

Drinking Water State Revolving Loan Fund (DWSRF)

VEDA and the Dept. of Environmental Conservation (DEC) signed a memorandum of agreement (MOU) in 1997 for the purpose of carrying out their purpose of duties in the management and operation of the Drinking Water State Revolving Fund. This fund is devoted to providing loans for conducting preliminary and final design engineering (DWSRF Planning Loan Program) and making improvements to privately-owned water systems (DWSRF Construction Loan Program) pursuant to 24 V.S.A. Chapter 120, Sub-chapter 3. The current MOU was signed in July 2017 good through June 30, 2022.

DEC is responsible for the following:

- determining eligibility of the proposed projects
- providing a complete loan application packet including the preliminary rate, term, repayment start date, and any additional terms and conditions.
- Approving all disbursement requests of the loan funds

VEDA is responsible for the following:

- Managing funds received from the U.S. Environmental Protection Agency and state appropriations for the Vermont Drinking Water State Revolving Fund which will be used for providing loans (pursuant to 24 V.S.A. Chapter 120, subchapter 3)
- Making the final determination on loan approvals based on the evaluation of the applicant's ability to repay the loan with adequate security.
- Closing and servicing the loan including collection on delinquent payments.

VEDA has approved and closed 105 loans totaling \$25.4 million since inception of the program. As of January 31, 2018, VEDA has 70 active drinking water loans with a total outstanding balance of \$14.8 million.

Sixty-one percent of the active borrowers are privately owned water supply companies and 39% of the borrowers are homeowner's associations. All drinking water loans have been provided low cost financing to privately-owned public water systems for improving public health protection and facilitating compliance with the Safe Drinking Water Act.

Attachments: MOU between DEC and VEDA

DWSRF Balance Sheet and Income Statement as of 12/31/2017

Title 24 V.S.A. Chapter 120, Sub-chapter 3, § 4770

§ 4774

§ 4778



MEMORANDUM OF AGREEMENT BETWEEN THE VERMONT DEPARTMENT OF ENVIRONMENTAL CONSERVATION AND VERMONT ECONOMIC DEVELOPMENT AUTHORITY

This Memorandum of Agreement sets forth the agreement between the parties, Vermont Department of Environmental Conservation (DEC) and Vermont Economic Development Authority ("VEDA") (collectively referred to as "the Parties"), for the purpose of carrying out their respective duties in the management and operation of that portion of the Drinking Water State Revolving Fund devoted to providing loans for improvements to privately-owned water supplies pursuant to 24 V.S.A. Chapter 120, Sub-chapter 3. The Environmental Protection Agency (EPA) and DEC have determined that VEDA is not a subrecipient and is an extension of program administration.

I. DEC's RESPONSIBILITIES

1. Determination of Eligibility. DEC shall be responsible for conducting technical review of the proposed projects as well as making a determination of eligibility with respect to the criteria under 24 V.S.A. Chapter 120.
2. Certification. Upon making a finding of eligibility, DEC shall provide the completed Loan Application and Loan Application Approval Document, including the preliminary rate, term and repayment start date determination, as certification to VEDA pursuant to 24 V.S.A. §4772(2)
3. Terms and Conditions. No less than once per quarter, DEC will submit to VEDA the terms and conditions to be incorporated into the loan agreement between VEDA and the borrower pursuant to 24 V.S.A §4771.
4. Disbursement Requests. All requests for disbursements of the loan funds shall be submitted by the borrower directly to DEC and DEC shall forward approved request to VEDA within 15 days of date of submittal. VEDA shall be responsible for making disbursements, and agrees to make the disbursements within 30 days of the date of disbursement request.
5. Subrecipient Monitoring. DEC shall be responsible for all subrecipient monitoring requirements for the borrower in accordance with 2 CFR, Part 200.

II. VEDA'S RESPONSIBILITIES

1. Management of Funds. VEDA agrees to establish an account to be used for depositing the funds received from the U.S. Environmental Protection Agency and state appropriations for the Vermont Drinking Water State Revolving Fund. The account shall be known as the Drinking Water State Revolving Loan Fund, Private Loan Sub-account (hereafter "Account") and will be used for providing loans pursuant to 24 V.S.A. Chapter 120, subchapter 3.

VEDA shall be the administrator of the Account and shall manage the Account in accordance with generally accepted principles of accounting and record keeping.

2. Evaluation and Award of Loans. VEDA shall issue and administer loans with appropriate conditions pursuant to 24 V.S.A. VEDA shall be responsible for making the final determination on loan approvals based on the evaluation of the applicant's ability to repay the loan and whether the loan can be adequately secured.

VEDA will make a final determination on loan approval within six weeks of the receipt of Loan Application and Loan Application Approval Document from DEC. Should VEDA encounter applicant delays that will extend the final determination beyond six weeks, VEDA will provide written notification to the State describing delays encountered.

3. Execution of loans. Upon closing of the loan, VEDA agrees to provide a copy of the executed loan agreement to DEC.
4. Loan Repayments. All loan repayments shall be made to VEDA and deposited into the Account upon receipt. VEDA will provide to the State a monthly report on Loan Repayments in the form of the Loan Repayment Reporting Template.
5. Transfer of Funds. Upon direction by the State, VEDA agrees to transfer any uncommitted funds from the Account to other revolving loan funds authorized under Title 24 Chapter 120.
6. Delinquent payments. VEDA may enforce the terms and conditions of all loan agreements, including but not limited to, an action for recovery of debt under 24 V.S.A. §4771(g) and an action for receivership under 24 V.S.A. §4776. VEDA agrees to consult with DEC prior to incurring any expenses associated with debt collection

which would be in excess of the annual administrative costs payable to VEDA pursuant to Section II (5) above.

III. JOINT RESPONSIBILITIES OF VEDA AND DEC

1. Application Forms and Procedures. In accordance with 24 V.S.A. §4770 (c), DEC and VEDA may prescribe any form of application or procedure required of the applicant for a loan, and may impose an application fee determined reasonable and necessary to cover administrative costs.
2. Administrative Costs. VEDA shall provide to DEC its fees for service prior to the DEC's annual submission of an Intended Use Plan to the U.S. EPA. VEDA's fees for service are intended to cover costs including underwriting, closing, monitoring, normal collection, accounting, telephone/fax, and supplies, etc.

All fees will be billed to the State quarterly in arrears. Payment terms shall be Net 30.
3. Loan Interest Rates. Pursuant to 24 V.S.A. §4771(a)(4), the DEC and VEDA are required to periodically recommend interest rates to be set by the state treasurer. DEC and VEDA agree to annually review the interests rate(s) set by the treasurer.
4. State Legislative Reports. In accordance with 24 V.S.A. §4774, DEC and VEDA shall annually prepare a report for submittal to the Joint Fiscal Committee.
5. Federal Reports/Audits. VEDA agrees to cooperate with the DEC's preparation of any reports or audits required under the Safe Drinking Water Act. VEDA will segregate items in the financial records of the DWSRF in a manner satisfactory to meet the reporting needs of the State.
6. Compliance Assurance. DEC and VEDA agree to cooperate to resolve and correct any deficiency in the operation and management of the Fund which may be identified by the U.S. EPA.
7. Quarterly Meetings. DEC and VEDA shall attend quarterly State Revolving Fund meetings.

IV. PROJECT CONTACTS

VEDA Contact

David Carter
Chief Financial Officer
802-828-5470
dcarter@veda.org

DEC Contact

Kim McKee
Admin. and Innovation Division
802-477-3349
kimberley.mckee@vermont.gov

V. EFFECTIVE DATE; MODIFICATION

This Memorandum of Agreement shall be effective on July 1, 2017, and shall terminate on June 30, 2022. This Memorandum of Agreement may be amended, extended or modified at any time by mutual written agreement of both parties.

VI. DELIVERABLES

VEDA will submit Bank Reconciliation and Report of Lending Activities to DEC on a monthly basis by the 15th of the month.

WE, THE UNDERSIGNED PARTIES, AGREE TO BE BOUND BY THIS AGREEMENT.

STATE OF VERMONT

Dept. of Environmental Conservation

By:

Commissioner

Dept. of Environmental Conservation

Date: _____

VERMONT ECONOMIC

DEVELOPMENT AUTHORITY

By:

Chief Financial Officer

VT Economic Development Authority

Date: _____

Vermont Economic Development Authority

Balance Sheet - Quarterly For Affiliate Entities

8201 - Drinking Water Fund

As of 12/31/2017

		Beginning Period Balance	Current Period Balance	Current Period Change
Cash & Investments				
Checking- DWF	10820	1,166,677.90	1,147,580.90	(19,097.00)
DWF-ADMIN Cash Account	11820	1,039,000.47	986,275.68	(52,724.79)
DWF-LASRF Funds	11821	202,310.47	212,172.83	9,862.36
Total Cash & Investments		2,407,988.84	2,346,029.41	(61,959.43)
Net Notes Receivable				
Notes Receivable				
DWF Notes Receivable	12060	4,066,901.97	4,069,203.76	2,301.79
DWF Loan Loss Reserve	12061	(592,500.00)	(592,500.00)	0.00
DWF II Notes Receivable	12062	9,845,053.06	9,944,751.26	99,698.20
DWF ARRA N/R	12063	616,066.52	608,784.72	(7,281.80)
DWF LASRF Notes Receivable	12064	108,685.90	103,095.63	(5,590.27)
Total Notes Receivable		14,044,207.45	14,133,335.37	89,127.92
Total Net Notes Receivable		14,044,207.45	14,133,335.37	89,127.92
Other Assets				
Accrued Interest				
DWF Accrued Interest Rec.	13060	1,308.06	2,089.36	781.30
DWF II Acc'd Admin Fee Rec.	13062	7,837.19	8,534.55	697.36
DWF ARRA Accrued Interest	13063	274.34	247.13	(27.21)
Total Accrued Interest		9,419.59	10,871.04	1,451.45
Due From State Agency				
Receivable from ANR	14900	62,012.33	28,622.09	(33,390.24)
Total Due From State Agency		62,012.33	28,622.09	(33,390.24)
Total Other Assets		71,431.92	39,493.13	(31,938.79)
Total Assets		16,523,628.21	16,518,857.91	(4,770.30)
Liabilities				
Due To Jobs Fund	29101	56,829.83	23,439.59	(33,390.24)
Total Liabilities		56,829.83	23,439.59	(33,390.24)
Fund Balance				
Total Fund Balance		16,466,798.38	16,495,418.32	28,619.94
Total Liabilities & Fund Balance		16,523,628.21	16,518,857.91	(4,770.30)

Vermont Economic Development Authority

Statement of Revenues and Expenditures - Quarterly For Affiliate Entities

8201 - Drinking Water Fund

From 10/1/2017 Through 12/31/2017

		Current Period Actual	Current Year Actual	Prior Year Current Period Actual	Prior Year Actual
Revenue					
Interest on cash and investments					
Income on Cash	41000	3,495.69	7,505.93	1,142.27	2,449.93
DWF Admin Income	41820	3,108.90	5,810.91	844.63	1,678.94
DWF LASRF - Income	41821	601.88	1,175.18	214.70	435.78
Total Interest on cash and investments		<u>7,206.47</u>	<u>14,492.02</u>	<u>2,201.60</u>	<u>4,564.65</u>
Interest on notes receivable					
DWF Interest Income N/R	41060	7,439.01	14,733.27	7,807.30	15,778.91
DWF II Admin Fee N/R	41062	34,966.92	54,956.96	36,521.52	74,181.55
DWF ARRA INT INC	41063	1,815.01	3,656.47	1,937.51	3,905.31
Total Interest on notes receivable		<u>44,220.94</u>	<u>73,346.70</u>	<u>46,266.33</u>	<u>93,865.77</u>
Total Revenue		<u>51,427.41</u>	<u>87,838.72</u>	<u>48,467.93</u>	<u>98,430.42</u>
Expenses					
Provision for Loans Loss					
Loan Loss Provision	56060	0.00	1,300.00	0.00	(100.00)
Total Provision for Loans Loss		<u>0.00</u>	<u>1,300.00</u>	<u>0.00</u>	<u>(100.00)</u>
All Other Expenses					
VEDA Admin Fees Expense	57540	23,439.59	51,770.78	26,358.00	49,538.69
Grant Expense	58110	22,807.47	43,209.53	22,027.34	44,834.81
Total All Other Expenses		<u>46,247.06</u>	<u>94,980.31</u>	<u>48,385.34</u>	<u>94,373.50</u>
Total Expenses		<u>46,247.06</u>	<u>96,280.31</u>	<u>48,385.34</u>	<u>94,273.50</u>
Net Operating Income		<u>5,180.35</u>	<u>(8,441.59)</u>	<u>82.59</u>	<u>4,156.92</u>
Non-Operating Income					
Operating Transfer In	49100	23,439.59	51,770.78	26,358.00	49,538.69
Total Non-Operating Income		<u>23,439.59</u>	<u>51,770.78</u>	<u>26,358.00</u>	<u>49,538.69</u>
Net Change in Fund Equity		<u>28,619.94</u>	<u>43,329.19</u>	<u>26,440.59</u>	<u>53,695.61</u>

The Vermont Statutes Online

Title 24 : Municipal And County Government

Chapter 120 : Special Environmental Revolving Fund

Subchapter 003 : Private Loans

(Cite as: 24 V.S.A. § 4770)

§ 4770. Eligibility

(a) For the purpose of this subchapter, "VEDA" means the Vermont economic development authority which is authorized to make loans on behalf of the state under this chapter when the loan recipient is a privately-owned public water system. Such loans shall be issued and administered by VEDA pursuant to this subchapter.

(b) The owner or owners of a privately-owned community water system or a privately-owned nonprofit, noncommunity public water system may apply to VEDA for a loan from the Vermont EPA drinking water state revolving fund established under subchapter 1 of this chapter, the proceeds of which may be used to acquire requisite permits, design, plan, construct, repair, or improve an existing privately-owned public community water system in order to comply with federal and state standards and protect the public health. In addition, the owner or owners of a privately-owned, nonprofit community water system may apply to VEDA for a loan from the Vermont drinking water planning loan fund established in section 4753 of this chapter.

(1) A municipality, as defined under section 126 of Title 1, is not eligible for a loan under this subchapter.

(2) A nonprofit organization is eligible to apply for a loan under this subchapter if that organization qualifies as tax exempt.

(c) VEDA and the secretary may prescribe any form of application or procedure required of the applicant for a loan hereunder, and may impose an application and an administrative fee determined reasonable and necessary to cover administrative costs. Fee proceeds shall be deposited in the administrative fee account established in subsection 4755(a) of this chapter. The loan application shall request such information as VEDA deems necessary to implement this subchapter.

(d) Notwithstanding the eligibility criteria of subsection (a) of this section, loan proceeds may not be used for:

(1) laboratory fees for monitoring;

(2) operations and maintenance expenses; or

(3) projects primarily intended to serve future growth. (Added 1997, No. 62, § 75, eff. June 26, 1997; amended 1997, No. 134 (Adj. Sess.), § 4; 1997, No. 148 (Adj. Sess.), § 50, eff. April 29, 1998; 2001, No. 61, § 40, eff. June 16, 2001.)

The Vermont Statutes Online

Title 24 : Municipal And County Government

Chapter 120 : Special Environmental Revolving Fund

Subchapter 003 : Private Loans

(Cite as: 24 V.S.A. § 4774)

§ 4774. Contractual authority; reports

(a) The Secretary and VEDA may enter into agreements on behalf of the State with agencies of the United States as may be necessary to obtain grants and awards in furtherance of the stated purposes of the loan fund created under section 4753 of this title, provided that notification of each such agreement shall be made to the Chairs of the House and Senate Committees on Appropriations while the General Assembly is in session, and at other times to the Chair of the Joint Fiscal Committee, and that any such grant or award has been approved pursuant to 32 V.S.A. § 5.

(b) [Repealed.] (Added 1997, No. 62, § 75, eff. June 26, 1997; amended 2013, No. 142 (Adj. Sess.), § 95.)

The Vermont Statutes Online

Title 24 : Municipal And County Government

Chapter 120 : Special Environmental Revolving Fund

Subchapter 003 : Private Loans

(Cite as: 24 V.S.A. § 4778)

§ 4778. Federal capitalization grant distribution

The secretary may use any available and lawful funds to match federal funds otherwise available to capitalize the fund created by subdivision 4753(a)(3) of this title. Up to 20 percent of the funds which have been identified in the annual state intended use plan (IUP) and allocated for water supply projects may be used for loans to privately-owned public water systems. Any balance, excepting set-asides authorized by federal law, shall be directed to be used for loans to improve municipal water systems. Should there occur any surplus of funds for municipal water system projects in any given year, those funds may be used to fund additional privately owned public water systems. (Added 1997, No. 62, § 75, eff. June 26, 1997; amended 1997, No. 134 (Adj. Sess.), § 6; 1999, No. 109 (Adj. Sess.), § 3.)