

The Vermont Clean Water
State Revolving Fund

Intended Use Plan

for Federal Fiscal Year 2021

and State Fiscal Year 2022 Priority List

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Prepared by The Water Investment Division
Department of Environmental Conservation



VERMONT
AGENCY OF NATURAL RESOURCES
Department of Environmental Conservation

Contents

Executive Summary	3
CWSRF Program Goals	3
State Pollution Control Grant Eligibility	5
CWSRF Capitalization Grants FFY 2021	6
Project Funding	7
Criteria and Method for Distribution of Funds	8
Additional Subsidy.....	9
Non-Point Source Funding	15
Stormwater Financing Linked Deposit	19
Program Changes	20
Green Project Reserve.....	21
Public Participation.....	22
Responsiveness Summary.....	22

Executive Summary

Vermont sends to the U.S. Environmental Protection Agency (EPA), as part of its annual application for a Clean Water Capitalization Grant under Title VI of the Water Quality Act of 1987 (the Act), a Clean Water Intended Use Plan (CWIUP) to meet the requirements of Section 606(c) of the Act and the Clean Water Capitalization Grant Agreement. The CWIUP serves as the planning document to explain how each fiscal year's appropriation for the Vermont – EPA Clean Water State Revolving Fund (CWSRF) will be used.

Project priority points awarded in accordance with the Department's Municipal Pollution Control Priority System are listed on the SFY 2022 Pollution Control Project Priority List. Whether all construction projects ready to proceed in a particular year will be awarded grant and/or loan funds depends on the amount of funds allocated to the program by the Vermont legislature, the level of federal funding awarded through the federal capitalization grant for the Clean Water State/EPA Revolving Loan Fund (CWSRF), any carry forward from the prior fiscal year, and repayments and fund income received during the fiscal year. Planning projects are not funded in order of their priority, but rather at a rate necessary to bring sufficient projects to the implementation phase to use all the anticipated grant and loan funds each year.

Appearance of projects on the Project Priority List indicates eligibility for funding assuming all other requirements are met. The dollar amounts may change from those listed as project cost changes affect the pro-rating of available grant and loan amounts.

Mission of Vermont CWSRF:

To ensure the fund operates in perpetuity and provides continuing financial assistance to Vermont municipalities and eligible private entities for clean water project need, including traditional, green, and natural infrastructure, and to effectively align the CWSRF with other state and federal funding sources to support clean water projects.

CWSRF Program Goals

Long Term Goals:

- (1) Promote sustainable infrastructure by encouraging the development and implementation of asset management programs and other strategies that support municipal affordability.
- (2) Utilization of the additional subsidy provisions and other allowable financial tools to support Vermont's clean water goals by incentivizing high priority projects while continually actively reviewing long term financial implications to ensure fund

sustainability.

- (3) To provide funding assistance to municipalities and eligible private entities seeking to comply with stormwater or wastewater Total Maximum Daily Load (TMDL) or other permit requirements.
- (4) Promote climate change adaptation and resiliency in program incentives and priorities.
- (5) Prioritize initiatives that will address systemic environmental justice by prioritizing incentives to projects that will ensure equitable access to clean water benefits.
- (6) Continue investment in traditional stormwater and wastewater infrastructure to increase resiliency and reliability, to meet increased demand for collection, treatment, and disposal, and to meet environmental and water quality requirements and goals.
- (7) Utilize available program eligibilities to invest in natural resource projects to cost-effectively address clean water challenges.
- (8) Periodically review and create any needed guidance documents or policies to ensure programmatic compliance and assistance to borrowers.

\$3.3M



**Anticipated
amount to be
appropriated
for pollution
control grants
in SFY22**



Short Term Goals

- (1) Provide incentives that promote municipal affordability including the Lake Champlain Affordability Program which provides special rates and additional subsidy provisions for TMDL projects that would otherwise result in high user rates. Create additional subsidy opportunities for communities meeting the program's affordability criteria.
- (2) Support the Village Wastewater Initiative by providing additional subsidy provisions for small, unsewered communities throughout Vermont.
- (3) Create funding opportunities for economically disadvantaged manufactured home communities with water infrastructure needs.
- (4) Create financing opportunities to support the General Permit 9050 also known as the 3 Acre Stormwater Permit.
- (5) Create funding mechanisms that support investment in natural resource projects such as WISPr, Natural Infrastructure Bridge Loans, or loan forgiveness for Agency priority water quality projects.
- (6) Provide low interest and additionally subsidized loans for planning activities to support project development that lead to construction projects.

State Pollution Control Grant Eligibility

State Pollution Control (PC) grants may be available for certain projects in addition to CWSRF loans. PC Grants amounts are established through a set of public health, environmental, and affordability-based criteria that are used to determine state grant funding up to a maximum of 35% of eligible cost.

The funding source for these grants is appropriated at the discretion of the legislature and cannot be guaranteed by the program. If sufficient state capital funds cannot be secured to meet full grant eligibility, other funds may be provided to offset the shortfall in grant dollars, such as a CWSRF loan.

The Engineering Planning Advance Program will reserve up to 20% of the Pollution Control Grant allocation may be used for engineering planning advances (EPAs). For the first 6 months of the fiscal year, the EPA allocation will be reserved for planning for Vermont's unsewered villages. Additionally, up to 10% of the Pollution Control Grant allocation may be used for regional engineering planning advances (REPAs) for the first 1 months of the fiscal year.

CWSRF Administration

Municipal CWSRF construction loans are currently issued at a 0% interest rate with an administrative fee of 2%. Private entity CWSRF construction loans have been revised per [concurrence with the Treasurer's Office](#) at 0% interest rate with an administrative fee of 2.75%, except when specific initiatives have an alternative rate as outlined in this IUP. Additionally, Brownfield Economic Revitalization Alliance (BERA) construction projects will be issued at a 0% interest rate with an administrative fee of 2.25%. The program has proposed adjustments to these rates as a result of changing market rates.

Fee proceeds are deposited into a dedicated account separate from the CWSRF account, referred to as the administrative account. Historically, the program has described the fees as program income, but has tracked this fee income as either program or non-program income. The SRF program has detailed funds separately, to allow non-program income to be used for a broader array of CWA eligible activities than is allowed with program income. All fee income is accounted for in a separate fund outside the SRF fund.

These funds are primarily used for administrative support of the CWSRF program including staff salaries for financial, project development and engineering staff. Additionally, they have been used to fund costs associated with underwriting of loans and software support. The program reserves the right to use these funds for any eligible use of the fees as fund needs develop over the year.

Reallocated Funds between CWSRF and DWSRF

The Safe Drinking Water Act Amendments of 1996 (Section 302) allow a state to transfer up to 33% of the Drinking Water State Revolving Fund (DWSRF) capitalization grant from the

DWSRF to the CWSRF or an equivalent amount from the CWSRF to the DWSRF for each open grant. This transfer is at the Governor’s discretion. The program reserves the right to reserve this amount for future need.

In the event funds are reallocated from the DWSRF to the CWSRF, or vice versa, or additional federal funds are made available beyond the anticipated amount, Vermont will advance these funds to the appropriate projects in accordance with this Intended Use Plan, and the Municipal Pollution Control Priority System. Under the prior year IUP, Vermont exercised the allowance of the Water Infrastructure Funding Transfer Act (WIFTA) of 2019 to transfer \$11,000,000 from CWSRF to DWSRF for eligible lead abatement projects. This transfer was completed in September 2020 and will be reported on in the relevant Annual or Biennial Reports.

CWSRF Capitalization Grants FFY 2021

The Federal fiscal year 2021 capitalization grant allotment available to Vermont is anticipated to be level funded at \$7,779,000 after allocating \$100,000 for the federal 604b program.

The required match for the FFY21 grant is \$1,555,800. This full amount and an additional \$110 to complete the FFY20 grant match will be available beginning July 2021. These funds are included in pending legislation H.438 of 2021.

The Sources and Uses table below assumes the total needed match will be available. Sources of funds and uses are listed below.

Sources	
CWSRF Capitalization Grant (after 604b)	7,779,000
State Match Needed FFY21 Grant	1,555,800
Repayments	11,656,451
Carry-Forward	38,219,517
TOTAL	59,210,768

Uses	
Anticipated Commitments	57,730,768
3 Acre Stormwater Linked Deposit Investment	1,000,000
Administrative	480,000
TOTAL	59,210,768

The State matching funds will be deposited into the CWSRF prior to the quarter when federal funds are requested. The schedule for entering into binding commitments and timing of cash draws is contained in the grant application submitted to EPA. The CWSRF program will continue to comply with the Operating Agreement for Implementing and Managing the State Revolving Fund Program between the State of Vermont and U.S. Environmental Protection Agency, Region I.

Disbursement Schedule

EPA Payment Schedule for Federal Fiscal Year

Payment No.	Quarter	Date	Federal Amount	State Amount
1	2022-1	10/1/2020-12/31/2020	1,944,750	1,555,800
2	2022-2	1/1/2021-3/30/2021	1,944,750	
3	2022-3	4/1/2021-7/30/2021	1,944,750	
5	2023-4	7/1/2022-9/30/2022	1,944,750	
Total			\$7,779,000	\$1,555,800

EPA Estimated Disbursement Schedule

Disbursement Quarter	Amount
1QFFY2022	\$972,375
2QFFY2022	\$972,375
3QFFY2022	\$972,375
4QFFY2022	\$972,375
1QFFY2023	\$972,375
2QFFY2023	\$972,375
3QFFY2023	\$972,375
4QFFY2023	\$972,375
Total	\$7,779,000

Project Funding

Projects Anticipated to Receive FFY 2021 CWSRF available Funds (Award of FFY 2021 Funds are anticipated to be made during SFY 2022)

Project /Activity	Total Project Cost	SRF State Match	Federal Share FFY 2021 Funds
See SFY22 Priority List Attached	8,854,781	1,475,781	7,379,000
Vermont Administrative Expense	480,019	\$80,019	400,000
Total	9,334,800	1,555,800	7,779,000

Detailed project information is included in the attached Municipal Pollution Control Projects Priority List for state fiscal year 2022. The state anticipates disbursement of its state match prior to federal disbursements. For this reason, the Vermont will not be required to disburse with a cash draw ratio.

Future Program Impact

The proposed method and financial terms for distributing project funds presented in this IUP should have a positive impact on the long-term financial status of the CWSRF while accounting for loan subsidy. Principal payments on loans plus the interest earnings on the fund balance are deposited into the CWSRF and made available for future clean water projects. Lending procedures used by the Vermont Bond Bank (VBB) for municipal loans and the Vermont Economic Development Authority (VEDA) for loans to private entities include safeguards structured to minimize unforeseen losses to the fund. Additionally, the placement of the CWSRF within the financial structure of the VBB guarantees that the Program will benefit in the long-term from the management and financial planning expertise of this organization.

Criteria and Method for Distribution of Funds

The Vermont General Assembly enacted Act 75 creating 24 V.S.A. Chapter 120 in the 1987 legislative session, which established Vermont's CWSRF and set out certain priority criteria for the purpose of ranking prospective projects. The Municipal Pollution Control Priority System rule incorporates those criteria in addition to criteria required in federal construction grant regulations 40 CFR Section 35.915.

The Vermont CWSRF initiated operations in fiscal year 1989 and all initial financial assistance activities of the CWSRF have been in the form of loans. Loans will continue to be made in accordance with a project's priority list ranking as noted on the Priority List that is established annually through the Municipal Pollution Control Priority System.

The Pollution Control Project Planning List is intended to show anticipated construction and planning projects for the immediate five-year period, inclusive of state fiscal year 2022. Although we anticipate a large volume of projects and requests for funds in state fiscal years 2022 to 2026, the fund will likely support the need.

Although the CWSRF may be used for the refinancing of local debt obligations incurred after March 7, 1985, Vermont has not used the fund in this way, and may provide such funding if the balance remains underutilized and there is compelling justification of a public benefit to be secured.

Environmental benefits will be reported using the Clean Water Benefits Reporting (CBR) federal on-line reporting system each time a loan is transacted during the fiscal year. This information is now being automatically reported via a data push from an internal database to the CBR website. Reporting to FFATA and NIMS will also be completed.

This is the first year that Vermont will propose to select projects to be used for equivalency purposes. These projects are the City of Burlington's WWTF Rehabilitation Project and Stormwater Outfall projects and the City of Montpelier East State St CSO. The totality of these three projects will

exceed the required equivalency amount, but the program intends to identify a higher amount in the case of projects not moving forward or underruns. These will be the only projects reported in FFATA. All projects receiving federal funds will be required to comply with the requirements of the federal Single Audit Act, Fiscal Sustainability Plans (FSP), and Qualifications Based Selection (QBS). All treatment works projects must comply with a NEPA like review, DBE reporting, Davis-Bacon, American Iron and Steel, and other federal crosscutters required by WRRDA, as applicable. Projects selected for equivalency purposes will be offered a 0.1% administrative fee reduction.

Vermont’s CWSRF continues to maintain its, [Repayment Start Date](#), [Emergency Bypass Policy](#), and [Green SW Definition Policy](#).

COVID-19 Response

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

Additional Subsidy

The program identified unutilized additional subsidy from previous grant years as follows:

Federal Grant Year	Additional Subsidy Maximum	Committed	Uncommitted Additional Subsidy Capacity
2019	3,111,600	2,723,670	387,930*
2020	3,112,000	812,718	2,299,282*
Total			2,687,212

The program issued an amendment to the SFY21 IUP which was finalized on 5/1/2021. This amendment reallocated remaining additional subsidy loan forgiveness offered in the FFY20 IUP to incentivize planning of certain projects. All loan forgiveness is offered only for municipally-sponsored projects and is offered on a first come, first-served basis. The following project types are eligible for 100% forgiveness, up to \$125,000 per project. The three project types include:

- Combined Sewer Overflow (CSO) Abatement/ Elimination
- Village Wastewater

- Private Entity 3 Acre (General Permit 3-9050) Stormwater Retrofits: This includes planning, design, engineering feasibility assessments, and permit obtainment. Eligible recipients for this funding are included in the list of [3 Acre Properties](#).

For CSO and Village Wastewater Initiative, submission of a DEC approved engineering services agreement (ESA), preliminary engineering report (PER), Environmental Information Document (EID) will be required, as applicable. As this opportunity does not fund construction, Davis Bacon, Disadvantaged Business Enterprise, and American Iron and Steel do not apply. However, they may be required if the project later receives construction funding through the CWSRF.

For 3 Acre Stormwater projects, these project reviews will not require the traditional CWSRF approval documents and will mirror the permit application and approval process, with the goal of this funding to be 100% permit obtainment and design. These projects may not include treatment works project elements to maintain project eligibility.

As previously stated, the QBS process will not be required for these projects as the program intends to utilize equivalency. This IUP proposes to continue those offerings of 2019 and 2020 additional subsidization as described above, up to \$2.6M.

Per the FFY21 appropriations language, an amount equal to 10% of the grant must be provided as subsidy, or at least \$777,900. An additional amount equal to 30% of the grant, or \$2,333,700, may also be provided in the form of subsidy in accordance with the 2014 federal WRRDA provisions. In total, the fund may use up to 40% of the federal grant, or \$3,111,600 for additional subsidization. The program intends to utilize up to the maximum allowed additional subsidy in this current IUP. Only municipal applications are eligible for additional subsidy. The table below shows available and non-committed additional subsidy:

Federal Grant Year	Additional Subsidy Maximum	Committed	Uncommitted Additional Subsidy Capacity
2021	3,111,600	-	3,111,600
Total			3,111,600

For the remaining FFY21 additional subsidy, this IUP proposes to use it toward the categories described below:

Initiatives	Amount
Planning	1,611,600
Thermal TMDL	500,000
Floodplain Restoration	500,000
Lake Champlain TMDL Affordability	500,000
Total	3,111,600

This IUP proposes to use loan forgiveness for the following initiatives:

1. Principal loan forgiveness for planning costs up to \$1,611,600.
2. Principal loan forgiveness to support thermal TMDLs up to \$500,000.
3. Principal loan forgiveness for flood plain restoration projects up to \$500,000.
4. Principal loan forgiveness for Lake Champlain TMDL Affordability Program up to \$500,000.

Additional Subsidy for Planning

Supports Short Term Goal #6: Financing of Planning Activities

This avenue to receive principal loan forgiveness for planning includes feasibility studies, asset management planning, preliminary engineering reports, and final design projects. This IUP proposes to reserve up to \$1,611,600 million in loan subsidy for these activities. Vermont CWSRF has determined this application of additional subsidy is eligible under the Federal Water Pollution Control Act (FWPCA), section 603(i) which states: *In any case in which a State provides assistance to a municipality or intermunicipal, interstate, or State agency under subsection (d), the State may provide additional subsidization, including forgiveness of principal and negative interest loans— (B) to implement a process, material, technique, or technology— (iv) to encourage sustainable project planning, design, and construction.*

Eligible projects may receive forgiveness for 50% of planning costs, up to \$100,000 per project per IUP year, with a limit of no more than \$250,000 for each borrower per IUP year. A single borrower is limited to receiving additional subsidy for planning of \$250,000, which may consist of multiple projects for preliminary engineering or final design. Additionally, all municipalities seeking funding for the following planning type activities will receive 100% forgiveness on their loans, up to \$125,000 per borrower:

- CSO Long-Term Control Plans (LTCPs)
- Hydrologic & Hydraulic (H&H) Modeling necessary for LTCPs as defined in the CSO Rule (Chapter 34 of the EPRs) or for projects to reduce wet weather SSOs.
- Rain gauges for CSO communities that need to comply with the CSO Rule
- Flow metering of CSO discharges for volumetric monitoring and telemetric reporting
- Other means of CSO Rule Monitoring and Compliance as determined by the Secretary.
- Municipally-sponsored 3 Acre Private Entity Design and Permit Obtainment (can be additive to 2019/2020 additional subsidy allowances).
- Village Wastewater Initiative Planning/Design (can be additive to 2019/2020 additional subsidy allowances).

The forgiveness for the above planning activities would not count toward the proposed \$250,000 subsidy cap. A project may only receive planning forgiveness under one category. The CWSRF program will determine which path for loan forgiveness is most financially advantageous.

TMDL for Thermal TMDL Projects

Supports Short Term Goal #1: Municipal affordability support

Thermal Total Maximum Daily Loads (TMDL) Program will support any municipality to comply with requirements of an EPA-approved TMDL intended to address thermal impairment to Section 303(d)-listed waters. This initiative is likely to solely support the City of Rutland's project to address the Moon Brook Thermal TMDL, though additional communities may benefit in future years, should the program decide to continue this eligibility. This additional subsidy provides 100% forgiveness up to \$500,000 per project for projects used to address the requirements of this thermal TMDL. All eligibility determinations will be made by DEC staff and may require federal crosscutters. Additionally, eligibility will be restricted to those project components that provide water quality benefits and activities that are able to be permitted.

Vermont CWSRF has determined this application of additional subsidy is eligible under the FWPCA, section 603(i) which states: *In any case in which a State provides assistance to a municipality or intermunicipal, interstate, or State agency under subsection (d), the State may provide additional subsidization, including forgiveness of principal and negative interest loans— (B) to implement a process, material, technique, or technology— (iv) to encourage sustainable project planning, design, and construction.* Vermont CWSRF has increasingly sought to fund non-point source activities as a more affordable and sustainable investment in water quality problems across the states.

Lake Champlain TMDL Affordability Program

Supports Short Term Goal #1: Municipal affordability support

Based on public comment regarding affordability of projects that are required to meet multiple effluent limits under the Lake Champlain TMDL, this IUP has continued this affordability program. In order to be eligible for the terms outlined in this section, a project must:

- Be a municipal facility with an implementation schedule to meet multiple effluent limits set forth in their first NPDES permit under the 2016 Lake Champlain TMDL.
- Result in post-project user rates for wastewater services exceeding 4% of median household income.
- Have applied for construction funding by June 30, 2021. This forgiveness is eligible for all eligible planning costs.

Systems that fit this description will be eligible for:

- Additional subsidy of 100% forgiveness, up to \$500,000 per year in future IUP years. This project will be treated as a continuing project to ensure access to available additional subsidy.
- Loans can be amended until project completion, up to four consecutive years, with a maximum loan forgiveness of \$2,000,000 per borrower per project.
- This additional subsidy can be additive to other additional subsidy opportunities.
- If any combination of loan forgiveness and pollution control grant result in post-project user rates of less than 2%, this affordability eligibility will be ceased.
- The administrative fee rate will be 0% for projects meeting this definition.

Additional Subsidy for Flood Plain Restoration

Supports Short Term Goal #6: Financing incentives for natural infrastructure and #3: Financing support for economically disadvantaged MHCs

This additional subsidy offers principal loan forgiveness as outlined below with a maximum allowable for this entire initiative of \$500,000. This additional subsidy opportunity is for floodplain buyouts and restoration to purchase developed properties located in floodplains or at high risk of flooding or erosion as determined by the DEC Rivers Program.

1. Projects eligible for FEMA funding:
 - a. In manufactured home community: Subsidy in the form of 100% principal forgiveness, up to 50% of total project costs or \$250,000, whichever is lower. *Example with \$200,000 total project cost: \$100,000 loan, \$100,000 forgiven.*
 - b. Not in manufactured home community: Subsidy in the form of 100% principal forgiveness, up to 25% of total project costs or \$100,000, whichever is less. *Example with \$200,000 total project cost: \$50,000 loan, \$50,000 forgiven.*
2. Projects not eligible for FEMA funding:
 - a. In manufactured home community: Subsidy in the form of 100% principal forgiveness up to \$250,000. *Example with \$200,000 total project cost: \$200,000 loan, \$200,000 forgiven.*
 - b. Not in manufactured home community: Subsidy in the form of 100% principal forgiveness up to \$100,000. *Example with \$200,000 total project cost: \$100,000 loan, \$100,000 forgiven.*

Eligible costs may include property purchase, closing costs, demolition and site restoration, and floodplain restoration. All eligibility determinations and cost approvals will be made by the DEC Rivers Program. These loans must be municipally sponsored.

What Constitutes Planning Versus Construction Activities?

Activities that are regarded as construction are subject to additional construction procurement provisions that do not apply to planning activities.

Planning activities are those activities that take place during the feasibility, preliminary engineering, and design phases of a project and where there is no significant alteration of existing ambient conditions. In general, if an activity involves excavation or moving soil or rock, it is not a planning activity. If a final design approval letter is issued for a project, the planning activities associated with the project must take place prior to issuance of the letter.

Examples of planning activities:

- Feasibility studies;
- Preliminary engineering reports and engineering studies;
- Development of compliance assistance tools
- Installation of equipment including sensors, meters, gauges, hardware and software used to store and interpret data;
- Sampling, lab work, and data analysis;
- Flow and Level monitoring of CSO discharges including the capability to transfer data electronically in real time for the equipment being installed.

This is not an exhaustive list and other activities will be reviewed by WID on a case by case basis.

Requirements to Secure Additional Subsidy

To secure additional subsidy, the following applies: All additional subsidy is awarded on a first-come, first-served basis.

- Only municipal applicants are eligible for additional subsidy
- Applicants may qualify for multiple types of additional subsidy under this plan, subject to the limitations noted above.
- Additional subsidy is considered reserved for a project upon receipt of the following:
 - Complete funding application
 - Qualifications Based Selection certification, if applicable
 - Draft Engineering Services Agreement
 - Relevant readiness to proceed criteria prior to securing additional subsidy for a final design loan and bond documentation and final design approval prior to securing additional subsidy for construction.

For clarification purposes, the program will notify borrowers when they have secured

additional subsidy. The table below lists what is needed for each step to lock in additional subsidy, unless it is inapplicable to the project.

Step 1 (Preliminary engineering, feasibility)

- Complete funding application
- Qualifications Based Selection certification, if applicable
- Draft Engineering Services Agreement

Step 2 (Final design engineering)

- Complete funding application
- Qualifications Based Selection certification, if applicable
- Draft Engineering Services Agreement
- Preliminary Engineering Report Concurrence or Facility Plan Approval from WID engineer

Step 3 (Construction)

- Complete funding application
- Qualifications Based Selection certification, if applicable
- Draft Engineering Services Agreement
- Bond Vote Certification and Counsel Opinion letter
- All permits in place, including Act 250, if required
- All necessary prior step WID Engineering approvals, including preliminary engineering, facility plan, and final design approval.

Non-Point Source Funding

Vermont's CWSRF has an increasing focus on non-point source funding. Non-point source projects may be funded through loans using standard rates and terms. The two evolving mechanisms to increase this type of utilization of the fund are through the Water Infrastructure Sponsorship Program (WISPr) and the Interim Financing for Natural Resources Projects Program.

Natural Resources Categorical Eligibility

Eligible CWSRF natural resources projects are defined as a project to protect, conserve, or restore natural resources, including the acquisition of easements and land for the purposes of providing water quality benefits (24 VSA Chapter 120 §4752). The following project types are categorically considered eligible for CWSRF funding:

- Wetland restoration projects
- Floodplain/stream restoration
- River corridor easements
- Woody buffer plantings
- Dam Removal, where there's a water quality benefit
- Lake shoreland retrofit using LakeWise principles

- Water Resource Protection through land acquisition or easements for the purposes of providing water quality benefits
- Gully Stabilization where there is a downstream water quality benefit
- Forestland Conservation

DEC’s Watershed Planners will confirm that proposed natural resources projects are eligible and provide a demonstrated water quality benefit. As projects are proposed to be funded through CWSRF, the Watershed Planners will coordinate within DEC’s applicable natural resources programs to ensure the projects not only meet these definitions but do not present an unintended environmental impact. Once the Planners have completed their eligibility determination, they will work with SRF Project Developers to assist with the funding process.

Section 603(c) of the Clean Water Act (CWA) states that the CWSRF can provide assistance to these project types under the Habitat Protection and Restoration and Surface Water Protection and Restoration eligibility as described in the [EPA’s 2016 Overview of CWSRF Eligibilities document](#). As it pertains to sponsorship (described below), this is further described in [EPA’s Sponsorship Lending and the CWSRF](#). Similarly, the states of [Ohio](#) and [Iowa](#), and several other states have awarded CWSRF funding for the these project types for many years. These projects are not considered treatment works projects and, therefore, are not required to comply with NEPA. However, these projects may undergo environmental review as part of the permitting review process, as applicable, by other funding sources.

Vermont CWSRF reserves the right to require additional review on a case by case basis. Additional review determinations will be made by the Watershed Planners.

Many other federal crosscutters are not required for these projects including American Iron and Steel (AIS), Davis Bacon, and Fiscal Sustainability Plans (FSP) as they are not treatment works projects. Additionally, the program intends to use repayment funds (Tier II) to fund all natural resources projects. Due to the use of repayment funds, Qualifications Based Selection (QBS), Signage, and Single Audit Act do not apply. Other traditional CWSRF programmatic requirements such as standard contract documents and CWSRF construction oversight do not apply to these projects and will not be overseen by CWSRF construction engineers. The relevant DEC regulatory or natural resource program section (dam safety, rivers, wetlands, stormwater, etc.) will oversee these projects and will develop deliverable requirements. Grant conditions required by the capitalization grant will be incorporated into the loan agreement language.

Water Infrastructure Sponsorship Program (WISPr)

Supports Short Term Goal #6: Support of Natural Infrastructure

WISPr was established in 2018 upon the passage of Act 185 which established a mechanism for a municipality to “sponsor” a natural resources project, the cost of which is then forgiven.

WISPr is currently operating on a limited basis. Program staff will evaluate WISPr requests on a case by case basis. However, due to staffing limitations, there will be limited proactive outreach from DEC staff.

WISPr has undergone a re-evaluation in the past year to determine how to make the program more accessible for municipalities and to better explain the benefits of natural infrastructure projects. The results of this evaluation are reflected in the revised [WISPr policy](#). The major changes include:

- Expansion of the definition of WISPr eligible project types
- Project development process change to include funneling of all projects through DEC’s Watershed Planners for eligibility determination and assistance to coordinate with external partner agencies.
- An overall emphasis to identify projects with a direct benefit to the sponsoring municipality, though this is not a requirement.
- No WISPr funding will be made available until there is a signed agreement to sponsor letter from the relevant municipality and a bond vote, if applicable, has been passed for the sponsoring project.

In keeping with past practice of WISPr:

- To ease accessing WISPr funds, the program will use Tier 2, or repayment funds, to support WISPr projects. These projects will not be reported in FFATA for equivalency purposes. As such, QBS procurement process will not be required.

How to Qualify for WISPr Funding

In order to receive WISPr funding, the following must be completed:

- A signed letter of commitment and resolution by the governing body
- Passed bond vote for the sponsoring project, if applicable
- Submitted [WISPr Funding Application](#).

Interim Financing for Natural Resources Projects

Supports Short Term Goal #6: Support of Natural Infrastructure

Upon the passage of Act 185 in 2018, Vermont’s CWSRF program can fund all federally eligible clean water projects and lend to all federally eligible entities, as outlined in EPA’s [Overview of Clean Water State Revolving Fund Eligibilities](#) paper. The CWSRF continues to utilize this expanded eligibility to promote investment in natural resource projects.

To aid in this investment, this IUP is proposing the continuation of an interim financing program. The interim financing would be shown on the priority list as a “put aside” to ensure

funds are available as needed, though any private entity project that applies to this program would only be funded after all municipal projects are funded. To ensure funding is flexible and available for the interim financing projects, the put aside would not require discrete projects be ranked on the priority list, but rather categorically ranked within this put aside. The following is proposed:

- \$5M “put-aside” on the priority list for interim financing of all eligible natural resource restoration, agricultural water quality, and forestry conservation project. This financing would be at 0% for municipal applicants or 0.6% for all other applicants, for a term not to exceed 5 years.
- In accordance with the SRF Repayment Start Date policy, the initial loan repayment would begin one year after execution of the loan agreement.
- The repayment schedule would be depressed for a lower principal and interest payment for the first four years, with a larger and final balloon payment in the fifth year.
- These loans would be subject to other statutory restrictions for private entity borrowing, including the restriction of utilization of no more than 20% of the available funds unless there isn’t sufficient municipal need and the requirement to offer funding to all eligible municipal projects prior to making this funding available.
- This funding is available on a first-come, first-served basis.
- To secure this funding, applicants must be able to pass underwriting criteria of either VEDA or VBB.

Farmland Futures Fund

Supports Short Term Goal #6: Support of Natural Infrastructure

This IUP proposes utilization of the interim financing put-aside to provide assistance to Vermont Land Trust (VLT) for the Farmland Futures Fund (FFF). The FFF will function as a low-cost revolving fund “pass through” of \$10M, to be used over the next ten years. The goals of the FFF include:

- Facilitate 200 farm transfers between 2020 and 2030
- Purchase farm properties to facilitate transfers to help strengthen and diversify Vermont’s agricultural economy, support the generational transfer of land, and ensure continued farmer ownership and agricultural use of conserved farms.
- Implement water quality improvements and ecological restoration on the farm properties purchased by VLT and ensure appropriate easement protections.
- Support rural communities that rely on agriculture as part of their economic and cultural landscape.

VLT proposes to deploy several strategies to improve water quality by reducing phosphorous, nutrient, or sediment loss on agricultural land. This approach will involve protecting whole

properties with conservation easements, including special water quality restrictions as applicable; updating existing conservation easements with similar special water quality restrictions; and facilitating land management and restoration activities that complement and enhance these legal protections.

Over the past ten years, VLT farmland access projects have protected 65 miles of streams and rivers and two miles of pond and lake frontage, including 20 miles with special easement protections. Those projects have also protected 475 acres of wetlands, 105 acres of which have special easement protection. The FFF anticipates doubling these outcomes over the next ten years.

This put-aside will follow the same underwriting requirements as Interim Financing. This IUP will reserve up to \$2M to be used in this IUP year and at the end of each IUP year, the amount used in that year will be closed out into one loan and repayment will begin for that first year. In following IUP years, this put aside will offer the net remaining from the initial \$10M and the amount spent in that year will be closed out and made a separate loan. For example, if in the initial year, only \$1M is used by the end of the IUP year, CWSRF will close out a loan for \$1M and make an additional continuing amount available for the next year. This allows FFF ultimate flexibility to purchase properties in a timely manner. This project will be treated as a continuing project for up to 10 years or until the full \$10M is disbursed. Annually, the program will coordinate anticipated need with VLT to reserve for this initiative.

These funds will be made available at a rate of 0.6% and payment will begin one year after execution of the loan.

Stormwater Financing Linked Deposit

Supports Short Term Goal #4: Financing Support of Three Acre SW Permit (GP #3-9050)

Due to the future demand for funding related to stormwater General Permit 3-9050, otherwise known as the 3 Acre Stormwater Permit, this IUP proposes the creation of a linked deposit mechanism to fund these project types. The bulk of the need to comply with this permit requirement will be with for- and non-profit business entities and residential associations in the Lake Champlain and Lake Memphremagog Basins. This funding mechanism is still in development stages and it is not likely that projects will be funded for construction during this IUP year. However, this IUP reserves the use of up to \$1M to seed this funding mechanism. Once the linked deposit mechanism is created, no federal requirements will apply to these projects, assuming they are not treatment works projects. The program has developed a [Stormwater Treatment Works Policy](#) that distinguishes between treatment works and non-treatment works stormwater projects.

Funds used for the linked deposit program are considered an investment and, as such, are considered in the fund uses portion of the IUP but are not a discrete put-aside or ranked project.

Program Changes

Affordability Criteria

This IUP proposes to revise the CWSRF [Affordability Criteria](#) to create a categorical eligibility. Under this revision, all non-profit or cooperatively-owned manufactured home communities (MHCs) will automatically be considered to meet the state's affordability. It is the position of the CWSRF program that due to compounding factors around these entities, they are categorically at a financial disadvantage for their infrastructure needs. The previous lack of investment in the MHC by the for-profit owner, the location of MHCs in less desirable locations, and cost to transition to a cooperative or non-profit entity are all factors that make these entities a categorically vulnerable population with significant affordability needs. Any further use of this affordability criteria will consider these types of entities as having met the CWSRF Affordability criteria, regardless of the previously outlined requirements (MHI, unemployment, or population decline). As such, income surveys are not required for these projects. It should be noted that this is only relevant to municipally-sponsored MHC projects.

Annual Cap on Loans

This year's priority list will place an annual cap of \$3M on each loan, with the exception of projects identified as equivalency projects. Any project requesting a larger amount will be considered a continuing project in future year IUPs and will be prioritized above all other funding requests, with the exception of emergency project requests. If funding has been made available to all ranked projects after bypass and there are funds remaining, this cap may be raised based on priority ranking. This requirement also applies to single projects that will be accessing the interim financing put-aside. Pollution control grant eligibility will be based on the total project costs, regardless of the cap.

Priority List Bypass Procedure

The revision of the Chapter 2 Project Priority System Rule in December 2017 allowed for the implementation of a bypass procedure. In order to further prioritize the management of the priority list, the program has established [Readiness to Proceed Criteria](#) that requires submission of an administratively complete preliminary engineering report (PER) in order to be ranked for construction loan and PC grant funding. The final date for PER submission was February 25, 2021. Projects that are in the planning stages may submit priority list applications but will be shown as future projects for planning purposes. Additionally, projects must meet these readiness-to-proceed deadlines:

- November 1, 2021: Submit complete Step II/ Final Design Loan Application;
- January 30, 2022: Bond vote scheduled;
- April 30, 2022: Positive bond vote and submittal of a project schedule that demonstrates the project will be ready to go to bid by June 30; and

- June 30, 2022: Submit complete Step III/Construction loan application (all required items have been completed and submitted).

For projects that qualify under the Village Wastewater Initiative, completion of a feasibility study together with issuance of a DEC preliminary approval from the Indirect Discharge Program constitutes administratively complete PER for purposes of inclusion in the project priority list. Any projects that confirm to CWSRF program staff that they have secured funding through another source will receive notification of bypass.

Projects not meeting this and other readiness to proceed dates will be bypassed in favor of lower ranking projects. For purposes of bypass, a project will be defined by a single priority list application. If there are multiple subprojects or sub-components within a priority list application, a PER submittal will be required for all subprojects and all subprojects must meet readiness to proceed guidelines or the entire project will be subject to bypass.

ANR Online Funding Application

Beginning July 1, 2021, loan applications and associated documentation must be submitted through ANR Online (<https://anronline.vermont.gov/>). This will improve project readiness, processing times, and transparency of the loan review process. A loan application will be considered complete when the form and all required documentation are uploaded to ANR Online and the applicant clicks the Submit button. The documentation required for loan applications varies by project step. Applicants with questions about required documentation are encouraged to reach out to CWSRF Project Developer with questions. The Program will provide an overview of the transition and online training materials to assist applicants in the transition.

Applicants may wish to begin the review process for their draft Engineering Services Agreement (ESA) prior to obtaining other documentation required to submit a complete loan application. Applicants may work directly with the relevant DEC engineering staff to secure review of their ESA, however, no formal loan action will be taken prior to submittal of a complete loan application.

It should be noted that a completed application does not equate locking in of additional subsidy as the project needs relevant approvals as detailed in the additional subsidy portion of this IUP.

Green Project Reserve

The Vermont requirement for Green Project Reserve (GPR) for FFY 2021 is 10% of the federal grant, or \$778,000. Potential GPR projects are identified on the attached priority list. Many of these projects are early in the development phase and engineering and project development staff will work directly with municipalities and their consultants to incorporate green project elements into the project design.

In addition, the revisions to the Chapter 2 Priority Ranking criteria provide a framework for how projects should be prioritized for funding. This framework provides flexibility for the prioritization of federally mandated project types, including GPR projects.

While the goal for GPR is 10% of the federal grant, it is the position of the program to solicit and prioritize more than the minimum goal. This will ensure that if certain project elements have changed during the development and construction of a project that may reduce or eliminate GPR elements, there are sufficient GPR projects to meet or exceed this goal.

Public Participation

Vermont follows public participation procedures in the development of the annual Project Priority List (PPL), the CWIUP and in the environmental review process. The CWIUP is typically developed and adopted annually along with the PPL using the same public participation procedure employed for adoption of the PPL. That procedure is outlined in the Municipal Pollution Control Priority System rule. Vermont implements public participation for specific projects through the environmental review for CWSRF funded projects in accordance with the department's Environmental Review Procedures for projects funded through the Vermont/EPA Revolving Loan Program. This procedure was approved by the EPA Regional Administrator in accordance with the August 2, 1989 CWSRF Operating Agreement between the State of Vermont and the U.S. Environmental Protection Agency, Region I. A summary of the public comments that were received for this IUP are included in the following Section.

On December 17, 2020, the Department notified municipalities and other interested parties to apply to be included on the Municipal Pollution Control Projects Priority List for State Fiscal Year 2022 with a due date of February 25, 2021 for inclusion in the draft Pollution Priority List.

The draft IUP was released on May 15, 2021. Due to Governor Scott's Stay Home, Stay Safe order, this year's public meeting was conducted online and in person. A public hearing invitation to participate via Microsoft Teams was sent via email to all entities in the contact list and directions to participate were posted on the CWSRF website. The virtual public hearing was held on June 17, 2021 starting at 10:00 a.m. The final IUP includes a public responsiveness summary to detail comments made throughout this process.

Responsiveness Summary

The following responsiveness summary is a list of questions and comments received at the June 17, 2021 public hearing through the public comment period ending July 1, 2021. Some comments have been edited for brevity and clarity:

FFY2021 CWSRF IUP Responsiveness Summary

The questions below have been numbered for ease of reference only.

Q1: Is all Additional Subsidy for Municipalities?

A: Yes, only for municipal borrowers.

Q2: How does the mobile home subsidy (floodplain, etc.) work?

A: The MHC would have to partner with a municipality in order to access the Floodplain Restoration Additional Subsidy. The municipality would have to be the borrower in order to obtain the additional subsidy. This is referred to as “pass through”.

Q3: Are private entities such as Bolton valley Community Water & Sewer eligible for planning loan subsidy for Step I & Step II engineering services (they have completed QBS process)?".

A: Only municipal borrowers are eligible for additional subsidy. The municipality could be a pass through to potentially access additional subsidy.

Q4: Projects can meet the readiness to proceed, what additional technical support is being provided to WID staff over the next year so that review of documents, facilities plan approvals, final design approvals, and issuing environmental reviews can be completed in a more timely manner?"

A: The Department is mindful that a significant increase in SRF activity has resulted in additional demands on required review. The Department is considering application of additional lean process improvement tools to identify opportunities for improved customer service. The Department has also modified the bypass criteria to be based on actions that are in the direct control of the borrower. It is important to consider that when all of the projects are run on the same schedule, the outcome will be a backlog of work. Consultants are encouraged to modify their schedules to allow sufficient review time.

Q5: Can Greensboro submit an ESA and loan application prior to June 30, 2021 to reserve Additional Subsidy, up to \$125,000 per project, under the SFY21 IUP. And then obligate the funding after completion of the PER in November 2021?"

A: The IUP year is FFY21. If there is additional subsidy remaining in the program it will be “reserved” at the time of application. A Step II loan will not be able to be approved (which

obligates the add sub) until the facility plan approval letter is issued. The facility plan approval letter is the program's formal approval of the deliverables for Step I, the PER and the environmental review process and documents.

Q6: The Division used to supply fact sheets that summarized the funding programs on a page or two. These were very useful for reference and are provided to clients to help them understand a very complicated program. Is there any plan to resurrect those fact sheets?

A: DEC still has the fact sheets available on our website and they do need to be updated to reflect the changes since they were developed a few years ago. The program intends to update those documents and provide additional fact sheets for some of our new initiatives upon finalization of this IUP. The existing fact sheets can be accessed at the following link: <https://dec.vermont.gov/water-investment/resources-publications-legislative-reports>

Q7: There appears to be an error in the released IUP since South Woodstock is not listed for construction funds and is listed for future construction funds of zero dollars. Would you confirm that this is an error?

A: This project has been added to the priority list as a continuing project because it is receiving construction loan funding under the FFY2020 IUP. The estimated PC Grant eligibility is carried forward.

Q8: Under Goal #6, we wanted to ask for consideration of changing the forgiveness cap shown of up to \$100,000 per project, with a limit of no more than \$250,000 for each borrower. There are several large projects pending, and this is a change from the previous funding commitments. This change negatively effects the Hinesburg WWTF and Colchester Malletts Bay sewer projects. On behalf of Hinesburg and Colchester, we are requesting an increase in the \$100,000 per project and the limit of \$250,000. Hinesburg has had a positive bond vote, and this change will reduce the amount of loan forgiveness that they are eligible for in planning, increasing the loan amount, and increasing the cost to sewer customers.

A: Subsidy is awarded on a per project per IUP year basis. The program is continuing with past practice

Q9: There are some larger projects that will exceed the \$3M cap. If a community has construction costs exceeding the \$3M in a given year, then they are going to have to secure temporary funding to cover this additional cost until more loan funding is available in the following fiscal year. This will require additional financing.

A: Additional funds may be provided should they become available due to other projects failing to meet readiness to proceed criteria. Additional funds are only likely going to be needed if the project is completed in a single year and under a single IUP. Projects that have a duration of 2 or 3 years can apply as a continuing project on subsequent IUPs. The CWSRF has had to institute the funding caps in the past when there insufficient funds to meet the full need.

Q10: Combined Sewer Overflow – This number at \$550,000 seems high for what is needed over the next year and could potentially be reduced to \$250,000. We are involved in several of these Long-Term Control Plans, and do not see the demand for this amount of planning over the next year. St. Albans is in Step I for the Federal St project and could move to Step II. We are not familiar with the status of projects for Rutland, Burlington, Montpelier, and Vergennes, so maybe there is a greater need in these other communities.

A: The purpose of dedicating loan forgiveness to CSOs is to complement Federal funding that may become available through the American Rescue Plan Act (ARPA) or the envisioned Federal infrastructure package. If this level of subsidy remains unused as the IUP year progresses, the program could re-allocate through IUP amendment for another purpose.

Q11: Village Wastewater – There has been a lot of planning done for these new wastewater systems over the years and very few have moved forward. There are a lot of reasons why, from lack of community support, limited points of pollution, high capital and O&M costs, etc. We would prefer to see more of these funds directed to aged infrastructure, meeting new regulatory requirements, or more to asset management plans for smaller and medium size communities. Another option is to subsize planning for communities that still need to comply with the Lake Champlain P TMDL, such as, Swanton.

A: Existing municipalities with wastewater systems in Vermont overall have benefited from the Federal Grants programs that were in place at the time that they were able to build collection systems or interceptor sewers and wastewater treatment plants. Many communities that were not able to take advantage of those opportunities have not been able to move forward in terms of economic development and achieving the State’s planning goals for infill and redevelopment of our existing towns and villages. Additional subsidy is important to continue supporting the communities that select to start this process to continue into Design and moving forward with their projects without burdening their local governments. These communities do not have the “rate payers” to provide revenue for their planning and design needs. Fifty percent additional subsidy in the form of loan forgiveness for planning and design of projects, such as Swanton, are available on a first-come-first-served basis until it has been exhausted.

Q12: Is the proposed CWSRF subsidy cap per borrower per IUP year or lifetime?
Is additional subsidy available only to municipalities? Or to everybody?

A: The proposed subsidy is per borrower per IUP year. Additional subsidy is available to municipal borrowers only.

Q13: We understand the reasoning behind the new requirements to have PERs/PER prior to making application for the Priority List. In many cases this is a requirement we can meet, but in the case of some projects, particularly water main distribution rehabilitation/renewal projects which must be coordinated with the City's paving program, this is particularly challenging. We would like there to be an alternative approach for projects where an asset management plan with risk-based scoring or some sort of CIP list exists.

A: DEC may consider alternative forms of planning other than a formal PER. Those interested are encouraged to contact technical program staff to discuss your particular project and planning completed to date.

Q14: "Programmatic Financing" has been discussed as a possible option for municipalities such as Burlington which have significant voter authorizations in hand for project categories (vs. specific projects) and for which the municipality is planning on drawing down funds in annual chunks. It would be helpful if 1) the IUP included details about how this would work, and which sorts of projects would be eligible; and 2) the IUP considered allocating additional priority points and/or subsidy to reward municipalities who are making substantial effort to address aged infrastructure in this holistic manner – i.e. steady funding over a number of years.

A: Vermont CWSRF has not committed the necessary time yet to develop Programmatic Financing (ProFi).

Q15: Burlington would like to see the continuation of significant subsidy for planning and design phases. Additionally, we urge the State to consider subsidy for construction projects and to make it the policy of the program to always maximize the amount of subsidy available. Construction subsidy should not hinge on the State's/EPAs definition of "affordability" (2% of MHI) or solely for small systems. (i.e. Burlington does not qualify for the Lake Champlain "Affordability" program).

A: The state determines how much forgiveness to disburse based on detailed cash flow modeling to ensure the long-term sustainability of the fund to revolve, therefore, the program no necessarily provide all of the subsidy that is available. The affordability criteria methodology is outlined in EPR Chapter 2.

Q16: The “2% of MHI for wastewater services” analysis linked more to determinations of financial capability – not necessarily really “affordability” for a community. (We do appreciate that some of the questions try to get at the other elements – but those “additional hardships” only result in 5 points). Specifically, a true determination of affordability in a municipality such as Burlington would look at the overall ratepayer burden for Drinking Water, Wastewater and Stormwater bills (all of which have increased revenue requirements to manage aged infrastructure and new regulatory requirements) as well as other aspects impacting ratepayers. Ratepayers for these three utilities are most often one and the same in Burlington and all three utilities have and will continue to see increased rates. Affordability should not focus solely on the median household income ratepayer – but rather look at the lower quartiles of income where rate payers would truly be burdened by the rate increases necessary to fund these projects as well as other costs for renters and property owners. The affordability section does not appear to apply to projects funded by Stormwater Utilities (requests residential units connected to the system and annual gallons, etc.). Moreover – as mentioned above stormwater ratepayer burdens should be considered along with wastewater and drinking water ratepayer burdens since Burlington ratepayers pay for all three of these.

A: Cumulative rate payer burden is a factor the program may consider in upcoming IUPs. Any other suggestions you have to improve the affordability criteria would be appreciated.

Q17: While we understand the need to provide earmarked funding sources for small communities, larger communities like Burlington have larger systems (and thus a larger extent of aged infrastructure) and may have many more regulatory burdens (MS4 obligations, including Stormwater TMDLs and Phosphorus Control Plans, and larger wastewater plants which are subject to P requirements under the Lake Champlain TMDL). We suggest some sort of category (i.e. for priority points or additional subsidy) that reflects the # of regulatory obligations that a municipality has to meet as evidence of a community’s burden.

A: We have allowed for project bundling where priority points for disparate project types can be combined if the municipality submits under one PPL application. If capital planning allows, then this could achieve the desired request without any programmatic or Rule changes. Additionally, any changes to the priority point system requires either rule or legislative change.

Q18: Burlington has invested significant funds in the development of an Integrated Plan. Please consider additional priority points for communities which have pursued the Integrated Planning process since this process does involve determining the most cost-effective approach to meeting regulatory obligations and a community’s water quality goals. This should result in more cost-effective use of SRF funds and should be promoted.

A: The existing priority system does include points that can be achieved by having an integrated plan (Criteria 9 of the Priority List Application).

Q19: The Town of Brighton has requested that the Plist application that was submitted in February 2021 be modified to show that the construction funds are needed May 1, 2022 instead of July 1, 2022 to accommodate a change in their project schedule.

A: The Town of Brighton has not been added to the Plist at this time for construction funding but should the IUP be amended later this year the construction status will be revisited at that time.

Q20: The Town of Montgomery has completed and submitted a Village Wastewater Initiative 95% Deliverable Preliminary Engineering Report and Environmental Information Document. The Town understands they are eligible for first come first served Additional Subsidy, up to \$125,000 per project, under the SFY21 IUP if the Town submits an ESA for Village Wastewater Initiative planning prior to June 30, 2021. Please confirm this understanding.

A: Municipal borrowers were able to begin receiving forgiveness for the VWW Initiative in May of 2021 and that ability continues on a first-come-first-served basis until June 30, 2022. The loan application was received.

Q21: The 2020 IUP currently includes an additional subsidy for preliminary engineering, final engineering, and construction of *“community wastewater solutions serving in unsewered villages in towns with a town population under 2,500.”* Eliminating this subsidy will undermine long term community and economic development efforts at a time when rural Vermont is recovering from the impacts of COVID 19.

A: As part of ARPA, Governor Scott proposed that a substantial amount of funds be appropriated to support the Village Water & Wastewater Initiative. The program’s intention is to use the CWSRF loans and additional subsidy in the form of loan forgiveness for planning and design for these projects to get them “shovel worthy”. The General Assembly, in Section G.700 of Act 74 (H.439) of 2021, (a)(2)(A) appropriated \$8,000,000 to the Department for SFY 2022 “to support the design and construction of up to 10 community-scale water or decentralized wastewater projects, or both, to support underserved designated centers”. This amount is far greater than the amount of additional subsidy available for construction funding in the previous IUP.

Q22: Our client recently submitted the 25% Deliverable of the Preliminary Engineering Report and is currently advancing the PER with the 90% Deliverable anticipated by 11/7/21.

They will not be able to meet the requirement to submit the ESA for the PER prior to June 30, 2021. Can they submit a design ESA and loan application prior to June 30, 2021 to reserve additional subsidy, up to \$125,000 per project, under the SFY21 IUP even though they will not be able to provide the documentation needed for obligation of the funds in November of 2021?

A: We believe this question is asking if subsidy for Step II can be reserved from the FFY2020 IUP allocation. In order to receive additional subsidy off of the FFY2020 IUP, a completed application would have to have been submitted by June 30, 2021 along with a draft ESA for Step II and Facility Plan approval.

Q23: Our project is PC grant eligible and received USDA RD WEP funding of approximately \$6M grant, \$5M loan that will result in a user rate > 2%. The Town would like to refinance the RD Loan with CWSRF, ARPA, STAG, PC or other grant to reduce the overall RD Loan effective amount to make the project more affordable. The proposed project will be compliant with federal crosscutters.

A: Refinancing a project is an allowed use of the CWSRF. In order to qualify, all applicable Federal cross cutters must be met. Opportunities to refinance could only be offered after other project funding requests have been met and no further additional subsidy (loan forgiveness) would be applied to the project loan and it would receive the standard administrative fee rate of 2%.

Q24: The draft IUP states that *“Due to the ongoing pandemic, CWSRF reserves the right to work directly with borrowers to modify existing debt service to ensure affordability. On a case-by-case or across-the-board basis, CWSRF may reduce or eliminate the administrative fee, depress repayments, or provide unutilized additional subsidy to forgive loans. CWSRF will work with the Vermont Bond Bank and Vermont Economic Development Authority to determine needed loan modifications.”* Our project has been significantly impacted by the COVID-19 global pandemic, Canadian border closure and lost tourism business. In addition, the project was deemed unaffordable by the voters with a proposed project user rate exceeding 2% MHI. Please work directly with the Town of Montgomery to modify existing debt service, reduce or eliminate administrative fees, depress repayments or provide unutilized additional subsidy to forgive loans associated with the subject project.

A: The Town is encouraged to reach out to the CWSRF staff to discuss structure or restructure of debt service.

Q25: With respect to the Thermal Total Maximum Daily Load (TMDL) Program, we have a concern with the last sentence of paragraph #1 on page 12: "Additionally, eligibility will be restricted to those project components that provide water quality benefits and activities that

are able to be permitted". Would this limit our ability to access the entirety of the program's funds in any way? The overall goal of our project is to improve water quality. While some project components individually may not fit into the definition of "green infrastructure" they nevertheless need to be accomplished to achieve the overall water quality goals. We are hopeful that this program will find all the necessary tasks to be eligible for funding regardless of how they may be characterized independently.

A: As a clarification, this language is specific to the permitability of a project action, not whether it fits under a specific definition of green infrastructure. If the project contains components that are not allowable under federal or state permitting rules and regulations, these activities are not eligible for CWSRF. Applicants with concerns are encouraged to contact CWSRF staff with their specific concerns.

Q26: We would like to request the Milton Mobile Home Community Infrastructure be included for funding in the 2021 IUP. It seems prudent that continuing projects identified or funded in prior IUP's, which have not yet been completed, be automatically carried forward and listed in the most current IUP.

A: This project will be added as a continuing project on this Plist.

Q27: We have a project that is an extension of water and sewer to our industrial zone to stimulate business growth but it isn't eligible because it is outside of our village area. Is there talk about extending eligibility to development areas?

A: VT EPR Chapter 2, Subchapter 310(b) requires a that if an application for a grant or loan for the final design or construction of a POTW or MSPOWS project where the applicant proposes to...(2) extend sewer lines the following demonstrations must be made: (3) in the event that new sewer service is proposed for users outside of a designated center the applicant must also demonstrate that there are significant health or environmental problems which are most cost effectively addressed by providing sewer service outside the limits of the designated center.

2022 Pollution Control Project Priority and Planning List

Applicant	Applicant Type	Project Name	Priority Points	Project Category	2022 Step I	2022 Step II	2022 Step III	2022 Total Loan Amount Limited by the Funding Cap	Green Project Reserve Amount	Grant Eligibility \$	Grant Eligibility %
Addison, Town of	Municipality	Community Wastewater	46	NPS - Individual/Decentralized Systems	0	0	0	0	0	64,219	10%
Burlington, City of	Municipality	SCADA - PLC Project	65	CWT - Sewer System Rehabilitation	0	0	0	0	0	144,500	15%
Burlington, City of	Municipality	Disinfection Upgrades	65	CWT - Sewer System Rehabilitation	0	0	0	0	0	797,096	15%
Whitingham, Town of	Municipality	Wastewater Facilities Improvements	81	CWT - Secondary Treatment	0	0	0	0	0	1,096,200	28%
Rutland, City of	Municipality	Anaerobic Digester Complex Improvements	47	CWT - Advanced Treatment	0	0	0	0	0	365,490	10%
Rutland, City of	Municipality	East Creek Sewage Force Main Replacement	38	CWT - Sewer System Rehabilitation	0	0	0	0	0	171,600	10%
Rutland, City of	Municipality	Northwest Neighborhood Sewer Separation Project Phase 1A	91	CWT - CSO Correction	0	0	0	0	0	350,000	35%
Hinesburg, Town of	Municipality	C #1 - Subgrade Improvements	62	CWT - Advanced Treatment	0	0	0	0	0	300,000	15%
Woodstock	Municipality	South Woodstock WWTF Upgrade	61	CWT - Advanced Treatment	0	0	0	0	0	814,262	28%
Franklin, Town of	Municipality	Stormwater Management Upgrades via Culvert Rehabilitation near L	51	NPS - Hydromodification/Habitat Restorati	0	0	0	0	0	0	0%
Proctor, Town of	Municipality	Willow St Pump Station Sewer Service Area	52	CWT - Sewer System Rehabilitation	0	0	0	0	0	0	0%
Ludlow, Village of	Municipality	Wastewater Treatment Facility Upgrade	50	CWT - Secondary Treatment	0	0	0	0	0	10,000	10%
Ludlow, Village of	Municipality	Ludlow High Street Infrastructure Improvements	46	CWT - Sewer System Rehabilitation	0	0	0	0	0	55,000	10%
Hardwick, Town of	Municipality	Wastewater Treatment Facility Improvements	40	CWT - Secondary Treatment	0	0	0	0	0	220,000	10%
Winooski, City of	Municipality	Hickok Street Sewer and Stormwater Collection System Improveme	38	CWT - Sewer System Rehabilitation	0	0	0	0	0	0	0%
West Windsor, Town of	Municipality	Town of West Windsor Resort Sewer System Improvements	32	CWT - Infiltration/Inflow	0	0	0	0	0	0	0%
Saint Albans, City of	Municipality	Kingman Street Utility Improvements	28	CWT - Sewer System Rehabilitation	0	0	0	0	0	26,500	10%
Saint Johnsbury, Town of	Municipality	Pleasant Street and Gilman Avenue area Water, Sewer, and Stormw	84	CWT - CSO Correction	0	0	0	0	0	1,745,759	32%
Milton Mobile Home Cooperative	Private	Water and Sewer Upgrade Project	17	CWT - sewer System Rehabilitation	0	0	0	0	0	0	0%
Vermont Land Trust	Private	Farmland Futures Fund	NA	NPS	0	0	2,000,000	2,000,000	2,000,000	0	0%
Montgomery, Town of	Municipality	**Town of Montgomery Center & Village New Wastewater Facility	87	NPS - Individual/Decentralized Systems	0	0	10,600,000	3,000,000	10,600,000	3,710,000	35%
Derby Line, Village of	Municipality	Stanstead QC	71	CWT - Secondary Treatment	0	0	2,300,000	2,300,000	0	621,000	27%
Vergennes, City of	Municipality	Vergennes Collection System Improvements and Long Term Contro	70	CWT - CSO Correction	350,000	400,000	5,699,000	3,000,000	500,000	2,128,170	33%
Burlington, City of	Municipality	Wastewater Treatment Facility Improvements "Phase 2"	65	CWT - Secondary Treatment	0	1,035,294	11,370,749	12,406,043	0	1,984,967	16%
Northfield, Town of	Municipality	Main Street Stormwater Separation and CSO Abatement	56	CWT - CSO Correction	36,480	76,800	2,050,000	2,163,280	300,000	237,961	11%
South Burlington, City of	Municipality	4 Pump Stations Refurbishment	51	CWT - Sewer System Rehabilitation	80,000	325,000	1,625,000	2,030,000	0	406,000	20%
Winooski, City of	Municipality	**Main Street Revitalization Project (RF1-212)	51	CWT - Sewer System Rehabilitation	0	524,843	650,000	1,174,843	0	0	0%
Brandon, Town of	Municipality	**Brandon WWTF Upgrade	50	CWT - Secondary Treatment	25,000	280,000	5,400,000	3,000,000	0	570,500	10%
Hartford, Town of	Municipality	Contract 2, White River Junction South Main Street Improvements	49	CWT - Sewer System Rehabilitation	0	0	1,000,000	1,000,000	0	100,000	10%
Burlington, City of	Municipality	FY 21 SW Outfall Rehabilitation: Manhattan Outfalls Rehabilitati	46	Stormwater - Gray Infrastructure	0	57,166	1,037,340	1,094,506	0	0	0%
Westford, Town of	Municipality	Town Center Community Wastewater System	45	CWT - New Collector Sewers	39,050	209,735	2,162,000	2,410,785	0	241,078	10%
Vergennes, City of	Municipality	Vergennes WWTF Upgrade	42	CWT - Secondary Treatment	60,000	415,000	7,911,000	3,000,000	500,000	838,600	10%
Castleton, Town of	Municipality	Castleton WWTF Upgrade	40	CWT - Secondary Treatment	24,000	115,000	2,361,000	2,500,000	0	250,000	10%
Johnson, Village of	Municipality	River Road West Pump Station Replacement	36	CWT - Sewer System Rehabilitation	9,100	24,000	311,900	345,000	0	34,500	10%
Montpelier, City of	Municipality	East State Street Reconstruction	34	CWT - CSO Correction	0	530,927	6,332,302	6,332,302	1,500,000	0	0%
Pownal, Town of	Municipality	Landfill West Brownfield Remediation	30	NPS - Brownfields	0	0	1,000,000	1,000,000	0	0	0%
Natural Infrastructure Interim Financing	Private	Natural Resources, Ag Water Quality and Forestry Conservation	NA	NPS	0	0	5,000,000	3,000,000	5,000,000	0	0%
St. George Community Coop.	Private Non-Profi	Septic Systems Replacement	60	NPS - Individual/Decentralized Systems	0	0	2,500,000	2,500,000	2,500,000	0	0%
Vermont Natural Resources Council	Private Non-Profi	Pelletier Dam removal	44	Dam Removal	0	0	274,400	274,400	0	0	0%
Addison County Community Trust	Private Non-Profi	Lindale Community Wastewater System	28	NPS - Individual/Decentralized Systems	0	150,000	1,767,000	1,917,000	0	0	0%
Mountain Wastewater Treatment, Inc.	Private For-Profit	Tertiary Sand Filter Replacement	19	NPS - Individual/Decentralized Systems	0	49,700	1,000,000	1,049,700	0	0	0%
Bolton Valley Community Water and S	Private For-Profit	BVVVS WWTF Upgrade	18	NPS - Individual/Decentralized Systems	52,000	195,000	3,141,000	3,000,000	0	0	0%
Vermont River Conservancy	Private Non-Profi	Whetsstone Brook Floodplain Restoration	65	Floodplain/Stream Restoration	0	0	0	0	0	0	0%
Vermont River Conservancy	Private Non-Profi	Three Dam Removal: Montpelier	41	Dam Removal	50,000	100,000	0	150,000	0	0	0%
Subtotal SFY2022 Projects Requesting Construction Funding					725,630	4,488,465	77,492,691	60,647,859	22,900,000	17,283,402	
Additional Anticipated SFY22 Planing Need*					1,519,237	3,380,613		4,899,850			
TOTAL					2,244,867	7,869,078	77,492,691	65,547,709			
Total SRF Funding Request						87,606,636					
Total Available SRF Funds						57,730,768					
Annual SRF Surplus/Shortfall						-29,875,868					

*These projects are expected to obtain funding other than SRF but are included on this list until alternate funding is confirmed

Note 1: There are no Emergency Projects identified on this priority list

Note 2: Up to 10% of the FY22 Pollution Control Grant appropriation shall be reserved for planning advances through December 31, 2021, and up to another 10% for REPAs (for engineering research) through May 31, 2022.

Note 3: Where a project includes multiple categories, the category that accounts for the highest dollar need is shown.

Note 4: There are projects on this list that have been added as continuing projects that did not provide priority list applications.

Note 5: A funding cap of \$3M will be applied to all projects (including Interim Financing the put-side) but equivalency projects until projects are bypassed in order to free up funding. There are three equivalency projects above (bold). They will be fully funded because

they are the selected equivalency projects for this year. Note 6: We anticipate that approximately \$3.3 million will be available for PC Grants, EPAs, and REPAs, pending legislation, and therefore the full need is not likely to be funded at this time.

Note 7: The gray area at the top of the list contain all continuing projects.

Note 8: The bolded projects are proposed Equalency project for this year and will receive full funding and a 0.1% administrative fee reduction for their loan.

CWSRF Construction Loan Need SFY 2023-2026, and Additional Planning Loan Need for SFY 2022

Applicant	Applicant Type	Project Name	2022 Step I	2022 Step II	2023 Step III	2024 Step III
West Rutland, Town of	Municipality	WWTF Improvements	0	75,000	1,200,000	0
Mount Holly Town School District	Municipality	PFAS Site Investigation and Remediation	6,110	45,000	250,000	0
Berlin, Town of	Municipality	Berlin Corners/Crosstown Road Sewer Improvement	15,000	40,000	265,000	0
Pawlet, Town of	Municipality	Pawlet Wastewater Treatment Facility Sludge Storage Feasibility Study	21,000	44,000	661,000	0
Bristol, Town of	Municipality	Wastewater Treatment Upgrade Project	16,000	33,000	579,000	0
Highgate, Town of	Municipality	New Community Wastewater System	15,000	50,000	1,285,000	0
Brandon, Town of	Municipality	Union Street Infrastructure Improvements	7,500	30,000	220,000	0
Richmond, Town of	Municipality	Phase I - Richmond West Main Street Sewer Extension	19,900	23,733	252,261	0
Richmond, Town of	Municipality	Phase III - Richmond West Main Street Sewer Extension	22,193	44,385	696,373	0
Richmond, Town of	Municipality	Phase II - Richmond West Main Street Sewer Extension	6,495	12,990	183,815	0
Enosburg Falls, Village of	Municipality	Elm Street Sewerline Rehabilitation	0	40,000	500,000	0
Saint Albans, City of	Municipality	Stebbins Street Utility Upgrades	0	0	225,000	0
Greensboro, Town of	Municipality	Town of Greensboro New Wastewater Facility	0	600,000	7,725,000	0
Brighton, Town of	Municipality	Brighton Wastewater Treatment Facility Refurbishment	85,000	170,000	3,100,000	0
Hinesburg, Town of	Municipality	C #2 - WWTF Upgrade	0	450,000	9,250,000	0
Bridgewater, Town of	Municipality	PS Rehabilitation and Sewer System Improvements	0	0	300,000	0
Hartford, Town of	Municipality	North Main Street Stormwater	0	0	800,000	0
Milton, Town of	Municipality	Flanders Development	24,000	0	7,000,000	0
Fairfax, Town of	Municipality	Wastewater Treatment Facility Upgrade	0	100,000	2,400,000	0
Colchester, Town of	Municipality	Malletts Bay Sewer Project	400,000	0	700,000	14,300,000
South Burlington, City of	Municipality	Bartlett Bay Wastewater Treatment Facility Refurbishment	365,000	0	735,000	14,600,000
Shelburne, Town of	Municipality	Shelburne WW Consolidation	100,000	1,100,000	0	26,800,000
Huntington, Town of	Municipality	Town of Huntington Lower Village Wastewater Project	53,139	167,805	0	2,667,976
Brighton, Town of	Municipality	WWTF Refurbishment	85,000	170,000	3,100,000	0
Berlin, Town of	Municipality	Asset Management Plan	55,000	0	0	0
Rutland, City of	Municipality	Moon Brook Pond Modifications Project	0	0	0	0
Barre, City of	Municipality	Sewer trunkline replacement	50,000	0	0	0
Castleton, Town of	Municipality	Crystal Heights Sewer	24,000	0	0	0
Castleton, Town of	Municipality	Preston Lane Sewer	12,500	0	0	0
Barre, City of	Municipality	North End Wastewater Pump Station Preliminary Engineering	21,400	0	0	0
Lyndon, Town of	Municipality	Pinehurst Street Sewer Replacement	12,500	35,000	0	0
Saint Albans, City of	Municipality	Federal Street Sewer Separation	25,000	100,000	0	0
Brattleboro, Town of	Municipality	Retreat and Wilson Woods Pump Station Upgrades	12,500	0	0	0
Swanton, Village of	Municipality	Wastewater Treatment Facility Upgrade and Phosphorus Improvements	50,000	0	0	0
Wilmington, Town of	Municipality	Route 9 Water and Sewer Extension	15,000	0	0	0
Mountain Wastewater Treatment,	Private For-Profit	Tertiary Sand Filter Replacement	0	49,700	0	0
Totals			1,519,237	3,380,613	41,427,449	58,367,976
Total Anticipated Commitments					(41,427,449)	(58,367,976)
Administrative Expenses					(480,000)	(480,000)
Federal Funds					7,779,000	7,779,000
State Matching Funds					1,555,800	1,555,800
Repayment Funds					11,656,451	11,656,451
Carry Forward					0	0
Total Available Funds					20,991,251	20,991,251
Total Annual Surplus/Deficit					-20,916,198	-37,856,725

*Applications not reviewed due to lack of a PER, so the construction funds requested were moved to SFY2023.

Note 1: No projects have requested funds beyond SFY24, therefore this 5-year projection does not show any projects funded in SFY25 & SFY26.