

State of Vermont
Finalized Intended Use Plan for the Drinking Water
State Revolving Fund
Federal Fiscal Year 2014
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1. Introduction

The 1996 Amendments to the Safe Drinking Water Act (SDWA) established the Drinking Water State Revolving Fund (DWSRF). The State of Vermont's allotment for the DWSRF is \$8,845,000 for Federal Fiscal Year (FFY) 2014. 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 various documents comprise the capitalization grant request for the DWSRF. While a wide variety of state agencies are involved in the process, the Facilities Engineering Division (FED) of the Department of Environmental Conservation (DEC) is responsible for preparing and submitting all of these documents. FED and the Drinking Water and Groundwater Protection Division (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. It should be noted that due to recent organizational changes within DEC, FED is now responsible for preparation of the IUP, management of the projects priority list, and preparation of set-aside workplans.

This intended use plan is for FFY14 federal funding of \$8,845,000 and a state match of \$1,769,000 and available loan repayment and fund interest. Information is also provided on prior years' funds and progress in meeting short- and long-term goals in the biennial report.

2. Short and Long Term Goals

2.1. *Short Term Goals and Objectives*

1. Secure the State's eighteenth capitalization grant to finance improvements for public water systems.
2. Administer a DWSRF program for projects that have been determined to be the highest priority to address contamination issues that pose the most serious risk to human health.
3. Provide loans to assist eligible public water systems listed in the IUP and priority list for projects to ensure compliance with the SDWA requirements, and maintain and/or improve drinking water quality.
4. Provide loans to municipally-owned and privately-owned non-profit public water systems with populations of fewer than 10,000 people for conducting feasibility studies, preliminary engineering and final designs for water system improvements.
5. Provide loans to municipalities for purchasing land or conservation easements in order to protect public water sources and ensure compliance with drinking water regulations.
6. Promote capacity development by completing infrastructure improvement plans for small community water systems and schools through contracts.
7. Actively promote and pursue funding for all eligible systems, especially systems serving disadvantaged communities and systems with populations of fewer than 10,000 (small systems) that do not have adequate technical, managerial, or financial resources to come into or maintain compliance, and to provide safe drinking water.
8. Ensure that at least 15% of the DWSRF Project Fund Account provides loan assistance to

small systems on an annual basis.

9. Continue the Vermont Source Water Protection Program.
10. Provide effective program management and resources to ensure the integrity of the DWSRF.
11. Reduce the overall Unliquidated Obligations (ULO's) to less than 13% of total grant award by December 31, 2014.
12. Liquidate all legacy ULO's by September 30, 2016.
13. Coordinate DWSRF activities with enforcement activities of the State and EPA.
14. Continue implementation of the statewide strategy to improve capacity for existing public water systems and assure capacity for new public water systems.
15. Use DWSRF set-aside funding to provide the additional resources required to manage the Vermont Drinking Water Program.
16. Continue programs to encourage participation of small water systems in the loan program.
17. Integrate Green Infrastructure funding into the DWSRF Program in accordance with federal guidelines.

2.2. Long Term Goals and Objectives

1. Through effective management, provide a self-sustaining funding program that will assist public water systems in achieving compliance with the SDWA, maintaining the public health objectives of the SDWA, and ensuring the public has safe drinking water.
2. Expend all federal funds within two years of grant award.
3. Maintain the fiscal integrity of the DWSRF and comply with generally accepted government accounting standards to assure continuance of loan funds for future generations.
4. Provide funding assistance to eligible public water systems for eligible projects associated with the improvement and maintenance of water treatment, storage and distribution facilities, and for consolidation or interconnection of water systems to improve service or develop capacity.
5. Use set-asides to improve source water protection and assessment efforts by providing technical and financial assistance.
6. Continue to update, develop, and implement administrative rules and guidance to carry out the DWSRF Program.
7. Continue to update, develop, and implement the capacity development strategy for existing systems.
8. Continue providing operator training by DWGWPD staff and through grants and/or contracts with third-party technical assistance providers.

3. Public Participation

FED recognizes that public participation and the persistent cultivation of stakeholder interests is an integral element in the development of an effective program. The public participation component in the development of this IUP is a continuation of previous comprehensive efforts. Public meeting locations are handicapped accessible. The FED will continue to cultivate and encourage public participation in the development of the IUP. In brief, the procedure for public participation in the development of this IUP included the following notifications and meetings. Copies of the public participation documents are in Section 8.

3.1. Direct Contacts

Throughout the year DWSRF staff hold regular meetings with DWGWPD staff to identify the most needy and highest priority water systems. Subsequent to this analysis, DWSRF staff initiates contact with the 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.

3.2. Public Notices & Public Hearing

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 April 7, 2014 using Constant Contact to all public water system administrative contacts, stakeholder groups, and engineering consultants. A notice of availability of the draft amended 2014 IUP for public comment was distributed May 30, 2014 using the same method as the initial notice. A public hearing was held on June 5, 2014 to receive comments on the draft plan and the public comment period ran for 15 days and closed on June 20, 2014.

3.3. State Website Posting

The draft amended IUP was posted on both the FED and DWGWPD websites in advance of the June 5, 2014 public meeting. Notice of the June 5th public meeting was placed on the Vermont Department of Libraries website.

4. Financial Matters

4.1. State Match Provisions

Under the provisions of the Safe Drinking Water Act Amendments of 1996 [Section 1452(e)], each State is required to deposit in the DWSRF an amount equal to at least 20% of the total amount of the capitalization grant. This amount must be deposited on the date of, or before, receiving federal payments under the capitalization grant agreements. The State of Vermont's Capitalization Grant request for FFY14 is \$8,845,000; therefore, the amount of state match funds required is \$1,769,000. The full state match of \$1,769,000 is anticipated to be provided with funds appropriated in spring 2015 (SFY16 funds) through the annual Vermont State Capital Construction and State Bonding Act.

An additional one-to-one state match of \$884,500 is also necessary for the State Program Management Set-aside. This match can be an in-kind match for money spent on Public Water System Supervision (PWSS) work in FFY93 and FFY14 in excess of the required PWSS match. No more than 50% of the in-kind match can come from the FFY93 money, leaving \$442,250 of required match. The State of Vermont has projected that at least \$450,000 of state match in excess of that required for the PWSS program under other grants will have been spent on PWSS programs during FFY14. The total estimated match available therefore it's expected to exceed the required match for the State Program Management Set-aside. Following the close of FFY14, the State of Vermont will submit documentation to EPA together with the Program Management Set-aside workplan on the necessary state match funds based on PWSS FFY93 and actual state expenditures during FFY14. If actuals differ from projected amounts, the workplan will reflect the adjusted amounts.

4.2. Funding Breakdown

The State of Vermont will have a total of \$10,614,000 in new funds for the FFY14 DWSRF Program, consisting of \$8,845,000 in federal funds and \$1,769,000 in state match. This amount is to be divided between set-aside activities and loans for water system facility improvements. Additionally, revolving fund interest earnings, loan repayments and uncommitted prior year revolving loan funds will be used to fund construction projects on the 2014 PPL, which is currently projected to total \$7,658,789.

4.2.1. Set-asides

The State of Vermont does not intend to take the full amount of set-asides allowed for in the DWSRF federal rule. If all the set-asides were maximized, \$2,741,950 of the \$8,845,000 would be allocated to them. Instead, the State is proposing to use \$2,027,725 for set-aside activities, which is 22.93% of the federal grant and 19.1% of the combined federal grant and state match. More specific information on the use of the set-asides is provided in Section 6 of this IUP.

4.2.2. Facility Improvement Loans

The State is proposing to spend \$16,245,064 for construction projects. This amount includes \$6,817,275 of new federal funds, \$1,769,000 of new state funds, an estimated \$6,240,120 of 2nd tier funds, and an estimated \$1,418,669 of uncommitted prior year revolving loan funds. The federal cash draw ratio for the 2014 grant will therefore be \$6,817,275/\$8,586,275, or 79.4%. The 2014 DWSRF Project Priority List (Section 9) identifies Anticipated Loan Recipients' projects with a total estimated cost of \$16,245,064, which is sufficient to provide loans to the first 22 projects on the comprehensive list.

EPA requires a payment schedule for planning the obligation of federal funds. A federal payment is defined as an increase to the ceiling in the Automated Standard Application for Payment System (ASAP).

Each payment occurs at the beginning of a quarter with planned commitments to be made through the end of that quarter. Except for the set-aside payments, loan commitments in an amount equal to each federal plus state match payment must be made within one year of the payment date, in accordance with the Safe Drinking Water Act Amendments of 1996.

Federal Fiscal Year			
Payment No.	Quarter	Date	Amount
1	2015-1	10/1/2014 – 12/31/2014	\$250,000
2	2015-2	1/1/2015 – 3/31/2015	\$0
3	2015-3	4/1/2015 – 6/30/2015	\$0
4	2015-4	7/1/2015 – 9/30/2015	\$0
5	2016-1	10/1/2015 – 12/31/2015	\$8,595,000
Total			\$8,845,000

4.3. DWSRF Disbursement Schedule

EPA requires an estimated disbursement schedule for planning the outlay of federal funds. Below is the schedule for the new funding of \$8,845,000.

Disbursement Quarter	Amount
4QFFY2014	0
1QFFY2015	0
2QFFY2015	0
3QFFY2015	0
4QFFY2015	\$2,000,000
1QFFY2016	\$2,000,000
2QFFY2016	\$2,000,000
3QFFY2016	\$2,000,000
4QFFY2016	\$845,000
Total	\$8,845,000

4.4. Criteria and Method for Distributing Funds for Improvement Projects

Projects with a total cost not exceeding the estimated funds available for the Priority List during this funding cycle are those projects designated with an ‘F’ in the 3rd column of the priority list. Projects that have a ‘C’ in the 2nd column of the list are continuing from a prior year’s priority list. These fundable projects are also referred to as “Anticipated Loan Recipients” (ALRs). Available funds will be used for the 22 highest ranking projects on the list. For projects added to the list that are not designated ALR, funding will be provided in priority order if funds become available during the funding cycle through the bypass procedure described in the Priority System Section (Section 5.3.8) and/or as a result of any project under-runs. Projects that are ready-to-proceed but are not in the fundable range must notify FED in writing prior to the April 17, 2015 funding cycle deadline to be considered for funding in the event project bypass is implemented. The ALRs are those projects with the highest ranking that comply with the following:

- Under federal requirements, at least 15% of the capitalization grant funds, or \$1,326,750, must be used for projects serving communities with populations of less than 10,000 persons. Only one of the systems to be funded has a population of 10,000 or more, so this requirement is met.
- As required in Vermont legislation, funds for private water systems are limited to 20% of the available funds, or \$3,249,012.80 unless there are insufficient municipal projects ready to proceed and additional funds are available. There are currently 6 private water systems that are ALR’s in the amount of \$1,594,070, which is well below the 20% limit.
- As required in federal law applicable to the 2014 grant, no less than 20% or more than 30% of the federal grant shall be provided in the form of loan subsidy. This equates to a floor of \$1,769,000 and a ceiling of \$2,653,500 of the federal funds. Subsidy can be in the form of grants, principal forgiveness or negative interest loans (or any combination of

these). The subsidy for the list of ALRs is projected to be met by providing negative interest pursuant to current program methodologies to disadvantaged communities and principal forgiveness to at least reach the 20% threshold. The aggregate negative interest is estimated to total \$1,789,000; however, in the event actual subsidy is less than the minimum required or the maximum allowed, additional subsidy will be provided through targeted principal forgiveness for those most in need. We will manage the subsidy requirement by increasing the principal forgiveness to offset any reduction in negative interest following the last loan award from the priority list. Principal forgiveness will be granted to any system which receives affordability points (see section 5.1.3; 1 point=\$10,000 in principal forgiveness).

Criteria for determining loan interest rate and term are codified in state statute. Additionally, Section 10 - Program Description includes a summary of the applicable rates and terms for the various types of loans available from the DWSRF. A preliminary loan rate determination has been made for all projects on the Priority List in accordance with federal and state requirements.

The proposed method and financial terms for distributing project funds presented in this IUP should have a negligible impact on the long term financial status of the DWSRF. Principal and interest payments on loans plus the interest earnings on the fund balance are deposited into the DWSRF and made available for future water system capital improvement projects. The use of federally allowed subsidization from the capitalization grants are managed to ensure that these non-repayment funds enhance the program rather than result in long-term detrimental consequences. The only other funds lost for revolving are those withdrawn for authorized set-aside uses and include: DWSRF Administration, Technical Assistance, PWSS Program, and Local Assistance. It is worth noting, within the Local Assistance Set-Aside is the Local Assistance State Revolving Loan Fund (LASRF), which provides planning and design engineering loans to eligible systems. This program has established a revolving nature with loan repayments to total approximately \$300,000 in state fiscal year 2015 (SFY15), which will be made available to fund additional projects. Lending procedures used by the Vermont Municipal Bond Bank (VMBB) for municipal loans and the Vermont Economic Development Authority for loans to private entities include safeguards structured to minimize unforeseen losses to the fund. Additionally, the placement of the DWSRF within the financial structure of the VMBB guarantees that the Program will benefit in the long-term from the management and financial planning expertise of this organization.

4.5. Disadvantaged System

The State of Vermont recognizes the need to provide additional assistance to certain water systems beyond what the standard DWSRF construction loan program offers. The disadvantaged system program is intended to provide longer loan terms and principal forgiveness to water systems that have relatively low income and relatively high water user costs. Unlike the standard loan program, certain disadvantaged systems are eligible for debt forgiveness as a means of making a water improvement project more affordable.

4.5.1. Community Water System Disadvantaged Program

A community water system is considered disadvantaged when certain conditions are satisfied. First, the municipality in which the water system is located or the users of the water system must have a median household income (MHI) below the average of the community median household

incomes of the state. Second, the water system must have an annual household water user cost greater than 1.0 percent of the median household income after construction of the proposed water supply improvements, or, for municipal applicants, if the MHI is at or above the state average of community MHIs, the water system must have an annual household water user cost greater than 2.5 percent of the median household income after construction of the proposed water supply improvements. The median household income of the system will either be taken from the most recent federal census data for the municipality or be determined from the area served by the water system based upon data gathered by an independent contractor hired by the applicant water system. The water system has the option of choosing which method is used to determine the median household income, although the Secretary shall make the final determination. The cost of the independent contractor may be included in the total project cost. The user cost of the water system shall take into account the monies needed to cover the project cost, prior drinking water projects, and the estimated annual operation and maintenance costs as determined by the Secretary. Disadvantaged municipally-owned water systems and privately-owned nonprofit community water systems that have an MHI below the state average are eligible to receive assistance in the form of negative interest.

Projects will be ranked using the priority system. Based on preliminary information, estimated subsidies from the Disadvantaged System Program are included on the priority list. Disadvantaged systems are eligible to receive loans up to 30 years in length and receive interest rates between plus three (+3) percent and minus three (-3) percent. The interest rate cannot be less than that necessary to achieve a target annual household user cost of 1.0 percent of the median household income of the municipality in which the water system is located or of the users of the water system. To achieve the target annual household user cost, a mixture of debt forgiveness, standard DWSRF loan rates, and extended loan terms will be offered. First, disadvantaged systems will have the loan extended from 20 to 30 years provided that the primary funded project elements have a design life equal to or greater than the term of the loan. If this action does not achieve the target annual household user cost, the interest rate will be incrementally reduced from plus three (+3) percent to zero (0) percent for systems that have an MHI at or above the state average to minus three (-3) percent for systems that have an MHI below the state average to achieve the target rate. If a disadvantaged system's user cost still exceeds the target annual household user cost after receiving the maximum debt forgiveness, no additional loan subsidy will be granted.

The application of the disadvantaged system program will be based on the best available information when the Department of Environmental Conservation approves the loan application. All other subsidies obtained from other institutions that will reduce the project and user cost shall be considered when calculating whether a system is disadvantaged or not. Normally, the total subsidy (negative interest plus principal forgiveness) for all loans cannot exceed 30 percent of the amount of the capitalization grant in any given year, with the exception so far for the federal ARRA FFY2009, FFY2010 and FFY2011 appropriations. Other than the exceptions noted above, if the full amount of subsidy is met for a given priority list, any remaining projects eligible for subsidy can either receive standard loans for that funding year or delay the project so they may avail themselves of disadvantaged program funding in the future. The Secretary shall make the determination whether to defer the project based on public health and other factors.

4.5.2. School Water System Disadvantaged Program

Public funding for schools in Vermont is controlled by the State to ensure that all Vermont

children have equal access to resources for education through high school. The complicated system of state wide property tax, property tax rebates and local school district property tax sharing requirements make all municipally owned school water systems equally disadvantaged and discouraged from making needed water system improvements. All municipally owned public school water systems are eligible for loan principal forgiveness under the disadvantaged program.

Projects are ranked in accordance with the priority system. Loans for water system improvements to schools have a maximum term of 20 years and an interest rate of 3%. To make school system water projects more affordable, up to \$25,000 of the principal of a construction loan may be forgiven when the following conditions are met:

- 1) The system demonstrates capacity;
- 2) The system is in compliance with the Vermont Water Supply Rule including any temporary operating permit or other compliance schedule;
- 3) A Department of Environmental Conservation construction permit has been obtained and all conditions of the construction permit satisfied;
- 4) Competitive procurement procedures in accordance with ANR requirements were followed; and
- 5) A Professional Engineer or ANR staff has verified the completed work.

More detailed guidance on eligibility and procedures is provided in DWSRF Guidance Document No. 24. The standard ANR procedures for obtaining a loan must be followed and the system will not be eligible for principal forgiveness if the applicable 30% limit on loan subsidies has been reached by projects higher on the priority list, except as for projects funded off the ARRA FFY2009, FFY2010, and FFY2011 lists.

4.6. Financial Status of Drinking Water State Revolving Fund

As part of the Intended Use Plan, states must report on the financial status of their DWSRF. The first capitalization grant was awarded September 30, 1997 and cumulative loan awards made since program inception to date is \$168,579,026 including loans awarded with ARRA 2009 funds. The following table summarizes the fund balance at June 30, 2014 (with the exception of set-aside expenditures and administrative fee account balances which are through May 1, 2014) and the projected receipt of additional funds and loan awards through SFY15, again including receipt and use of ARRA 2009 funds.

Sources	Current Fiscal Year (SFY2014; includes FFY2013 Grant)	Totals Thru SFY2014 (includes FFY 1998- 2013 Grants)	Projected SFY2015 (includes FFY2014 Grant)
Capitalization:			
Federal Capitalization Grants	\$ 8,421,000.00	\$ 148,475,300.00	\$ 8,845,000.00
Federal ARRA Funds	\$ -	\$ 19,500,000.00	\$ -
State Match	\$ 1,684,200.00	\$ 29,695,060.00	\$ 1,769,000.00
Capitalization Sub-total	\$ 10,105,200.00	\$ 197,670,360.00	\$ 10,614,000.00
Net Construction Fund Revenues			
Loan Repayments	\$ 5,273,102.27	\$ 45,297,459.23	\$ 6,238,120.16
Loan Interest	\$ 298,074.15	\$ 3,360,657.17	\$ -
Loan Negative Interest	\$ (673,513.97)	\$ (5,695,188.45)	\$ -
Principal Subsidy	\$ (1,727,773.47)	\$ (11,081,932.90)	\$ -
Fund Interest	\$ 1,871.87	\$ 1,685,682.79	\$ 2,000.00
Net Construction Revenues Sub-total	\$ 3,171,760.85	\$ 33,566,677.84	\$ 6,240,120.16
Net of All Sources			
Carry Forward from Prior Fiscal Year Balance			\$ 34,245,625.84
Total Source	\$ 13,276,960.85	\$ 231,237,037.84	\$ 51,099,746.00
Uses			
Project Binding Commitments:			
Base SRF Loans	\$ 17,060,933.00	\$ 150,169,026.00	\$ 16,245,064.00
ARRA Loans	\$ -	\$ 18,410,000.00	\$ -
Total Project Binding Commitment Subtotal	\$ 17,060,933.00	\$ 168,579,026.00	\$ 16,245,064.00
Total Pending Loan Commitments	\$ -	\$ -	\$ 8,541,074.00
Projected New Loan Commitments off Previous Lists	\$ -	\$ -	\$ 17,033,238.00
Total New Binding Commitments Subtotal	\$ -	\$ -	\$ 25,574,312.00
Set-Asides			
DWSRF Administrative	\$ 471,998.00	\$ 6,258,662.00	\$ 317,958.00
State Program Management	\$ 1,380,430.00	\$ 10,837,327.00	\$ 2,272,253.00
Technical Assistance	\$ 208,924.00	\$ 2,153,320.00	\$ 401,435.00
Local Assistance	\$ 555,662.00	\$ 9,163,077.00	\$ 688,000.00
Set-aside Sub-total	\$ 2,617,014.00	\$ 28,412,386.00	\$ 3,679,646.00
Other Uses			
Carry Forward to Next Fiscal Year (Additional Project Fund Revenue)			\$ -
Carry Forward to Next Fiscal Year (Allocated but Unexpended Set-Asides)	\$ -	\$ -	\$ 5,600,724.00
Total Use	\$ 19,677,947.00	\$ 196,991,412.00	\$ 51,099,746.00
Uncommitted Balance		\$ 34,245,625.84	\$ -

Actual Plus Anticipated Funding Commitments by Priority List (excludes ARRA)	
FFY 1997 Priority List	\$12,490,858
FFY 1998 Priority List	\$5,046,384
FFY 1999 Priority List	\$6,330,532
FFY 2000 Priority List	\$7,982,165
FFY 2001 Priority List	\$10,156,886
FFY 2002 Priority List	\$9,135,730
FFY 2003 Priority List	\$8,811,376
FFY 2004 Priority List	\$11,227,420
FFY 2005 Priority List	\$6,339,892
FFY 2006 Priority List	\$9,945,410
FFY 2007 Priority List	\$7,915,931
FFY 2008 Priority List	\$10,685,609
FFY 2009 Priority List	\$14,652,178
FFY 2010 Priority List	\$15,553,900
FFY 2011 Priority List	\$12,920,821
FFY 2012 Priority List	\$15,135,305
FFY 2013 Priority List	\$11,424,190
FFY 2014 Priority List	\$16,245,064
Total Funding Commitments	\$191,999,651

Note: Commitment amounts for any given fiscal year's PPL are subject to change until all loans for that year are closed out and amounts final.

Admin Fee Account	
Fund Balance 5/1/2014	\$2,784,829
Additional Fees Projected thru 7/1/15	\$450,000
Fund Balance Projected at 7/1/15	\$3,234,829

Total Loan Program Funds Projected thru SFY15 Excludes ARRA 2009 Funds (Obligated + Unobligated)			
	Federal	State	Total
FFY 97 Cap Grant	\$10,399,392	\$2,511,760	\$12,911,152
FFY 98 Cap Grant	\$5,505,827	\$1,424,260	\$6,930,087
FFY 99 Cap Grant	\$6,045,972	\$1,492,760	\$7,538,732
FFY 00 Cap Grant	\$6,241,580	\$1,551,400	\$7,792,980
FFY 01 Cap Grant	\$5,856,754	\$1,557,820	\$7,414,574
FFY 02 Cap Grant	\$6,264,100	\$1,610,500	\$7,874,600
FFY 03 Cap Grant	\$6,593,314	\$1,600,820	\$8,194,134
FFY 04 Cap Grant	\$6,391,744	\$1,660,620	\$8,052,364
FFY 05 Cap Grant	\$6,394,868	\$1,657,100	\$8,051,968
FFY 06 Cap Grant	\$6,129,679	\$1,645,860	\$7,775,539
FFY 07 Cap Grant	\$6,031,592	\$1,645,800	\$7,677,392
FFY 08 Cap Grant	\$6,088,847	\$1,629,200	\$7,718,047
FFY 09 Cap Grant	\$5,747,505	\$1,629,200	\$7,376,705
FFY 10 Cap Grant	\$9,976,155	\$2,714,600	\$12,690,755
FFY 11 Cap Grant	\$6,922,230	\$1,884,160	\$8,806,390
FFY 12 Cap Grant	\$6,842,540	\$1,795,000	\$8,637,540
FFY 13 Cap Grant	\$6,420,170	\$1,684,200	\$8,104,370
FFY 14 Cap Grant	\$6,817,275	\$1,769,000	\$8,586,275
Total Tier 1 Funds	\$120,669,544	\$31,464,060	\$152,133,604

See Section 9.3 for a list of funding commitments for all pending loan approvals for prior years' projects.

4.7. DWSRF and CWSRF Transfer

The Safe Drinking Water Act Amendments of 1996 (Section 303) allow a state to transfer up to 33% of the DWSRF capitalization grant from the DWSRF to the Clean Water State Revolving Fund (CWSRF) or an equivalent amount from the CWSRF to the DWSRF. This transfer is at the Governor's discretion. Vermont does not intend to transfer any money between these funds, although the right is reserved to do so at a later date.

5. Priority Ranking System

The State of Vermont will continue to use a point system to prioritize the order in which eligible water supply projects that are ready to proceed will be financed. To be eligible, projects must maintain or facilitate compliance with the drinking water regulations or further the protection of public health. The projects must also be needed and the proposed type, size and estimated cost of the project must be suitable for its intended purpose. Additionally, the water system must have or will have the technical, financial and managerial capability to operate the system in compliance with federal and state law and the system must not or will not be in significant noncompliance with the regulations. Projects on the list should anticipate needing the estimated funding during the 2015 construction season. Projects will be phased if appropriate. Projects for final design are expected to submit a loan application together with a draft engineering services agreement prior no later than March 1, 2015 to allow time for executing a loan prior to April 17, 2015, which would ultimately secure the project *Continuing Status* on the following FFY15 Project Priority List. Projects requesting construction funds are expected to advertise for bids and initiate construction prior to the end of calendar year 2015.

Priority in funding will be given to projects that address the most serious risk to human health, are necessary to ensure compliance with the requirements of the Safe Drinking Water Act (SDWA) and the Vermont Water Supply Rule (WSR), and assist systems most in need according to State affordability criteria. Examples of projects that might meet these goals include repairing or replacing aged infrastructure (e.g., install or replace/upgrade treatment, storage, or transmission facilities), water system restructuring such as consolidation of systems, or management changes to ensure technical, managerial, and financial capabilities of the water utility. Projects not eligible include operation and maintenance costs, future growth, fire protection, and laboratory fees for monitoring.

Municipal projects to purchase land or conservation easements for the purpose of protecting public drinking water supplies and planning projects are also prioritized using this system. Separate priority lists will be maintained for each of the loan types.

5.1. Priority Ranking System Scoring Criteria

There are seven criteria used to prioritize projects. The criteria used will be determined based on the loan fund used to fund the project. Criteria one through five and seven (Section 5.1.1 through Section 5.1.5 and 5.1.7) will be used for the Revolving Loan Construction Fund and Planning Loan Fund and criteria 3 through 6 (Section 5.1.3 through Section 5.1.6) for the Source Protection Loan Fund.

The priority ranking system scores projects based on information submitted by water systems and from information in the DWGWPD files. The seven criteria are:

1. System facility deficiencies to be corrected by the project (a weighting factor of 1.2 is

- applied for eligible schools and childcare facilities).
- 2. Physical consolidation of water systems.
- 3. Financial need/affordability.
- 4. Population.
- 5. Downtown center preference.
- 6. Source protection (only applies to Source Protection Loans funded thru the LASRF).
- 7. Security improvements.

Priority points assigned to projects are computed in the manner described below. Projects to extend existing water systems or develop new water systems to replace contaminated non-public water sources are assigned points based on documented information on water facilities serving a majority of the homes to be served. Points for such projects are only awarded for System Facility Deficiencies (Criteria 1, Section 5.1.1) and must satisfy the EPA requirement of addressing significant threats to public health.

5.1.1. System Facility Deficiencies

The points assigned to each required improvement reflect the relative public health risk and compliance concern of the deficiency being corrected. Points are awarded for the deficiency corrected by the project that addresses the highest health risk and compliance concern, and represents a significant portion of the total project cost. The Secretary may phase projects for priority scoring purposes when more than one deficiency is being corrected, the associated costs of correcting each deficiency is significant, and the relative public health risk and compliance concern of the deficiencies are significantly different. A weighting factor of 1.2 will be applied to the system facility deficiency category for qualifying schools and childcare facilities, because the people served by these types of facilities are considered to be at higher risk. Starting with the FFY15 Project Priority List, the DWSRF Program will apply a weighting factor of 1.2 to the system facility deficiency category for any public community water system seeking funding for the highest priority construction project identified using a State-approved asset management program. Priority points are awarded for the following deficiencies:

	Deficiencies	Points	Description
A	Microbiological Contaminated Source	120	Project will replace a documented contaminated source.
B	Contaminants above MCL	120	Project will correct a deficiency resulting in water being delivered to consumers exceeding an MCL. This project may be a new source, replacement of contaminated equipment, piping, or treatment.
C	Unapproved source of water	110	Water system is routinely using a non-Drinking Water and Groundwater Protection Division permitted water source that requires a boil water or do not drink advisory. The project may include a new source or approval of the existing unapproved source.

	Deficiencies	Points	Description
D	Action level above DOH and DEC established levels of concern for eight chemicals (benzene; carbon tetrachloride; vinyl chloride; dibromochloropropane (DBCP); 1,2 dichloroethane; 1,2 dichloropropane; hexachlorobenzene, and tetrachloroethylene)	100	Points will also be awarded for other chemicals when DOH expresses a similar level of concern. Project may include new source, treatment or removal of contamination source.
E	Inadequate filtration performance	100	Documentation of inadequate performance should be available. This deficiency applies to filtration to control microbiological contamination or treatment to reduce an MCL contaminant. Inadequate filtration or other equipment to control secondary contaminants does not meet this criterion.
F	No treatment under influence of surface water	95	These points are awarded in those instances when a source has not been determined to be microbiologically contaminated; a) applies in those cases.
G	Inadequate chlorination or disinfection facilities	95	These points would be awarded to projects where water systems are required to continuously disinfect and maintain chlorine contact time. A project to provide equipment, controls or storage for the contact time could receive these points.
H	Daily or routine water shortages	95	These shortages should require either water conservation measures by customers, water hauling or use of an emergency source.
I	Lack of standby disinfection facilities	90	These points could be awarded for all community and non-transient non-community (NTNC) water systems without these facilities.
J	Finished storage vulnerable to contamination	90	These points could be awarded to correct a deficiency such as a reservoir with a leaking roof or within a building that is not insect or rodent proof.
K	Lead and Copper corrosion control	80	These points may be awarded for treatment systems needed to correct lead and copper corrosion control problems.
L	Contamination below MCL	80	These points may be awarded if the project is being undertaken to treat or eliminate contamination of a regulated contaminant below an MCL.

	Deficiencies	Points	Description
M	Seasonal water shortages	70	These points may be awarded if a water system experiences water shortages seasonally requiring hauling or water conservation measures. Improvements may include new source, increases in pump sizes or mains or treatment facilities, or replacement of leaking water mains.
N	Routine pressure below 20 psi in distribution system	70	Points may be awarded if pressure falls below 20 psi regularly on a weekly basis. Project may include storage, pumping, source, distribution or transmission facilities.
O	Source vulnerable to PSOCs	60	Points will be awarded if project is being undertaken to eliminate potential sources of contamination of a water source.
P	Pressure under 20 psi during fire flow	60	Points may be awarded if pressures will drop below 20 psi in the distribution system during system expected fire flows. Project may involve storage, transmission, pumping or distribution facilities.
Q	Redundancy of critical components	50	Points may be awarded if project will provide redundant facilities such as pumps, sources, storage or treatment facilities.
R	Iron, manganese, and other secondary contaminants	50	Points may be awarded if project will eliminate or minimize secondary contaminant problems. Project may involve replacement of piping, treatment facilities or new source.
S	Inadequate finished storage construction	50	Points may be awarded to replace or repair storage facilities. Routine operation and maintenance costs are not eligible.
T	Inadequate transmission main	40	Points may be awarded to repair or replace transmission mains. Routine operation and maintenance costs are not eligible.
U	Inadequate finished storage capacity	40	Points may be awarded to provide additional storage capacity.
V	Inadequate pumping facilities	30	Points may be awarded to replace or repair pumping facilities. Routine operation and maintenance costs are not eligible.
W	Lack of reserve capacity	30	Points may be awarded to provide system reserve capacity recommended by the Water Supply Rule. Project may include source, pumping, transmission mains or treatment facilities.
X	Inadequate cross-connection control	30	Points may be awarded to correct existing or potential cross-connection problems.

	Deficiencies	Points	Description
Y	Inadequate distribution facilities	20	Points may be awarded to replace or repair distribution facilities. Routine operation and maintenance costs are not eligible.
z	Inadequate backwash	20	Points may be awarded to correct inadequate back wash facilities. Projects may include pumping, storage, and backwash disposal facilities.
aa	Routine distribution pressure below 35 psi	20	Points may be awarded if project will correct distribution system pressures below 35 psi. Project may include pumping, storage, or distribution facilities.

5.1.2. Physical Consolidation of Water Systems

The physical consolidation of small water systems is a major factor in the capability of small systems to protect public health and comply with Safe Drinking Water Act regulations. The following points will be awarded to projects that consolidate systems. Higher points are awarded to projects that will have a greater positive impact on compliance and protecting public health. Points are awarded for only one of the four sub-criteria. Points for this criterion are not awarded for projects primarily intended to extend existing or create new water systems.

Description (points received for 1 of the 4 areas only)	Priority Points
Consolidation of interconnection of community system lacking capacity	20
Consolidation or interconnection of community system	15
Consolidation or interconnection of NTNC systems	10
Consolidation of interconnection of TNC systems	5

5.1.3. Financial Need/Affordability

Affordability only considers income because it is the most fundamental predictor of a household's ability to pay and is represented by the median community household income statistic. Affordability is based on a comparison of state community median household income (SCMI) to the median household income (MHI) of the water system or of the town(s) in which the system exists. The SCMI figure is \$61,470 ($\$38,394 \times 1.04^{12}$) based on the 2000 federal census and inflated 4% per year beginning with the FFY 03 priority list. For water systems that encompass more than one town, the MHI is based on the weighted number of household connections in each town if the MHI is to be based on town figures. The formula for affordability involves first dividing the community water system MHI by the SCMI (\$61,470), and then multiplying this figure by one hundred (100) to yield a percentage. Different percentage brackets are then assigned points. Points for this criterion are not awarded for projects primarily intended to extend existing or create new water systems.

Affordability (Community MHI/SCMI x 100 = X)	Priority Points
X < 60	35
60 < X < 70	25
70 < X < 80	15

80 < X < 90	10
90 < X < 100	5
100 < X < 120	2
X > 120	0

5.1.4. Population Criteria

Priority points will be assigned to the system based on population. Small systems are generally at a disadvantage because of economies of scale (affects ability to do physical improvements, improve system capacity, etc.); projects for small systems have a greater impact on protecting public health and compliance with regulatory requirements than projects for larger systems.

Population	Priority Points
25 to 100	20
100 to 200	15
200 to 300	10
300 to 500	5
500 to 3300	3
> 3300	0

The point values for population will be multiplied by a factor of 3 for the set-aside planning loan fund to give higher priority to small systems. Population used for assigning points will be total population served including seasonal population. Populations for unserved areas will be total estimated population of the geographical area to be served. Points for this criterion are not awarded for projects primarily intended to extend existing or create new water systems.

5.1.5. Downtown Area Preference

The points assigned for this factor will give minimal priority to projects that improve service to designated downtown areas.

Downtown Area Preference	Priority Points
Project improves service to a designated downtown area	5

5.1.6. Source Protection Loan – Land Purchase or Conservation Easement

Sources must have an approved hydrogeologically delineated Source Protection Area and an approved Source Protection Plan prior to loan approval.

- a. Land location points are not additive. Points for the highest applicable improvement are counted.

Land Location	Priority Points
Project achieves isolation zone control	40
Project achieves primary recharge zone control	10

- b. Potential Sources of Contamination (PSOCs) addressed. Points are not additive, and are awarded for the highest applicable improvement.

PSOCs addressed	Priority Points
Project addresses microbiological PSOCs	20
Project addresses nitrate PSOCs	15
Project addresses primary inorganic or organic PSOCs	10

5.1.7. Security Projects

Projects receiving technical points “a” through “aa” above will be awarded the following additional points if the project includes security improvements.

Security Projects	Priority Points
Project is strictly a security improvement project.	20
Points may be awarded if project includes security improvements to water system infrastructure. Project may include fencing and gates, alarm and detection systems, lock systems or other security type improvements necessary for critical infrastructure protection.	5

5.2. Refinancing of Existing Facilities

The DWSRF construction loan program may be used to buy or refinance municipal debt including all obligations for DWSRF eligible projects. Under federal law, privately owned systems (both profit and nonprofit) are not eligible for refinancing. The long-term debt must have been incurred and construction must have started after July 1, 1993 to be eligible for refinancing. The use of DWSRF funds are intended to be first directed at proposed projects that address ongoing compliance problems or public health risks.

State legislation allows for loans to systems that incurred debt and initiated construction after April 5, 1997 at interest rates and terms comparable to those for new projects. Projects that have initiated or completed construction in accordance with DWSRF environmental and procurement requirements will receive priority ranking using the procedure described for new projects for the next two annual priority lists compiled following the initiation of construction. All other applications to refinance existing debt or fund completed construction will not be considered.

5.3. Construction Loan Fund Priority List

The fund provides construction loans to municipalities and certain privately-owned water systems for planning, design, construction, and repairing or improving public water systems to comply with State and Federal standards and protect public health. The projects that are ready to proceed in the Federal fiscal year October 1 - September 30 are assigned points in accordance with the Priority Ranking system scoring criteria. Project funding is based on priority score and the following considerations:

5.3.1. Projects Partially Funded in Prior Year

Projects that receive partial funding from the construction loan fund prior to April 17, 2015 will receive *Continuing Status* and be placed at the top of the FFY15 Project Priority List. If there is more than one such project, priority order of these projects will be determined by priority score. Partial funding includes final design and/or partial construction. Planning and feasibility study loans are not considered partial funding. The water system must have submitted a loan

application and Facilities Engineering Division funding commitments must be made prior to April 17, 2015 to receive Continuing Status consideration; projects that have received in excess of \$9 million for construction costs are not eligible.

5.3.2. Commingling of New Projects with Continuing Projects

At the Department's discretion, Continuing projects will be commingled with new projects receiving technical priority points in the categories A., B., and C. listed in Section 5.1.1, i.e., for a microbiological contaminated source, 120 points; contaminants above MCL, 120 points; and unapproved source of water, 110 points, respectively. New projects with technical points in one of these three categories will be commingled with continuing projects based on the total amount of points available for the project. The projects will be funded in priority order.

5.3.3. Tie Breaking Procedure

When two or more projects score equally under the project priority system, the higher total score under the system facility deficiencies criteria will be used as a tiebreaker. If the projects are still tied, the system serving the lowest population will be given priority.

5.3.4. Amendments

The state revolving fund priority list may be amended up to twice a year to consider updated or new information from water systems. A public participation process will be followed for any amendments to the priority list.

5.3.5. Funding Cap

All three loan funds have maximum annual funding limits. No more than the following amounts of funds available in any given year can go to a single project, except when there is a surplus of funds, or when the Secretary specifically approves an exception.

Loan Fund	Funding Cap
Construction Loan Fund	\$3,000,000
Source Protection Loan Fund	\$250,000
Planning Loan Fund	\$150,000

5.3.6. Bypass System

It is the intention of the state of Vermont to adhere to the priority list to the maximum extent possible. However, there are certain funding limits that could result in changes to the list. Also, the state recognizes that some systems may not be ready to proceed or emergency events could occur that would necessitate systems being bypassed in a given funding year. Anticipated Loan Recipients with a total cost of projects that does not exceed the estimated funds available during the fiscal year are identified in the Intended Use Plan.

5.3.7. Bypassed Projects

Bypassed projects in any given year may be eligible for funding in the next funding year. The projects will be considered for the following year's project priority list. Updated information on project plans and scheduling will be required. Projects that will be bypassed will receive formal written notification in advance of being bypassed.

Programs funded under the technical assistance and the local assistance set-aside will be used to assist bypassed systems with pre-project activities required for project approval and funding.

5.3.8. Bypass Mechanisms

5.3.8.1. Small Water Systems

A minimum of 15 percent of the DWSRF monies must go to systems serving fewer than 10,000 persons. Meeting this minimum funding requirement should not be a problem in Vermont since all but seven systems serve a population of fewer than 10,000 people. However to ensure compliance with this item, the projects on the list serving more than 10,000 people will be bypassed in any given year by the highest priority projects serving fewer than 10,000 people as necessary to meet the 15% funding requirement for the Anticipated Loan Recipients.

5.3.8.2. Private Water Systems

A maximum of 20 percent of the available funds can go to privately owned water systems. If necessary, privately owned water system projects on the list will be bypassed to comply with the 20% limitation for Anticipated Loan Recipients.

5.3.8.3. Financial Capacity or Readiness

Systems that have not demonstrated financial capacity (e.g., positive bond vote) or are not ready to proceed (i.e., do not meet schedules approved by the Department of Environmental Conservation such as feasibility and engineering studies, final design, construction or signed agreements) may be bypassed in any given funding year. Starting with the 2014 IUP, the DWSRF Program will be requiring PER submittal by the end of calendar year 2014, voter approval by March 31, 2015, and a project start by December 31, 2015. When projects not meeting the eligibility guidelines are bypassed, the highest priority projects not identified as Anticipated Loan Recipients will become eligible for funding, utilizing the monies made available. In general, new funding commitments will not be made after September 30th of the funding year. Any uncommitted funds identified after September 30th can be awarded to those projects outside the fundable range that have notified FED in writing prior to April 17, 2015 of project readiness and determined by FED to meet readiness-to-proceed criteria. Such additional projects will be funded in priority order. Any remaining funds will be used to fund projects on the following year priority list.

5.3.8.4. Disadvantaged Community

When grant awards limit loan subsidy, disadvantaged communities can elect to be bypassed if they are not able to receive loan subsidy because an annual maximum has been reached, which with most grants is 30%, exceptions being the ARRA 2009, the 2010, and 2011 federal grants. The highest priority project(s) not identified as Anticipated Loan Recipients will then be selected for funding up to the dollar amount allocated to the bypassed project. Lack of funding does not alter the obligation of the bypassed system to comply with the SDWA and WSR regulatory requirements.

5.3.8.5. Emergencies

Systems either on or off the Priority List that experience an emergency resulting in an

imminent and substantial threat to the public health may bypass all other projects and may be assigned top priority. Emergency additions to the Priority List will result in the lower priority projects identified as Anticipated Loan Recipients being bypassed. The number of projects bypassed will depend upon the amount of funds needed to cover the emergency. Projects that may be required to address such a health risk could involve installation of treatment facilities, construction of a new water source, or replacement of a failed system element.

5.3.9. Minor Changes to Fundable Projects

Once a project is determined to be fundable, minor scope changes that occur during project development or during construction may be eligible without having to re-rank the project. This will be acceptable provided the project scope includes correction of the facility deficiency that was the basis for the points awarded to the project on the adopted list.

5.4. Planning Loan Fund

The planning loan fund provides loans to municipalities and privately owned non-profit community water systems (other privately owned water systems are not eligible) for preparation of preliminary engineering planning studies and final engineering plans and specifications for water system improvement projects. The maximum annual loan amount for planning loans is \$150,000, except when there is a surplus of funds or the Secretary specifically approves an exception. Note: the planning loan fund is currently at surplus so loan amounts exceeding the cap can be approved. Priority list applications for planning loans may be submitted at any time for projects that are ready to proceed. Proposed projects that are ready to proceed are assigned points in accordance with the priority ranking system scoring criteria and available funds are used to fund the projects with the highest scores. Initial funding commitments for new funding will be made based on priority list applications received on or before October 1st. Additional projects are funded in priority order as funds become available. Water systems are given 60 days to submit loan applications following notification of available funds. Additional time to submit applications based on a project schedule approved by the Facilities Engineering Division may be authorized by the DWSRF Program Manager. Expenditures by the applicant prior to fund commitment by the Department are not loan eligible. Assigning points and prioritization of planning loans will only be implemented when planning loan requests equal the current balance of unobligated funds, consisting of prior years' allocations, loan repayments plus fund interest.

5.4.1. Planning Loan Forgiveness

Under certain circumstances up to \$50,000 of the unpaid balance of a planning loan to a municipality may be forgiven by the Secretary. Potentially eligible preliminary engineering and design cost forgiveness will be determined by DEC using DEC guidance documents (Engineering Fee Allowance Curve) and the completed documented construction cost eligible for revolving loan funds. *Please note that forgiveness criteria will be modified in the near future (see Section 7.4).* Procedures and eligibility criteria for planning loan forgiveness are detailed in a Drinking Water and Groundwater Protection Division guidance document.

5.4.1.1. General Eligibility Criteria

- 1) The system must demonstrate capacity.
- 2) The system must be in compliance with the Water Supply Rule including any temporary operating permit or other compliance schedule.

- 3) The system must be current on fee payments.
- 4) A construction permit must be issued and the requirements must be satisfied including O&M manual and as-built requirements.
- 5) The loan funding agreement must be signed following the effective date of legislation authorizing loan forgiveness (June 16, 2001).

5.4.1.2. Specific Eligibility Criteria

Projects must meet at least one of the criteria below to qualify for forgiveness.

- 1) Construction of the project was completed using non-Drinking Water State Revolving Loan Funds (DWSRF) and the project did not receive other state appropriated funds for project costs.
- 2) If the project serves a small population, the maximum forgiveness shall be \$25,000. Projects for systems serving populations of 300 or fewer shall receive 100 percent of eligible forgiveness. The percent eligible for forgiveness for systems serving 300 to 500 populations shall be reduced by 0.5% for an increase of one in the design population. Systems serving populations of 500 and above will not be eligible for any forgiveness under this criterion.
- 3) User rates exceed 2% of the median household income. The amount of forgiveness will be determined by increasing the forgiveness until the 2% target, the \$50,000 maximum, or the amount of the unpaid balance is reached. The annual planning loan cost to the municipality will be determined using construction loan terms and interest rates for DWSRF funded projects.

5.5. Source Protection Fund

The source protection fund provides loans to municipalities (privately-owned water systems are not eligible) for purchasing land or conservation easements in order to protect public water sources and ensure compliance with drinking water regulations. Priority list applications for land purchase or conservation easement projects may be submitted at any time for projects that are ready to proceed. The proposed projects are assigned points in accordance with the Priority Ranking System Scoring Criteria; projects are funded in priority order when funds become available. Water systems are required to submit a project schedule for approval by the Drinking Water and Groundwater Protection Division within 30 days of notification of available funding.

6. Information on Set-asides

The State of Vermont plans to set aside \$2,027,725 (22.93%) 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 SDWA provides guidance for a variety of uses of the set-aside money. The set-aside money will be placed in separate accounts outside the Project Fund. The SDWA allows for transfers between the set-aside accounts, and from the Set-aside Account to the Project Fund Account, but not from the Project Fund Account to the Set-aside Account. The set-aside amounts and Project Fund amounts are the current best estimates of the funds required to complete the programs and

projects described in the IUP. Transfers of funds between accounts and projects in accordance with EPA requirements will be made as necessary to accomplish the programs and projects described and efficiently and effectively use the available funds. The SDWA limits the percentage of the capitalization grant that can be used in each of these set-asides and whether the set-aside funds can be “banked” or reserved for future use.

6.1. DWSRF Administrative Set-aside

Up to 4% of the capitalization grant can be used for the DWSRF Administrative Set-aside. The full 4%, \$353,800, will be taken for the various uses described below. The maximum 4% administrative set-aside has been taken each year. Expenditures are made from the earliest fiscal year funds available. Total administrative set-aside funding awarded through July 1, 2014 (inclusive of ARRA 2009 funds) is \$6,718,900. With the award of the FFY14 funds, the total will be \$7,072,700

The set-aside will be used to pay for approximately 3.0 FTEs within the Facilities Engineering Division to support their role in project development and financial management of the DWSRF. Project development activities include reviewing engineering contracts, ensuring that state and federal guidelines are followed, monitoring and approving funding obligations, environmental reviews, project approvals, preparation of the IUP and grant applications, preparation of reports, and legislative testimony in support of the state match. Financial management activities include coordination/preparation of loan documents, maintaining project financial records, approving loan disbursements, completing project audits, inspections, managing loan closeouts, monitoring loan repayments, managing compliance with Federal Cross-cutting Authorities, and general program accounting. Additional FTEs performing work in the DWSRF Program are funded through other sources.

As part of the financial administration required by Vermont Statute and federal guidelines, set-aside funds will be used for financial administration of the DWSRF. This money will go to other state agencies or authorities in accordance with Memoranda of Understandings contained in the FFY97 Capitalization Grant Application and subsequently amended. Briefly, these organizations consist of the Vermont Municipal Bond Bank, which is responsible for the overall fund and is a party to all loan awards to municipal applicants, and the Vermont Economic Development Authority, which is responsible for conducting creditworthiness reviews of loan applicants for privately-owned water systems and is a party to those loans.

6.2. State Program Management Set-aside

Up to 10% of the capitalization grant can be used for the DWSRF Program Management Set-aside, plus up to the amount of authority reserved from prior capitalization grants. The state is requesting to take \$884,500 or the full 10% of the grant for the Program Management Set-aside. The State Program Management Set-aside can be used to fund a variety of SDWA required programs, including emergency support and various federal Public Water Supply Supervision programs. This year’s Program Management Set-aside funds will be used to fund Drinking Water and Groundwater Protection Division personnel costs.

6.2.1. DWGWP Division Personnel Costs

Amount - \$884,500

The money will provide funding for approximately 6.24 FTEs and associated operating costs.

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.

6.2.2. Continued Activities Using Prior Year Funds

A number of programs described and funded under prior IUPs are still active but do not require additional funding this year. These include Drinking Water and Groundwater Protection Division owner/operator communications, group training and one-on-one technical assistance, Public Service Board user rate setting assistance, board member/owner's manual, consolidation assistance, emergency support, electronic permits & fees, IT support, DWGWPD personnel and operating expenses. If limited additional funding is required for some of these programs, funds will be transferred between the various program management set-aside activities.

6.3. *Small Systems Technical Assistance Set-aside*

The State of Vermont has chosen to take the allowed 2% of the DWSRF for the Small Systems Technical Assistance Set-aside and continue activities initiated with the FFY 97 Capitalization Grant. The state is requesting the full amount of FFY14 funds available for this set-aside, or \$176,900. These funds will be combined with the funds remaining from previous grants to provide technical assistance to small public water systems.

6.3.1. Water System Operator Training Contract

Amount - \$125,000

We are proposing to allocate \$125,000 for 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. The current contract for these services expires April 30, 2015 and this allocation will ensure there will not be a gap in training services provided.

6.3.2. Asset Management and Direct Technical Assistance

Amount - \$51,900

This money will primarily fund DWGWPD personnel's involvement in creating a water system asset management training program in Vermont as well as providing on-going assistance to public water system officials as they implement their program. Funding for the training program comes from previous Technical Assistance Set-aside grant allocations (FFY11 & FFY13) but this new allocation is to support staff time in the development and implementation of the program. Additionally, a portion of this allocation will be used by engineering and operations staff in the DWGWPD to provide other forms of direct technical assistance to public water systems.

6.3.3. Continuing Activities

Past years' funds will be used for a number of programs described in prior IUPs, which include the operator training contract with the VRWA, possible resumption of a multi-year engineering contract to provide operational troubleshooting assistance to small water systems, income surveys, archeological, leak detection surveys, flood vulnerability and emergency preparedness assessments, energy and water conservation audits, asset management assistance, and other forms of direct technical assistance to small public water systems.

6.4. Local Assistance and other State Programs Assistance Set-asides

States are authorized to take up to 15% of the capitalization grant for this set-aside. The authorized activities under this set-aside include a land acquisition and conservation easement loan program, a voluntary source water quality protection efforts loan program, establishment and implementation of a wellhead protection program, and technical and financial capacity implementation. No more than 10% of the capitalization grant can be used for any one of these authorized activities. The State of Vermont is requesting to take \$612,525 for this set-aside, which is 6.93% of the capitalization grant.

6.4.1. Capacity Implementation

Capacity implementation includes a variety of activities to support the development and implementation of technical, financial, and managerial capacity for public water systems. The Drinking Water and Groundwater Protection Division will allocate \$528,315 of the FFY14 grant to provide this assistance.

6.4.1.1. Outreach, Communication, and Training

Amount - \$10,000

We are proposing to allocate \$10,000 to enhance outreach, communication, and training specific to our capacity development initiatives. Activities could include updating the capacity development website to be more interactive, creating program fact sheets, re-instating the newsletter and other forms of outreach to the regulated community, webinar development, and board member training. The over-arching goal of this activity is to help decision makers manage their water systems more efficiently, and to help improve communication between decision makers and water system operators.

6.4.1.2. Capacity Positions

Amount - \$293,315

With the FFY14 grant we are proposing to allocate \$113,000 to fund personnel in the Geology Division for their effort in groundwater mapping to benefit public water systems. This was a new form of capacity assistance starting with the FFY13 grant and will be continued this year. The balance of \$180,315 will be allocated to fund ongoing capacity activities as described below, which will fund approximately 2.6 FTEs and associated costs.

6.4.1.3. Asset Inventory and Criticality Program

Amount - \$225,000

We are proposing to initiate an asset inventory and criticality program in which a contractor or temporary position will lead an effort with participating water systems to create an inventory of short and long-term assets and assign criticality for each asset. The inventory is envisioned to serve as the foundation for an asset management plan, which will result in a prioritized list of water infrastructure improvement projects. Full payout on each grant will rely on an in-kind match from the participating water system in the form of documented hours paid for an employee(s) who trains with and perform tasks under the guidance of the contractor.

6.4.1.4. Planning Loan Program

Amount - \$0

The State of Vermont does not intend to capitalize this account with FFY 14 grant funds as there is a sustainable loan balance to meet our planning loan demand until at least the next capitalization grant.

Summary of Planning Loan Set-aside Amounts	
Funding Year	Amount
FFY98	\$534,195
FFY99	\$300,000
FFY00	\$200,000
FFY01	\$500,000
FFY02	\$250,000
FFY03	\$225,000
FFY04	\$225,000
FFY05	\$225,000
FFY06	\$300,000
FFY06 (Transfer from Source Protection Loan Fund)	\$632,515
FFY07	\$450,000
FFY08	\$500,000
FFY09	\$500,000
FFY10	\$1,153,705
FFY11	\$542,330
FFY12	\$516,960
FFY13	\$427,050
FFY14	\$0
Subtotal	\$7,481,755
Cumulative Net Other Funds 6/30/14 (repayments, interest, miscellaneous)	\$5,187,140
Projected Repayments thru SFY15	\$300,000
Total Funds Projected Received at 7/1/2015	\$12,968,895
Total Commitments at 6/30/2014	\$8,317,286
Projected Commitments SFY15	\$850,000
Total Commitments Projected at 7/1/15	\$9,167,286
Projected Available at 7/1/15	\$3,801,609

6.4.1.5. Ongoing Capacity Activities

Ongoing activities with prior year's funds include the Drinking Water and Groundwater Protection Division newsletter, the Source Protection Loan Program, asset management assessments contracts, engineering contracts to prepare O&M manuals, public water system groundwater mapping and other forms of technical assistance to public water systems.

6.4.2. Wellhead Protection Program

Amount - \$84,210

We are proposing to continue the funding of positions to implement the groundwater portion of the Source Water Protection Program. We are seeking to provide funding for approximately 0.52 of an FTE and associated costs. The funding for surface water protection activities

performed by these positions is funded under the Program Management Set-aside. This program includes the review and approval of Source Protection Plans, creating and reviewing Source Water Assessments, reviewing Source Protection Plans as part of the Phase II/V waiver review process, and outreach and assistance on source protection.

6.5. Summary of DWSRF Set-asides for FFY2014

DWSRF Set-asides for FFY14		
Set-aside (Maximum %)	Funds Allowable	Grant Request
Administration (4%)	\$353,800	\$353,800
Technical Assistance (2%)	\$176,900	\$176,900
Program Management (10%)	\$884,500	\$884,500
Local Assistance (15%)	\$1,326,750	\$612,525
Totals	\$2,741,950	\$2,027,725

DWSRF Set-asides Summary (Includes ARRA 2009 Funds)					
Set-aside	Prior Years' Funds	Current Year FFY14 Funds	Total with FFY14 Funds	Expended (drawn) as of 5/1/2014	Unexpended (drawn) as of 5/1/2014¹
Administration	\$6,718,900	\$353,800	\$7,072,700	\$6,258,662	\$814,038
Technical Assistance ²	\$2,899,330	\$176,900	\$3,076,230	\$2,153,320	\$922,910
Program Management ³	\$13,857,967	\$884,500	\$14,742,467	\$10,837,327	\$3,905,140
Local Assistance	\$12,236,834	\$612,525	\$12,849,359	\$9,163,077	\$3,686,282
Totals	\$35,713,031	\$2,027,725	\$37,740,756	\$28,412,386	\$9,328,370

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 Vermont has reserved the right to take additional technical assistance funds from future grants totaling \$462,920, based on deferred authority from ARRA FFY09 for \$300,000 plus FFY2008 for \$162,920.

³ Vermont has reserved the right to take additional program management funds from future grants based on the following authorization balances from prior grants:

FFY97:	\$669,258
FFY98:	\$592,130
FFY99:	\$226,380
FFY00:	\$275,700
FFY01:	\$48,910
FFY03:	\$177,410
ARRA FFY09:	\$1,730,000
Less Prior Transfer:	<u>\$(780,505)</u>
Total:	\$2,939,283

Note 1: The above ARRA Program Management (PM) Set-aside amount is \$1,730,000, which is the sum of \$975,000 plus a transfer of \$755,000 of unexpended Project Management Set-Aside funds to the Fund.

Note 2: The FY97 banked authority was \$1,105,880, but has been reduced by \$178,422 to the amount shown to reflect amendment to the 2009 grant, which was increased by \$222,387, \$43,965 of which was within the 10% allowable from the 2009 grant.

Note 3: The FY97 banked authority was further reduced with the FFY11 IUP from \$927,458 to \$669,258 (a decrease of \$258,200) to enable increased request above the 10% limit of the FY11 Program Management Set-Aside.

7. Program Changes

7.1. Preliminary Engineering Report Template

The DWSRF will require the use of the Interagency Preliminary Engineering Report template, dated January 16, 2013, for all projects funded through the DWSRF Program. For small water system improvement projects with a limited scope, DWSRF staff may waive some or all of the portions of the report template that do not apply to the specific application process. A copy of the report template can be found on the Facilities Engineering Division's website or by contacting DWSRF staff.

7.2. Short-lived Asset Replacement Reserve Fund

The DWSRF Program brought up for discussion during the 2013 IUP Public Hearing implementing a requirement for all loan recipients to develop a short-lived assets reserve table, make an annual payment to a reserve fund based on the short-lived asset table, and verify deposits to the reserve fund on an annual basis. The DWSRF Program will seek stakeholder comment in late 2014 and implementation (including a start date) will be detailed in revisions to our guidance documents.

7.3. Readiness-to-Proceed Criteria

Due to a national focus on reducing unliquidated obligations (ULO) and consistent with our ULO reduction strategy, the DWSRF Program will be setting more stringent readiness-to-proceed criteria to get on or remain on the fundable priority list. Starting with the 2014 IUP, we will be requiring PER submittal by the end of calendar year 2014, voter approval by March 31, 2015, and a project start by December 31, 2015. These three milestones will need to be agreed to on the project timeline due one month after receiving funds availability letters in September 2014. Starting with the 2015 IUP, PER submittal and voter approval may be necessary to be included in the fundable range of the project priority list.

7.4. Planning Loan Forgiveness

In order to incentivize proactive planning (e.g., asset management) and generate even more construction projects quicker to reflect readiness-to-proceed changes mentioned above, the DWSRF Program is restructuring its planning loan forgiveness program. All changes and implementation (including a start date) will be detailed in revisions to DWSRF Guidance Document #22.

7.5. Asset Management Priority Points

The DWSRF Program will apply a weighting factor of 1.2 to the system facility deficiency category for any public community water system seeking funding for the highest priority construction project identified using a State-approved asset management program. The State believes the incentivizing of these types of projects starting with the 2015 IUP will result in funding better projects and maximize the use of limited state and federal funding for water system improvement projects.

7.6. Engineering Services Agreement Template

The DWSRF Program will accept only FED Simplified Step I/II Service Agreement Templates consistent with its sister CWSRF Program starting September 1, 2014. The DWSRF Program already accepts only the FED Simplified Step III Template for construction engineering services.

7.7. Incorporating Federal Grant Requirements

The following includes some key grant provisions that apply to projects funded with FFY2014 funds.

- Davis-Bacon wage rate requirements will continue to apply to all construction loans on the FFY2014 PPL. This requirement applied for the first time to the ARRA 2009 projects and was subsequently expanded to apply to all projects receiving loan awards after October 30, 2009.
- The Consolidated Appropriations Act of 2014 (Public Law 113-76) includes an "American Iron and Steel (AIS)" requirement that requires Drinking Water State Revolving Fund (DWSRF) assistance recipients to use iron and steel products that are produced in the United States for projects for the construction, alteration, maintenance, or repair of a public water system or treatment works if the project is funded through an assistance agreement executed beginning January 17, 2014 (enactment of the Act), through the end of Federal Fiscal Year 2014. Note that this requirement may be extended into the future through subsequent federal legislation.
- All loan recipients must obtain a D-U-N-S number prior to receiving a loan to enable the state to satisfy Federal Funding Accountability and Transparency Act (FFATA) requirements. DWSRF employees will report FFATA information on a monthly basis into the Federal Sub-award Reporting System (FSRS).
- At least 20% but no more than 30%, of the grant funds must be provided in the form of additional loan subsidy.
- Beginning with the ARRA 2009 grant and continuing with the FFY2010 grant and all future grants, all project loans capitalized, at least in part, with these funds are entered in a national database known as Drinking Water Projects & Benefits Reporting, or PBR for short. DWSRF employees enter information into PBR following award of a loan agreement or amendment, generally on a weekly basis.

7.8. Potential Future Changes

The DWSRF is considering a number of potential program changes as outlined below.

- The DWSRF Program is planning to change the data we use to determine the statewide median household income and the median household income of an applicant community. Currently, the data is derived from the 2000 Census and inflated 4% a year starting with the 2003 data. The income information was not updated in the 2010 Census release. Like USDA, the DWSRF Program is planning to adopt the American Communities Survey (ACS) to obtain income data for the program. In Vermont, the ACS data is

collected for each Town and updated every five years. The DWSRF Program will be seeking a statute change during the Spring 2015 Legislative Session to enable the program to use the ACS data.

- The DWSRF Program is strongly considering a change to the method for providing subsidy to disadvantaged communities. The change would eliminate the current negative interest methodology and move towards providing all subsidies in the form of principal forgiveness. The Affordability Subsidy Initiative on the 2012 and 2013 IUPs will serve as the basis for granting principal forgiveness, but establishing the exact amount of subsidy per affordability point will need further analysis before full implementation under the FFY2015 Intended Use Plan, and may require statutory changes to the definition of the term ‘disadvantaged municipality.’
- The DWSRF Program is considering assigning additional points on the construction priority list for projects stemming from flood vulnerability and emergency preparedness assessments. A final decision will not be made until the first round of assessment results are completed and reviewed in late Fall 2014.

8. Public Participation Documents

8.1. *Priority List Solicitation and Public Hearing Announcement*

FY2014 DWSRF Project Priority List and IUP Public Hearing Announcement

April 7, 2014

The Drinking Water State Revolving Fund (DWSRF) provides low interest loans to municipalities and certain privately owned water systems for planning, final design and construction of water system improvements that protect public health and facilitate compliance with the Safe Drinking Water Act (SDWA). The DWSRF is now accepting [priority list applications](#) for placement on the 2014 DWSRF Project Priority List. **The deadline for 2014 priority list applications is Monday, May 12, 2014.**

The remaining schedule for the Federal FY2014 Capitalization Grant award process is as follows:

Deadline for Priority List Applications	5/12/2014
Complete Draft Intended Use Plan (IUP) for the 2014 Grant	5/30/2014
Send out Notice of Draft IUP and Project Priority List Availability	5/30/2014
Hold Public Meeting	6/5/2014
Closeout of Public Comment Period	6/20/2014
Adoption of IUP for 2014 Grant	5/1/2015
Anticipated Grant award (funds available for projects)	5/1/2015

A draft priority list will be available on our [website](#) by the close of the business day on Friday, May 30, 2014. A public meeting to receive comments on the draft priority list and FY2014 Vermont Intended Use Plan will be held on Thursday June 5, 2014 from 11:00 A.M. to 12:00 P.M. in the Winooski Room at the [National Life Building in Montpelier](#), Vermont. The meeting will be held in a wheelchair accessible facility. Upon request, the agency will provide interpreters, listening devices, auxiliary aides or other assistance that may be necessary to make this hearing accessible to all interested parties.

If you have questions about completing the application or the loan program in general, please contact Eric Law at 802-585-4905 or by [email](#). We look forward to assisting you with your infrastructure improvement needs.

Sincerely,



Eric Law, DWSRF Program
Water Infrastructure Financing Programs

8.2. Notice of Availability of 2014 Intended Use Plan for Public Comment



FY2014 DWSRF Draft IUP and Project Priority List May 30, 2014

Please find attached the draft Federal Fiscal Year 2014 (FFY2014) Drinking Water State Revolving Fund (DWSRF) [Intended Use Plan \(IUP\) and Project Priority List](#). For FFY2014 the State of Vermont will have a total of \$15,885,064 of new project funding, section 9 of the document contains the comprehensive construction project priority list. Section 6 of the document outlines the intended uses for \$1,918,620 of new funding in the DWSRF set-aside accounts, which can fund non-construction related activities as authorized by the Safe Drinking Water Act Amendments of 1996.

The Environmental Protection Agency (EPA) is now recommending the spending of grant money within two years of award date and in response, **the DWSRF Program will be setting more stringent readiness-to-proceed criteria to get on or remain on the fundable priority list**. Starting with this IUP, we will be requiring PER submittal by the end of calendar year 2014, voter approval by March 31, 2015, and a project start by December 31, 2015. Below are some key dates systems should keep in mind as your projects develop:

Conduct Public Meeting*	6/5/2014
Closeout of Public Comment Period	6/20/2014
FED Submits Grant Application to EPA	6/27/2014
Funds Availability Letters Emailed	9/1/2014
State Funds for Construction Available	9/1/2014
Successful Bond Vote/RF3 Construction Application Deadline	3/31/2015
Continuing Status/Non-Fundable Letter-of-Intent Deadline	4/17/2015
Federal Funds for Construction Available	7/15/2015

*The public meeting will be held in the Winooski Room at the [National Life Building in Montpelier](#), Vermont from 11:00 A.M. - 12:00 P.M.

In order to incentivize proactive planning (e.g., asset management) and generate even *more* construction projects *quicker* to reflect readiness-to-proceed changes mentioned above, **the DWSRF Program is proposing a restructuring of its planning loan forgiveness program**. Details will be enumerated in the IUP and outlined in Guidance Document #22.

Lastly, the DWSRF Program is considering **awarding additional points on the construction priority list** for public community water systems seeking construction funding for a project to be completed in accordance with an approved asset management program.

If you have questions regarding priority ranking, would like to request a breakdown of priority points, or have general loan program questions, please contact Eric Law at 802-585-4905 or by [email](#). We look forward to assisting you with your infrastructure improvement needs.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Eric Law', with a stylized flourish at the end.

Eric Law, DWSRF Program
Water Infrastructure Financing Programs
Facilities Engineering Division
Department of Environmental Conservation

8.3. Public Comments – Responsiveness Summary

The following responsiveness summary will list questions and comments received during the June 5, 2014 public hearing through the public comment period ending June 20, 2014. Some comments will be edited for brevity/clarity.

Question or Comment	Response
<p>How do current DWGWPD processing times for Preliminary Engineering Reports (PER) and Permits-to-Construct factor into a more aggressive project funding cycle?</p>	<p>A project currently in the fundable range of the FFY14 Project Priority List will remain fundable if a PER is submitted prior to the end of 2014. Since bypassing is linked to the submittal and not the approval of PERs, review time by DWGWPD engineering staff will not impact a project’s funding status. Delays in the review and approval of Permits-to-Construct do not factor in project bypassing. Looking forward to the FFY15 Project Priority List where PER submittal will be a prerequisite for inclusion in the fundable range, the DWSRF Program will again rank and bypass projects based on what a water system has control over rather than what they do not have control over (e.g., regulatory review).</p>
<p>The tighter schedule will in the long run pay off as it will spur towns to move to a bond vote in a timely manner.</p>	<p>The advantages of stricter readiness-to-proceed criteria mentioned in Section 7.3 are three-fold as it should generate more projects quicker, reduce the DWSRF’s unliquidated obligations (ULOs), and moving forward help the DWSRF Program commit federal funds within two years of award. The Program will be closely tracking the effectiveness of these funding eligibility changes on project development.</p>
<p>Why not reward communities saving for distribution and storage improvements in a reserve fund? In many cases this represents most if not all of the system which makes me question the effectiveness of this approach.</p>	<p>In the origination of DWSRF loans, project development staff allow for a short-lived asset reserve fund to be no more than 15% of the total operations and maintenance budget. Water systems fully capitalizing a reserve fund have demonstrated they can meet this 15% maximum threshold without having to resort to waterline, treatment, and storage replacement, which are traditionally paid for with long-term capital financing. The DWSRF Program will take this comment and others into consideration during stakeholder meetings later this year on the implementation of requiring a short-lived asset reserve fund for DWSRF loan recipients starting with the FFY15 Priority List.</p>

	Question or Comment	Response
	<p>Would the short-term asset table and reserve fund need to be established prior to approving the loan? Would there be any long-term monitoring of the fund? USDA-RD has a similar requirement and in our experience contributions to the fund will fall off in time.</p>	<p>Municipal community water systems which currently contribute to a reserve fund are potentially eligible for incentivized loans. There is no requirement nor is there anticipated to be a requirement for a short-lived asset reserve fund to be eligible for an <i>initial</i> DWSRF loan. However, starting with the FFY15 Project Priority List all loan recipients will need to establish a short-lived asset reserve table, create a legal framework for a reserve fund (e.g., board meeting minutes, ordinance, charter, etc.), and agree to account separately for the reserve fund prior to their first loan repayment. The DWSRF Program will consider these comments in implementing the requirements for annual contributions (and verification of deposits) to a reserve fund, but a default position could be a public water system not being eligible for a <i>second</i> DWSRF loan after the reserve fund requirement goes into effect with the FFY15 Project Priority List.</p>
	<p>Changing to a standard engineering agreement is not much of a concern, the bigger issue is standardizing the front-end documents between the funding agencies.</p>	<p>The DWSRF Program will accept only the FED Simplified Step I/II Service Agreement Template consistent with its sister CWSRF Program starting September 1, 2014. DEC and USDA-RD will continue discussions on an interagency template for front-end construction bid documents.</p>
	<p>What is the timing for changes in the way subsidy is administered (i.e., moving from negative interest to principal forgiveness)?</p>	<p>The DWSRF Program will again seek public comment on subsidy changes during the public comment period for the FFY15 IUP. The earliest the subsidy changes can be fully implemented would be upon award of the FFY15 EPA Capitalization Grant.</p>
	<p>Instead of giving calculated fixed sums of principal loan forgiveness, consider tying MHI to a percentage of principal forgiveness a project would receive. Offering a chunk of forgiveness based on a calculation may result in communities phasing projects so each of the projects would receive a higher percentage of forgiveness.</p>	<p>The DWSRF Program will take this recommendation into consideration when further developing the affordability subsidy changes.</p>

	Question or Comment	Response
	Concern over combining the VMBB and DWSRF applications. Typically the engineer handles the DWSRF application and the community handles the VMBB application.	The DWSRF Program will organize a stakeholder meeting consisting of local municipal officials, private consultants, and the Vermont Municipal Bond Bank to review the draft joint application before final release.
	At what point in the project will the proposed one-on-one application meeting occur? USDA-RD is considering implementing a similar meeting once the PER is submitted and reviewed but prior to delivering technical review comments. Is there an opportunity to make this a joint meeting if the project is a potential USDA-RD funding candidate?	The DWSRF Program is planning to visit the 22 public water systems within the fundable range on the FFY14 PPL once the 2014 IUP is formally adopted and funds availability letters have been sent out. DWSRF staff will invite a USDA-RD representative to the meetings.
	Surcharge terminology is not well known and may not be recognized by the municipalities.	An article in the 2012 Summer Edition of Waterline, a publication of the DWGWP, describes in detail the different types of reserve funds available to municipal public community water systems. The article will be distributed to all municipal priority list applicants when the funds availability letters are sent out via e-mail in September 2014. DWSRF staff will also educate municipal officials during the one-on-one applicant consultation meetings mentioned above and the private consultant community at an upcoming Engineer Liaison Committee Meeting.
	Please post a copy of the power point to the website.	The 2014 IUP Presentation was posted on the DWGWP's website the week of June 9, 2014. http://drinkingwater.vt.gov/dwsrf/pdf/2014iuppresentationmtg.pdf
	Requirements of USDA-RD and DWSRF environmental reports are different.	Through a memorandum of understanding between USDA-RD and DEC the DWSRF's environmental report template is acceptable to both funding agencies as of February 2013. More recently, the CWSRF Program has begun accepting the environmental report.

	Question or Comment	Response
	When contemplating changes to the subsidy approach pay careful attention to the impact on small communities completing larger projects.	The DWSRF Program's intent is to offer a similar subsidy package for disadvantages communities as we potentially transition from negative interest to principal forgiveness.
	How firm is the March 31, 2015 bond vote date in the funding cycle schedule? Is this the date for the vote to be completed or scheduled?	The March 31, 2015 deadline is for a vote to be scheduled and approved. For example, if a municipality schedules a vote in March 2015 but the vote doesn't pass the project will be bypassed in favor of projects further down the list who have met all their readiness-to-proceed requirements.
	What is the outreach plan to municipalities to educate them on all of these program changes?	In addition to highlighting changes in FFY14 IUP e-mail correspondence, the public hearing process, <i>one-on-one applicant consultation meetings</i> , stakeholder meetings, conferences, and on both DWGWPD and FED websites, the DWSRF Program plans to release press releases and fact sheets to a wider audience on specific program changes and initiatives in the next six months. The Program will take special care to target water system professionals and associations, the engineering community, and municipal officials.
	Timeline for municipalities to prepare budgets and properly warn articles (for projects just now initiating planning) in time for Town Meeting Day 2015 will be challenging.	The DWSRF Program recognizes that a change in readiness-to-proceed requirements on the FFY14 and FFY15 Project Priority Lists will fundamentally change project development at the community level. Essentially, more project development will need to occur before the DWSRF funding cycle rather than during it. Although there will be some adjusting, the DWSRF Program believes stricter readiness-to-proceed criteria will make the Program more predictable and sustainable in the long-term.

	Question or Comment	Response
	Does the Vermont Municipal Bond Bank require an audit for DWSRF projects?	Audits are not required for DWSRF projects but they are required for non-SRF loans with VMBB.
	Asset Management Tables: Overall, an emphasis on asset management is a good thing for communities and should be supported. There are some concerns with intermixing consultants with communities if the State agrees to fund a contract through a consultant(s) to help with putting asset management tables together. In many of these communities the engineer has extensive institutional knowledge about the water systems and the community usually will prefer to use a specific consultant. We would be concerned about another consultant (working under a State contract) putting together or updating asset management tables we already have a relationship with. Consultants will most likely prefer that the water system have the option of working and/or selecting their consultant.	The DWSRF Program will take this recommendation into consideration when further developing the Asset Inventory and Criticality Program.
	Loan Subsidies: These should really benefit those water systems with the lower MHI's and higher water rates to bring in the affordability factor. It would also be easier to understand if there is consistency between the DWSRF and CWSRF programs on how this is administered.	<p>DWSRF loan subsidy is safely centered, actually built upon, the issue of affordability. If the DWSRF Program decides in the future to offer construction loan subsidy based on affordability points (versus negative interest) we would still have the same fundamental focus. The DWSRF Program will use the next year to vet subsidy changes to make sure we don't have any unexpected and negative consequences. It is with the planning loan program where we are proposing the biggest changes this year and the DWSRF Program agrees that affordability should remain a pivotal factor.</p> <p>As the CWSRF Program enters the arena of planning loan subsidy, SRF staff will ensure as much as possible that there is consistency between the programs.</p>

	Question or Comment	Response
	Two applications received from the Town of Northfield	The waterline projects on King Street and Central/Washington Streets have been added to the final priority list and both projects received 70 priority points.
	Application received from Lunenburg FD #1	The project has been added to the final priority list and has received 95 priority points.
	Application received from the Town of Franklin	The project has been added to the final priority list and has received 102 priority points.
	Application received from the Berlin Town School District	The project has been added to the final priority list and has received 65 priority points.
	Application received from the Town of Rochester	The project has been added to the final priority list and has received 10 priority points.

	Question or Comment	Response
	Application received from the Town of Cabot	The project has been added to the final priority list and has received 92 priority points.
	Application received from the Okemo Village Owners' Association	The project has been added to the final priority list and has received 137 priority points.
	Application received from Websterville FD #3	The project has been added to the final priority list and has received 65 priority points.
	Application received from the Georgia Industrial Development Corporation	The project has been added to the final priority list and has received 55 priority points.
	Notification received from USDA-Rural Development that they are prepared to close on a loan for the Canaan FD #1 Project	The project has been removed from the final priority list.

9. Projects Priority Lists and Anticipated Loan Recipients - Construction Loans

9.1. Comprehensive List – New Funding Commitments

2014 Drinking Water State Revolving Fund Capitalization Grant

Final Comprehensive Project Priority List

Total Available Funding: \$16,245,064

Pts	Funding Type	Funding Status	WSID	WS Name	Pop.	Project Description	Loan Amount	Rate	Term	Cumulative Total
135	C	F	VT0005016	BENNINGTON WATER DEPT	13250	A joint Town of Bennington and Southern Vermont College water storage tank/transmission main project which will solve the compliance issues (lack of disinfection; repeated total coliform bacteria hits) related to the lower college campus, place the College on the Town water system, and help solve the Town's related water pressure issues	\$3,000,000	3.00%	20	\$3,000,000
80	C	F	VT0005298	BELLOWS FALLS WATER DEPT	3700	Phase I and Phase II Improvements	\$3,000,000	-3.00%	30	\$6,000,000
140	N	F	VT0005240	HEMLOCK RIDGE CONDOMINIUM	63	Connection of a new well source, radium treatment if necessary, a replacement storage tank, and flushing valves	\$384,070	3.00%	20	\$6,384,070
140	N	F	VT0005033	BURKE FIRE DISTRICT 1	142	Waterline replacement and installation of a master meter vault, a disinfection treatment unit, and flushing hydrants	\$225,000	3.00%	20	\$6,609,070
140	N	F	VT0005115	EAST BERKSHIRE WATER COOP	184	Water system upgrades to address significant deficiencies in the system, including filtration for groundwater under the direct influence of surface water	\$600,000	3.00%	20	\$7,209,070
137	N	F	VT0005324	OKEMO VILLAGE CONDOMINIUMS	180	Installation of an uranium treatment unit	\$45,000	0.00%	20	\$7,254,070
130	N	F	VT0021449	WARREN MUNICIPAL BUILDINGS	25	Well exploration, connection of a new source, a new 1,000 storage tank , and new replacement waterline to serve all connections	\$86,110	3.00%	20	\$7,340,180

128	N	F	VT0000000	MONTESSORI SCHOOL OF CENTRAL VERMONT	25	Installation of a disinfection treatment unit for a newly-regulated NTNC	\$35,000	3.00%	20	\$7,375,180
120	N	F	VT0005013	TOWN OF ARLINGTON	1250	The Town of Arlington's purchase of the Arlington Water Co. and comprehensive water utility upgrades	\$2,000,000	3.00%	20	\$9,375,180
115	N	F	VT0020925	HIDEAWAY CAMPGROUND ASSOCIATION INC	102	Installation of disinfection treatment	\$80,000	3.00%	20	\$9,455,180
110	N	F	VT0005043	RYEGATE FIRE DISTRICT 2	131	Water system improvements including storage tank repairs, distribution/fire protection modifications, and removal of in-home, in-line booster pumps	\$150,000	3.00%	20	\$9,605,180
110	N	F	VT0005176	WELLS RIVER WATER SYSTEM	490	Waterline and storage tank replacement	\$1,500,000	-3.00%	30	\$11,105,180
102	N	F	VT0005120	FRANKLIN FIRE DISTRICT 1	400	Town acquisition of Franklin Fire District #1 and necessary improvements including tank level control equipment, source metering, and disinfection (and potentially corrosion control) installation	\$100,000	3.00%	20	\$11,205,180
95	N	F	VT0005112	LUNENBURG FD 1	250	Source exploration, development, and connection of a new well to the existing water system to overcome declining well yield and adequately meet system demand	\$250,000	3.00%	23	\$11,455,180
93	N	F	VT0005160	TOWN OF MORRISVILLE	2935	Replacement of the main transmission main running through Cadys Falls Water Coop (WSID #5159) and connection of the Coop to Morrisville Water & Light	\$274,884	3.00%	20	\$11,730,064
92	N	F	VT0005261	CABOT TOWN WATER SYSTEM	250	Installation of 4,600 lf of water main and appurtenances to connect private water supplies in Lower Cabot to the Town of Cabot Water System to eliminate private water supplies that have been contaminated by an active hazardous waste site	\$653,000	3.00%	20	\$12,383,064
85	N	F	VT0005208	ALPINE HAVEN	250	Complete water system overhaul including source rehabilitation/new well exploration, new treatment, new storage, new pump station, and controls	\$450,000	3.00%	20	\$12,833,064

80	N	F	VT0005204	NEWPORT CENTER WATER SYSTEM	330	Development of a new municipal well to address water shortages	\$400,000	3.00%	20	\$13,233,064
78	N	F	VT0005313	COLD BROOK FIRE DISTRICT 1	700	Water storage tank replacement, connecting waterline, and a well access road to Well 20	\$170,000	3.00%	20	\$13,403,064
75	N	F	VT0005333	SPRINGFIELD WATER DEPT	9800	Waterline replacement on Pine and Myrtle Streets	\$200,000	3.00%	20	\$13,603,064
73	N	F	VT0005070	HINESBURG WATER DEPT	2800	Well source exploration and the connection of new wells to meet current and future water demands given declining yields with at least one of the two existing well sources	\$1,000,000	3.00%	20	\$14,603,064
73	N	F	VT0005330	ROYALTON FD 1	1500	Improvements to Lake John Dam, 1700 lf of waterline replacement on South Windsor St., a new water storage tank at the water treatment facility, and some treatment filtration improvements	\$1,642,000	1.41%	30	\$16,245,064
73	N	NF	VT0005039	HARDWICK TOWN WATER SYSTEM	1900	Replacement of deteriorated 4-inch asbestos cement waterline with connecting fire hydrants with 8-inch ductile iron	\$655,000	3.00%	20	\$16,900,064
70	N	NF	VT0005275	NORTHFIELD WATER DEPT	5145	Installation of approximately 2,500 linear feet of new 12-inch and 200 linear feet of 8-inch diameter ductile iron water main to replace the 100-year-old cast iron pipe on Central Street and Washington Street. This project will reduce excessive leakage in the 100-year-old distribution system. The project would also replace the 16 fire hydrants that have been "locked out" of service due to insufficient water line sizes and fireflows	\$1,145,000	3.00%	20	\$18,045,064
70	N	NF	VT0005275	NORTHFIELD WATER DEPT	5145	Installation of approximately 2,700 linear feet of new 8-inch and 200 linear feet of 6-inch diameter ductile iron water main to replace old 6-inch cast iron pipe on King Street	\$877,000	3.00%	20	\$18,922,064

70	N	NF	VT0005130	ST ALBANS WATER DEPT	9956	Construction of a second 1.0 mg storage tank at the same hydraulic grade line as the Aldis Hill Tank to provide adequate volume for domestic and fire flow conditions	\$1,200,000	3.00%	20	\$20,122,064
70	N	NF	VT0005045	ST JOHNSBURY WATER SYSTEM	5000	Construction of a subaqueous crossing of the Moose River	\$754,000	-3.00%	30	\$20,876,064
70	N	NF	VT0005045	ST JOHNSBURY WATER SYSTEM	5000	Replacement of three 1.0 mgd clarifier filter units	\$2,786,000	-3.00%	30	\$23,662,064
68	N	NF	VT0005084	RICHMOND WATER DEPT	1000	Construction of water system upgrades and appurtenances on Bridge St., Pleasant St., East Main St., and Lemroy Court; also includes a new 12" diameter water main higher on the Bridge St. Bridge or via directional boring under the Winooski River	\$1,973,000	3.00%	20	\$25,635,064
65	N	NF	VT0005247	WEBSTERVILLE FIRE DISTRICT 3	367	Comprehensive replacement of 10,000 lf of old and deteriorated waterline, installation of new "high-service" pump station to address cross-connection concerns, and purchase of a backup generator	\$2,600,000	0.00%	20	\$28,235,064
65	N	NF	VT0005092	CHAMPLAIN WATER DISTRICT	29095	Installation of a new twin 1 MG contact time tank to provide redundancy and improve system reliability at the existing water treatment facility	\$1,750,000	3.00%	20	\$29,985,064
65	N	NF	VT0006618	MILL RIVER USD 40	960	Abandonment of existing steel water storage tank, booster pumps and hydropneumatic tanks located on 2nd floor of school with a new water booster pump station with VFD pumps and controls and a new pre-cast concrete storage tank	\$150,000	3.00%	20	\$30,135,064
65	N	NF	VT0006695	BERLIN ELEMENTARY SCHOOL	305	Connection of the school to the new municipal water system in Berlin	\$25,000	3.00%	20	\$30,160,064

63	N	NF	VT0005318	CHESTER WATER DEPT	1490	Replacement of 3200 lf of deteriorated 10-inch asbestos cement waterline on Main St./VT Rte. 103 and construction of a .5 MG water storage tank in SE corner of system to provide reliability, redundancy, and reserve capacity as well as alleviate pressure surges	\$2,700,000	3.00%	20	\$32,860,064
62	N	NF	VT0020092	STERLING VIEW SENIOR MHP	290	Installation of a manganese removal system	\$45,000	3.00%	20	\$32,905,064
60	N	NF	VT0005130	ST ALBANS WATER DEPT	9956	Improvements at the Fairfax Water Treatment Plant	\$900,000	3.00%	20	\$33,805,064
57	N	NF	VT0005114	BAKERSFIELD FIRE DISTRICT 1	446	Addition of second gravel pack well within the vicinity of existing well to provide redundancy	\$350,000	3.00%	20	\$34,155,064
55	N	NF	VT0008345	GEORGIA DAIRY INDUSTRIAL PARK	340	Water treatment plant upgrades to address capacity and aging infrastructure	\$1,910,000	3.00%	20	\$36,065,064
55	N	NF	VT0005320	QUECHEE CENTRAL	2262	Addition of a new 200,000-gallon waer storage tank to supliment the existing 40,000-gallon tank on Quechee Hartland Rd. and provide adequate storage and redundancy on the south side of the Ottaquechee River; also includes approximately 3,200 lf of new transmission main	\$1,500,000	3.00%	20	\$37,565,064
55	N	NF	VT0005107	CANAAN FD #2	350	Waterline replacement and relocation for NH Rte. 3 Bridge	\$250,000	3.00%	20	\$37,815,064
40	N	NF	VT0005329	MOUNTAIN VIEW WATER ASSOC	127	Replacement of nearly 6,300 lf of deteriorated and undersized waterline with HDPE, a new waterline connecting the well to the reservoir, and a shift from a dead end system to a closed loop	\$280,000	-1.09%	30	\$38,095,064
40	N	NF	VT0005045	ST JOHNSBURY WATER SYSTEM	5000	Waterline replacement on Boynton and Green Streets	\$550,000	-3.00%	30	\$38,645,064

30	N	NF	VT0005083	MILTON MOBILE HOME PARK	260	Complete replacement of 2,560 lf of 4-inch asbestos cement waterline with 8-inch ductile iron	\$700,000	3.00%	20	\$39,345,064
18	N	NF	VT0005136	ALBURGH VILLAGE WATER SYSTEM	576	Water meter upgrades throughtout the system to provide for accurate accounting of water use and revenue generation	\$227,000	3.00%	29	\$39,572,064
10	N	NF	VT0005328	ROCHESTER WATER SYSTEM	440	Water meter upgrades throughout the system to provide for accurate accounting of water use and revenue generation	\$119,000	3.00%	20	\$39,691,064

Notes:

- 1) Total available funding is based on Federal Capitalization Grant, State Match, interest earnings, and other fund income.
- 2) Funding Type: E = Emergency Project, C = Continuing Project, N = New
- 3) Funding Status: F = Fundable Project, NF = Non Fundable Project.
- 4) Final eligibility determinations will be made at time of the loan application review.
- 5) Interest rates and loan terms are preliminary estimates only.
- 6) Interest rates and loan terms for new water systems is initially set to 3%, 20 years and is subject to change as further information becomes available.
- 7) For multi-year projects that anticipate subsequent years of DWSRF funding, interest rates may change as the loan value increases.
- 8) Point totals are subject to change as further documentation may be required to substantiate the priority points awarded.

9.2. Prior Years' Pending Loan Commitment

Approved * Loan Awards/Amendments at 6/30/2014- Pending Prior Fiscal Years' PPLs		
Water System	PPL	Loan Amount
Killington Gateway II Condominium Association	FY10	50,985
Burlington	FY11	253,340
Champlain Water District	FY11	1,750,000
Killington Gateway I Condominium Association	FY11	100,000
Springfield	FY11	597,128
Hardwick	FY11 & 12	1,800,000
Derby Line	FY12	1,138,500
Bellows Falls	FY12	260,270
Royal Pine Villa, Inc.	FY12	46,300
East Ridge Acres	FY12	220,950
Windemere Mobile Home Park	FY12	496,148
Wilmington Water District	FY12	1,035,000
Barnet FD #2	FY12	634,501
Vernon Hall	FY13	139,115
Fairfax Heights Water Coop	FY13	18,837
Total		\$8,541,074

* Approved means the loan or loan amendment has been approved by FED for preparation of legal documents.

Loan Awards/Amendments at 6/30/2014- Pending Prior Fiscal Years' PPLs		
Water System	PPL	Loan Amount
Bellows Falls	FY12	500,000
Bennington/Southern Vermont College	FY12	3,234,000
Wells River	FY12	1,500,000
East Montpelier FD #1	FY12	500,000
Green Lantern Mobile Home Park	FY12	50,000
Castleton FD #1	FY13	435,770
Richmond	FY13	1,428,468
Harwood Union High School	FY13	350,000
Northfield	FY13	2,240,000
Royal Pine Villa, Inc.	FY13	250,000
Village of Alburgh	FY13	350,000
Hinesburg	FY13	750,000
Bellows Falls	FY13	3,500,000
Chester	FY13	400,000
Quechee Central	FY13	1,500,000
Georgia Station	FY13	45,000
Total		\$17,033,238

10. Program Description

PROGRAM DESCRIPTION VERMONT DRINKING WATER STATE REVOLVING FUND

The following is a brief and general overview of the Drinking Water State Revolving Fund (DWSRF) program; official interpretations of policies and procedures may be obtained from FED (802-585-4905). The four sections in this Program Description are Construction Loans, Planning Loans, Source Protection Loans, and All Loans.

10.1. Construction Loans (*Planning & Design also eligible*)

10.1.1. Eligible Organizations

- 1) Publicly owned community water systems.
- 2) Privately owned community water systems.
- 3) Non-profit, Non-community water systems.

10.1.2. Eligible Projects

Nearly all water system improvement projects are eligible (new construction, renovation or replacement, or consolidation of systems) which will facilitate compliance with federal primary drinking water regulations or otherwise significantly further health protection objectives of the Safe Drinking Water Act (SDWA).

Generally, the complete project will be eligible for a loan. Examples of eligible projects include:

- Replacement of contaminated sources with new sources;
- Construction of treatment facilities;
- Installation of disinfection facilities;
- Projects required to address compliance or enforcement issues;
- System consolidation or interconnection to address capacity issues;
- Costs for planning and engineering design associated with a DWSRF eligible project;
- Land acquisition integral to a DWSRF eligible project.
- Replacement of aging infrastructure, including all distribution and transmission lines;
- Upgrade or rehabilitation of existing water facilities;
- Installation of meters and back flow prevention devices; and
- Refinancing of DWSRF eligible projects where the debt was incurred after July 1, 1993. (Funds currently not available.)

10.1.3. Ineligible Projects

The fund cannot provide funding assistance for the following projects and activities:

- Dams or rehabilitation of dams;
- Water rights, except if the water rights are owned by a system that is being purchased through consolidation as part of a capacity development strategy;
- Reservoirs, except for finished water reservoirs and those reservoirs that are part of the treatment process and are located on the property where the treatment facility is located;
- Laboratory fees for monitoring;
- Operation and maintenance expenses;
- Projects needed mainly for fire protection;
- Projects for systems that lack adequate technical, managerial and financial capability, unless assistance will ensure compliance;
- Projects for systems in significant noncompliance, unless funding will ensure compliance; and
- Projects primarily intended to serve future growth. This includes projects to develop new water systems

and/or water system extensions. Under certain circumstances, a new water system or water system extension may be determined to be eligible. Please contact the Drinking Water and Groundwater Protection Division for further information.

10.1.4. Project Planning

The phasing of construction projects over multiple years is an acceptable practice. However, each application must identify a stand-alone project. The funding of future phases will be contingent on availability of funds and project priority.

10.1.5. Loan Rates and Terms

The following rates are subject to change based on determinations by the State Treasurer and the Secretary.

LOAN TYPE ^[1]	ORGANIZATION TYPE	INTEREST RATE PLUS ADMINISTRATIVE FEE	MAX TERM ^[2]
Planning	All	0%	5 yrs.
Construction	Municipal Community ^[3] Non-disadvantaged	(3%) - (0%) ^[7]	20 yrs.
Construction	Municipal/Disadvantaged ^[4]	(3%) - (-3%) ^[7]	30 yrs.
Construction	Private-Profit Community	3% ^[8]	20 yrs.
Construction	Private-Non-Profit Community (Disadvantaged) ^[4]	(3%) - (-3%) ^[10]	30 yrs.
Construction	Private-Non-Profit Community (Non-disadvantaged)	3% ^[8]	20 yrs.
Construction	Private-Non-Profit Non-Community	3% ^[8]	20 yrs.
Construction	Municipal (Non-Community)	3% ^[9]	20 yrs.
Refinancing	Municipal (Debt incurred July 1, 1993 - April 5, 1997)	4.376% ^[5]	20 yrs.
Refinancing	Municipal (Debt incurred after April 5, 1997)	New loan rates ^[6]	New loan ^[6] terms

- 1) Planning loans may include feasibility studies, preliminary engineering, engineering design etc., and will be rolled over into a long term loan if a loan is obtained for the proposed facilities. Construction loans include all system improvement type loans.
- 2) Loan durations are for maximum terms but may be for a shorter time based on loan amount and other considerations.
- 3) Municipal includes city, town, village, fire district, school district, etc. Interest rate plus administrative fee will not be less than necessary to achieve an annual household user cost of 1.00% of median household income.
- 4) A disadvantaged municipality has a median household income below the state average community median household income ($\$40,368 * 1.04^{12} = \$61,470$) or the user cost exceeds 2.5% of the MHI (applicable to municipal applicants only). Interest rate plus administrative fee and term will not be less than necessary to achieve an annual household user cost of 1.0% of median household income, and final

adjustments will be made when loan is finalized after construction completion.

- 5) Interest rate set by State Treasurer.
- 6) Interest rate plus administrative fee and term will be the same as for new loans if funded within 2 years of the initiation of construction.
- 7) Administrative fee will be from 0% to 2%.
- 8) Administrative fee will be 3%.
- 9) Administrative fee will be 2%.
- 10) Administrative fee will be from 0% to 3%

10.1.6. Comprehensive Project List

The Facilities Engineering Division maintains a list of known projects eligible for loans. The list is developed/updated annually and water systems are encouraged to identify projects and submit applications for this list. The Facilities Engineering Division may add projects to the list without an application from the water system.

10.1.7. Project Ranking and Selection Criteria

A project priority list is established for projects needing funds during the Federal fiscal year (October 1 - September 30 of each year). A priority score is established for each eligible project by assigning points based on established criteria. The criteria required by Federal and State regulations are covered under the following general categories:

- 1) System facility deficiencies (weighting factor of 1.2 is applied for eligible schools and childcare facilities).
- 2) Physical consolidation of water system,
- 3) Financial need/affordability,
- 4) Population,
- 5) Downtown area preference,
- 6) Source protection (applies only to source protection loans funded thru the LASRF),
- 7) Security projects, and

Projects are listed in priority order based on total point scores.

10.1.8. Anticipated Loan Recipients

The highest priority projects with a total cost that does not exceed the estimated funds available during the fiscal year and which comply with the following Federal and State regulatory requirements are identified as Anticipated Loan Recipients on the list.

- 1) A minimum of 15% of the funds must be used for projects serving communities with populations of fewer than 10,000 persons.
- 2) Funds for private systems cannot exceed 20% of the available funds.
- 3) With the exception of ARRA FFY2009, FFY2010 and FFY2011 funds, subsidies for disadvantaged communities cannot exceed 30% of the federal capitalization grant.

Projects not identified as Anticipated Loan Recipients will be funded in priority order, if funds became available during the year.

10.1.9. Bypassed Projects

Anticipated Loan Recipients may be bypassed if they do not proceed in accordance with the planned project schedule or if emergency projects are funded to address imminent and substantial threats to public health.

10.1.10. Re-Application

Priority lists will be revised at least annually; updated information or new applications will be required. The Facilities Engineering Division may include projects on the list without applications.

10.1.11. Engineering Reports and Plans and Specifications

Drinking Water and Groundwater Protection Division approval of feasibility studies and engineering reports funded by the program is required. The Vermont Water Supply Rule requires approval of plans and specifications for all water system improvements.

10.1.12. Procurement Requirements

Competitive procurement requirements and approvals will be included in loan agreements. Force account construction will not be allowed except in unusual circumstances. The Construction Section of the Facilities Engineering Division manages procurement procedures and requirements for DWSRF funded projects.

10.1.13. Maximum and Minimum Loan Amounts

A minimum loan amount has not been established; not more than \$3 million of the funds available in any given year can go to a single project, without specific review and approval by the Secretary. Projects with costs exceeding the \$3 million cap will be treated as continuing projects and have a maximum value of \$9 million before it loses its elevated continuing status.

10.1.14. Project Approval Steps

Following are the steps for a standard construction project.

- 1) Application for priority list or updated information submitted by applicant. (April of each year.)
- 2) The eligibility of each project is reviewed, and priority points awarded to each project.
- 3) Priority list developed.
- 4) Public meeting held and public comment obtained on priority list.
- 5) Capitalization grant finalized and submitted to EPA.
- 6) EPA approves grant to State.
- 7) Anticipated loan recipients required to attend a pre-application meeting.
- 8) Anticipated Loan Recipients required to submit a project schedule.
- 9) Project schedule approved by Drinking Water and Groundwater Protection Division.
- 10) Anticipated Loan Recipients requested to submit application.
- 11) Application to include information for environmental review.
- 12) Project determinations made (eligibility, scope, interest rate, etc.).
- 13) Environmental review process completed.
- 14) Bond Bank or VEDA notified of project approval.
- 15) Applicant submits loan application to VEDA or Bond Bank if required.
- 16) VEDA or Bond Bank executes loan agreement with applicant.
- 17) Plans and Specifications approved.
- 18) Contracts awarded in accordance with loan agreement.
- 19) Construction initiated.
- 20) Loan disbursements made during construction for completed work.
- 21) All construction completed.
- 22) All loan agreement conditions and/or Capacity Improvement Plans completed.
- 23) Loan closed out.
- 24) Loan payments begin.

10.1.15. Municipal School Water System Disadvantaged Program

Up to \$25,000 of a loan from the construction fund for improvements to a municipally owned public school water system may be forgiven. The following criteria must be satisfied.

- 1) The system must demonstrate capacity.
- 2) The system must be in compliance with the Water Supply Rule including any temporary operating permit or other compliance schedule.
- 3) The improvements must be completed in accordance with a construction permit issued by DEC and all of the construction permit conditions must be satisfied.
- 4) Competitive procurement procedures must be followed for the construction.
- 5) The completed work must be inspected and completed in accordance with the construction permit verified by a professional engineer or DEC staff.
- 6) Standard procedures for obtaining a loan must be followed.

The determination by the Secretary on loan forgiveness will be final. The determination will be made when the loan is finalized following construction completion.

10.1.16. U.S. Department of Agriculture RD - ANR Joint Funded Projects

The Secretary may designate certain projects as joint funded projects and reduce the ANR administrative fee plus interest rate to make the total cost to the borrower equivalent to an ANR DWSRF loan for the total project. Municipalities will be contacted prior to making such decisions and this procedure will generally only be considered for large projects.

10.2. Planning Loan Fund

10.2.1. Eligible Organizations

Municipal systems and private non-profit community systems with populations under 10,000 are eligible for planning and final design funding from the planning loan fund.

10.2.2. Eligible Projects

Preliminary engineering planning studies and final engineering plans and specifications for water system improvement projects needed to comply with state and federal standards and to protect public health.

10.2.3. Loan Terms and Rates

Planning Loans are at 0% interest for a 5-year term, and may be rolled into a construction loan from the priority list (based on points) at the interest and term identified for the construction loan.

10.2.4. Maximum and Minimum Loan Amounts

The maximum loan amount is \$150,000.

10.2.5. Project Ranking

The Facilities Engineering Division maintains a project priority list for planning loans, if necessary. A priority score is established for each eligible project by assigning points for the water system improvement project based on established criteria. The criteria are the same as for construction projects. However, projects are only scored when there will be an anticipated shortage of funds.

10.2.6. Priority List Applications

Applications will be accepted on a continuing basis.

10.2.7. Loan Recipients

The highest priority projects on the priority list will be funded as funds become available.

10.2.8. Loan Applications

Water systems will generally be given 60 days to submit a loan application following notification of available funds.

10.2.9. Loan Consolidation Requirement

Consolidation of the planning loan with a loan from the construction loan fund for the water system improvements will be required as a loan condition. Consolidation will be made when the construction loan is finalized following completion of construction.

10.2.10. Procurement Requirements

Procurement requirements will be included in loan agreements. All professional service contracts will require review and approval of scope of services, level of effort, and cost. All feasibility studies, planning documents, preliminary engineering reports, and plans and specifications require review and approval by the Drinking Water and Groundwater Protection Division. Costs incurred prior to a commitment of loan funds by DEC are not eligible for a loan.

10.2.11. Repayment

The first loan repayment will be two years after last loan disbursement or approval of the engineering report or final design, whichever occurs first, except for those loans that are eligible for forgiveness, in which case the repayment starts five years after last loan disbursement or engineering report or design approval. Under certain circumstances up to \$50,000 of the unpaid balance of a planning loan to a municipality may be forgiven by the Secretary following the completion of project construction. The following criteria must be satisfied to obtain loan forgiveness; the Secretary's determinations on loan forgiveness shall be final. Potential eligible preliminary engineering and design cost will be determined by DEC using DEC guidance documents (Engineering Fee Allowance Curve) and the completed documented construction cost eligible for revolving loan funding.

1) General Criteria

- a. Must demonstrate capacity,
- b. Must be in compliance with the Water Supply Rule including any temporary operating permit or other compliance schedule,
- c. Must be current on fees,
- d. Improvements for which planning loan was provided must be completed in accordance with a Drinking Water and Groundwater Protection Division construction permit.
- e. All construction permit requirements must be satisfied including O & M manual and as-builts.
- f. Loan agreement must be executed following the effective date of the authorizing legislation (June 16, 2001).

2) Specific Criteria. The project must meet at least one of the following specific criteria.

- a. Construction of the project was completed using non-Drinking Water State Revolving Loan Funds (DWSRF) and the project did not receive other appropriated state funds for project costs.
- b. The project serves a small population. The maximum forgiveness shall be \$25,000. Projects for systems serving populations of 300 or less shall receive 100% of eligible forgiveness. The percent eligible for forgiveness for systems serving 300 to 500 population shall be reduced by 0.5% for an increase of one in design population. Systems serving populations of 500 and above will not be eligible for forgiveness under this provision.
- c. User rates exceed 2% of the median household income. The amount of forgiveness will be determined by increasing the amount of forgiveness until the 2% target, the \$50,000 maximum, the amount of the unpaid balance or the eligible preliminary engineering and design cost is reached. The annual planning loan cost to the municipality will be determined using construction loan terms and interest rates for DWSRF funded projects.

10.3. Source Protection Loans

10.3.1. Eligible Organizations

Municipal water systems are eligible for source protection loans.

10.3.2. Eligible Projects

For purchasing land or conservation easements in order to protect public water sources and ensure compliance with state and federal drinking water regulations.

Source must have hydrogeologically delineated source protection area (no 3000' radius source protection areas) and an approved source protection plan prior to loan award.

Water system must demonstrate how the project will directly promote public health protection or compliance with national drinking water regulations.

10.3.3. Loan Terms and Rates

Source Protection Loans are at 3% interest for a term of 20 years.

10.3.4. Maximum and Minimum Loan Amounts

The maximum loan amount is \$250,000. There is no minimum loan amount.

10.3.5. Project Ranking

The Facilities Engineering Division maintains a project priority list for source protection loans. A priority score is established for each eligible project by assigning points based on established criteria. The criteria, most of which are the same as for construction projects, include the following general categories:

- 1) Population;
- 2) Financial need/affordability;
- 3) Downtown area preference;
- 4) Source protection.

10.3.6. Priority List Applications

Applications will be accepted on a continuing basis.

10.3.7. Loan Recipients

The highest priority projects on the priority list will be funded when funds become available.

10.3.8. Loan Applications

Water systems will be required to submit a project schedule for approval by the Facilities Engineering Division within 30 days of notification of available funding.

10.3.9. Loan Conditions

Loan conditions on land use may include:

- 1) Management in accordance with source protection plan;
- 2) Prohibition of sale as long as source is an approved water source;
- 3) Requirement for an annual inspection and report.

10.3.10. Procurement Requirements

Procurement requirements will include:

- 1) A minimum of two appraisals will be required for evaluation purposes;

- 2) Proposed easements and purchase agreements will require review and approval by FED;
- 3) Normal closing requirements, such as title search, will apply;
- 4) Purchase must be from a willing seller.

10.3.11. Repayment

Payments begin one year after last loan disbursement.

10.4. All Loans

10.4.1. Lack of technical, managerial and financial capability

A loan fund may not provide any type of assistance to a system that lacks the technical, managerial or financial capability to maintain SDWA compliance, unless the owner or operator of the system agrees to undertake feasible and appropriate changes in operation or if the use of the financial assistance will ensure capacity over the long-term.

Facilities Engineering Division staff in coordination with Drinking Water and Groundwater Protection Division staff, will make a determination on system capacity based on information available in DWGWPD records, the priority list application, completion of the capacity evaluation form at the pre-application meeting, and the loan application. Some considerations include current compliance status with requirements for an operation and maintenance manual, operator certification, water quality monitoring, source protection plan, payment of lawful fees, groundwater under the influence determination, sanitary survey recommendations, and long range planning. Financial capacity determination will also consider current and projected water rates, delinquent water accounts, and financial planning.

The existence of an active organization with identified responsible officials and business practices with respect to customer complaints will be considerations in managerial capability determinations.

Loan applications will rarely be rejected based on capability determinations (e.g., capacity determination), however, loan agreements will frequently include corrective action requirements to improve capability.

10.4.2. Loan Application Fees

There are no application fees, however an administrative fee will be charged on some loans.

10.4.3. Loan Disbursements

Loan disbursements will be made in accordance with the loan agreement, however, only one disbursement will be allowed in a calendar month and disbursements must be for expenses incurred and paid. An estimated disbursement schedule will be required at the time of loan execution.

10.4.4. Loan Repayment

Loan repayment requirements will be specified in the loan agreement; however, repayments must start no later than 1 year after project completion.

10.4.5. Financial Capability to Repay Loan

The Vermont Municipal Bond Bank shall make these determinations for all loans to municipal organizations and the Vermont Economic Development Authority (VEDA) will make these determinations for all loans to private organizations.

The Bond Bank and VEDA make the loans on behalf of the state. Applicants must submit the necessary applications and other information to these entities as necessary for processing the loans.