

**State of Vermont**  
**Intended Use Plan for the Drinking Water**  
**State Revolving Fund**  
**Federal Fiscal Year 2009**

**Prepared By**  
**Water Supply Division**  
**Department of Environmental Conservation**  
**D R A F T – January 2010**

## Table of Contents

1. Introduction.....	5
2. Short and Long Term Goals.....	6
2.1. Short Term Goals and Objectives .....	6
2.2. Long Term Goals and Objectives .....	6
3. Public Participation.....	8
3.1. Notification of Application Form Availability .....	8
3.2. Direct Contacts.....	8
3.3. Public Meeting Notices.....	8
3.4. Public Meeting.....	9
3.5. WSD Website Posting.....	9
4. Financial Matters .....	9
4.1. State Match Provisions .....	9
4.2. Funding Breakdown.....	9
4.2.1. Set-asides.....	10
4.2.2. Facility Improvement Loans .....	10
4.3. Payment Schedule.....	10
4.4. DWSRF Disbursement Schedule.....	11
4.5. Criteria and Method for Distributing Funds for Improvement Projects .....	11
4.6. Disadvantaged System.....	12
4.6.1. Community Water System Disadvantaged Program.....	12
4.6.2. School Water System Disadvantaged Program.....	13
4.7. Financial Status of Drinking Water State Revolving Fund .....	14
4.8. DWSRF and CWSRF Transfer.....	15
5. Priority Ranking System.....	16
5.1. Priority Ranking System Scoring Criteria .....	16
5.1.1. System Facility Deficiencies .....	17
5.1.2. Physical Consolidation of Water Systems.....	20
5.1.3. Financial Need/Affordability .....	21
5.1.4. Population Criteria .....	21
5.1.5. Downtown Area Preference .....	22
5.1.6. Source Protection Loan – Land Purchase or Conservation Easement ..	22
5.1.7. Security Projects.....	22
5.2. Refinancing of Existing Facilities.....	22
5.3. Construction Loan Fund Priority List.....	23
5.3.1. Projects Partially Funded in Prior Year.....	23
5.3.2. Commingling of New Projects with Continuing Projects .....	23
5.3.3. Tie Breaking Procedure.....	23
5.3.4. Amendments.....	23
5.3.5. Funding Cap .....	24
5.3.6. Bypass System.....	24
5.3.7. Bypassed Projects.....	24
5.3.8. Bypass Mechanisms .....	24
5.4. Planning Loan Fund.....	25

5.4.1.	Planning Loan Forgiveness .....	26
5.5.	Source Protection Fund.....	27
6.	Information on Set-asides .....	28
6.1.	DWSRF Administrative Set-aside .....	28
6.2.	State Program Management Set-aside .....	29
6.2.1.	Water Supply Division Personnel Costs .....	29
6.2.2.	Continued Activities Using Prior Year Funds.....	29
6.2.3.	Small Systems Technical Assistance Set-aside.....	29
6.2.4.	Small Systems DWSRF & Capacity Assistance .....	29
6.3.	Technical Assistance Contract for NTNCs and TNCs .....	30
6.3.1.	Green Project Reserve Assistance .....	30
6.3.2.	WSD Technical Assistance .....	30
6.3.3.	Continuing Activities .....	30
6.4.	Local Assistance and other State Program Assistance Set-asides .....	30
6.4.1.	Capacity Implementation .....	30
6.4.2.	Wellhead Protection Program .....	32
6.5.	Summary of DWSRF Set-asides for FFY 2008.....	32
7.	Program Changes -.....	34
7.1.	Changes affecting FFY 2009 Funds. ....	34
7.2.	Changes Affecting FFY 2010 Funds.....	34
8.	Appendix 1: Public Participation Documents.....	34
8.1.	Request for Priority List Applications Postcard Text.....	34
8.2.	Responsiveness Summary.....	35
9.	Appendix 2: Comprehensive Priority List. ....	36
10.	Appendix 3: Program Description .....	37
10.1.	Construction Loans (Planning & Design also eligible) .....	37
10.1.1.	Eligible Organizations.....	37
10.1.2.	Eligible Projects .....	37
10.1.3.	Ineligible Projects.....	37
10.1.4.	Project Planning .....	38
10.1.5.	Loan Rates and Terms.....	38
10.1.6.	Comprehensive Project List .....	39
10.1.7.	Project Ranking and Selection Criteria .....	39
10.1.8.	Anticipated Loan Recipients .....	39
10.1.9.	Bypassed Projects.....	40
10.1.10.	Re-Application .....	40
10.1.11.	Engineering Reports and Plans and Specifications .....	40
10.1.12.	Procurement Requirements .....	40
10.1.13.	Maximum and Minimum Loan Amounts.....	40
10.1.14.	Project Approval Steps.....	40
10.1.15.	Municipal School Water System Disadvantaged Program .....	41
10.1.16.	Department of Agriculture Rural Development - ANR Joint Funded Projects .....	41
10.2.	Planning Loan Fund.....	41
10.2.1.	Eligible Organizations.....	41
10.2.2.	Eligible Projects .....	41

10.2.3.	Loan Terms and Rates.....	41
10.2.4.	Maximum and Minimum Loan Amounts.....	42
10.2.5.	Project Ranking.....	42
10.2.6.	Priority List Applications.....	42
10.2.7.	Loan Recipients.....	42
10.2.8.	Loan Applications.....	42
10.2.9.	Loan Consolidation Requirement.....	42
10.2.10.	Procurement Requirements.....	42
10.2.11.	Repayment.....	42
10.3.	Source Protection Loans.....	43
10.3.1.	Eligible Organizations.....	43
10.3.2.	Eligible Projects.....	43
10.3.3.	Loan Terms and Rates.....	43
10.3.4.	Maximum and Minimum Loan Amounts.....	43
10.3.5.	Project Ranking.....	44
10.3.6.	Priority List Applications.....	44
10.3.7.	Loan Recipients.....	44
10.3.8.	Loan Applications.....	44
10.3.9.	Loan Conditions.....	44
10.3.10.	Procurement Requirements.....	44
10.3.11.	Repayment.....	44
10.4.	All Loans.....	44
10.4.1.	Lack of technical, managerial and financial capability.....	44
10.4.2.	Loan Application Fees.....	45
10.4.3.	Loan Disbursements.....	45
10.4.4.	Loan Repayment.....	45
10.4.5.	Financial Capability to Repay Loan.....	45
11.	Appendix 4: Funding Commitments.....	46

## **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 \$8,146,000 for Federal Fiscal Year (FFY) 2009. 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) each 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 Water Supply Division (WSD) of the Department of Environmental Conservation (DEC) is responsible for preparing and submitting all of these documents. The WSD is also responsible for the 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.

This intended use plan is for FFY 09 federal funding of \$8,146,000, a state match of \$1,629,200, 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 thirteenth 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 water systems with populations of fewer than 10,000 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. Coordinate DWSRF activities with enforcement activities of the State and EPA.
12. Continue implementation of the statewide strategy to improve capacity for existing public water systems and assure capacity for new public water systems.
13. Use DWSRF set-aside funding to provide the additional resources required to manage the Vermont Drinking Water Program.
14. Continue programs to encourage participation of small water systems in the loan program.

### **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. Maintain the fiscal integrity of the Drinking Water State Revolving Fund (DWSRF) and comply with generally accepted government accounting standards to assure continuance of loan funds for future generations.
3. 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.

4. Use set-asides to improve source water protection and assessment efforts by providing technical and financial assistance.
5. Continue to update, develop, and implement administrative rules and guidance for carrying out the DWSRF program.
6. Continue to update, develop, and implement the capacity development strategy for existing systems.

### **3. Public Participation**

The Water Supply Division 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 WSD 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. Notification of Application Form Availability**

Initial notification for the 2009 Projects Priority List (PPL) was made in conjunction with the American Recovery and Reinvestment Act of 2009 (ARRA-09) in late winter 2009. We informed the public that inclusion in the ARRA-09 PPL would guarantee placement on the base DWSRF 2009 PPL. In November 2009, approximately 950 Vermont water systems, consultants, and other stakeholders were notified by postcard (see Section 8.1) of the upcoming public meeting and the deadline to file a PPL application. The notice included information on how to access the application form on the Water Supply Division website. The application form and attached instructions state that information provided by applicants will be used to make preliminary determinations on project eligibility; project priority; water system financial, administrative, and technical capacity; and to determine loan lending rates consistent with federal and state legislation. Completed PPL applications were due by December 18, 2009. Those systems that had applied for and were on the ARRA-09 PPL were informed that it was not necessary to reapply. WSD staff contacted those systems on the ARRA-09 PPL that had not received ARRA funding to verify continued intent to be included in the base 2009 PPL and to update project information.

The public notice also informed applicants that public meeting would be conducted by the WSD in order to obtain public comment on the PPL and all other elements of the IUP.

#### **3.2. Direct Contacts**

Throughout the year WSD staff and the project specialist from Vermont Rural Water Association (who is funded by a DWSRF set-aside) made contact with the most needy and high priority water systems to encourage them to apply to be included in the PPL. Contacts were made via on-site visits and by phone. Additionally, water systems are routinely directed to the DWSRF by other WSD staff, such as staff conducting sanitary surveys.

#### **3.3. Public Meeting Notices**

In January 2010, an email notice and draft PPL was sent to all systems that had applied, and their consultants. All applicants were asked to look over the information in the PPL and were encouraged to attend the IUP meeting. The meeting notice was also posted on the WSD website.

### **3.4. Public Meeting**

To be held January 25, 2010 at 1:00 in the Waterbury State Office Complex Summit Learning Center, Hazen's Notch Conference Room.

### **3.5. WSD Website Posting**

The draft IUP, which includes the draft PPL, will be posted on the WSD website prior to the public meeting.

## **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 FFY 09 is \$8,146,000; therefore, the amount of state match funds required is \$1,629,200. The state match will come from funds appropriated through the Vermont State Capital Appropriations Bill for State Fiscal Year 2011.

An additional one-to-one state match is also necessary for the State Program Management Set-aside. This match can be an in-kind match for money spent on PWSS work in FFY 93 and FFY 09 in excess of the required PWSS match. No more than 50% of the in-kind match can come from the FFY 93 money. The State of Vermont estimates that \$480,000 of excess state match has been spent on PWSS programs during FFY 09. Additionally, \$519,208 of FFY 93 state match funds have been previously approved by EPA as eligible to use towards the one-to-one state match for the Program Management Set-aside. Since the FFY09 state in-kind match is a limiting factor, the total credited match is estimated to be \$960,000 for the state program management set-aside. This IUP will use only \$814,600 of these match funds. The State of Vermont intends to make a final determination on the match funds based on the FFY 09 and FFY 93 expenditures and submit the appropriate documentation to EPA at the time the grant application is submitted to EPA.

The State of Vermont identified \$939,913 of eligible in-kind match money based on FFY 93 and excess FFY 08 expenditures for PWSS work in documentation submitted to EPA on July 6, 2009. EPA Region I concurrence with the in-kind match for the FFY 08 Program Management Set-Aside was issued July 17, 2009.

### **4.2. Funding Breakdown**

The State of Vermont will have a total of \$9,775,200 in new funds for the FFY 09 DWSRF Program. This includes \$8,146,000 in federal funds and \$1,629,200 in state match money. This amount is 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 2009 PPL.

### 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 Guidance. If all the set-asides were maximized, they would consume approximately \$2.53 million of the \$8.15 million. Instead, the State is proposing to use \$2.22 (approximately 27% of the \$8.15 million or 23% of the \$9,775,200 million) of the DWSRF for set-aside activities. This will allow the State to fund a larger number of high priority infrastructure related projects. The set-aside activities are described in Section 6 of this IUP.

### 4.2.2. Facility Improvement Loans

The State is proposing to spend \$13,961,163 for construction projects. This amount includes \$7,555,127 of new federal and state funds and \$6,406,036 of carryover of prior year funds interest, repayments, and miscellaneous income. The 2009 DWSRF PPL (Section 9) identifies Anticipated Loan Recipients' projects with a total estimated cost of \$13,961,163, which is sufficient to provide loans to the top 22 projects on the list. If more loan funds become available, additional projects will be funded from the Comprehensive List (CL) consistent with existing bypass procedures.

### 4.3. Payment Schedule

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 is for the beginning of each quarter with planned commitments to be made through the end of that quarter. Except for the set-aside payments taken the first quarter, each payment must be obligated within one year of the payment date, in accordance with the Safe Drinking Water Act Amendments of 1996.

Payment No.	Federal Fiscal Year		Amount
	Quarter	Date	
1	2010-4	7/1/10 – 9/30/10	\$2,220,073
2	2011-1	10/1/10 – 12/31/10	\$1,000,000
3	2011-2	1/1/11 – 3/31/11	\$1,000,000
4	2011-3	4/1/11 – 6/30/11	\$3,925,927
Total			<b>\$8,146,000</b>

#### **4.4. DWSRF Disbursement Schedule**

EPA requires an estimated disbursement schedule for planning the disbursement of federal funds. Below is the schedule for the new funding of \$8,146,000.

<b>Disbursement Quarter</b>	<b>Amount</b>
4QFFY2010	200,000
1QFFY2011	1,100,000
2QFFY2011	1,100,000
3QFFY2011	1,500,000
4QFFY2011	1,500,000
1QFFY2012	1,100,000
2QFFY2012	1,100,000
3QFFY2012	546,000
Total	\$8,146,000

#### **4.5. Criteria and Method for Distributing Funds for Improvement Projects**

A list of projects requiring loans is maintained by the Water Supply Division and updated annually. This list plus additional information submitted by water systems was used to develop a new PPL consisting projects requesting loans from FFY 09 funds (Section 9) using the project priority system described in Section 5.

Projects with a total cost that does not exceed the estimated funds available for the Priority List during this funding cycle are those projects designated with either a 'C', which denotes that a project is continuing from a prior year's priority list or 'F', denoting a new project for which funding is available. These fundable projects are also referred to as Anticipated Loan Recipients (ALR). Available funds will be used for the first 22 projects on the list. Projects that are not ALR will be funded in priority order if funds become available during the funding cycle through the bypass procedure described in the Priority System section (Section 5.3.7) or with additional loan repayments and fund income received and carryover funds available, if any, resulting from loan closeouts of prior years' projects. Projects that are ready to proceed but are not in the fundable range should notify the WSD in writing prior to the September 30, 2011 deadline. The ALRs are those projects with the highest ranking that comply with the following:

- As required in federal legislation, a minimum of 15% of the capitalization grant funds must be used for projects serving communities with populations of less than 10,000 persons (\$1,221,900). All ALRs on the draft PPL serve less than 10,000 people and therefore meet the federal definition of a small water system.
- As required in Vermont legislation, funds for private water systems cannot exceed 20% of the available funds (\$2,792,233). Nine private water systems on the list for \$1,885,000 are included in the ALR portion of the list.
- As required in federal legislation, subsidies for disadvantaged communities cannot exceed 30% of the federal capitalization grant (\$2,443,800 for FFY 09). The total subsidy for the list of ALRs is \$1,312,934 for disadvantaged community projects.

State legislation provides specific guidance on loan interest rates and terms. The rates established for different types of loans in accordance with State and Federal requirements are outlined under the Program Description (Section 10). In addition, a preliminary loan rate determination has been made for each of the fundable projects on the List.

#### **4.6. 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.

##### **4.6.1. 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, 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 the 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 this 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 principal forgiveness.

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 of no more than plus three (+3) percent but not less than minus three (-3) percent. The interest rate cannot be less than that necessary to achieve the 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 funded project elements have a design life of at least the length of the loan term. If this action doesn't 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, except for privately-owned nonprofit community systems that serve fewer than 80% year-round residential connections. For these systems, the interest rate cannot go below zero. 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 provision for potentially qualifying systems with fewer than 80% year-round residents as disadvantaged sunsets June 30, 2011, unless that date is extended by the Vermont legislature.

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. The value of principal forgiveness for all loans cannot exceed 30 percent of the amount of the capitalization grant in any given year. If the full amount of principal forgiveness is met in any given year, any remaining projects eligible for the program subsidy can either receive standard project 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.

#### **4.6.2. 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 a Water Supply Division Guidance Document. The standard ANR procedures for obtaining a loan must be followed and the system will not be eligible for principal forgiveness if the 30% limit on loan subsidies has been utilized by projects higher on the priority list.

#### 4.7. 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 the status of the fund at July 1, 2009 is (note: the final IUP will include a projection of the status of the fund at July 1, 2010:

<b>Current Loans Status</b>	
Net Loan Awards/Amendments (212 total projects)	\$90,995,147
Loan Disbursements	\$82,851,120
Loan Principal Repayments (85)	(\$11,610,319)
Current Outstanding Loan Principal	\$71,240,801
<b>Available Loan Funds (Unobligated Funds)</b>	
Federal Funds (All Funds thru FFY08 Cap Grant)	\$11,522,495
State Match (Full Match thru FFY08 Grant)	\$3,340,852
Fund Interest (at 7/1/09)	\$1,208,877
Loan Repayments & Miscellaneous (at 7/1/09)	\$2,781,851
<b>Subtotal Available Funds thru FFY08 (at 7/1/09)</b>	<b>\$18,854,075</b>
Loan Awards 7/1/09 thru 6/30/2010 (actual + projected)	\$13,482,666
Project Funds from FFY09 Cap Grant (available 9/1/10)	\$5,925,927
State Match to FFY09 Cap Grant (available 10/1/08)	\$1,629,200
Projected Repayment & Interest Available for FFY09 List	\$1,034,627
<b>Total Funds Projected Available 9/1/10 – 9/30/11</b>	<b>\$13,961,163</b>

<b>Actual and Anticipated Fund Commitments</b>	
FFY 97 Priority List	\$12,263,800
FFY 98 Priority List	\$5,304,746
FFY 99 Priority List	\$6,333,558
FFY 2000 Priority List	\$7,713,731
FFY 2001 Priority List	\$9,709,475
FFY 2002 Priority List	\$9,164,579
FFY 2003 Priority List	\$8,917,950
FFY 2004 Priority List	\$10,875,412
FFY 2005 Priority List	\$6,324,928
FFY 2006 Priority List	\$10,099,471
FFY 2007 Priority List	\$8,478,688
FFY 2008 Priority List	\$11,540,461
<b>Total Fund Commitments</b>	<b>\$106,726,799</b>

<b>Total Loan Program Funds thru 7/1/09 (Obligated + Unobligated)</b>			
	<b>Federal</b>	<b>State</b>	<b>Total</b>
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	\$5,925,927	\$1,629,200	\$7,555,127
<b>Subtotals</b>	\$77,780,749	\$19,987,900.	\$97,768,649
Cumulative Interest Earnings (at 7/1/09)			\$3,205,878
Cumulative Loan Repayments (at 7/1/09)			\$8,851,694
Miscellaneous Income (at 7/1/00)			\$23
<b>Total Funds</b>			<b>\$109,826,244</b>

If loan repayments and fund interest earned during this funding cycle exceeds the amount currently projected, additional projects on the FFY 09 PPL will be funded. Additional information on funding will be included in our biennial report.

See Appendix 4 for a list of fund commitments at July 1, 2009. Appendix 4 does not include commitments for loan applications anticipated but not yet received.

#### **4.8. 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 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 next year. 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 to October 1st of the following year. Projects requesting construction funds are expected to advertise for bids prior to the October 1st deadline.

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 WSD 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. Priority points are awarded for the following deficiencies:

	<b>Deficiencies</b>	<b>Points</b>	<b>Description</b>
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 Water Supply 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.
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.

	<b>Deficiencies</b>	<b>Points</b>	<b>Description</b>
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.

	<b>Deficiencies</b>	<b>Points</b>	<b>Description</b>
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.

	<b>Deficiencies</b>	<b>Points</b>	<b>Description</b>
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.
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.

<b>Description (points received for 1 of the 4 areas only)</b>	<b>Priority Points</b>
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 \$46,712 based on the 2000 federal census and inflated 4% per year beginning with the FFY 03 projects 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 (\$46,712), 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.

<b>Affordability (Community MHI/SCMI x 100 = X)</b>	<b>Priority Points</b>
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.

<b>Population</b>	<b>Priority Points</b>
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 received partial funding from the construction loan fund in the current state fiscal year are placed at the top of the 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 Water Supply Division funding commitments must be made prior to July 1st to receive this consideration; projects that have received in excess of \$6.0 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 twice a year to consider updated or new information from water systems that have already been identified and ranked through the priority system public participation process and are listed on the Comprehensive Project Priority List. Amendments to the priority list will only affect the ranking of eligible projects; projects will not be removed from the Anticipated Loan Recipient category. 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.

<b>Loan Fund</b>	<b>Funding Cap</b>
Construction Loan Fund	\$2,000,000
Source Protection Loan Fund	\$200,000
Planning Loan Fund	\$100,000

### 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 eight 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. In general, projects requiring bond votes with fund commitments will be bypassed if there is not a positive bond vote by April 1st of the funding year. When project(s) not meeting the eligibility guidelines are bypassed, the highest priority project(s) 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 30<sup>th</sup> of the funding year. Any uncommitted funds identified after September 30<sup>th</sup> can be awarded to those projects outside the fundable range that have notified the WSD in writing prior to September 30<sup>th</sup> of project readiness and determined by WSD 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**

Disadvantaged communities can elect to be bypassed if they are not able to receive principal forgiveness because the 30 percent annual maximum has been reached. 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.

## **5.4. Planning Loan Fund**

The planning loan fund provides loans up to \$100,000 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. 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. A total of \$225,000 of planning loan funds will be reserved for funding projects later in the year.

At the beginning of each quarter (January 1st, April 1st, July 1st), \$75,000 of this \$225,000 will be made 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 Water Supply 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. The forgiveness criteria may be modified in the future based on operating experience. Procedures and eligibility criteria for planning loan forgiveness are detailed in a Water Supply 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 Water Supply Division within 30 days of notification of available funding.

## **6. Information on Set-asides**

The State of Vermont plans to set aside \$2,220,073 (27.25%) 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. Some 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%, \$325,840, 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, 2009 (inclusive of ARRA 2009 funds) is \$4,777,580. With the award of the base FFY 2009 funds, the total will be \$5,103,420.

The set-aside will be used to pay for approximately 2 FTEs within the Water Supply Division and fund the associated operating costs. These FTEs are responsible for the preparation and public participation of the IUP and grant applications. They also manage the day-to-day operations of the DWSRF, including reviewing contracts, ensuring that state and federal guidelines are followed, monitoring and approving fund obligations, environmental reviews, project approvals, etc. An additional 0.4 FTE in the Water Supply Division is performing DWSRF administration work, but is funded under the Program Management Set-aside because the funding under the Administrative Set-aside has been maximized.

Funding from this set-aside for approximately 1.0 FTE and associated operating costs will be utilized by the Facilities Engineering Division to support their roles in the DWSRF. Additional FTEs performing work in the DWSRF Program are funded through other sources. The Facilities Engineering Division is responsible for a variety of tasks, including, but not limited to loan application processing, preparation of loan documents, maintaining project financial records, approving loan disbursements, completing project audits, inspections, managing loan closeouts, monitoring loan repayments, and managing compliance with Federal Cross-cutting Authorities.

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 FFY 97 Capitalization Grant Application and subsequently amended.

## **6.2. State Program Management Set-aside**

Up to 10% of the capitalization grant can be used for the DWSRF Program Management Set-aside. The state is requesting to take the full 10%, \$814,600, 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 Water Supply Division personnel costs.

### **6.2.1. Water Supply Division Personnel Costs**

Amount - \$814,600

Description - The money will provide funding for approximately 9.6 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 and construction supervision, compliance supervision, DWSRF loan program administration, and other drinking water program activities.

### **6.2.2. Continued Activities Using Prior Year Funds**

A number of programs described and funded under the prior IUPs are still active but do not require additional funding this year. These include Water Supply Division - owner/operator communications, group training and one-on-one assistance, legal assistance, Public Service Board assistance, board member – owner's manual, consolidation study, cross connection control manual, emergency support, employee health and safety plan, electronic permits & fees, and SDWIS State. If limited additional funding is required for some of these programs, funds will be transferred between the various program management set-aside activities.

### **6.2.3. 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 FY 97 Capitalization Grant. The FFY 09 funds available for this set-aside are \$162,920. These funds will be combined with the funds remaining from previous grants for technical assistance to small public water systems.

### **6.2.4. Small Systems DWSRF & Capacity Assistance**

Amount - \$65,000

As part of providing water systems with the necessary assistance to develop and maintain capacity and apply for DWSRF loans, the Water Supply Division will use contracts to provide a variety of non-regulatory assistance directly to water systems. These activities may include specialty services associated with environmental documentation required for construction projects, archeological services, income surveys, and legal assistance to facilitate loan closings.

### **6.3. Technical Assistance Contract for NTNCs and TNCs**

Amount - \$35,000

The Water Supply Division will continue to provide technical assistance to public non community water systems. This work will be accomplished through an engineering contract. The primary focus of this assistance is troubleshooting water treatment for TNCs.

#### **6.3.1. Green Project Reserve Assistance – Energy/Water Conservation Audits**

Amount \$22,000

The Water Supply Division will contract with a qualified person to conduct energy and water conservation audits of public water systems. These audits may provide the basis for subsequent loan applications for “green” projects that could potentially be included on the FFY 2010 PPL as part of that year’s 20% Green Project Reserve.

#### **6.3.2. WSD Technical Assistance**

Amount - \$40,920

The Water Supply Division intends to allocate approximately .5 FTEs to provide direct technical assistance to PWSs. It is anticipated that technical assistance will be part of the Division’s overall strategy for implementing the new federal ground water rule.

#### **6.3.3. Continuing Activities**

A number of programs described and funded under the prior IUPs are still active but do not require additional funding this year. The FFY 03 IUP included a pilot program for alternative treatment technologies for naturally occurring contaminants at small public water systems. The FFY 05 IUP included funding for a contract to provide design and oversight of Transient Non-community Water System treatment systems. The FFY 06 IUP included funding for TNC Assistance.

### **6.4. Local Assistance and other State Program 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 \$916,713 for this set-aside, which is 11.25% 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 Water Supply Division will allocate \$814,600 of the FFY 2009 grant to provide this assistance.

#### **6.4.1.1. Planning Loan Program**

Amount - \$500,000

The Planning Loan Program was established with FFY 98 funds to make planning loans to municipally owned water systems serving populations of fewer than 10,000. The program was expanded to provide loans for both planning and final design and to authorize loans to owners of non-profit privately owned community water systems in October 2001. This program is part of the state capacity development strategy to provide assistance to small systems to conduct feasibility studies, preliminary engineering reports, and prepare final designs in order to comply with state and federal standards and protect public health. Under certain circumstances up to \$50,000 of the unpaid balance of a planning loan to a municipality may be forgiven by the Secretary. Criteria for forgiveness are described in detail in Section 5.4 and in a Water Supply Division guidance document. This program is described in more detail in the Program Description Section of the IUP and the administrative details were part of the work plan included with the FFY 98 EPA grant application.

The State of Vermont is proposing to increase available funds in this account by \$500,000 in FFY 08. Current planning loan commitments, pending loan applications, and set-aside funding amounts are summarized below.

<b>Summary of Planning Loan Set-aside Amounts</b>	
<b>Funding Year</b>	<b>Amount</b>
FFY 98	\$534,000
FFY 99	\$300,000
FFY 00	\$200,000
FFY 01	\$500,000
FFY 02	\$250,000
FFY 03	\$225,000
FFY 04	\$225,000
FFY 05	\$225,000
FFY 06	\$300,000
FFY06 Transfer from Source Protection Loan Fund	\$400,000
FFY07	\$450,000
FFY08	\$500,000
FFY09 (proposed)	\$500,000
Subtotal	\$4,609,000
Net Other Funds (repayments, interest, miscellaneous at 7/1/09)	\$1,901,349
Total Funds	\$6,510,349
Total Commitments (at 7/1/09)	\$4,636,103

### 6.4.1.2. Capacity Positions

Amount - \$200,000

Starting in the FFY 03 IUP, the State funded approximately 1.09 FTEs and associated costs as part of the capacity implementation program. We increased the FTEs to approximately 2.0 with the FFY 05 grant. In FFY 06, we added funding for another FTE in a temporary service position to provide direct assistance to systems with the preparation and implementation of the surface water treatment rules, with a particular focus on the Long Term 2 Surface Water Treatment Rule and the Stage 2 Disinfection By-products Rule. The SWTR position is now shown as a part-time position. The total FFY 08 funding for the 2.3 FTEs and associated costs is \$195,542.

### 6.4.1.3. Public Water System Asset Management Pilot Program

Amount - \$40,000

We are proposing to contract with an engineering firm to conduct asset management assessments of small public water systems.

### 6.4.1.4. Ongoing Capacity Activities

Ongoing activities with prior year's funds include the Water Supply Division newsletter, the Source Protection Loan Program, mediation assistance, and technical assistance.

## 6.4.2. Wellhead Protection Program

Amount - \$74,600

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 0.8 FTEs 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 FFY 2008

DWSRF Set-asides for FFY 08		
Set-aside (Maximum %)	Funds Available	Grant Request
Administration (4%)	\$325,840	\$325,840
Technical Assistance (2%)	\$162,920	\$162,920
Program Management (10%)	\$814,600	\$814,600
Local Assistance (15%)	\$1,221,900	\$916,713
Totals	\$2,525,260	\$2,220,073

<b>DWSRF Set-asides Summary</b>					
<b>Set-aside</b>	<b>Previous Funding</b>	<b>Current Year Funding</b>	<b>Total</b>	<b>Expended as of 7/1/09</b>	<b>Unexpended as of 7/1/09<sup>1</sup></b>
Administration	\$4,777,580	\$325,840	\$5,103,420	\$3,719,488	\$1,383,932
Technical Assistance	\$2,388,790	\$162,920	\$2,551,710	\$1,454,846	\$1,096,864
Program Management <sup>2</sup>	\$9,323,045	\$814,600	\$10,137,645	\$6,528,797	\$3,608,848
Local Assistance	\$7,814,141	\$916,713	\$8,730,854	\$5,611,015	\$3,119,839
<b>Totals</b>	<b>\$24,303,556</b>	<b>\$2,220,073</b>	<b>\$26,523,629</b>	<b>\$17,314,146</b>	<b>\$9,209,483</b>

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

<sup>2</sup> Vermont has reserved the right to take additional program management funds from future grants. (FFY97 \$1,105,880; FFY98 \$592,130; FFY99 \$226,380; FFY00 \$275,700; FFY01 \$48,910; FFY03 \$177,410; ARRA FFY09 \$975,000; Less \$780,505 that was transferred from Local Assistance to program management; for a total of \$2,620,905).

Note: At the time of this IUP was drafted, a grant amendment was pending to transfer \$300,000 of ARRA 2009 Technical Assistance funds to the project account. The final IUP will be revised to account for the amendment, assuming it is issued.

## 7. Program Changes -

### 7.1. *Changes affecting FFY 2009 Funded Projects*

FFY 2009 funds will include Davis-Bacon wage rate requirements.

### 7.2. *Changes affecting FY2010 Funded Projects*

Although no other changes are planned for this IUP, at least two other substantive program changes are under consideration for the 2010 IUP. These changes consist of revisions to the PPL priority system and the inclusion of a Green Project Reserve 20% requirement. Additionally, all systems will be required to obtain a D-U-N-S number prior to loan award. This will be added to the loan application form.

## 8. Appendix 1: Public Participation Documents

### 8.1. *Request for Priority List Applications Postcard Text*

**IMPORTANT FUNDING OPPORTUNITY  
VERMONT DRINKING WATER STATE REVOLVING FUND  
REQUEST FOR PRIORITY LIST APPLICATIONS**

The 1996 Safe Drinking Water Act (SDWA) amendments authorized low interest loans using federal and state funds administered by the State for water system improvements. Funds for loans to municipalities and certain privately owned water systems for planning, final design and construction for the purpose of repairing or improving public water systems to comply with State and Federal standards and protect public health will be available.

The Drinking Water State Revolving Fund (DWSRF) is now accepting priority list applications for placement on the 2009 DWSRF project priority list. The deadline for **2009 construction priority list applications is December 18, 2009**. If you would like an application for your water system improvement project to get on the priority list, please call the Water Supply Division at 1-800-823-6500. Additionally, a copy of the form can be found and completed online on the Water Supply Division website at: <http://www.vermontdrinkingwater.org/forms/DWSRFPriorityListApplication.doc>

We plan to have a draft priority list available by Friday, January 15, 2010. A public meeting to receive comments on the draft priority list and the FY 2009 DWSRF Vermont Intended Use Plan will be held on Monday, January 25, 2010, from 1:00 P.M. to 3:00 P.M., at the Summit Training Center - Hazen Notch Room at the Waterbury State Office Complex. Final written comments are due by Friday, February 5, 2010.

If you have questions about completing the application form or the loan program in general, please contact Bryan Redmond toll-free in Vermont at 1-800-823-6500 ext. 3408, or direct at 1-802-241-3408 or by fax at 1-802-241-3284. We look forward to assisting you with your water system improvement needs.

## **8.2. Responsiveness Summary**

A responsiveness summary will be prepared following close of the IUP public comment period.

**9. Appendix 2: Comprehensive Priority List and Anticipated Loan Recipients for DWSRF Construction Loans – Refer to attached fundable and comprehensive priority lists.**

## **10.Appendix 3: 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 the Water Supply Division (803-241-3400). 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 Water Supply 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 <sup>[1]</sup>	ORGANIZATION TYPE	INTEREST RATE PLUS ADMINISTRATIVE FEE	MAX TERM <sup>[2]</sup>
Planning	All	0%	5 yrs.
Construction	Municipal Community <sup>[3]</sup> Non-disadvantaged	(3%) - (0%) <sup>[7]</sup>	20 yrs.
Construction	Municipal/Disadvantaged <sup>[4]</sup>	(3%) - (-3%) <sup>[7]</sup>	30 yrs.
Construction	Private-Profit Community	3% <sup>[8]</sup>	20 yrs.
Construction	Private-Non-Profit Community (Disadvantaged) <sup>[4]</sup>	(3%) - (-3%) <sup>[10]</sup>	30 yrs.
Construction	Private-Non-Profit Community (Non-disadvantaged)	3% <sup>[8]</sup>	20 yrs.
Construction	Private-Non-Profit Non-Community	3% <sup>[8]</sup>	20 yrs.
Construction	Municipal (Non-Community)	3% <sup>[9]</sup>	20 yrs.
Refinancing	Municipal (Debt incurred July 1, 1993 - April 5, 1997)	4.376% <sup>[5]</sup>	20 yrs.
Refinancing	Municipal (Debt incurred after April 5, 1997)	New loan rates <sup>[6]</sup>	New loan <sup>[6]</sup> 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 ( $\$40,368 * 1.04^7 = \$53,122$ ) or the user cost exceeds 2.5% of the MHI. 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 Water Supply 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 Water Supply 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), and
- 7) Security projects.

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) 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 Water Supply Division may include projects on the list without applications.

### **10.1.11. Engineering Reports and Plans and Specifications**

Water Supply 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 DEC 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 \$2 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 \$2 million cap will be treated as continuing projects and have a maximum value of \$6 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 Water Supply 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. Department of Agriculture Rural Development - 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 \$100,000.

#### **10.2.5. Project Ranking**

The Water Supply 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, and include the following general categories except for points awarded for population:

- 1) System facility deficiencies;
- 2) Physical consolidation of water systems;
- 3) Financial need/affordability;
- 4) Population (scores are triple scores awarded for construction projects); and
- 5) Growth center impact.

Projects are only scored when there is a 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 Water Supply 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 Water Supply 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 \$200,000. There is no minimum loan amount.

### **10.3.5. Project Ranking**

The Water Supply 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 Water Supply 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 WSD;
- 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.

The Water Supply Division will make a determination on system capacity based on information available in Water Supply Division 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.

## **11. Appendix 4: Funding Commitments**

At 7/1/2009 \$18,854,075 were available to award (excluding ARRA 2009 funds) with most of those funds reserved for pending projects. Loan awards for projects on prior years' priority lists are anticipated to total \$13,482,666. The balance of funds not awarded to prior years' projects will be carried over to the FFY 2009 PPL.