

STATE OF MAINE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DRINKING WATER PROGRAM

AND

MAINE MUNICIPAL BOND BANK

DRINKING WATER STATE REVOLVING FUND
(DWSRF)

2012
INTENDED USE PLAN
(IUP)

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INTENDED USE PLAN

1. Introduction

The U. S. Congress appropriated to the FFY 2012 Budget (10-01-2011 to 09-30-2012) approximately **\$917 million** for the 2012 DWSRF *Capitalization Grant*. The State of Maine is entitled to approximately 1% of this appropriation to fund the Drinking Water State Revolving Fund (DWSRF) or \$8,975,000. These funds will be available to the State of Maine after the Maine Drinking Water Program (Program) has successfully obtained a DWSRF *Capitalization Grant* Award (Grant) from the U.S. Environmental Protection Agency (EPA). This Intended Use Plan (IUP) is one portion of the documentation necessary to obtain this Grant. The IUP outlines how Maine proposes to utilize its 2012 Grant and the unused portions of previous Grants. It addresses the intended use of all non-project activities (*set-asides*) and project funds. It states the terms of all financial assistance offered by the Program. Subsidies to be provided to *Disadvantaged Community* Systems are also described in this document.

After providing funds for set-aside activities, the Program will combine the remaining federal grant funds with the *State Match*, loan repayments and carryover funds to determine the available project funds. These funds will be used to provide financial assistance for needed capital improvements to Maine's DWSRF *eligible public water systems* (PWS). The Program reserves the right to seek blended bond proceeds issued by the Maine Municipal Bond Bank (MMBB) to combine with these project monies, thereby further increasing the total amount of available project funds. It is the Program's intent to distribute the project funds to the DWSRF eligible projects, listed in the attached Primary Project List (Attachment F), which were ranked in accordance with the project priority ranking system included in this IUP.

The DWSRF will continue to be jointly administered by the Drinking Water Program (DWP) as the lead agency and the MMBB as the financial administrator. A Memorandum of Understanding (MOU), included as Attachment C, outlines the administrative activities to be performed by each agency.

Several full time employees in the central office, with assistance from the DWP's field engineers will continue to provide administration and oversight to the DWSRF Program.

Italicized words that appear in this document are defined in Attachment B.

2. Short and Long-Term Goals of the DWSRF

2A. Short-term goals.

- I. Provide loans to assist *eligible PWS's* under enforcement actions to attain compliance by established deadlines with coordination between state DWSRF and enforcement programs and taking into consideration the needs of systems with multiple violations, including current compliance status and actions underway to address compliance

- II. Provide loans to assist *eligible PWS's* to attain compliance with the Safe Drinking Water Act (SDWA).
- III. Provide loans to assist *eligible PWS's* to:
 - a. Provide required treatment to improve drinking water quality in Maine.
 - b. Construct water treatment facilities.
- IV. Provide loans to assist small systems (population served of less than 10,000) in the construction or installation of necessary treatment while considering affordability.
- V. Ensure that at least 15% of the Grant provides financial assistance to small systems with projects that are ready for construction.
- VI. Provide loan subsidies to *Disadvantaged Community* Systems for eligible projects.
- VII. Provide financial assistance to implement preventive measures such as source water protection and the replacement of aging infrastructure.
- VIII. Provide the required *State Match* within the required time frame.
- IX. Provide financial assistance to help PWS's increase technical, financial and managerial capacity.

2B. Long-term goals.

- I. Provide assistance to PWS's to maintain the health objectives of the SDWA.
- II. Maintain the fiscal integrity of the fund.
- III. Maintain the fund in perpetuity.
- IV. Work toward meeting the State's total drinking water improvement funding needs by blending federal DWSRF *Grant* monies with MMBB bond sale proceeds, utilizing the blend of these proceeds to provide long term low interest financing to DWSRF *eligible PWS's*.
- V. Create and maintain a land acquisition fund in perpetuity.
- VI. Ensure adequate finances to assist *eligible PWS's* to:
 - a. Rehabilitate or replace *contaminated sources* or sources at risk of contamination;
 - b. Construct or expand treatment facilities to improve drinking water quality;
 - c. Construct or expand storage facilities to help maintain adequate drinking water free from risk of contamination; and
 - d. Install or replace transmission or distribution facilities to prevent contamination.

- VII. Provide assistance for consolidation or interconnection of water systems to improve service or capacity.
- VIII. Assist public water systems in identifying and prioritizing land acquisition for source water protection.
- IX. Assist in the planning and design of related projects.
- X. Develop means for providing adequate funding for loan subsidies for *Disadvantaged Community Systems*.

3. Financial Status

3A. Total amount of funds in DWSRF. Table 3-1 below provides a summary of the 2012 DWSRF Grant and the intended allocations to each activity. A similar table can be found in Attachment A.

Table 3-1 Financial Status Summary		
Item	Total Funds Available	Funds Allotted
2012 DWSRF Grant	\$8,975,000	\$8,975,000
Set-Asides		
Program Administration (up to 4%)	\$359,000	\$410,950
DWP Portion (90%)		\$375,050
MMBB Portion (10%)		\$35,900
Technical Assistance to Small Systems (up to 2%)	\$179,500	\$235,620
Drinking Water Program (up to 10%)	\$897,500	\$962,186
1. PWSS Program		\$770,842
2. Source Water		\$91,510
3. Capacity Development		\$43,406
4. Operator Certification		\$56,428
Other Non-Project Activities (up to 15%)	\$1,346,250	\$1,346,250
1. Land Acquisition		\$204,418
2. Assistance for Capacity Dev.		\$644,736
3. Wellhead & Source Protection		\$497,096
Set-Aside Totals	\$2,782,250	\$2,955,006
Remaining DWSRF Available for Projects		\$6,019,994
State Match		\$1,795,000
Other Project Funds (Interest, repayments, state match , carryover)		\$6,117,783
Total 2012 Funds Available for Projects		\$13,932,777

Note: *The Funds Allotted includes a total of \$172,757 of Banked Credits (\$51,950 to 4% Set-Aside, \$56,120 to 2% Set-Aside, and \$64,687 to 10% Set-Aside)*

3.B. State Match

For each Capitalization Grant the State must provide documentation, at the time of the *Capitalization Grant Application*, that at least 20 percent of the total amount of that year's *Grant* is available as *State Match*. Attachment A shows the planned allocation of funds from the 2012 DWSRF grant. The required State Match for 2012 is estimated at \$1,795,000. During the 2012 Legislative Session, the Maine State Legislature will consider options for providing the state match. Potential options for the state match include a general fund budget allocation, general obligation bond package, and a revenue bond with repayments made interest earnings from prior year SRF loans.

3C. Beginning/end of year financial status. The initial financial status of the 2012 DWSRF program is stated above in 3A and Attachment A. The current financial status of the 2008, 2009, 2010 and 2011 funds are also shown in Attachment A. All other previous *Grants* have been fully expended.

4. Non-Project Activities/*Set-Asides*

4A. Definition/description. Non-project or *set-aside* activities include those activities that are not directly associated with the construction of capital improvement projects but are allowed uses of DWSRF *Grant* monies identified in Section 1452 of the SDWA. They include: Program Administration, Technical Assistance to Small Systems, Drinking Water Program Functions and Other Non-Project activities, all described in greater detail in the following sections.

4B. Description of rationale for determining amounts of *Capitalization Grant* funds to be used for non-project activities. The Program maximized the amount the funds allowed by the SDWA for the first non-project activity, Program Administration, 4% of the allotment or **\$359,000**. The Program Administration funds will cover the costs of the staff that directly administer the DWSRF. An additional \$51,950 of Banked Credit drawn down from prior funding periods will increase the total **Program Administration budget to \$410,950**. Any unspent funds allotted to these *set-aside* activities that remain at the end of the funding period will be carried forward for future use for these activities.

The maximum amount available to the second *set-aside*, non-project activities, is Technical Assistance to Small Systems 2%, or **\$179,500**. An additional \$56,120 of Banked Credit drawn down from prior funding periods will increase the **Technical Assistance to Small Systems budget to \$235,620**. The DWP intends to use \$235,620 which is anticipated to meet the expenses associated with the activities described in Section 4C.II. The Technical Assistance funds will cover the cost of two Water Quality Specialist positions with the Maine Rural Water Association. Any unspent funds allotted to these *set-aside* activities that remain at the end of the funding period will be carried forward for future use for these activities.

The maximum amount available for the third non-project activity, Drinking Water Program, is 10%, or **\$897,500**. The Program determined the amount of funds necessary to cover the budgeted expenses for each of the activities for the upcoming year is \$962,186. An additional \$64,687 of Banked Credit drawn down from prior funding periods will increase

the **Drinking Water Program budget to \$962,186**. The State must demonstrate that it can provide a dollar-for-dollar match for any amounts used. Up to one-half of the required match may be credited from FY-93 expenditures for the PWSS Program. Documentation has been provided to EPA Region I showing that Maine spent \$328,591 on PWSS activities in FY-93. Since this is less than 50% of the *set-asides requested*, the entire amount is available for match credit for each grant year. The balance will be provided from the Program's Alternative Funding Mechanism (AFM) fees, state of Maine General Fund monies and well driller and water operator fees. The Program will provide the actual dollar amounts in the end of year report (FFY 2012), at which time specific documentation in the form of actual expense sheets verifying expenditures of those monies. This end of year report will be submitted within 60 days of the end of FFY 2012.

The maximum amount available for the fourth non-project activity, Other State Set-Aside, is 15% of the Grant, or **\$1,346,250**. The maximum amount available to the fourth *set-aside*, **Other Non-Project Activities**, is 15% of the Grant, or \$1,346,250. The Program determined the amount of funds necessary to cover the budgeted expenses for each of the activities for the upcoming year is **\$1,346,250**.

If at any time an excess accumulation of funds develops in any one *set-aside* activity mentioned above, the Program can decide to transfer these funds to the project account.

4C. Description of non-project activities and percentage/amount of funds to be used for each.

I. Program Administration (up to 4% of Capitalization Grant – \$359,000)

The DHHS Drinking Water Program will receive 90% or \$323,100, of the amount allocated to Program Administration. An additional \$51,950 of Banked Credit drawn down from prior funding periods will increase the **total budget amount to \$375,050** (*this amount reflects the DWP portion only*). This money will be used to pay the salaries and expenses of personnel involved with the administration of the DWSRF including the DWSRF Manager and two Project Managers/Inspectors. These funds will also be used to procure all equipment and training necessary for performance of the duties for those positions.

The MMBB will receive the other 10% or \$35,900 of financial administration of the DWSRF. This money will be used to pay a portion of the salary and expenses of the DWSRF Program Officer, and all other expenses directly related to the financial administration of the Program.

II. Technical Assistance for Small Systems (up to 2% of Capitalization Grant - \$179,500)

This entire *set-aside* will be allotted to the Maine Rural Water Association (MRWA) to fund two circuit rider positions. The entire \$179,500 from FY 2012 will be combined with \$56,120 of Banked Credit drawn down from prior years to fund the **entire 2012 need of \$235,620**.

The circuit riders will provide technical assistance to small systems that serve a population of less than 10,000. MRWA will produce and submit to the Program a Work

Plan describing in detail the DWSRF funded assistance they intend to provide using 2012 DWSRF Technical Assistance *set-aside* funds. The Program and EPA Region 1 will review and approve the plan. MRWA is required to submit an annual summary report to the Program in August of each year, which reconciles the actual assistance and its value provided during the past year for which funds were allocated, with those proposed in the Work Plan. This report must be submitted in adequate time to be included in the *Annual Review* conducted by EPA Region I, and the *Biennial Report* submitted by the Program to Region I. Monthly meetings/work evaluations will be conducted by the Program to ensure that MRWA technical assistance activities are consistent with its Work Plan and to provide work direction. An outline of the scope of duties to be performed by MRWA and the Program under this *set-aside* can be found in the Memorandum of Understanding provided as Attachment D.

The MOU with MRWA may also be expanded to include technical assistance to small water systems to help them with the necessary paperwork associated with the Very Small System Compliance Loan Program (See Section 6.F.)

III. Program Functions (up to 10% of Capitalization Grant-\$897,500)

The entire \$897,500 from FY 2012 combined with \$64,687 of Banked Credit drawn down from prior years will fund the **entire 2012 need of \$962,186.**

a. Administration of PWSS Program (\$770,842)

This *set-aside* provides funding to help augment the PWSS Grant for administration of the SDWA amendments. Employees who perform job duties that ensure the Program meets its primacy requirements and any Program needs that address program deficiencies will be funded from this *set-aside*. A separate Work Plan will be developed outside of this document that will explain the personnel and activity expenses to be funded with this *set-aside* money. This Plan will be supplied as part of the 2012 *Grant* application and reviewed and approved by EPA Region I before funds are available for withdrawal.

b. Administration of Technical Assistance activities for source water protection (\$91,510)

This *set-aside* will provide funding to administer the Program's activities in the area of source water protection. These activities include the administration of four of the Other Non-Project Activities (Section IV below) - Land Acquisition/Conservation Easements, Source Water Protection Measures-Community Systems and Establishment and Implementation of Wellhead Protection Programs. Monies will also be used to provide technical assistance to systems for source water protection. Existing Geographic Information System (GIS) and Program geologists will provide administration and technical assistance.

c. Development and implementation of a Capacity Development Strategy (\$43,406)

The Program plans to use these funds to continue implementing the State Capacity Development Strategy for new and existing public water systems during the 2010 DWSRF funding period. The Strategy will provide assistance in assessing the areas in which water systems are deficient and in need of assistance in obtaining adequate technical, financial and managerial capacity to meet existing and future SDWA

regulations. The Program also plans to provide assistance to public water systems to attain and maintain technical, financial and managerial capacity with future Capacity Development *set-aside* funds.

d. Implementation of Operator Certification Program (\$56,428)

The State of Maine Department of Health and Human Services has statutory authority to establish a Board of Licensure of Water System Operators. An operator certification program has been maintained since 1969. Funds from the 2011 DWSRF for this activity will be used to fund a 0.5 FTE to coordinate operator training and certification. The operator rules include a requirement to complete annual Training Contact Hours (TCH) in order to maintain a water operator license in Maine. Staff support is to be used to evaluate training, assign TCH credits, track TCH credits, renew licenses, give examinations, evaluate operator applicant credentials, etc.

IV. Other Non-Project Activities (up to 15% of Capitalization Grant - \$1,346,250)

The entire \$1,346,250 from FY 2012 with any prior year carry over (projected at \$70,918) will fund the entire 2012 program need of \$1,417,168.

a. Land Acquisition/Conservation Easements/ Source Water Protection Measures (\$204,418)

In addition to the \$204,418 allotted from the 2012 DWSRF Grant, the DWP has \$1,178,223 available from prior year loan repayments and the 2011 DWSRF Grant. Funds allotted to this set-aside will be used to provide loans to *eligible* PWS's for the purchase of land and/or conservation easements necessary for source water protection. These funds will be provided on a first-come, first-served basis. If at any point in time the amount of these funds requested is greater than the amount available, then the highest priority ranked water systems using the ranking system in Section 6F. II. a., will receive this loan assistance. The Program believes that a water system's ownership or legal control of the land around its source(s) is the most effective means of protecting its source(s). For this reason the Program intends to provide enough funds in this *set-aside* account to meet all requests until the next grant award.

Starting with the 2010 DWSRF grant, the Land Acquisition loan program was expanded to include source water protection projects. Loans are available to assist *community water systems* in the implementation of voluntary, incentive based source water protection measures in areas delineated under the source water assessment program. Systems must have performed the required delineation and assessment of their source(s) before communities can utilize these funds. These funds are only available to provide assistance to *community water systems*.

A separate revolving account has been established for this *set-aside* activity and is the first step toward achieving the long-term goal stated in paragraph 2B.V: to create and maintain a land acquisition fund in perpetuity. Principal and interest payments on loans made from this account will be repaid into this account making additional loan money available for future land and conservation easement purchases. The terms of financial assistance for Land Acquisition/Conservation Easements are described in Sections 7 & 8.

The land or conservation easement to be purchased with DWSRF assistance must be integral to the source water protection needs of the system as determined by the Program. A determination can be based on the land being identified in a Program approved source water protection plan or other documentation that supports its role in protecting the system's source water. The land purchased must be acquired from a willing seller. Also, before DWSRF assistance for land acquisitions is allowed, an independent appraisal of the land value must be provided to the Program. The amount of financial assistance provided to water systems on land purchases will be determined by the MMBB on a case-by-case basis after consideration of the following items for each request; the appraised value of the land, the anticipated amount of legal and other costs associated with the transaction, the credit quality of the applicant, the availability of land acquisition funds in relation to the current demand, and other financial and market information deemed relevant to the request.

Loans may be made to some non-public water system entities such as municipalities, providing the project meets the appropriate project qualifying criteria listed above.

b. Assistance to Systems for Capacity Development (\$644,736)

The Program plans to use **\$39,736** to fund 50 percent of a FTE to provide on-site capacity development assistance and training. This position was previously funded under the Program Function (10 percent) set-aside. This set-aside will also fund 50 percent of an FTE to provide operator training coordination.

Capacity Development Grants

As a part of this *set-aside* the Program will use **\$180,000** to fund Capacity Development Grants. Grants up to \$15,000 but no more than 50 percent of the actual cost, will be made available to eligible PWSs for the solicitation of professional services for the completion of documents that could assist the system in becoming more viable. Documents to be considered for these funds are: Comprehensive System Facility Plan, Capital Improvement Plan, System Hydraulic Model Report, Management Review Report, System Vulnerability Assessments, Emergency Response Plan, Comprehensive System Operations and Maintenance Manual, Energy Audit, Asset Management Plan, or any other professionally created document that the Program determines can improve system viability. Grant Assistance will not be provided if a similar report of study has been completed in the last five years. Grant assistance will be provided only after the Program has reviewed and approved the document. Professional Engineering documents are not required to be selected through a Request for Qualification or Request for Proposals process.

Capacity Development Training - The Program anticipates allocating up to \$175,000 for public water system capacity training. This training will encompass technical, managerial and financial capacity strategies and target operators, managers and owner representatives of all sizes of systems. The following represents a preliminary estimate of how the funding will be spent.

- **\$84,200** in assistance to the Maine Water Utilities Association (MWUA) for planned training activities from July 1, 2010 to June 30, 2011. A copy of MWUA's proposed training activities and schedule, and their budget will be submitted to the DWP for review, approval and submitted to EPA Region I with the 2010 DWSRF *Capitalization Grant Applications*. A copy of the Memorandum of Understanding between the DWP and MWUA can be found in Attachment H.
- **\$65,800** for other training topics including but not limited to:
 - Continuing education training subsidy. A flat fee structure to assist training providers with facilitating training provided by regulatory agencies.
 - Trustee Training subsidized outreach to systems across the state for topics to assist trustees in managing systems. This training will enhance trustee's knowledge of water system infrastructure and public health protection.
 - Emergency Preparedness and Security subsidized training and continued updating of system emergency response plans.
 - CUPPS and asset management training. Continued introductory courses and user update courses
 - Managerial Training for future system managers to the Maine Joint Environmental Training Coordinating Committee, JETCC, to assist in a program for water and waste water operators to develop managerial skills needed in the future. This is a 12-month program that has professional mentors develop curriculum. Candidates are nominated by their systems and chosen through a review process. The goal is to have graduates understand regulations, financial and managerial concepts that are essential to utility management.
 - Support for development and implementation of a demonstration regional Asset Management Training and Technical Assistance program for a group of small PUC regulated water utilities.

Actual training topic will be determined based upon the Capacity Strategy that is currently being redeveloped by the Program. A detailed work plan will be created as part of the 2012 DWSRF Grant application to the EPA.

- **\$15,000** for Water Resources Planning Cooperative Investigations

Asset Management Training

A budget of **\$10,000** has been included in this Set-Aside activity to fund Asset Management training for those public water systems that will be receiving principal forgiveness. This Asset Management training will be provided by RCAP Solutions Inc. This training will be a one-on-one training with each water system. This training is expected to consist of two-three hour sessions. Water system trustees or board members and lead operator(s) must attend this training seminar. Financing will not be approved until this training is completed.

c. Water System Consolidation Grants (\$250,000)

The Drinking Water Program has budgeted **\$250,000** for this program from the 2012 DWSRF grant. The Program was created to provide partial funding to water systems for the purpose of consolidation with another water system to enhance system capacity. Water systems with a technical, managerial or financial capacity issue can receive partial funding to consolidate with a more viable public water system to enhance system capacity and de-regulate an existing public water system

The Consolidation Grant funds no more than 50 percent of the cost of the water system consolidation for for-profit facilities and no more than 75 percent of the cost of the water system consolidation for not-for-profit facilities. Grant awards may not exceed \$100,000. Payments are typically made on a one-time reimbursement basis. Consideration for greater than a single reimbursement will be made on a case by case basis determined by the financial need of applying system.

d. Establishment and Implementation of Wellhead Protection Programs (\$497,096)

This budget will fund the following activities:

1. **Public Education/Outreach (\$56,500)** - The Program will use funds from the *set-aside* to develop contracted agreements with environmental and educational organizations for the purpose of raising the awareness of the importance of local water resources. Included in this activity are:
 - Work with the State Planning Office, NEMO program, Maine DEP, Regional Councils, Land Trusts, and interested municipalities to encourage implementation of source protection planning and implementation. Because neither the Drinking Water Program nor Public Water Suppliers have land use authority, protection must be developed through partnerships. (\$26,500)
 - Production of the Drinking Water Program Newsletter – “The Service Connection.” This newsletter is provided to all owners and operators of public water systems. (\$20,000)
 - As a part of Drinking Water outreach, the Program supports programs around the State to increase awareness of drinking water issues. (\$10,000).
2. **Wellhead Protection Staff Expenses and Internet Mapping Website (\$10,000)**
Collection, review, and input of data from wellhead protection self-evaluation forms is an ongoing process and a critical precursor to conducting credible assessments of source water protection areas.
3. **New Well Approval & Wellhead Protection Program Staff Expenses (\$305,596)** - The Program will use this set-aside to fund staff who, among other technical assistance and field inspection duties, works with water systems to navigate the new well approval process. Since proper locating of a well is fundamental to continued source water protection, this position will work on-site with public water systems, well drillers, engineers and geologists to minimize conflicts with potential contaminant sources. This also includes collection of source water samples for analysis. This position also works with local municipal officials and other state agencies to help ensure that the new source of water is minimally impacted by potential contamination sources. Additional staff in this set-

aside provides outreach to water systems, municipalities, and other state agencies to reduce the risk of contamination of public water sources. Staff assists in management of subsurface wastewater rules, one of the key parts of Maine's wellhead protection strategy, and in regulating well drillers so that wells are installed using appropriate tools and techniques to protect water quality.

4. **Wellhead Protection Grants (\$75,000)** - The Program will continue to implement the Wellhead Protection Planning Grant Program that provides grants up to \$10,000 per system to fund planning and/or implementation of source water protection activities for ground water sources. Activities include developing useful base maps, drafting an aquifer protection ordinance, developing public educational materials, purchasing signage to demarcate source protection areas, etc. Eligible water systems will be contacted, informed as to the eligible uses of these grant funds, and asked to submit applications of interest for one of two time periods; either Spring or Fall. Approximately half of the total \$75,000 available for the Grants will be earmarked for the spring and the other half for the fall. Any money remaining from the spring allocation will be added to the money available for Fall Grants. Water systems to receive these funds will be prioritized using the system shown in Section 6F. II. c. (\$75,000).

 5. **Source Water Protection Grants (\$50,000)** - The Program will implement a new Grant Program in 2011 for Source Water Protection Planning activities to provide grants up to \$5,000 per system to fund planning and/or implementation of source water protection activities for surface water sources. Activities include development or update of watershed management plans, buffer establishment and upkeep, road and storm water management and reconstruction activities, developing public outreach and educational programs and materials, etc. Eligible water systems will be contacted, informed as to the eligible uses of these grant funds, and asked to submit applications of interest for one of two time periods; either Spring or Fall. Approximately half of the total \$50,000 available for the Grants will be earmarked for fall and the other half for the spring. Any money remaining from the fall allocation will be added to the money available for following spring Grants. Water systems to receive these funds will be prioritized using the system shown in Section 6F. II. d. (\$50,000).
- 4D. Separate non-project activity accounting. The funds allocated for each non-project activity will be separated into individual accounts at EPA Region I. The release of monies from these accounts will be performed on a cash draw basis with the requisition for funds being based on actual expense records submitted to the EPA Region I. Program staff will review and approve all requisitions and submit them to the MMBB to initiate the release of funds from EPA. The MMBB will also maintain separate accounting for each of the non-project activities.
- 4E. Transfer of unspent funds to the DWSRF. The allocated funds for each of the first three non-project activities, Program Administration (I), Technical Assistance (II) and Program Functions (III), can be banked (the unspent funds are allowed to be drawn against future

grant awards) and used for the same activities in later years. Funds for the fourth activity mentioned above, Other Non-Project Activities (IV), cannot be banked. The Program must demonstrate in set-aside Work Plans to EPA how the funds allotted to each set-aside activity in each year's *Grant* are to be used within a specific period. Other Non-Project Activity (IV) funds can be utilized by any one of the four activities mentioned in Section 4C. IV (a-d) above, with no more than 10% of the *Grant* going to any one activity. These funds can also be transferred to the Standard Project account.

5. Project Funds -

5A. Funds available. The total funds available for financial assistance as loans to Standard Projects and *Disadvantaged Community System* projects for the 2012 DWSRF *Grant* period is \$13,932,777. A detailed breakdown of these funds can be found in Table 3-1 and Attachment A.

The 2012 DWSRF grant appropriation includes a proposal that requires a minimum 20% and a maximum 30 percent of the 2012 *Grant* to be available for eligible recipient's, including *Disadvantaged Community System's*, projects as principal forgiveness assistance. The 2012 DRSRF Primary List includes seventeen projects. Eleven of these projects are eligible for principal forgiveness assistance for a total of \$2,108,512, or 23 ½% of the expected \$8,975,000 Capitalization Grant. The total projected \$2,108,512 principal forgiveness includes 5% Principal Forgiveness for two projects involving installation of treatment to meet new SDWA regulations. Neither of these systems is considered Disadvantaged Community Systems. The balance of the Principal Forgiveness amount of \$1,850,822 will go to 9 water systems identified on the Primary List that are all Disadvantaged Community Systems.

The total subsidy of \$2,108,412 is intended to be met by providing up to 20% principal forgiveness to loan recipients. This amount does not include an aggregated negative interest (0% interest rate versus 2% with 30 year term) for all disadvantaged community system loans currently estimated at \$715.952 for disadvantaged community projects. Additionally, if upon award of all the funds, the combined principal forgiveness and aggregate negative interest is less than the required 20% minimum amount, additional principal forgiveness will be provided to loan recipients to ensure total subsidy of at least \$1,795,000."

The DWSRF Program has set a maximum loan limit for any public water systems of three million dollars for any given year after FFY 2012. Any public water system with a project or combination of projects approved after FFY 2012 that exceeds this limit must find alternative funding for the balance of the project cost. Additionally, a public water system may not receive more than \$3 million per project even if the project spans multiple years. The Program reserves the right to exceed this limit when sufficient funds are available to meet all project needs.

5B. Projects to be funded. Attachments F and G provide lists of projects the Program intends to finance from the total project funds available from the 2012 DWSRF *Grant* period awards. Projects are listed in priority point score order. Priority point scores are determined using the point system shown in Section 6F. Attachment F is the Primary Project List of Standard

and *Disadvantaged Community* System projects. Attachment G is the Backup Project List. The Backup Project List contains the projects that will receive assistance if projects on the Primary Project List do not proceed as planned, or are by-passed. Each project can be described using one of the general types of projects listed below:

- 1) Replacement of *contaminated source* with new potable source;
- 2) Construction of treatment facilities;
- 3) Installation of disinfection facilities;
- 4) Projects addressing compliance/enforcement issues;
- 5) System consolidation to address viability issues;
- 6) Projects required to remove a system's status as a SDWA significant non-complier;
- 7) Replacement of aging infrastructure;
- 8) Upgrade or rehabilitation of existing water facilities;
- 9) Installation of meters and backflow prevention devices; and
- 10) Acquisition of land integral to a DWSRF eligible project.

The projects that are ultimately financed by the Program may not be selected exactly as listed on Attachments F and G. Some of the factors that could affect the current lists are as follows:

- 1) A listed project receives full or partial funding from another source;
- 2) A project is by-passed as described in Section 6B;
- 3) Funds available are increased or decreased due to actual project costs vs. estimated costs listed on Attachment F or G;
- 4) The PWS or project is found to be ineligible for DWSRF funds;
- 5) A system's loan application is denied;
- 6) A project or PWS is unable to meet DWSRF project requirements as described in this Section; or
- 7) A PWS declines DWSRF assistance.

The terms of financial assistance for Standard Projects are described in Section 7. The exact terms will be set at the time of the loan agreement for each project. The amount of principal forgiveness assistance and loan terms to be provided for *Disadvantaged Community* System projects will be determined during the loan application process using the criteria described in Section 8.

5C. Unencumbered Funds from Previous Grant Years. Funds from the 2011 DWSRF that were not encumbered have been carried forward into this 2012 IUP. All 2012 DWSRF projects that do not have an associated loan agreement by December 31, 2012 may be by-passed and the funds will be carried forward to the next year's Intended Use Plan. Water systems will need to reapply for the next funding cycle if by-passed.

5D. Systems/Projects Ineligible for Funding. Public water systems that lack the technical, financial or managerial capacity to operate their system in compliance with present and future requirements of the SDWA are not eligible to receive DWSRF funds unless the proposed project will address and resolve the lack of capacity. All public water systems will receive a capacity development review and approval before the DWSRF Program will enter

into a loan agreement. Systems that are in Significant *Non-Compliance* with the SDWA are not eligible, except as noted in Section 6E. Public water systems that serve Federal installations are not eligible. A Non-Community Water System owned by a for-profit enterprise is not eligible to receive DWSRF funding.

Projects whose primary purpose is to provide fire protection or system growth are not eligible for DWSRF funding. Laboratory fees for monitoring and operational and maintenance expenses are ineligible project costs. Land acquisition secured by eminent domain condemnation proceedings or from an unwilling seller is not eligible to receive DWSRF funding. Projects that do not receive a favorable environmental determination and initiate construction will not receive DWSRF funding. All projects must complete the environmental review process to the satisfaction of the Program and receive a favorable environmental determination before the start of construction.

Since funding is limited, demand is considerable, and funds are subsidized DWSRF funding will be provided to only the most viable, cost effective, environmentally acceptable projects.

- 5E. *Environmental Reviews*. All projects financed with DWSRF funds will have a "NEPA-like" *environmental review*. This review should be performed and a favorable determination made prior to the design of the facility. The *Environmental Review* process must be completed prior to the start of construction for the project to receive DWSRF funding. The State of Maine Rules Relating to Drinking Water State Revolving Loan Fund, Chapter 230, puts forth the *Environmental Review* requirements for all projects. The applicant is required to submit specific information identified in Chapter 230 for a project in order for the Program to make an environmental determination. The required information is dependent upon the type and scope of the project proposed to receive DWSRF funding. An *Environmental Review* and determination prepared for/by another federal funding agency may be accepted by the Program.
- 5F. *Procurement Requirements*. Project funds can be used only for construction services and materials, required for the completion of a DWSRF eligible project, that are sought through a competitive process. The primary method for procuring construction services shall be the advertised bidding process. Bid packages must include the DWSRF Construction Contract Requirements. Other competitive procedures may be used to procure non-construction services. The Program will use their existing procurement policy as a guide. Comprehensive procurement procedures will be developed and included in DWSRF Rules. As part of the 2012 Appropriation, it is expected Congress has required that all DWSRF construction projects in federal fiscal year 2012 must use the Davis-Bacon wage rates. Exceptions include work funded by set-asides and worked performed through force account labor (water system personnel).
- 5G. *Cross-Cutting Federal Authorities*. *Cross-cutting Authorities* are listed in Attachment E. Federal *Cross-cutting Authorities* are those federal statutes and Presidential Executive Orders that by their own language affect actions proposed for assistance with DWSRF monies. DWSRF *Equivalency Projects* and all set-aside activities must meet all applicable requirements of these authorities. Some authorities will be met through the

Environmental Review process. Others will be met through procurement or certification requirements of the Program. The Program must demonstrate to EPA that the total dollar amount of DWSRF projects funded in any given year that meet these authorities is equivalent to the total federal grant funds received in that year. This sets the *Equivalency Project* goal. To meet the *Equivalency Project* goal for the 2012 *Grant*, Maine will require that all DWSRF funded projects with total project costs greater than \$200,000 meet all *Cross-cutting Authorities*. All organizations in receipt of federal funds for *set-aside* activities must be in compliance with all applicable federal *Cross-cutting Authorities* in their use of these funds. **Anti-discrimination statutes apply to all DWSRF activities**, not just *Equivalency Projects*. Projects eligible for emergency funding may exempt from this requirement as determined by the DWSRF.

6. Criteria and Method of Distribution of Funds

- 6A. Description of selection process for projects to receive assistance. Each year all DWSRF *eligible public water systems* will be asked to submit information about projects (submission of a project information application form provided by the Program) for which they are seeking DWSRF monies for the designated year. This project information will be reviewed for accuracy and eligibility, and then given a priority ranking score based on the system designated in Section 6F below. The availability of funds for projects from other agencies may be investigated and discussed with the system. The DWSRF eligible projects and their respective information will then be listed in order of priority, highest to lowest, in a master list of all projects (Comprehensive Project Priority List). The Program will create the Primary Project List utilizing the provisions in this Section and the amount of available funds. The Primary Project List can be found in Attachment F. A Back-up Project List, Attachment G, consists of projects that did not make the Primary Project List but are next in line to receive assistance based on their priority ranking. Projects on the Back-up Project List will be offered funds in the order of their priority ranking based on the amount of funds freed up by projects on the Primary Project List that either decline the funds or are by-passed in accordance with the procedures stated in Section 6B. Both lists include the following information; system name, project description, population served, priority point score, and estimated project cost or funds requested. The DWSRF Administration will contact all systems with projects listed on the Primary Project List after the IUP is finalized to inform them of submittal, review and approval, and application requirements.
- 6B. By-pass provision. A project on the Primary Project List may be by-passed on December 31, 2012 if the system has not entered into a loan agreement (or construction contract) or made reasonable progress towards starting construction in 2012. In order to enter into a loan agreement a water system must submit and receive approval of engineering and construction documents, complete an environmental review and complete a capacity review.

Funds made available when a project is by-passed will be offered to public water systems with projects on the Back-Up Project List. Assistance will be offered to the public water systems with the highest priority ranked projects that have requested an amount of assistance less than or equal to the by-passed project(s)' requested funding. On December 31, 2012 all uncommitted funds will be carried forward into the 2013 IUP.

- 6C. By-pass for Small Water System Assistance. A minimum of 15% of the monies available for funding projects each year must go to public water systems that serve a population of less than 10,000 (small systems). The lowest priority project or projects for public water systems that serve 10,000 or more people may be by-passed in any given year in order to achieve this goal of 15% assistance to small systems. As necessary, the highest priority small system projects will be selected to satisfy the minimum 15% level. The 2012 Primary List includes 15 projects serving public water systems with populations of less than 10,000. Total project for these systems is \$8,572,926. This amount represents 96% of the Capitalization Grant, or 62% of the entire \$13,932,777 amount Available for Projects.
- 6D. By-pass for Consolidation Grant Assistance. The Program will by-pass consolidation grant projects that do not meet the deadlines established at the time of application. If a project does not meet the established deadlines, the system may reapply for the consolidation grant. Original applications must be submitted before construction occurs. Resubmitted applications cannot be submitted more than a year after construction started.
- 6E. Emergency Construction Fund. The Emergency Construction Fund provides loans to water systems that had a recent unexpected event that poses a serious threat to health and welfare. Projects must meet the eligibility criteria for DWSRF projects but do not need to be on the Project Priority List. Emergency Construction Fund projects are not eligible for grant (principal forgiveness). The DWP has the discretion to determine what constitutes an emergency. The DWP will also determine which provisions of the standard loan process (competitive bidding, environmental reviews, capacity reviews, plans and specifications, etc.) must be met. The Drinking Water Program has budgeted up to \$500,000 from repayment funds for the 2012 calendar year. Funds that are not committed by the end of 2012 will be returned to the pool of funds for standard construction projects.
- 6F. Very Small System Compliance Loan Fund. This fund allows qualifying water systems to receive up to \$50,000 loans for infrastructure projects that are needed to achieve compliance with a current or future standard of the Safe Drinking Water Act excluding the Total Coliform Rule. The loans would need to meet all requirements for a standard construction loan including contract document, environmental review, capacity review, Davis-Bacon wage rates and other applicable requirements. The loan term would be set at 100 percent principal forgiveness. A balance of \$279,868 remains from the 2010 DWSRF program. This balance will be available to 2012 applicants. Additional funds of \$150,000 from the 2012 DWSRF will be added to the Very Small System Compliance Loan Fund.

Qualifying systems include all community systems (except those regulated by the Public Utilities Commission) with a population of 100 or less and all not-for-profit, non-transient, non-community water systems.

Systems do not need to be on the project priority list. Projects cannot be the result of a failure to maintain an existing treatment system. Projects can consist of developing a new well or the installation of treatment. Consolidation with another water system could be funded with a consolidation grant.

6G. Systems that are in Significant Non-Compliance (SNC) with the SDWA. Public water systems that are in SNC with the SDWA will **not** be eligible for DWSRF financial assistance unless/until: a) they resolve all SNC issues to the satisfaction of the Program; b) the project(s) for which they are applying for DWSRF monies resolve all SNC issues; or c) they enter into and comply with an Administrative Agreement with the Program that addresses the SNC. If the public water system resolves its SNC by one of these methods then its DWSRF eligible project(s) will be prioritized and provided financial assistance in the same manner as all other DWSRF eligible projects. If a water system is not a SNC at the time that they receive a loan agreement but become a SNC during the construction of the project, the DWSRF construction reimbursement process will be stopped until the SNC is resolved by one of the methods mentioned above.

6H. Project Priority Ranking System. Planning and engineering costs (Engineering Study, Pilot Plant Study, Environmental Study, project design, etc.) can be separately funded from a project if associated with a future DWSRF eligible project. If construction is not occurring during the 2012 construction season, only preliminary costs will be allocated on the 2012 IUP. These activities will be prioritized based on the future DWSRF eligible project for which they are associated. Financial assistance to acquire land integral to a DWSRF eligible project and the guarantee or purchase of insurance for local debt obligation is both DWSRF eligible expenses. Projects submitted for these activities will be prioritized based on the project type with which they are associated. Example: A DWSRF project submission for land acquisition necessary for construction of a planned pump station or treatment facility will be priority ranked the same as the future facility.

The scoring system that will be used for ranking requests for DWSRF funding for this funding period is as follows:

I. Standard Projects (only one priority point score to apply to each project)

a. Type of project _____ Priority points

1) Projects to address compliance and public health issues:

Installation of treatment or connection to a new supply for:

<i>acute contaminant</i>	99
<i>non-acute contaminant</i>	80

Replacement of *contaminated source* with uncontaminated

Existing source of: river/stream	95
lake/pond/impoundment	90
GWUDI	85
dug well	77
spring	75
filtered surface water	69

Replacement of aging infrastructure at risk of causing contamination

Type of facility: uncovered f. w. storage	60
treatment facility	55
floating cover storage	49
source-intake structure	45
pump station	42
storage	40
river crossing	37
transmission mains	35
distribution mains	33
instrumentation/controls	30

Rehabilitation of aging infrastructure or upgrade of existing facilities at risk of contamination

Type of facility: treatment facility	44
source-intake structure	25
pump station	23
storage (inside painting)	20
transmission mains	18
distribution mains	17
instrumentation/controls	15

2) Installation of facilities to address low system pressure problems: backflow prevention devices	43
storage	32
booster pump station	24
larger mains	22

3) Projects for compliance with future SDWA regulations:	
Proposed rule: Stage 2 D/DBP	80
LT2ESWTR	60
Groundwater	25
Sulfate	9

4) Projects to address aesthetics: taste, color, odor, etc.	8
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5) Construction of facilities around a water system's source to address a health threat or documented contamination threat to a source of supply: *	
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Source type: unfiltered surface water w/ filtration waiver	72
filtered surface water	62
groundwater	52

*Source water protection activities are not eligible for funding with Project Funds but may be eligible for Other Non-Project Activity *set-aside* funds.

6) Installation of facilities to provide redundant facilities:	
supply (present peak day supply problems)	68
disinfection equipment	56
treatment train	50
supply source	47
source-intake structure	32
river crossing	29
pump station	21
storage	19
transmission main	18

7) Other Eligible Projects:	
Catastrophic failure of critical infrastructure	70
System viability: <i>Facility consolidation</i>	65
Install backup power source	48
Tank Mixing & Rechlorination	35
Resolution of dead end water quality problems	34
System Interconnection	32
System expansion to address public health issues	31
Installation of meters	16
Construction of Office, Garage, or Equipment Storage	10

b. Priority Point System Add-ons: (only one priority point score for each category applies and is to be added with each category's score including project points to produce the final project priority rank)

Priority points

1) System compliance/enforcement status*	
Court action or Civil Penalty assessment	30
Assessed Administrative Penalty	25
Active Administrative Compliance/Consent Order	20
Loss of Filtration Avoidance/Exemption	18
Long-term Boil Water Order or Do Not Drink Order (>1 year)	16
In Significant Non-Compliance	14
Outstanding Notice of <i>Non-Compliance</i>	12
Outstanding Treatment Technique Violation	10
Active Bi-lateral Compliance Agreement	8

* These priority points are only added if proposed project addresses the compliance/enforcement issue in question.

2) Percentage of annual residential water bill of median household income	
Greater than 2.25%	18
between 2.01% and 2.25%	15
between 1.76% and 2.00%	12
between 1.51% and 1.75%	9
between 1.26% and 1.50%	6
between 1% and 1.25%	3
less than 1%	1
3) Population served	
100,000 people or more	1
between 10,000 and 99,999	2
between 3,300 and 9,999	8
between 500 and 3,299	6
less than 500 people	4
4) Public Water System Type	
Community	6
Non-Transient	3
Transient	1
5) Project in accordance with Completed System Master Plan	5
6) Pre-design Report Completed	5
DWP may request a copy of pre-design report	
7) Plans and Specifications	up to 10
1 point for each 10 percent completed, maximum 10 points	
DWP may request copy of plans and specifications	
8) Project in conjunction with road reconstruction project	10
DWP may request documentation of planned road project	
9) Demonstration that Permitting & Environmental Review is complete	10
10) Discretionary Points based upon public health risk: Associated only with aging infrastructure	up to 20 points

c. Additional priority points for projects being co-funded with other agencies:

Water systems should inform the Program of financing they are attempting to secure or have secured from other agencies (U.S.D.A. Rural Development, Department of Economic and Community Development (DECD), etc.) for projects they are also attempting to finance with DWSRF funds. The Program will work to inform systems of their eligibility for funds from other agencies and will promote the application for these funds when the other agency presents a better financing package for the system or has

available funds for which their project is eligible. The Program will consider the combined use of DWSRF funds and funds from other agencies or another funding source if the DWSRF funds are necessary to complete the financing of the project. Another source of funds could include the water systems own financial contribution as match to the total project cost. These projects will receive additional priority points as follows:

10 points - DWSRF co-funding with one other agency or source of funds, either a Community Development Block Grant or 25% of project cost funded from another agency or source.

15 points – DWSRF co-funding with two or more other agencies or sources of funds where a minimum of \$600,000 is being provided toward the total project cost from the other agencies or sources.

These other funds must be committed to the project before the water system is allowed to enter into a loan agreement to receive DWSRF funding. The Program will not authorize funds that will replace loan commitments already secured from another lending agency unless approval to do so has been obtained from that agency.

USDA-RD and DECD, the two primary agencies with funds available to finance drinking water facilities in Maine, have goals similar to those of the Program. They both consider a project’s ability to address a public health issue when prioritizing the projects eligible for their funds.

d. Additional priority points for Compliant Water Systems:

DWSRF eligible PWS’s that have been in compliance with the SDWA for the last five calendar years (2006, 2007, 2008, 2009 and 2010), will receive extra priority points for each of the five years. The points for each year will be based on the following:

2 points - no compliance violations on record with the Program for that calendar year.

1 point - violation(s) but all have been addressed and resolved with the Program.

0 points – outstanding violation(s) that have not been resolved.

The priority points will be totaled (maximum of 10 points) and added to each project that water system submitted requesting DWSRF financial assistance.

(Total Standard Project Priority Point Score =

$$(a + b1 + b2 + b3 + b4 + b5 + b6 + b7 + b8 + b9 + b10 + c + d)$$

e. Green Project Reserve

As part of the 2010 Appropriation, Congress required a minimum of 20 percent of the total funding be used to finance projects that are considered “green” or environmentally friendly. The 2012 Appropriations does not include a “Green Project Reserve” requirement.

The Program will continue to suggest and recommend public water systems to consider including “green” aspects of project improvements including using premium efficiency motors and variable frequency drives wherever application.

II. Other Non-Project Activities - 15% Set-Aside. The types of activities to be funded with this non-project *set-aside* and the percentage and dollar amount of monies to be allocated to each activity are listed in Section 4C.

Priority ranking system for the 15% *set-aside* funds. Priority ranking for each *set-aside* activity will be based on the scoring system listed below. References to **b1, b2, b3**, etc., refer to the add-on points defined in the previous section.

a. Land Acquisition/Conservation Easements:

In the unusual case of multiple applications submitted at the same time, the following ranking criteria shall be used.

Type of Source	Priority Points
Unfiltered surface water with filtration waiver	50
Filtered surface water source	40
Groundwater under the direct influence of surface water	30
Groundwater	20

(Total Priority Ranking Score = Type of Source + b1 + b2 + b3 + b4 + c + d)

b. Assistance for Wellhead Protection:

- 0 – 5 points **Demonstrated need for the project.** *How will the project help protect your groundwater source?*
- 0 – 3 points **Previous wellhead protection work.** *Has your system demonstrated a commitment to source water protection by dedicating time or financial resources to source protection? What other projects have you completed or are in the process of completing that identify, evaluate, manage, or eliminate threats to your groundwater supply?*
- 0 – 3 points **Community Involvement.** *Protecting drinking water sources is a community effort. Explain how you have included, or plan to include, local partners to work with you to enhance efforts to protect your groundwater source. Have you engaged your neighbors, your customers, and/or your local government in protecting your source?*
- 0 or 1 point **Implementation of a Wellhead Protection Plan.** *Projects which will implement recommendations or reduce the risk of contamination identified from an existing Wellhead or Source Water Protection Plan, or from recommendations made by the Drinking Water Program, Maine Rural Water Association, or other qualified professional will receive one point.*
- 0 or 1 point **Creation of a Wellhead Protection Plan.** *Projects that include the development or improvement of a Wellhead or Source Water Protection Plan will receive one point.*
- 0 or 1 point **Cost Sharing.** *Systems which contribute money or in-kind services to help fund or complete a portion of the project will receive one point. For*

example, systems that contribute \$100 toward the replacement of each home heating oil tank within their wellhead protection zone will receive this point.

0 or 1 point **Previous grant awards.** *Systems which have never received a Wellhead Protection Grant will receive one point.*

(Total Priority Ranking Score= Need + Previous Work + Community Involvement + Implementation of Wellhead Protection Plan + Creation of a Wellhead Protection Plan + Cost Sharing + Previous Grant Work)

c. Assistance for Source Water (Surface Water) Protection:

0 – 5 points **Demonstrated need for the project.** *How will the project help protect your surface water source?*

0 – 2 points **Previous source water protection work.** *Has your system demonstrated a commitment to source water protection by dedicating time or financial resources to source protection? What other projects have you completed that evaluate or manage threats to your surface water supply?*

0 – 5 points **Community involvement.** *Protecting drinking water sources is a community effort. Explain how local partners will work with you to enhance efforts to protect your groundwater source. Will this project benefit another public or private drinking water source? Projects demonstrating value from other sources, financial or in-kind, will receive a higher score.*

0 – 3 points **Describe how the project will address an identified risk.** *Will the project reduce the risk of contamination identified by a Watershed Management Plan, Source Water Assessment Report, or another priority system?*

0 or 1 point **Implementation of a Watershed Management Plan.** *Projects which will implement recommendations from an existing Watershed Management or Source Water Protection Plan will receive one point.*

0 or 1 point **Cost Sharing.** *Systems which contribute money or in-kind services up front to fund a portion of the project costs will receive one point.*

Priority will be given to projects that exceed the \$5,000 grant maximum and which will be funded in part by funds from other sources.

(Total Priority Ranking Score = Need + Previous Work + Community Involvement + Identified Risk + Implementation of Wellhead Protection Plan + Cost Sharing + Previous Grant Work)

d. System Consolidation Grants Program:

This program to provide partial funding to water systems for the purpose of consolidation with another water system to enhance system capacity. Water systems with a technical, managerial or financial capacity issue can receive partial funding to consolidate with a more viable public water system to enhance system capacity and de-regulate an existing public water system. The Consolidation Grant will fund no more than 50 percent of the cost of the water system consolidation for for-profit facilities and no more than 75 percent of the cost of the water system consolidation for not-for-profit facilities. Grant awards may not exceed \$100,000. Payment shall be made on a one-time reimbursement basis. Consideration for greater than a single reimbursement will be made on a case by case basis determined by the financial need of applying system. Community public water systems and non-profit, non-community public water systems are eligible for the System Consolidation program. For-profit non-community water systems and federally owned systems are not eligible. Each eligible water system (system to be eliminated) may only receive one grant award for any consolidation effort.

Qualifying Criteria:

- The public water system applying for consolidation must have a technical, managerial or financial capacity issue that will be addressed by the consolidation with the more viable public water system.
- The more viable, receiving public water system must neither exhibit technical, managerial or financial capacity issues nor result in system capacity issues.
- Plans and specifications for the consolidation must be reviewed and approved by the Drinking Water Program.
- The project must complete the environmental review process that is currently part of the DWSRF construction loan program.
- The applying public water system in need must report a median household income of less than \$46,541. The MHI must be either the American Community Survey 5-year estimate or a local area income survey done by a third party approved by the program.

Ranking Criteria:

Because limited funding is provided for this particular Set-Aside, grant awards will be determined by time of application, anticipated construction date, and risk to public health.

- 6I. Relationship to meeting DWSRF goals and objectives. The criteria and method used to distribute project funds, as stated in this section, satisfies all of the goals and objectives of the DWSRF. It also satisfies the DWSRF priority requirements of the SDWA. It gives water systems with the greatest need for obtaining financial assistance to construct projects that address imminent and long-term threats to public health, pending enforcement actions and compliance issues with the SDWA, the ability to receive funding by giving their projects the highest priority ranking. It provides for assistance to small systems and *Disadvantaged Community Systems*. Affordability will be factored into the priority ranking of projects. The method of distributing project funds also

provides for the funding of preventive measures such as source water protection, replacement of aging infrastructure, operator certification and capacity development.

- 6J. Impact on long-term financial status of the DWSRF. The proposed method and financial terms for distributing project funds presented in this IUP should have negligible impact on the long-term financial status of the DWSRF. Principal payments on loans plus all interest earnings will be deposited to the DWSRF and made available for future water system capital improvements. The only funds lost for revolving are those used for:

DWSRF Administration,
Technical assistance to small systems *set-aside*,
PWSS program functions *set-aside*,
Grants to systems to establish and implement Wellhead and Source Water Protection Programs,
Costs for services rendered for source water delineations and assessments of potential sources of contamination, and
Principal forgiveness funds to *Disadvantaged Community Systems*.

7. Financial Aspects of DWSRF Assistance

- 7A. General. All systems must complete a MMBB loan application in order to receive a DWSRF loan. All systems must be able to demonstrate to the satisfaction of the MMBB that they have an adequate revenue source to support the repayment of loan amounts. A system may enter into a loan agreement after its loan application is approved by the MMBB and all required financial conditions are met. Requisitions for construction costs will not be approved until the DWSRF requirements listed in Section 5 are met. Disadvantaged systems must also participate in Asset Management Training by RCAP Solutions in accordance with Section 8B.
- 7B. Financial terms of loans. Typical loans (non-*Disadvantaged Community Assistance*) for the financing of Standard Projects and Non-Project activities using 15% *set-aside* funds (the purchase of land and conservation easements for source water protection) will be at an interest rate of two percent below the MMBB cost of tax-exempt funds, the Standard Project Rate. This discount Rate is discounted further to compensate for any fees the MMBB may charge the water system to administer the loan. Project loans where the amount borrowed is \$250,000 or more may have a maximum repayment period of up to 20 years from the date of construction or the life expectancy of the asset being financed, whichever is less. Amounts borrowed for less than \$250,000 may be limited to a five-year repayment term. Loans for land acquisition, conservation easements and Source Water Protection will usually have a repayment term limit of 10 years. Borrowers may request approval by the MMBB for an increase in their payment term above these limits up to a maximum allowable term of 20 years. The request must be in writing and state the need for a greater term. In all cases the loan repayment term will be limited to the life expectancy of the asset to be financed. Loans will have an initial payment due no more than one year from the date of *substantial completion* of construction for Standard Projects, or the date of the final loan agreement for Other Non-Project Activity funds.

The Program will make the determination of which projects will receive bond blend proceeds. All other projects will be financed by straight loans of federal grant and *State Match* monies.

Loans for planning and engineering studies, reports and design work that are sought separate from a project loan, but are associated with future DWSRF eligible projects, will have a maximum loan repayment period of five years. These short-term loans can be rolled into the long-term loan for the construction of the planned or engineered project if it becomes eligible for DWSRF funding.

The financial terms for loans to systems that qualify for Disadvantaged Community System Assistance is addressed in Section 8.

- 7C. Requirements with regard to the Public Utilities Commission (PUC). All PUC regulated systems must acquire approval for Issuance of Securities from the PUC before they can enter into a loan agreement. If a system needs water rates increased in order to finance a DWSRF loan that includes bond blend monies, the rate increase must be approved prior to the time of the bond sale. Interim financing is discussed in Sections 7G and 7H.
- 7D. Loan Fees and Costs. Most DWSRF loans will include MMBB Administrative Fees, Loan Origination Fees as well as interest charges. As stated in Section 7B, the Loan Origination and Loan Administrative Fees will be factored into the interest rate subsidy.

MMBB Loan Origination Fee:

A 1% Loan Origination Fee is charged by the Bond Bank to process and obtain a loan. The origination fee covers all the Bond Banks internal loan process that occurs before a bond is issued. This Fee can be included in the total amount to be borrowed. The monies collected from this fee will assist the MMBB in the financial administration of the loan over its life. This fee is waived for Disadvantaged Community systems.

MMBB Administrative Fee:

A 5% Administrative Fee is charged by the Bond Bank to cover all costs incurred post issue and to sustain the daily maintenance of the loan throughout its life. This fee covers such costs as processing draw requisitions, refunding analysis, trustee fees and billing. An amount not to exceed 5% of the total annual loan payment, principal and interest will be added to each year's payment. This fee is capitalized at 0% upon loan origination. This fee is waived for Disadvantaged Community systems. Additional cost of issuance includes legal service and bond sale costs that the MMBB is charged to process a loan. The actual Cost of Issuance will vary with each loan. There will be no costs of issuance charged on straight loans made with federal and state loan money only, but the system will be responsible for the costs of their own legal counsel for incurring the loan. Cost of Issuance will be charged on loans funded with bond proceeds and will include all costs associated with completing the bond sale. The amount of money collected for this Fee will be placed in a MMBB cash reserve that will be used in part to help improve the bond rating to assist in keeping the interest rates on future DWSRF loans low. It will

also be used to cover costs associated with loan servicing over the loan life and pay MMBB Trustee expenses.

- 7E. Refinancing of existing facilities. DWSRF funds can be used to buy or refinance debt obligations for DWSRF eligible projects for water systems that are owned and operated by a municipal, intermunicipal or interstate agency. **Based on an EPA Policy established in the spring of 1999, reimbursing project construction costs incurred prior to the date that the Project Lists are finalized, the last day of public review of the IUP, for a water system with a DWSRF eligible project on a Project List is considered *refinancing* debt. The *refinancing* of debt for privately owned water systems is not a reimbursable expense for DWSRF financial assistance. Additionally, DWSRF money cannot be used to refinance loans for the purchase of land.** Publicly owned water systems can receive reimbursement of refinanced debt in their DWSRF loans. However, their initial debt and the start of construction of the project must have occurred after July 1, 1993 to be eligible for reimbursement.

Projects submitted for refinancing will only be considered by the Program if the current water rates at the public water system exceed the maximum water rate goal (MWRG) as described in Section 8D. Projects that are eligible for refinancing based upon the preceding criteria will score priority points as if it were a new project. However, since the DWSRF Program gives a higher priority to projects to address existing health risks or compliance issues, the total score will be reduced by 50 percent. The project will then be ranked against all other projects to determine its placement on the Primary or Backup Project List.

- 7F. Refinancing of facilities currently being constructed. **As stated in Section 7E above, the reimbursement of project construction costs incurred prior to the completion of public review of an IUP for which the project is included on a Project List will be considered the *refinancing* of debt.** The Program is limited in how it can disburse funds for the purpose of *refinancing* debt. Each year EPA allows Programs to only use \$2 million of their initial *Grant* funds for this purpose. Further, EPA only allows the *disbursement* of all costs for *refinancing* debt above the \$2 million limit to occur when disbursed over an eight-quarter period (two years). The eight-quarter period begins with the quarter the Program receives its *Grant*. Pre-construction costs (cost for design, planning, legal, etc.) are not subject to this eight-quarter rule and can be reimbursed anytime after a system enters into a loan agreement.

- 7G. Projects that secure **Non-Bond Bank** interim financing for facility construction. A **publicly** owned water system may elect to secure interim financing for the construction of a known DWSRF eligible project from a lending institute other than the MMBB. The water system must abide by all DWSRF requirements (plan review /approval, *Environmental Review*, *Cross-cutting Authority* requirements, etc.) to be eligible for DWSRF financial assistance. Also, the system **must not** complete construction of the project before the Grant is received by the Program to be eligible. It is preferable that systems not even begin construction of the project until the Project List that includes them has been finalized with the completion of its public review. As stated above, all

costs incurred prior to the completion of public review will be considered *refinanced* debt. It will be priority ranked the same as the entire project. These costs will be disbursed as described in Section 7F with the exception that preconstruction costs can be reimbursed anytime after the system enters into a DWSRF loan agreement.

- 7H. Projects that secure **Bond Bank** interim financing for facility construction. A system may obtain interim financing through the MMBB for a project included on a Primary Project List after the Program has received its *Grant*. With an interim loan in place, a water system will be eligible to receive reimbursement of pre-construction project costs (administrative, legal, design, etc.) upon approval by the Program (exception: systems in receipt of disadvantaged assistance – see Section 8B). Reimbursement of construction costs will only be allowed when the entire project meets the requirements of Sections 5B thru 5F with all required approvals by the DWP. The terms of the interim financing will be determined by the MMBB. Fees will not be charged by the MMBB for interim loans and there will be no closing costs associated with these loans. However, the borrower will be responsible for their own legal costs associated with the closing of interim loans.

8. Disadvantaged Community System Assistance

- 8A. Definition of *Disadvantaged Community System*. A *Disadvantaged Community System* is defined as any public water system that serves a community and can demonstrate that its year-round residential water consumers have a median household income of \$46,541 per year or less. DWSRF *Disadvantaged Community System Assistance* will only be allowed where the disadvantaged water consumers will directly benefit from the assistance.
- 8B. Total amount of funds available. The 2012 DRSRF budget appropriation requires a minimum of 20% and a maximum 30 percent of the 2012 *Grant* to be available for eligible recipients, including *Disadvantaged Community System*, projects as principal forgiveness assistance. Loan subsidies are defined as funds given out either as principal forgiveness (grant) or as negative interest rates. Maine's DWSRF Program plans to give out subsidies to *Disadvantaged Community Systems* only in the form of principal forgiveness. Principal forgiveness will be made available to the highest-ranking projects first. A water system must meet all the requirements of Section 5 of this IUP (capacity development, plans and specifications, and environmental review and approval) in order to enter into a loan agreement. Additionally, water systems receiving principal forgiveness must participate in Asset Management training by RCAP Solutions. A water system does not need to participate in this training if they have participated in the past five years unless a significant turnover in staff has occurred. This training will be funded through the 15% Set-Aside, Assistance for Capacity Development. See Section 4.C.IV.c. for more information.

Systems that qualify for principal forgiveness funds that enter into a DWSRF loan agreement and want to proceed with construction of their DWSRF eligible project after that year's allotment of principal forgiveness has been committed to other projects will

be eligible to receive loans at an interest rate described in Section 8E. A loan term of less than 30 years is possible if the applicant selects a shorter loan repayment period or the Program reduces the term to the life expectancy of the project. Uncommitted forgiveness cannot be carried forward into the following grant period.

8C. Loan Fees and Costs. The MMBB will waive the Loan Origination and Administrative Fees for systems that receive Disadvantaged Assistance.

8D. Affordability Criteria. The Affordability Criteria will be based on the median household income of the water system's year-round residential customers and its calculated maximum water rate goal.

Criteria I (median household income): Residential customers of a water system must have a median household income (**MHI**) of **\$46,541 per year** or less to qualify for receipt of *Disadvantaged Community* System assistance. This figure represents the average Median Household Income (MHI) for non-metropolitan Maine from the **American Community Survey 5-Year Estimate (2006-2010)** prepared by the US Census Bureau. The income data used to determine median household income should be that which most accurately reflects the income of the year-round residential customers in a water system's service area. This data can come from either the American Community Survey 5-Year Estimates (2006-2010) or from a more current independent system income survey. All income surveys must be submitted to the DWP for review and approval before the results can be used to determine the amount of DWSRF disadvantaged assistance to which a system is entitled. An independent Income Survey must be completed prior to and included with the SRF funding application. Income surveys must be conducted by an independent third-party using a methodology approved by the Drinking Water Program. Income surveys shall not be valid for more than three years.

Criteria II (maximum water rate goal): The maximum water rate goal (**MWRG**) for a system is calculated as follows:

(MHI) at or between \$37,232 and \$46,541:	MHI x 1.5% = MWRG
(MHI) of \$37,232 or less:	MHI x 1.3% = MWRG

The percentages used in the formulas above were determined after reviewing the current water rates and median household income for *Community Water Systems* in Maine. A basis of 2,000 cubic feet of water consumed per calendar year quarter is used for water rate calculations.

The MMBB will calculate the terms of the loan (i.e. repayment period, interest rate and amount of principal forgiveness) in an effort to keep the system's water rates at or below the **MWRG**. The maximum amount of principal forgiveness that a project may receive can be found in Section 8E below.

8E. Limitations/Terms of Disadvantaged Community Assistance. *Disadvantaged Community Assistance* subsidies in the form of principal forgiveness will be available to *Community Water Systems* at maximum levels of 20, 45 and 75 percent of the requested DWSRF loan amount based upon the following:

Water Rates as a Percentage of Median Household Income	Maximum Percentage of Principal Forgiveness
1.0 – 1.29	20
1.3 – 2.0	45
> 2.0	75

For projects with Water Rates as a Percentage of Median Household Income at 1.3 or above, the remaining loan will be loaned at a zero (0) percent interest rate. For projects with Water Rates as a Percentage of Median Household Income between 1.0 and 1.29 the remaining loan will be loaned at a one (1) percent interest rate. Loans for systems that qualify for this assistance will have a calculated repayment period of up to 30 years after the completion of the project, but may never exceed the expected life of the project being financed. The terms of financial assistance to *Disadvantaged Community Systems* will vary depending upon the maximum water rate goal (see Section 8E) for each system. Subsidy and terms will be determined at the time a system submits an application to the MMBB accompanied by all supporting documentation necessary for the MMBB to make these determinations.

Nonprofit, non-*Community Water Systems* may receive principal forgiveness if there is an excess of *Disadvantaged Community System* assistance dollars after all qualifying *Community Water System* projects submitted have been financed. A maximum of 45 percent principal forgiveness will be available to fund DWSRF projects for nonprofit, non-community systems. The amount given will be at the discretion of the Program.

The purchase of land or conservation easements by *Disadvantaged Community Systems* using *set-aside* funds can only be accomplished with a loan for a maximum term of 20 years at an interest rate at or below the Standard Project Rate but no lower than one (1) percent.

The Program reserves the right to increase the maximum percentage of principal forgiveness if the loan subsidy requirement designated by the federal legislation is not met.

8F. Systems/projects to receive assistance. Projects and systems to receive *Disadvantaged Community System* assistance will be based on the priority ranking system stated in Section 6 and their eligibility for this assistance as described in this Section. The projects and systems to receive this assistance are listed with non-*Disadvantaged Community System* projects in Attachments F and G.

8G. In order to help defray the cost the cost incurred by systems to meet new or recently enacted Safe Drinking Water Act rules. Projects on the Primary Project List which are

intended to meet new or recently promulgated rules will be eligible for at least 5 (five) percent principal forgiveness of the loan amount.

8H. Effects on long-term funding level of DWSRF. The maximum net long-term effect of the allocation of funds for financial assistance to *Disadvantaged Community* Systems as proposed in this Section will be to reduce the future amount of funds available to the DWSRF by the amount of principal forgiveness plus the lost interest earnings.

9. Public Review and Participation

Each year the IUP will be made available for public review and comment. Copies of the draft IUP will be made available upon request or by viewing the Program's web site. Informal public review meetings will be scheduled after the release of the draft IUP. All DWSRF *eligible public water systems*, drinking water agencies and associations with a direct interest in drinking water matters, other organizations that are known to have an interest in public drinking water issues and the general public will be notified of the availability of the draft IUP. They will also be notified of the time and location of the public meetings where comments and questions related to the draft IUP will be accepted. The public review and participation activities for the draft 2012 IUP are as follows:

- August 1, 2011 - Mailing to all PWS's eligible for DWSRF assistance which provided information on the Program and requested information on the submission of DWSRF eligible project information for the 2012 *Grant by September 30, 2011.*
- November 30, 2011 – *Preliminary* Draft Primary and Backup Project Lists were e-mailed to all water systems which applied for 2012 funding.
- December 21, 2011 – Notice of major changes to IUP and time and location of public meeting sent to key constituents of Maine's public drinking water industry and all public water systems that submitted projects requesting assistance from the 2012 DWSRF available funds. Information also posted on DWP web site.
- January 19, 2012, public review meeting on draft IUP in Augusta
- January 31, 2012 – Meeting with the MMBB, USDA-RD, DECD and DEP's CWSRF Program personnel are held to streamline the financial assistance efforts of all the agencies. The status of each agency's assistance capabilities and the projects each intends to fund is discussed at these meetings. Other issues discussed include the projects for which funds are not immediately available, the overall State funding needs for drinking water and clean water projects, and the ability and need for co-funding of projects.
- February 3, 2012, End of public comment period
- February 23, 2012, Grant Pre-Application Approval package prepared and delivered for DHHS Commissioner for review and approval by DHHS Grant Review Committee

- March, 2012, DWSRF Grant Application prepared and submitted to EPA Region 1
- May 2012, Expected grant Award by EPA Region 1