

Drinking Water State Revolving Fund (DWSRF)

DWSRF Guidance Document Number 22 Planning Loan Forgiveness (Municipalities Only)

Title 24 V. S. A. § 4753 (a)(5) provides in part "The Secretary may forgive up to \$50,000 of the unpaid balance of a loan made from the Vermont drinking water planning loan fund to municipalities after project construction is substantially completed or upon approval of a plan. The Secretary shall establish amounts, eligibility, policies, and procedures for loan forgiveness in the annual State Intended Use Plan (IUP) with public review and comment prior to finalization and submission to the United States Environmental Protection Agency."

Generally speaking, a project receives only one planning loan. However, the DWSRF reserves the right to issue more than one planning loan for a phased project that is ultimately approved by the voters as a single project. In this instance, the DWSRF will make one forgiveness determination for all associated loans with the maximum allowable of \$50,000, as defined below.

Forgiveness Limitations:

1. The maximum amount of forgiveness cannot exceed any of the following:
 - a. The unreclaimed balance of actual costs.
 - b. \$50,000 maximum by Statute.
 - c. Amount determined using the latest DEC, FED Engineering Fee Allowance Guidance and actual completed documented construction cost eligible for DWSRF loan funds.
 - d. Special Tasks/Studies are allowed engineering costs under the FED Guidance Document #9- Engineering Fees. A maximum of 25% of the Standard Engineering Fee Allowance determined using actual construction costs may be included in this determination for approved Special Tasks/Studies. DWSRF Program Lead must approve Special Task/Studies. Construction costs must be incurred following approval of the planning loan and may include well construction and land purchase costs of Drinking Water and Groundwater Protection Division (DWGWPD)-approved water sources.
 - e. The amount determined by the specific eligibility criteria as indicated below.

Forgiveness Eligibility for Planning Loan Applications received on or before June 30, 2015:

One of the following criteria will apply to qualify for forgiveness for all planning loan applications signed and received on or before June 30, 2015; receipt date will be memorialized with an application receipt letter from DWSRF Program Lead. The criteria which gives the maximum benefit to the system will be used for systems that meet more than one of the criteria.

1. Construction of the project was completed using non-DWSRF monies and the project did not receive other State appropriated funds for project costs. The maximum forgiveness under this

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- criterion is \$50,000, but may be limited even further by the forgiveness amount determined under (1)(c) and (1)(d) above.
2. The water system receiving the loan serves a population of less than 500.
 - a. The maximum forgiveness for systems serving population of 300 or less shall be \$25,000, but may be limited even further by the forgiveness amount determined under (1)(c) and (1)(d) above.
 - b. Maximum forgiveness for systems serving populations of 301 to 500 shall be the lesser of:
 - i. \$25,000 or
 - ii. The amount determined under (1)(c) and (1)(d) reduced by 0.5% for each increase of one above the water system service population above 300 following project completion. The total amount eligible under the fee curve will serve as the baseline figure to reduce from, not the total amount of engineering costs.
 3. User rates following project completion exceed 2% of the median household income (MHI) using final loan amounts, terms and conditions for the project without planning loan forgiveness. The amount of forgiveness will be determined by increasing the forgiveness amount from \$0 dollars until the 2% target is reached, or the maximum forgiveness amount of \$50,000, or the maximum amount of forgiveness determined under (1)(c) and (1)(d), is reached.

Forgiveness Eligibility for Planning Loan Applications received on or after July 1, 2015:

Construction project-related Forgiveness Criteria:

One of the following criteria will apply to forgiveness for all planning loan applications signed and received on or after July 1, 2015; receipt date will be memorialized with an application receipt letter from DWSRF Program Lead. The total amount of forgiveness still may not exceed \$50,000 or the amount determined in (1)(c) and (1)(d) in Forgiveness Limitations above. Maximum forgiveness may now include a combination of any or all the following:

1. A municipality may receive up to \$25,000 of planning loan forgiveness for preliminary engineering and final design costs for a constructed project that is prioritized using a DEC approved asset management plan (see Guidance Document #26 for requirements).
2. User rates following project completion exceed 1.5% of the MHI using final DWSRF loan eligible amounts, terms and conditions for the project without the planning loan forgiveness, and the current methods used by the program to determine median household income. The amount of the forgiveness will be determined by increasing the forgiveness amount until the 1.5% target, or the maximum forgiveness amount of \$25,000, is reached.
3. A municipality receiving affordability points using the table below shall receive \$1,000 of planning loan forgiveness for each affordability point granted. Forgiveness is capped at \$25,000 for this criterion. SCMHI will be determined using the current data available on the day the forgiveness determination is made.

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Affordability (Community MHI/SCMHI x 100 = X)	Affordability Points (1 point=\$1,000)
$X \leq 60$	25
$60 < X \leq 70$	20
$70 < X \leq 80$	15
$80 < X \leq 90$	10
$90 < X \leq 100$	5

*SCMI = State-wide community MHI

Effective upon adoption of the FY18 IUP, on or about May 4, 2018

The following criteria shall apply to forgiveness for all planning loan applications from municipal applicants. The total amount of forgiveness shall not exceed \$50,000 and is only available to municipalities. Forgiveness will be determined at the execution of a DWSRF construction loan. If the construction project is not funded by the DWSRF, the municipality shall notify the DWSRF within 60 days of closing on construction financing. The unforgivable portion of the loan will be rolled into the DWSRF construction loan or, if not funded by the DWSRF, the unforgiven balance shall be paid immediately. Planning loans that do not result in a constructed project shall be repaid without forgiveness; Guidance Document #10 outlines planning loan repayment terms. Maximum forgiveness may include a combination of the following:

1. A municipality may receive up to \$25,000 of planning loan forgiveness for preliminary engineering and final design costs for a constructed project that is prioritized in a DEC-approved asset management plan (see Guidance Document #26 for requirements).
2. A municipality receiving affordability points using the table below shall receive \$1,000 of planning loan forgiveness for each affordability point granted. Forgiveness is capped at \$35,000 for this criterion. SCMHI will be determined using the current data available on the day the forgiveness determination is made.
3. If the communities' MHI is 101-120% of SCMHI, then the municipality may still qualify for forgiveness if: Forgiveness will not exceed \$10,000 for this criterion.
 - a. Population Decline – if the communities' population data from the most recent two census surveys shows a population decline of 5% or more (i.e. 2010 Population divided by 2000 Population = 95% or lower), OR
 - b. Unemployment – if the communities' unemployment number is higher than the State's unemployment number.

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Planning Loan Applications for Asset Management Plan Development:

See Guidance Document #26 for Asset Management Plan criteria.

Forgiveness only applies to asset management plans and loans that result in a construction project

FED Loan Forgiveness Procedures (internal practice):

1. DWSRF Program Lead will initiate forgiveness at receipt of the Step III funding application or notification the project is funded by a non-DWSRF funding source (USDA-RD or VMBB, for example).
2. The municipality must meet the minimum requirements for technical, managerial, and financial capacity at the time of loan forgiveness. Generally, this is accomplished through a determination made by a capacity evaluation (CapEval). The CapEval must be current (completed within 5 years). The water system must be in compliance with the Water Supply Rule including any permit to operate, permit to construct, and compliance schedules or have a DEC-approved improvement schedule.
3. Loan Agreements must have been executed following effective date of the authorizing legislation (6/16/2001).
4. Concurrence with a forgiveness determination shall be from the DWGPWD Assistant Director. The determination shall be sent for signature via e-sign. DWGPWD shall respond within 30 days. Forgiveness determination shall be tracked via the Funding Review Status spreadsheet.

Last revised 3/2/2018