

The Vermont Drinking Water
State Revolving Fund

Intended Use Plan

for Federal Fiscal Year 2020 Funding

July 16, 2020

Amended 1/27/2021

Amended 2/25/2022



Prepared by Water Investment Division
Department of Environmental Conservation

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

Executive Summary

This is the 2nd amended FFY 2020 Drinking Water Intended Use Plan (IUP). Revisions to the IUP relative to the previously adopted versions are noted by underlining of new text and strike-through of deleted text, with the exception of updated values in tables. This IUP replaces the previous version as amended January 27, 2021 and as revised August 2, 2021. This amendment is limited to revisions to prior years' additional subsidy that is hereby made available for projects on the current adopted Project Priority List (PPL) and to adjust the milestones for securing subsidy. This amended IUP does not affect the current FFY2021 IUP, adopted July 19, 2021.

This amendment does not add any projects to the FFY2020 PPL nor change the points awarded to any listed projects. Awarded loan and subsidy amounts may vary from the amounts shown in the previously adopted PPL because project information was updated based on loan values; however, the formula for receiving subsidy remains unchanged.

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.

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.

Short and Long-Term Goals

Short Term Goals and Objectives

1. Secure the State's latest available capitalization grant to finance improvements for public water systems.
2. Administer a DWSRF program for projects that have been determined to be the highest priority 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 FFY2019~~4~~ grants to incentivize system improvements and to help rate payers afford such improvements during this time of crisis caused by the COVID-19 pandemic.

Long Term Goals and Objectives

1. Through effective management, provide a self-sustaining funding program that will assist public water systems in achieving compliance with the SDWA, maintaining the public health objectives of the SDWA, and ensuring the public has safe drinking water.
2. 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 DWGWPD staff and through grants and/or contracts with third-party technical assistance providers.

Financial Matters

Payment Schedule

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.

Disbursement Schedule

EPA requires an estimated disbursement schedule for planning the federal funds outlay. Below is the schedule for the new funding of \$11,011,000.

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	
Total			\$11,011,000	\$2,202,200

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
Total	\$11,011,000

DWSRF & CWSRF Transfer

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.

Future Program Impact

The proposed method and financial terms for distributing project funds presented in this IUP should have a positive impact on the long-term financial status of the DWSRF 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.

Program Financial Summary

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	\$34,993,018
Total Available for FFY20 Projects	\$45,613,574

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

Uses - DWSRF	
FFY20 PPL Projects	\$45,613,574

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
Total Sources	\$598,000

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

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.

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.

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.

Small Systems Technical Assistance Set-Aside

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.

Local Assistance Set-Aside

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

Set-aside (Maximum %)	Funds Allowable	Grant Request
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
Totals	\$3,413,410	\$3,413,410

Banked Authority

The DWSRF reserves the right to use Banked Authority.

TABLE 6

FFY20 Set-Aside and Banked Authority Summary

Set-aside	Prior Years' Funds ²	Anticipated FFY20 Funds	Unexpended as of 4/20/2020 ¹	Expended (drawn) as of 4/20/2020 ³
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
Totals	\$52,660,252	\$3,413,410	\$2,584,278	\$50,075,974

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

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

³ Unexpended amounts are award amounts minus unexpended amounts at time of IUP drafting.

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

Banked Authority - Program Management	
FFY97	\$1,105,880
FFY98	\$592,130
FFY99	\$226,380
FFY00	\$275,700
FFY01	\$48,910
FFY03	\$177,410
ARRA	\$1,730,000
FFY09	\$43,965
less prior transfers	(\$780,505)

FFY09 amendment	(\$222,387)
FFY11	(\$258,200)
FFY16	(\$300,000)
FFY17	(\$300,000)
FFY18	(\$322,132)
FFY19	\$0
FFY20	\$0
Total Available	\$2,017,151

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 \$45,613,574 for projects on the PPL, 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. 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.

Additional Subsidy

Amendment of Prior Year IUPs for Additional Subsidy

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.

Amendment of Uncommitted Additional Subsidy

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 through 2019 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	Awarded to Date Additional Subsidy	Uncommitted Additional Subsidy
2010	\$13,573,000	\$9,570,436	\$4,002,564
2011	\$9,418,000	\$6,363,256	\$3,054,744
2012	\$2,692,500	\$2,232,312	\$460,188
2013	\$2,526,300	\$2,104,282	\$422,018
2014	\$2,653,500	\$2,434,531	\$218,969
2015	\$2,653,500	\$1,769,781	\$883,719
2016	\$1,662,400	\$1,038,171	\$624,229
2017	\$1,648,200	\$1,500,000	\$148,200
2018	\$2,221,400	\$1,922,173	\$299,227
2019	\$2,200,800	\$2,200,800	\$0
2020	\$1,541,540	\$740,412	\$801,128
Total Remaining Available to Award:			\$10,914,986
2020 Disadvantaged Subsidy		Minimum (6%)	Maximum (35%)
		\$660,660	\$3,853,850

Requirements to Secure Additional Subsidy

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 receipt of an environmental information document 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

Hardship Municipality Subsidy:

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.

100% Forgiveness Lead Subsidy

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.

Municipal School Subsidy

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.

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

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.

Standby Power

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**

Emergency PFAS Projects

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.

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 requirements 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.

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 DWGWPD staff, such as those conducting sanitary surveys.

On December 14, 2021, the Department notified municipalities and other interested parties of this amended IUP, which is being amended for the primary purpose of identifying an increase in the amount of subsidy available for Projects on the FFY2020 list, and to update the actions necessary for borrowers to take to secure subsidy. The project list remains the same as the list presented in the 1st amendment, dated January 27, 2021; however, loan and subsidy values have been updated.

Public Comment Responsiveness Summary

The following responsiveness summary lists questions (Q) and comments (C) received between release of the draft amended IUP through the public comment period ending December 27, 2021. Comments received on previous versions of the IUP are contained in the respective versions and are not replicated herein.

(Q) Dorset Fire District 1 requests that our project total be updated to \$5MM. After the first release of the IUP, we pointed out that the total project amount (\$3MM) did not match the estimate in our PER (\$5MM). Since the IUP now specifically lists our AddSub, we would feel better if the project estimate and full subsidy is listed in the IUP.

(A) Loan and subsidy amounts shown on the PPL have been revised based on the most recently available information.

(Q) It seems as though there is now a substantial increase in AddSub available for FY20 projects. Does DEC expect to provide funding to all these projects?

(A) Subsidy will be awarded based on the criteria in the IUP to eligible projects.

(Q) Will projects be able to meet readiness to proceed criteria? I ask because a number of these projects haven't been through financial capacity that normally happens during planning (Brighton, for example) and I am concerned about some communities' ability to move through that process quickly, in addition to the other Readiness To Proceed (RTP) requirements.

(A) The Department acknowledges that some projects may not meet RTP requirements.

(Q) Given the RTP criteria associated with FFY20 (with dates coming due quickly, if not already passed), does DEC anticipate shifting available subsidy not used in FFY20 to FFY21 (or later)? This may improve the movement of FFY21 projects given there is no AddSub available to construction projects on that list. Of course, with the subsidy required in FFY22 going forward, this may cause projects not to move at all until the later PPLs!

(A) The Department anticipates shifting any unused subsidy to the FFY 2022 IUP.

(Q) Royalton FD#1 is listed on the FFY20 PPL for \$2,950,000, and on the FFY21 PPL for \$0 (assuming it is presumed to be funded off FFY20); however, the loan value is not what was acknowledged in the 8/23/2021 funding application (and the 10/29/2021 funding application receipt email). Where is the increase in loan value, and corresponding subsidy, coming from?

(A) Loan and subsidy amounts shown on the PPL have been revised based on the most recently available information.

(Q) If a project has already received funding, Jeffersonville RF3-399, Manchester RF3-440, St Albans RF3-434, Hartford RF3-390, is there an effort put into reducing the loan value and corresponding subsidy on the FFY20 PPL? This has the potential to affect total funds and AddSub/DisSub available to other projects (in a positive way)?

(A) Upon adoption of this amended IUP projects previously awarded funding will be reviewed to determine if awarding additional subsidy is warranted.

(C) Similarly for Burlington, CWD South Tank Loop, Irasburg FD#1, Middlebury (both loans), Brandon, Ludlow, Milton RR St PRV, and St J Pleasant/Gilman, the executed loan value and corresponding subsidy is higher than listed on the FFY20 PPL. This may affect other projects' funding and subsidy availability (in a negative way).

(A) Loan and subsidy amounts shown on the PPL have been revised based on the most recently available information.

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~~ \$45,613,574

Total Available Add Sub: ~~\$13,036,514~~ \$21,171,160

Total Available Dis Sub: ~~\$3,853,850~~ \$6,050,995

**FFY 2020 Drinking Water State Revolving Fund Capitalization Grant
Project Priority List, Amended 2/25/2022
Total Available Funding: \$45,613,574**

Loans Executed. Final loan values and subsidy subject to change upon closeout.

Priority Points	Funding Status	WS Name (WSID #)	User Population	Project Description	Loan Amount	Disadvantaged Subsidy	Additional Subsidy
	E, H	Barnet Fire District 2 (5029)	205	Stevens River Crossing (E) & Anderson and Church Streets	\$500,000	\$0	\$425,000
122	E	Killington Mountain School (2396)	125	PFAS Related Water System Improvements	\$15,150	\$0	\$11,633
120	E	Thetford Academy (6764)	450	PFAS Related Water System Improvements	\$14,150	\$0	\$10,613
N/A	E	Fiddlehead Condominiums (5504)	60	PFAS Related Water System Improvements	\$80,532	\$0	\$60,399
105	E	Craftsbury Fire District #2 (5194)	420	New Source due to PFAS	\$79,416	\$0	\$0
N/A	E	Bennington, Town of (5016)	13,250	Line Extensions due to PFOA	\$500,000	\$0	\$500,000
		Planning Loan Put-Aside		12 loans executed	\$891,162	\$0	\$113,700
195	F	Brattleboro, Town of (5290)	12,200	Pleasant Valley Water Treatment Facility Upgrade	\$5,930,000	\$2,897,310	\$1,246,922
195	F	Saint Johnsbury, Town of (5045)	3,800	Pleasant St & Gilman Ave Improvements	\$2,842,370	\$1,421,185	\$710,593
160	F	Alburgh, Village of (5136)	576	Water system improvements	\$147,419	\$0	\$0
155	F	Craftsbury Fire District #2 (5194)	420	Standby Power Initiative	\$98,943	\$0	\$94,156
150	F	Jeffersonville, Village of (5150)	700	Standby Power Initiative	\$13,769	\$0	\$13,769
150	F	Battleground Condominiums (5397)	166	Standby Power Initiative	\$81,911	\$0	\$81,911
145	F	Jeffersonville, Village of (5150)	700	Improvements including water main & storage tank	\$1,041,153	\$0	\$729,049
130	F	Manchester, Town of (5022)	4,140	Barnumville Rd Water Main Replacement	\$1,100,000	\$0	\$775,000
130	F	Champlain Water District (5092)	68,923	Colchester South Tank Loop	\$975,000	\$0	\$731,250
125	F	Williston, Town of (5098)	7,690	Lamplight Acres Waterline Replacement	\$2,000,000	\$0	\$1,000,000
125	F	Irasburg Fire District 1 (5200)	200	Route 14/58 Improvement Project	\$506,500	\$280,750	\$125,375
120	F	Champlain Water District (5092)	68,923	Essex West Booster Pump Station & Transmission Main & Essex East Booster Pump Station	\$2,600,000	\$0	\$1,150,000
105	F	Middlebury, Town of (5004)	5,806	Washington Street Water Main Replacement	\$1,791,700	\$0	\$750,000
80	F	Ludlow, Village of (5323)	2,818	High St & Pond St Improvements	\$440,000	\$0	\$330,000
80	F	Milton, Town of (5079)	5,420	River Street PSV Upgrade	\$251,000	\$0	\$188,250
75	F	Middlebury, Town of (5004)	5,806	Court Street/Court Square Water Improvements	\$1,000,000	\$0	\$750,000
65	F	Richmond, Town of (5084)	1,000	Bridge St. Waterline - Church St. to Volunteers Green	\$400,000	\$0	\$300,000
55	F	Saint Albans, City of (5130)	9,956	Kingman Street Utility Improvements	\$290,000	\$145,000	\$72,500
N/A		Subsidy for Loan Recovery Costs Exceeding Value (see page 19)		includes Burdick MHP (21076)	\$82,150	\$0	\$82,150
Totals executed to date					\$23,672,325	\$4,744,245	\$10,252,268

F = Fundable
E = Emergency
H = Hardship

Loans Pending. Final loan values and subsidy amounts subject to change.

		Planning Loan Put-Aside		3 loans pending	\$82,156	\$0	\$0
	E, H	East Berkshire (5115)	184	Emergency Source Pump Station	\$200,000	\$100,000	\$100,000
180	F	Dorset Fire District #1 (5020)	530	System Capital Improvements	\$5,000,000	\$0	\$1,750,000
155	F	East Thetford Water Co (5184)	250	Well #2 Connection & Treatment	\$325,000	\$162,500	\$68,750
152	F	St. George Town Center Association (20763)	25	Standby Power Initiative	\$63,762	\$0	\$63,762
150	F	Lazy Brook Mobile Home Park ACCT (5007)	205	Standby Power Initiative	\$42,897	\$0	\$42,897
150	F	Twin Pines Housing Trust / Starlake Village Leaseholders Assoc. (20308)	50	Standby Power Initiative	\$26,028	\$0	\$26,028
145	F	North Bennington, Village of (5017)	1,700	Standby Power Initiative	\$121,766	\$0	\$121,766
140	F	Bull Run (5609)	420	Water Storage Tank Improvements	\$1,041,603	\$0	\$760,401
140	F	Burlington, City of (5053)	42,000	Various water main rehabilitation and replacement	\$1,571,022	\$0	\$892,756
135	F	Bull Run (5609)	420	Water Treatment Improvements for Iron and Manganese.	\$940,000	\$0	\$705,000
105	F	Royalton Town Fire District #1 (5330)	1,500	Water Treatment Facility Upgrades	\$3,700,000	\$1,044,250	\$1,163,938
105	F	Saint Johnsbury, Town of (5045)	3,800	St. Johnsbury Water Treatment Plant Upgrades	\$8,377,015	\$0	\$2,594,254
60	F	Barre Town (5566)	1,638	Wilson Industrial Park Water Main Extension	\$450,000	\$0	\$337,500
		F = Fundable		Totals pending	\$21,941,249	\$1,306,750	\$8,627,051
		E = Emergency		Totals executed or pending	\$45,613,574	\$6,050,995	\$18,879,319
		H = Hardship					

Project funded via transfer from CWSRF to DWSRF, Water Infrastructure Funding Transfer Act of 2019

105	F	Bennington, Town of (5016)	13,250	Lead Service Lines Replacement Project	\$10,617,329	\$0	\$10,617,329
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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