<sup>2</sup> These awarded numbers are based on awards reported in Drinking Water Information Management System (DWIMS) for FFY2019.

<sup>3</sup> Unexpended amounts are award amounts minus unexpended amounts at time of IUP drafting.

| <b>Banked Authority - Technical Assistance</b> |                  |
|------------------------------------------------|------------------|
| ARRA                                           | \$300,000        |
| FFY08                                          | \$162,920        |
| FFY16                                          | (\$63,984)       |
| FFY18                                          | \$57,320         |
| FFY19                                          | \$0              |
| FFY20                                          | \$0              |
| <b>Total Available</b>                         | <b>\$456,256</b> |

| <b>Banked Authority - Program Management</b> |                    |
|----------------------------------------------|--------------------|
| 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                |
| FFY20                                        | \$0                |
| <b>Total Available</b>                       | <b>\$2,017,151</b> |

## 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 that assist systems most in need according to State affordability criteria.

The State is proposing to award \$42,785,899 for construction projects, with an additional \$11,000,000 for funding of lead abatement projects transferred from the CWSRF to DWSRF. 75 applications were received, requesting a total of \$113,000,654 in funding. Of these, 50 applications were determined complete and eligible for funding, with a total request of \$78,185,654. ~~The federal cash draw ratio for the FFY20 grant will be \$7,597,590/\$9,799,790, or 77.53%.~~ **Vermont will disburse 100% of its state match up front, followed by federal funds. As such, the program will not need a cash draw ratio.**

**The Priority List was reopened to new applications at the end of December 2020. Eight applications were received, with a total funding request of \$3,238,000. Seven applications were determined eligible, with a total request of \$2,638,000. These projects have been added to the revised Priority List. The revised Priority List also indicates projects that were bypassed due to failure to meet readiness to proceed**

**criteria outlined in this IUP or ineligible scope, and projects that were initially below the fundable line but were offered funding after other projects were bypassed.**

The anticipated construction loan recipients are those projects with the highest ranking that comply with the following:

- Under federal requirements, at least 15% of available funds, or \$6,697,915, must be used for projects serving communities with populations of less than 10,000 persons. Because the great majority of Vermont's public water systems serve populations <10,000, this requirement is easily met.
- As required in Vermont legislation, funds for private water systems are limited to 20% of the available funds, or \$8,930,553 unless there are insufficient municipal projects ready to proceed and additional funds are available. There are currently six private water systems that are anticipated loan recipients which total below the 20% limit.

In addition, \$1,000,000 will be used for the Water Planning Loan program to fund eligible preliminary and final design engineering projects.

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) review, Disadvantaged Business Enterprises (DBEs) reporting, Davis-Bacon, American Iron and Steel, and other federal crosscutters.

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## Additional Subsidy

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### Amendment of Prior Year IUPs for Additional Subsidy

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1. The Town of Bennington's PFAS project (RF3-380-3.0) for \$2 million. Pursuant to Section E.711.1 of Act 72 of 2019, as amended by Section A.40 for H.961 of 2020, which states that Bennington will receive a loan with additional subsidy in the form of principal forgiveness of 100% up to \$2 million, with no interest and no administrative fee. This IUP adds this project to the 2017 funding list and will obligate the forgiveness amount of \$1.5 million. The remaining \$500,000 in additional subsidy is included in this FFY20 IUP.

2. The Town of Bethel's Water System Improvement project (RF3-388-3.0) was funded under the 2019 priority list. This project was eligible for 25% loan forgiveness, in

addition to their forgiveness for disadvantaged subsidy. As the amount of demand for this forgiveness exceeded the amount of additional subsidy available in the 2019 priority list, this IUP amends the 2016 IUP to allow additional loan forgiveness. The maximum amount of forgiveness is an additional 25% of the total loan value, not to exceed \$611,605.

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### Amendment of Uncommitted Additional Subsidy

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To incentivize project construction, the program analyzed previous federal grant years' unutilized additional subsidy. Due to the relatively high balance in the DWSRF project account, this IUP proposes to amend the 2010 and 2011 federal grants to provide the remainder of uncommitted additional subsidy. These funds will be given out in priority order based on the DWSRF ranking criteria.

In addition, this IUP details how to utilize the FY20 additional subsidy provisions. Per the grant agreement, 14% of the federal grant must be used for additional subsidy, or \$1,541,540.

| Federal Grant Year                           | Additional Subsidy Maximum | Committed Additional Subsidy | Uncommitted Additional Subsidy Capacity |
|----------------------------------------------|----------------------------|------------------------------|-----------------------------------------|
| <b>2010</b>                                  | \$13,573,000               | \$4,609,364                  | \$5,657,581                             |
| <b>2011</b>                                  | \$9,418,000                | \$3,580,607                  | \$5,837,393                             |
| <b>2020</b>                                  | \$2,200,800                | --                           | \$1,541,540                             |
| <b>Total:</b>                                |                            |                              | \$13,036,514                            |
| <b>2020 Additional Disadvantaged Subsidy</b> |                            | Minimum (6%)                 | Maximum (35%)                           |
|                                              |                            | \$660,660                    | \$3,853,850                             |

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### Requirements to Secure Additional Subsidy

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To secure additional subsidy for either criteria, applicants must comply with and submit the following:

- All additional subsidy is awarded on a first come, first serve basis.
- Applicants may qualify for multiple types of additional subsidy under this plan. All eligibility can be additive, unless so stated under the individual initiative.
- Additional subsidy is considered reserved for a project upon receipt

of the following:

- Complete funding application
  - Draft Engineering Services Agreement
  - Relevant readiness to proceed criteria such as PER approval including environmental prior to securing additional subsidy for a final design loan and bond documentation and final design approval prior to securing additional subsidy for construction.
- Additional subsidy is not guaranteed until it is obligated by the program following loan approval by the Department and issuance of an Authorized Letter of Finance Letter from the program.

This additional subsidy will be allocated as follows:

1. Applicants will receive up to 75% in total loan value in principal forgiveness of the first \$1M. Any amount over the initial \$1M will be eligible for 25% loan forgiveness. For example, a \$1M project will receive up to \$750,000 in forgiveness. A \$2M will receive an automatic \$750,000 for the first \$1M, plus 25% or \$250,000 on the second \$1M, for a total loan forgiveness eligibility of \$1M.
2. Disadvantaged Subsidy: 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. Disadvantaged systems may receive forgiveness of the “regular” additional subsidy (in #1 above) plus any calculated disadvantaged eligibility for a maximum forgiveness of 75% of loan costs. Municipally-owned school systems are categorically disadvantaged and eligible for up to \$25,000 in principal forgiveness. For the purposes of this IUP, disadvantaged subsidy will be calculated and applied first, followed by additional subsidy provisions.  
**Disadvantaged Subsidy will be offered to private non-profit water systems meeting Disadvantaged criteria for preparation of an Asset Management Plan, in an amount not to exceed 100% of ALV, up to \$25,000.**
3. Hardship municipalities, as defined by 24 VSA § 4752(20), will receive 100% principal forgiveness up to \$200,000, provided sufficient funds are available. This IUP reserves up to \$400,000 for this purpose. See “Hardship Municipality Subsidy”, below, for more information.
4. Planning Advances. Applicants will receive forgiveness of up to 100% of outstanding Engineering Planning Advances determined to be related to the proposed Step III Construction project by DWGWPD staff, provided sufficient funds are available. Projects must apply for construction funding under this IUP to receive this forgiveness. The planning advance funds will be recovered under the construction loan and state funds will be repaid. This forgiveness is in addition to the additional subsidy and disadvantaged subsidy and may be in excess of the 75% cap.

5. Standby Power: Applicant may receive up to 100% principal loan forgiveness for Standby Power installation associated with approved Standby Power evaluation plans, funded from 2018 DWSRF set asides.
6. Additional Subsidy for Lead Abatement: See below for explanation.
7. Loan Recovery Costs: See below.
8. Emergency PFAS Projects

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#### Hardship Municipality Subsidy:

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Additional Subsidy and reduced administrative barriers are available to municipalities defined as Hardship Municipalities. 24 V.S.A., Section 4752 defines a Hardship Municipality as a municipality served by a municipally-owned public community water system that:

- (A) Has a residential population of 250 or less; and
- (B) Has an annual household user cost that exceeds \$1,000.00 or 1.50 percent of the median household income after construction of the water supply improvements project as determined by the Secretary; and
- (C) Requires improvements to address an imminent public health hazard or substantial threat to public health as determined by the Secretary.

The DWSRF program, in consultation with the DWGWPD, developed the following technical Hardship Criteria, which mirror those criteria laid out in Guidance Document #16, Emergency Projects:

The Secretary shall determine when improvements to a municipally owned public community water system are required to address an imminent public health hazard or substantial threat to public health. For purposes of this program, “an imminent public health hazard or substantial threat to public health” includes:

- a) An event that damages or disrupts normal public water system operations and requires immediate action to protect public health and safety; or
- b) An infrastructure failure that has occurred or can reasonably be expected to occur and requires immediate action to protect public health and safety; or
- c) Contamination above drinking water standards as determined by DEC or a waterborne disease outbreak as determined by the Vermont Department of Health.

Examples of qualifying projects may include a lack of water supply needed to meet the demands of the water system or an imminent or actual catastrophic failure of the water system’s source, treatment, storage, pumping, transmission, or distribution system components. As a condition of receiving hardship funding, the municipality will be required to develop a state-approved asset management plan. Project eligibility will be determined jointly by the Water Investment Division and the Drinking Water and Groundwater Protection Division. Standard DWSRF requirements apply to Hardship Projects.

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#### 100% Forgiveness Lead Subsidy

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Vermont's DWSRF program has elected to transfer funds from the CWSRF to DWSRF for the purposes of 100% principal forgiveness for lead-related projects, under 2019's WIFTA. Upon this IUP's identification of eligible projects, up to \$11,000,000 will be transferred to the DWSRF account. Eligibility determination and application process is outlined in the DWSRF Lead Subsidy Policy. The DWSRF program has evaluated the financial impact of this transfer on the CWSRF, including short and long term impacts on the fund's ability to fund high priority projects. This IUP proposes utilization of remaining additional subsidy, so the ability to complete this transfer is a unique opportunity to provide more loan forgiveness than the current program's capacity allows.

This IUP and associated priority list identifies the Town of Bennington's lead service line replacement project of \$11 million as the only project to be funded under this transfer.

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### Municipal School Subsidy

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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.

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### Additional Subsidy When Loan Recovery Costs Exceeds Value to DWSRF Program:

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For this IUP year, the DWSRF Program will make available additional subsidy in the form of loan principal forgiveness for loans currently in repayment where the cost of loan recovery to the DWSRF Program is greater than the outstanding loan value. The loan recipient must request consideration for this loan forgiveness. The DWSRF Program will make an eligibility determination in consultation with the underwriting financial institution. Up to 100% forgiveness may be given, contingent upon available additional subsidy.

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### Standby Power

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In 2018, DWSRF utilized set asides to fund studies for ten systems to install standby power. This IUP makes these 10 water systems to be eligible for up to 100% principal forgiveness for the purchase of the standby power equipment, associated appurtenances, and installation costs in accordance with the 2018 evaluations and DWSRF Funding Guidelines.

- Only systems with approved plans from the first phase of the Standby Power Initiative are eligible.
- Equipment purchased and installed must conform to the evaluation completed by the DWGWPD's contractor in 2018. Any deviations must be approved by the DWGWPD prior to installation.
- The applicant will be required to provide documentation that the standby power equipment and associated appurtenances were installed in accordance with the approved evaluation.

The following systems are eligible for this additional subsidy opportunity and are included in the Priority List:

- Lazy Brook MHP WSID 5007: **\$42,897**
- North Bennington Water Dept. WSID 5017: **\$121,766**
- Alburgh FD 1 WSID 5137: **\$35,310**
- Jeffersonville Water System WSID 5150: **\$13,769**
- Craftsbury FD 2 WSID 5194: **\$79,794**
- Battleground Condominium WSID 5397: **\$81,911**
- Jay Westfield Elementary School WSID 6655: **\$81,889**
- Highgate Center School WSID 6731: **\$50,218**
- Starlake Village Leaseholders Association WSID 20308: **\$26,028**
- St. George Town Center WSID 20763: **\$63,762**

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### Emergency PFAS Projects

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Emergency PFAS Projects: While it is anticipated that these project types will be funded by the newly authorized Contaminants of Emerging Concern Fund (CECF), this IUP reserves the ability to provide additional subsidy to these projects for a total amount not to exceed \$200,000. There is no minimum or maximum per project forgiveness amount and these will be determined on a case by case basis by the DWGWPD. **Step I/II (planning/design) loans issued for projects to address PFAS contamination are eligible for Additional Subsidy up to 75% of ALV.**

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## Program Changes

**COVID-19 Response:** During the development of this IUP, the COVID-19 public health crisis began to heavily impact the State of Vermont. The abrupt disruption of municipal operations has led to unanticipated barriers to completion of projects funded under the FFY19 IUP, ending June 30, 2020. Many borrowers have postponed bond votes, may not be able to hold virtual select board or council meetings, or have other more urgent priorities during this emergency situation. As such, this IUP will honor all projects that 1) met all readiness to proceed guidelines, and 2) have failed to either re-apply under the current FFY20 IUP or would receive more loan forgiveness under the previous FFY19 IUP compared to the current. These projects have until December 31, 2020 to submit a construction funding application, obtain voter approval, and a permit to construct. These funds have already been contemplated in the “carry forward” amount, therefore the project costs do not need to be deducted from the FFY20 IUP available funds.

Additionally, DWSRF recognizes that current borrowers may have significant economic challenges in the upcoming year as communities begin to reopen. Lost revenue for taxes, fees, and user rates directly affected borrowers’ ability to afford debt service. Immediately, the DWSRF will suspend repayments for all municipal loans for 12 months and all private entity loans for three months and will re-amortize the payments

accordingly over the remaining life of the loan. No administrative fee will accrue during this time period.

Under this emergency situation, DWSRF reserves the right to work directly with borrowers to modify existing debt service to ensure affordability. On a case-by-case or across-the-board basis, DWSRF may reduce or eliminate administrative fee, depress repayments, or provide unutilized additional subsidy to forgive loans. DWSRF will work with Vermont Bond Bank and Vermont Economic Development Authority to determine needed loan modifications.

**Priority List Ranking:** Beginning with the FFY20 IUP, VT DWSRF will revise its prerequisite to be ranked on the priority list. Only projects which already have an administratively complete Preliminary Engineering Report (PER) or Permit to Construct (PTC) submitted will be ranked. The program encourages those projects without a PER or PTC to apply to the planning loan program. If projects proceed faster than anticipated, the priority list can be amended up to twice per fiscal year, and if amended, a public participation process will be followed. The program has increased priority points for microbial contamination and inadequate treatment of surface water or GWUDISW from 100 to 120 points, and for an asset management plan from 15 points to 50 points and eliminated points for having a PER, being under an enforcement action, or serving a community with a state designation program. Guidance Document #2 has been updated accordingly.

**Readiness to Proceed:** Beginning with this priority list, the DWSRF will require all projects meet the following readiness to proceed milestones:

- Projects must submit an administratively complete application for a permit to construct (PTC) by December 1, 2020.
- Projects must receive voter authorization by May 1, 2021.
- Projects must submit a Step III funding application by June 30, 2021.

Projects failing to meet these requirement will be bypassed and expected to reapply for the following funding cycle. This will make funding available for projects below the funding line. Guidance Document #4 has been updated accordingly.

**Elimination of Negative Loan Interest Rate:** The DWSRF has eliminated the negative interest rate. Guidance Document #10 has been updated to outline updated loan term, interest rate and administrative fee determinations and loan repayment start date.

**Determination of Emergency Situations:** To be found eligible for emergency project bypass, water system failures no longer need to be unanticipated. Guidance Document #16 updated accordingly.

**Capacity Evaluation:** The DWSRF has streamlined the evaluation of the Technical, Managerial, and Financial capacity of loan applicants. Because of the strength of financial evaluation capabilities of our partner financial lenders, the Vermont Bond Bank and the Vermont Economic Development Authority, DWSRF Program Staff are focusing

their evaluation on the Technical and Managerial capacity. VBB and VEDA underwriting review will serve as the Financial capacity evaluation. Technical and Managerial capacity evaluation procedures will no longer include an in-person site visit as standard. Evaluations will be conducted remotely using information in state permitting, inspection, and enforcement databases, information submitted as part of the loan application, and through a phone call with the applicant. Guidance Document #23 has been updated accordingly.

**Elimination of interest rate on municipal loans:** DWSRF Program has recommended to the Vermont State Treasurer that the interest rate on municipal loans be eliminated. An administrative fee of up to 2% would still be charged. This change is pending approval.

**Extension of loan terms for private entities from 20 to 30 years, and up to 40 years for disadvantaged applicants:** This change is now established in recently passed legislation, H.552 of 2020.

**Lead subsidy policy:** Policy updated to cover beyond FFY19 IUP year.

**Water Planning Loans evaluation and funding cap:** For this IUP funding cycle, Water Planning Loans will be funded using the \$1,000,000 put-aside listed in Priority List. Applications will be processed in batches at least quarterly, ranked according to Priority List project criteria, and funded in order of priority, if needed. Planning loans funded from this put-aside will not be eligible for planning loan forgiveness and will be capped at \$100,000 per project. The existing WPL that is funded by the DWSRF Local Assistance Set-Aside will be reserved exclusively for asset management and emergency planning loan needs that cannot be accommodated by the \$1,000,000 put-aside due to timeliness. Determination of which funds will be used for a given project will be at the discretion of the Program. Guidance Document #22 will be updated accordingly.

**Previously executed Water Planning Loans transition to DWSRF:** WPLs previously in processing will be transferred to the DWSRF fund using 2019 funds. Additional subsidy in the form of loan principal forgiveness will be applied to eligible planning loan forgiveness, up to \$500,000 in total for all loans transitioned.

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## Public Participation

WID 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.

On December 19, 2020, the Department notified municipalities and other interested parties to apply to be included on the Priority List for State Fiscal Year 2021 with a due date of February 24, 2020 for inclusion in the draft Priority List.

Due to the COVID-19 pandemic, the Department delayed the release of the draft IUP until May 1, 2020. Due to Governor Scott's Stay Home, Stay Safe order, this year's public meeting will be conducted online. A public hearing invitation to participate via Microsoft Teams will be sent via email to all entities in the contact list and directions to participate will be posted on the CWSRF website. The virtual public hearing was held on June 18, 2020 at 10:00 a.m. This final IUP includes a public responsiveness summary to detail comments made throughout this process. 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 19, 2019 to all public water system administrative contacts, stakeholder groups, and engineering consultants via email notification.

A notice of availability of the draft IUP and project priority list was distributed for comment on May 4, 2020. The public hearing was held June 18, 2020. Additionally, the draft IUP was posted on both the WID 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 between release of the draft IUP through the public comment period ending July 2, 2020. This responsiveness summary begins with any changes to the final IUP since release of the draft. Some comments have been edited for brevity and clarity.

Due to available funding constraints in the WPL set aside account, the final IUP includes a provision to fund planning loan projects as a "put aside" of \$1 million. This also eliminates all forgiveness for new planning loan funding applications received after adoption of this IUP.

Shortly after posting the draft IUP, a revised version was updated to include the forecasted project list. The purpose of the forecasted project list is to include projects that haven't met readiness for ranking purposes but may seeking funding in a future amendment to this IUP or in a future year IUP.

This final IUP has corrected Thetford Academy as eligible for disadvantaged additional subsidy. This was an error in the draft IUP.

(Q) Why don't I see my project ranked on the priority list for this IUP if I submitted a priority list application?

(A) Any priority list applications that did not have the required readiness for ranking—a PER, PTC, or the equivalent, as determined by DWGWPDP, was shown on a forecasted list for future funding consideration.

(Q) Why is there a requirement to have a PER or the equivalent to be on the fundable list?

(A) In the past, the DWSRF program has struggled to know enough about projects to rank them with no prior knowledge of the project. Once ranked, these less-ready projects occupy available funding and often don't move forward at the detriment of lower ranked, but ready to proceed projects. This has resulted in difficulty getting funds to projects in a timely manner and is a contributing factor to the large fund balance. The requirement of a PER, PTC, or the equivalent signals a higher degree of certainty that a project is likely to move to construction in the IUP year and gives DWSRF enough information to accurately rank projects.

(Q) How do projects on the forecasted funding list receive funding?

(A) DWSRF will work with all projects in the fundable range to meet readiness deadlines. Once the first potential bypass date (December 1, 2020) hits, the program will bypass projects not meeting that target. If there are funds remaining after all projects on the priority list are notified, this IUP can be amended. The amendment will happen upon request of projects to express readiness and interest in construction by end of this IUP year. If you are on the forecasted list and would like to request an amendment, it is recommended that you reach out to the DWSRF program after December 1, 2020. In the meantime, it is recommended that projects on this list continue with planning, so their projects are ready to be funded if possible.

(Q) Our system is interested in a water service line project that may have lead-containing components. Is there any 100% principal loan forgiveness for lead-related projects remaining from the FFY19 IUP?

(A) No, all the additional subsidy has been obligated.

(Q) Are the PTC requirements absolutely required in every project? Will there be any "wiggle room" in the readiness to proceed dates?

(A) In general, the requirements and dates are going to be firm be firm, and applied fairly across all projects. As noted, this not only ensures projects that will go to construction by June 30, 2021, but allows funding for projects that are able to meet these deadlines. There may be extremely rare situations (no PTC required, for example) where the DWSRF would make exceptions to these requirements.

(Q) How does a municipality request consideration for funding under the Hardship Municipality allowance?

(A) The municipality should begin this process by sending a written request (email) to the DWSRF program explaining the emergency project. The program will facilitate next steps with each applicant.

(Q) How will additional subsidy (non-disadvantaged) be applied? Is it first come, first served, or is it based on priority ranking?

(A) Language has been added to the additional subsidy portion of this IUP to clarify the manner of distribution and steps needed in order to secure additional subsidy.

(Q) The readiness to proceed milestone of submittal of an administratively complete PTC should be moved from October 1, 2020 to December 1, 2020. There have been project delays due to the COVID pandemic. Projects may be close to meeting this deadline, but some flexibility would be appreciated.

(A) The program has received significant feedback on this concern. After balancing the need to make funding available for ready to proceed projects while not penalizing projects working toward a June 30, 2020 construction date, we have decided to amend this requirements. The deadline to submit an administratively complete PTC application will be changed to December 1, 2020. The subsequent requirement to obtain a PTC by 1/31/2021 has been removed.

(Q) Is Fiddlehead Condos eligible for planning advance forgiveness?

(A) They are not a system with this type of historical funding. It is likely that there's slight confusion between planning advance and planning loan. Please see the portion of this IUP that addresses planning loan forgiveness and reach out to the program for specific consideration.

(Q) What loan rate and terms would Fiddlehead Condos receive?

(A) Generally speaking, the current preliminary loan rate and term (which was 20 years) is now 30 years, at 0% interest, 3% administrative fee.

(Q) Our system didn't check the box for lead containing infrastructure in our priority list application. We have almost completed our PER. We also see that there is a lead related transfer for 100% forgiveness from CWSRF to DWSRF. Can we amend our priority list application and therefore, we eligible for lead subsidy?

(A) This transfer is a unique one-time only use or lose opportunity that needs to be committed and able to go to construction in a short period of time under the WIFTA of 2019. In determination of how to take advantage of the eligibility, the program chose completion of a Lead Reduction Strategies Plan as a minimum standard to be eligible for this magnitude of funding in short order. This is a targeted whole-system analysis that a handful of systems across the state had completed. As such, for systems that do not yet have this plan developed, the remaining 75% additional subsidy forgiveness up to \$1M and 25% forgiveness on each additional million is available.

(Q) Why isn't my system showing up as disadvantaged on your priority list?

(A) These disadvantaged determinations are not final determinations, but rather estimates based on information submitted with the priority list applications. Factors influencing these preliminary terms are: median household income, O&M budget, number of

equivalent units, and existing debt payments. Final determinations will be made at funding application processing.

(Q) What is the process and schedule for a system to receive funding for a standby generator?

(A) Upon adoption of the IUP, the DWSRF will notify all systems in the fundable range in this IUP of funds availability. Upon that notification, the systems identified as eligible for standby power forgiveness can submit a funding application to the DWSRF program for processing.

(Q) A clarifying question on the additional subsidy of 75% for up to \$1M. What is the definition of project? If there's a system with multiple projects scheduled to take place over upcoming year, but are covered by a common bond vote, can they all get "locked" in for the current additional subsidy provisions?

(A) In short, no. All work would need to come in for construction funding with all other readiness to proceed deadlines. If all three projects meet these, they could be eligible to receive additional subsidy, but merely having a common bond vote does not secure funding.

Q: We are requesting that the following projects be moved from the Forecasted Project List to the Comprehensive Project Priority List:

- Town of Essex Route 15 Waterline Upgrade – The Town funded the final design (Step II) and the design for this project is at 80% complete.
- City of St. Albans Stebbins St Utility Upgrades – The City funded the final design (Step II) and the design for this project is at 100%.
- City of St. Albans Aldis Hill Storage Tank – This project is to address a Sanitary Survey requirement. The 90% PER has been submitted, and State review comments received. Predesign is being started on this project in anticipation of a November 2020 bond vote.
- Town of Williston Route 2 Waterline Replacement – This is being done in conjunction with a Vtrans project so they are funded thru the design phase. The design is at 60%.

(A) These projects have all advanced since the February 24<sup>th</sup> deadline to have a PER or PTC submittal. In order to fairly provide public comment on the proposed IUP and projects, the program instituted that strict date of readiness for ranking. There are sufficient projects to meet and exceed the available funds. In order to meet our commitment to those projects that were ready to be ranked in February 2020, we will proceed with these projects before moving new projects from forecasted to fundable range list. If, after the December 1 milestone, funding becomes available, the fund will amend the list to allow these projects to receive funding under this year.

(Q) When will Step III Loan Applications be accepted?

(A) Upon adoption of the final priority list, each project in the fundable range will receive a notification of funds availability. Funding applications can be submitted any time after that notification, assuming all other criteria is met.

(Q) When will projects in the fundable range be allowed to bid?

(A) Once all criteria has been met and the project has received notification from WID construction engineers to go to bid, they may do so.

(Q) When is funding available?

(A) Funds are available once the project receives notification of funds availability, around mid-July 2020.

(Q) Regarding the Hardship Municipality subsidy, can a system meet only one of the requirements outlined or must it meet all requirements?

(A) All requirements must be met. These requirements are laid out in statute, so there is no flexibility to amend this point an IUP.

(C) To receive Hardship Municipality designation and loan forgiveness, the criteria is vague and subjective. The requirement to address an imminent public health hazard should be clarified to state: *“Requires*

*improvements to address an imminent health hazard or substantial threat to public as documented by the exceedance of the EPA Maximum Contaminant Level (MCL) or VT Department of Health Action Level (AL).”*

(A) This language is mandated by statute so there is no flexibility to amend this language within an IUP.

(C) Our system supports the priority list application prerequisite that applicants submit an administratively complete (PER) or (PTC). This shows the applicant has a willingness and plan to proceed with the identified project. This prerequisite provides a more defined and accurate list of actual construction projects for the subsequent fiscal year; thereby removing priority list applications, which previously, had not completed any prior work to document their readiness to proceed.

(A) This is the intention with this requirement. So noted.

(C) Our system supports the revised “Readiness to Proceed Milestones”. As all applicants have showcased the desire to move forward with their identified project through the submission of a PER or PTC, moving the milestones up seems prudent. The revised milestones allow for the bypass process to occur sooner and for projects outside of the fundable range to understand their funding options in a timelier manner. Without these early milestones, the projects outside of the fundable range will miss out on favorable bids, increasing overall project costs.

(A) This is the intention with this requirement. So noted.

Q: CWD passed a bond vote for the “Colchester South Tank Loop” and “Essex West Pump Station & Transmission Main & Essex East Booster Pump Station” projects on March 3, 2020. CWD requests that an additional 15 points be added to each project for the “Voter Authorization to Incur Debt” criteria.

(A) Projects are constantly in various stages of development. There has been a particularly longer lag this year due to the COVID pandemic between priority list application submittal

and the finalization of this IUP. As such, if we continually were updating hundreds of projects as they develop over time, we would not have a clear priority list for public information and comment. For these reasons, the program chose the February 24, 2020 application deadline as the final date for consideration of points. Any actions taken after that date will not be reflected in this IUP.

(C) Our project (CWD's Essex West Pump Station & Transmission Main & Essex East Booster) was identified in a DEC-approved asset management plan. We feel this project should receive an additional 50 points.

(A) This clarification was confirmed by DWGWPD and the additional points are reflected in this final IUP.

(Q) Is there "use it or lose it" deadline to take advantage of the standby power additional subsidy? If so, can it be procured as a small purchase?

(A) The project must submit a funding application by June 30, 2021 in order to secure this loan forgiveness. The determination of whether to procure as a small purchase will need to be made on a project by project basis with the assigned WID construction engineer.

(Q) Is there any consideration for allowing Hardship Municipality projects to be added during the public comment period? These are also emergency projects, and generally intended to be completed quickly.

A. By statutory definition a hardship project must be an emergency project. As such, consistent with the ability to add emergency projects to this list, they can be added at any time. However, this IUP reserved \$400k for hardship projects without the need to be on the list or ranked. These projects can be funded as needed, assuming there's still loan forgiveness available for this purpose.

(Q) Due to the impacts of COVID-19, is there any consideration for more loan forgiveness for planning loans instead of capital improvements? This would potential incentivize projects to move forward and could develop a queue of "shovel ready" projects.

(A) Currently, there is more than a sufficient demand for construction projects on this IUP. However, if the year proceeds and projects are not proceeding toward construction, this IUP may be amended to meet this request.

(Q) In the event of a federal stimulus, how will projects be able to be added to access that funding?

(A) To be clear, there is no current confirmation that there will be a federal stimulus. However, in the event of this confirmation, the program will amend this IUP and request project priority list, consistent with whatever federal requirements are attached to these funds.

(C) The Bethel Water Improvements Project should be added to the amended FY19 list so they can access remaining disadvantaged subsidy.

(A) The base assumption for projects funded from the 2019 IUP is that they would receive 25% forgiveness of their project in addition to any disadvantaged subsidy based on program calculations. This final IUP amends a previous year IUP (2016) to allow the

remaining additional subsidy for this project, up to the 25% amount originally intended for this project. In total this project will have received 50% loan forgiveness for disadvantaged purposes, and this allotted 25% for additional subsidy, for a total forgiveness amount of 75%.

(Q) Has the interest rate been eliminated by the Treasurer yet? This was promised last year and that 1% can make a big difference in community affordability.

(A) The program continues to discuss rate changes with the Treasurer's office. This has not been finalized at this time, but the program will be sure to provide notification when it is complete.

(C) There are likely to be COVID-19-related delays for projects that are currently under construction or will go to construction in this IUP cycle. Under the "Act of God" provision of EJCDC documents, the Owners must provide more time to the Contractor to complete work at no additional cost to the contract. However, the additional expenses for construction oversight will add additional cost to the owner and may necessitate amendments to their ESA. This IUP should create an additional subsidy provision to cover Step 3 ESA amendments that arise due to COVID-related delays.

(A) This may be something the program chooses to incentivize in upcoming IUPs or amendments to this IUP. However, this would necessitate more than a new additional subsidy provision. A WID construction engineer would be tasked with receiving change order requests, requesting proof that the delays are COVID-related, and documenting those eligibilities. It is unclear whether this would be worthwhile as we have only heard of one community dealing with these types of added expenses. As such, we will monitor current construction projects to find out the frequency of this need over the coming months and also the amount of increase per project. If there is available loan forgiveness that is not anticipated to be used and there appears to be a need, the program may investigate this more closely.

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## Appendix A: Fundable Project Priority List

*The Fundable Project Priority List includes fundable projects listed 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: \$44,652,764**

**Total Available Add Sub: \$13,036,514**

**Total Available Dis Sub: \$3,853,850**

## 2020 Drinking Water State Revolving Fund Capitalization Grant

### Comprehensive Project Priority List

Total Available Funding: \$44,652,764

Amended January, 2021

| Priority Points | Funding Status | WS Name                                                      | Project Description                                             | Loan Amount | Term | Disadvant. Subsidy | Additional Subsidy |
|-----------------|----------------|--------------------------------------------------------------|-----------------------------------------------------------------|-------------|------|--------------------|--------------------|
| N/A             | E              | Hardship Municipalities                                      | N/A                                                             | \$400,000   |      | \$0                | \$400,000          |
| 105             | E              | Craftsbury Fire District #2                                  | New Source (PFAS)                                               | \$ 325,000  | 30   | \$0                | \$243,750          |
| 122             | E              | Killington Mountain School                                   | PFAS Related Water System Improvements                          | \$74,000    | 30   | \$0                | \$55,500           |
| 122             | E              | Mount Holly Town School District                             | PFAS Related Water System Improvements                          | \$225,000   | 30   | \$25,000           | \$150,000          |
| 120             | E              | Thetford Academy                                             | PFAS Related Water System Improvements                          | \$75,000    | 30   | \$25,000           | \$37,500           |
| N/A             | E              | Fiddlehead Condominiums                                      | PFAS Related Water System Improvements                          | \$70,000    | 30   | \$0                | \$52,500           |
| N/A             | E              | Bennington, Town of                                          | Town of Bennington PFOA                                         | \$500,000   | 40   | \$0                | \$500,000          |
|                 |                | Planning Loan Put-Aside                                      |                                                                 | \$1,000,000 |      |                    |                    |
| 195             | F              | Brattleboro, Town of                                         | Pleasant Valley Water Treatment                                 | \$5,450,000 | 40   | \$54,500           | \$3,225,000        |
| 195             | F              | South Alburgh Fire District #2                               | SAFD2 Water Systems Improvements - Phase 2                      | \$0         | 40   | \$0                | \$0                |
| 195             | F              | Saint Johnsbury, Town of                                     | Pleasant Street and Gilman Ave Water                            | \$2,300,000 | 40   | \$1,150,000        | \$575,000          |
| 180             | F              | Dorset Fire District #1                                      | System Capital Improvements                                     | \$3,000,000 | 30   | \$0                | \$1,250,000        |
| 160             | F              | Alburgh, Village of                                          | Water system improvements                                       | \$1,800,000 | 40   | \$900,000          | \$450,000          |
| 155             | F              | Craftsbury Fire & Water District #2                          | Standby Power Initiative                                        | \$79,794    | 30   |                    | \$79,794           |
| 155             | F              | Jay Westfield Elementary School                              | Standby Power Initiative                                        | \$81,889    | 30   |                    | \$81,889           |
| 155             | F              | East Thetford Water Co                                       | Well No. 2 Connection and Treatment                             | \$275,000   | 30   | \$137,500          | \$68,750           |
| 152             | F              | Alburgh Town Fire District #1                                | Standby Power Initiative                                        | \$35,310    | 30   |                    | \$35,310           |
| 152             | F              | Highgate Center School                                       | Standby Power Initiative                                        | \$50,218    | 30   |                    | \$50,218           |
| 152             | F              | St. George Town Center Association                           | Standby Power Initiative                                        | \$63,762    | 30   |                    | \$63,762           |
| 150             | F              | Lazy Brook Mobile Home Park                                  | Standby Power Initiative                                        | \$42,897    | 30   |                    | \$42,897           |
| 150             | F              | Jeffersonville, Village of                                   | Standby Power Initiative                                        | \$13,769    | 30   |                    | \$13,769           |
| 150             | F              | Battleground Condominiums                                    | Standby Power Initiative                                        | \$81,911    | 30   |                    | \$81,911           |
| 150             | F              | Starlake Village Leaseholders Association                    | Standby Power Initiative                                        | \$26,028    | 30   |                    | \$26,028           |
| 147             | F              | Killington Center Owners Association (Killington Center Inn) | Water System Improvements                                       | \$250,000   | 30   | \$0                | \$187,500          |
| 145             | F              | Jeffersonville, Village of                                   | Water System Improvements including water main and storage tank | \$2,180,000 | 30   | \$0                | \$1,045,000        |
| 145             | F              | West Windsor, Town of                                        | Town of West Windsor Water System                               | \$425,000   | 30   | \$0                | \$318,750          |
| 145             | F              | North Bennington, Village of                                 | Standby Power Initiative                                        | \$121,766   | 30   |                    | \$121,766          |
| 142             | F              | Castleton Town Fire District #1                              | Replacement of North Transmission Main                          | \$0         | 30   | \$0                | \$0                |
| 140             | F              | Bull Run                                                     | Water Storage Tank Improvements                                 | \$850,000   | 30   | \$425,000          | \$212,500          |
| 140             | F              | Burlington, City of                                          | Various water main rehabilitation and                           | \$1,094,000 | 30   | \$0                | \$773,500          |
| 135             | F              | Bull Run                                                     | Water Treatment Improvements for                                | \$650,000   | 30   | \$325,000          | \$162,500          |
| 130             | F              | Manchester, Town of                                          | Barnumville Road Water Main                                     | \$1,500,000 | 30   | \$0                | \$875,000          |
| 130             | F              | Champlain Water District                                     | Colchester South Tank Loop                                      | \$900,000   | 30   | \$0                | \$675,000          |
| 130             | F              | Battleground Condominiums                                    | Battleground Condominiums Water                                 | \$0         | 20   | \$0                | \$0                |
| 125             | F              | Williston, Town of                                           | Lamplight Acres Waterline                                       | \$2,000,000 | 30   | \$0                | \$1,000,000        |
| 125             | F              | Irasburg Fire District 1                                     | Route 14/58 Improvement Project                                 | \$500,000   | 40   | \$250,000          | \$125,000          |
| 125             | F              | Snow Mountain Village Condominium /                          | Pressure Booster Pump Installation                              | \$150,000   | 30   | \$0                | \$112,500          |
| 120             | F              | Champlain Water District                                     | Essex West Booster Pump Station &                               | \$2,600,000 | 30   | \$0                | \$1,150,000        |
| 115             | F              | Brighton, Town of                                            | Treatment Plant Upgrades                                        | \$2,800,000 | 40   | \$1,400,000        | \$700,000          |

|     |    |                                |                                                         |             |    |             |             |
|-----|----|--------------------------------|---------------------------------------------------------|-------------|----|-------------|-------------|
| 110 | F  | Newport, City of               | East Side Water Tower                                   | \$0         | 30 | \$0         | \$0         |
| 105 | F  | Middlebury, Town of            | Washington Street Water Main                            | \$1,000,000 | 30 | \$0         | \$750,000   |
| 105 | F  | Royalton Town Fire District #1 | Water Treatment Facility Upgrades                       | \$2,950,000 | 40 | \$1,475,000 | \$737,500   |
| 105 | PF | Winooski, City of              | Main Street Revitalization Project                      | \$0         | 40 | \$0         | \$0         |
| 105 | F  | Saint Johnsbury, Town of       | St. Johnsbury Water Treatment Plant Upgrades            | \$5,240,000 | 40 | \$2,620,000 | \$1,310,000 |
| 90  | F  | Brandon Town Fire District #1  | Park St Infrastructure Improvements                     | \$700,000   | 30 | \$0         | \$525,000   |
| 85  | F  | Stowe Town Fire District #4    | Source Improvements construction                        | \$119,000   | 40 | \$59,500    | \$29,750    |
| 80  | F  | Ludlow, Village of             | High Street and Pond Street Infrastructure Improvements | \$300,000   | 30 | \$0         | \$225,000   |
| 80  | F  | Milton, Town of                | River Street PSV Upgrade                                | \$198,000   | 30 | \$0         | \$148,500   |
| 77  | F  | Hartford, Town of              | South Main Street Waterline                             | \$1,470,000 | 30 | \$0         | \$867,500   |
| 75  | F  | Middlebury, Town of            | Court Street/Court Square Water Improvements            | \$1,250,000 | 30 | \$0         | \$812,500   |
| 65  | F  | Richmond, Town of              | Bridge St. Waterline - Church St. to                    | \$400,000   | 30 | \$0         | \$300,000   |
| 60  | F  | Barre Town                     | Wilson Industrial Park Water Main                       | \$300,000   | 30 | \$0         | \$225,000   |
| 55  | F  | Saint Albans, City of          | Kingman Street Utility Improvements                     | \$500,000   | 40 | \$250,000   | \$125,000   |
| 90  | NF | Springfield, Town of           | Water System Improvements                               | \$2,125,000 | 40 | \$0         | \$0         |
| 55  | NF | Milton, Town of                | Flanders Development Waterline                          | \$4,400,000 | 30 | \$0         | \$0         |
| 55  | NF | Milton, Town of                | Railroad Street Waterline                               | \$2,044,000 | 30 | \$0         | \$0         |

|     |   |                      |                                        |              |    |     |              |
|-----|---|----------------------|----------------------------------------|--------------|----|-----|--------------|
| 105 | F | Bennington, Town of* | Lead Service Lines Replacement Project | \$11,000,000 | 40 | \$0 | \$11,000,000 |
|-----|---|----------------------|----------------------------------------|--------------|----|-----|--------------|

\*this project is to be funded from a transfer for CWSRF to DWSRF

|                          |
|--------------------------|
| F = Fundable             |
| PF = Partially Fundable  |
| NF = Non-Fundable        |
| E = Emergency            |
| Added in IUP amendment   |
| Removed in IUP amendment |

## Appendix B: Guidance Documents

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                                                                       |
|        | Lead Subsidy Policy                                                                         |