
Proposed Program Changes FFY2018 IUP

Readiness-to-Proceed Priority Points

The DWSRF is proposing to provide 15 additional priority points to a project that has an accepted Preliminary Engineering Report (PER) or a valid Permit to Construct (PTC) issued by the Drinking Water and Groundwater Protection Division. The DWSRF is also proposing to provide an additional 15 priority points for projects that have voter authorization to incur debt. This authorization does not include authorizations made by governing bodies to incur debt associated with planning or final design loans. The purpose of these additional points is to elevate those projects that are truly ready-to-proceed enabling the DWSRF to meet the funding requirements outlined by the EPA.

Planning Loan Forgiveness

There have been a number of changes in planning loan forgiveness over the years. Feedback to the program from both internal and external partners has been that it is overly complex and confusing. As a result, the DWSRF is proposing to simplify forgiveness. Forgiveness would be provided at the end of the planning effort, when the project goes to construction, regardless of how construction is funded. Forgiveness will solely be tied to a communities' MHI or if the planning loan is to complete a project this is identified in a DEC-approved Asset Management Plan. Additionally, forgiveness for plans will only be for Asset Management Plans developed under Guidance Document #26. In a further effort to simplify forgiveness, the DWSRF is proposing to apply this to all open planning loans, unless loan forgiveness would be greater under the 'old rules' but will not be waiting until construction is complete to forgive for these legacy loans.

Asset Management Plan (AMP) Planning Loan Changes

The DWSRF and DWGWPD proposes to limit the number of AMP planning loans to five in a calendar year beginning with CY2019. For the remaining CY2018 we will accept three more complete AMP applications by 6/30/2018, first come first served. We are proposing these changes to protect the solvency of the WPL fund and manage staff resources and water system commitment. We will accept CY2019 AMP loan applications from 1/1/2019 until 3/15/2019. The first five complete applications will be funded. A complete application must include a draft engineering services agreement, signed funding application completed in its entirety (no empty tables or missing information), and all supporting financial information as outlined in the application. The other proposed change to Guidance Document #26 is the requirement that to receive forgiveness, the applicant must have one member of the governing body and one water

system operator complete an Asset Management Training course.

Additional Subsidy Changes

The DWSRF proposes to eliminate negative interest in favor of principal forgiveness. The DWSRF will continue to use 1% of MHI user rate post-project as the goal for determining additional subsidy however instead of subsidy being spread over the life of the loan in the form of negative interest, subsidy in the form of principal forgiveness will be provided at the close-out of the project, after construction is complete, and before the first loan payment is made. All existing negative interest loans will be converted to principal forgiveness loans. We will discuss our plans during the public information meeting on April 5th.

An amount equal to 20% of the grant must be provided as subsidy, or at least \$1,648,200. An additional amount equal to 30% of the grant, or \$2,472,300, may also be provided in the form of subsidy to disadvantaged systems. In total, the fund may use up to 50% of the federal grant, or \$4,120,500 for additional subsidization, however, the DWSRF is proposing to cap additional subsidy at 30%, or \$2,472,300, of the federal grant.

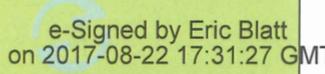
Repayment Start Date

All SRF construction loans will now have a repayment start date one year post final project completion. Final project completion is indicated on the final change order, also known as the balancing change order. Please see the attached signed Standard Operating Procedure (SOP).

Review of draft Engineering Services Agreements

To expedite review of draft engineering services agreements, the DWSRF will now accept and review ESAs independent of a signed loan application provided the ESA comes from the applicant.

State of Vermont
Agency of Natural Resources
Department of Environmental Conservation

Procedure:	SRF Loan Repayment Start	Effective Date:	8/21/2017
Applicable To:	Department of Environmental Conservation	Revision Date:	XX/XX/XXXX
Prepared/ Revised by:	 <u>Terisa Thomas</u> WIFP Supervisor	Approved By:	 <u>Eric Blatt FED</u> Division Director

Procedure Objective

To detail the process and procedures for determining final project completion as it relates to both Clean Water State Revolving Fund (CWSRF) and Drinking Water State Revolving Fund (DWSRF) loan repayment start dates. CWSRF and DWSRF will be collectively referred to as SRF for the purposes of this procedure.

Background:

1. The CWSRF is required, under 40 CFR § 35.3120 (a)(1)(ii) to ensure that “...*the annual repayment of principal and payment of interest begins not later than one year after project completion.*”
2. The DWSRF requirements are more prescriptive under 40 CFR § 35.3525 (a)(1)(i) which states: “*An assistance recipient begins repayment of principal and interest no later than one year after project completion. A project is completed when operations are initiated or are capable of being initiated.*”
3. For consistency between both programs, this procedure will apply the initial loan repayment start date according to the more narrowly-defined DWSRF statute.

Initial SRF Loan Repayment Start

1. Initiation of operations is defined as the final completion date. This date is identified in the final change order, also known as the balancing change order.
2. This final completion date starts the one year warranty period.
3. For purposes of the repayment start date of the SRF loan, loans will begin repayment one year after the final completion date outlined in the balancing change order.

Segmented Projects

1. It is understood that many large projects will have multiple contracts and may not be able to complete within a similar time frame of one another.
2. Any subsequent contracts to the initial contract must have a contract completion date of no more than one year after the first contract completion date. If a subsequent contract will not complete within that timeframe, a new loan should be issued for these later contracts and their associated change orders or small purchases.
3. For this reason, SRF Project Development staff should coordinate early and often with the SRF Engineering section to determine whether contracts should be segmented into different loans.

Determination of Initial Loan Repayment Start Date

1. Upon issuance of all Step III Construction loans, the SRF Project Developer issues a loan repayment schedule with an estimated loan repayment start date.
2. Quarterly, these start dates will be queried in the Loans and Grants Tracking System (LGTS) database by the SRF Auditor.
3. Quarterly coordination meetings between SRF Construction, Auditor, and Project Development staff will be scheduled to review projects currently under construction and to manage those projects' individual loan repayment status.
4. Additionally, when the SRF Construction Manager issues the concurrence letter for the balancing change order, this will be sent to the SRF Auditor and other related financial staff. This change order will be used for the purposes of a review or audit to document why and when a loan is going into repayment.
5. If it is determined that a project's initial repayment start date will be extended past the original estimated date given by the SRF Project Developer at loan execution, documentation will be required from the SRF Construction Manager to explain the reason for the extension. Once the documentation has been received, the SRF Auditor will draft a revised repayment schedule for the applicant.