

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

AND

MAINE MUNICIPAL BOND BANK
DRINKING WATER STATE REVOLVING FUND
(DWSRF)

2017
INTENDED USE PLAN



Paul R. LePage, Governor

*Maine Center for Disease
Control and Prevention*

*An Office of the
Department of Health and Human Services*

Mary C. Mayhew, Commissioner



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2017 DWSRF INTENDED USE PLAN

1. Introduction

The U. S. Congress is expected to adopt the FFY 2017 Budget which would provide a national DWSRF appropriation of \$824,100,000 for the FFY 2017 DWSRF Capitalization Grant. The State of Maine is entitled to approximately 1% of the federal DWSRF appropriation to fund the Drinking Water State Revolving Fund (DWSRF). Based on the anticipated FFY 2017 Budget appropriation this amount is expected to be **\$8,241,100**. These funds will be available to the State of Maine after the Maine Drinking Water Program (Program) has received that 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 the 2017 Grant to fund capital improvement projects and non-project activities (set-asides), and outlines the terms of all financial assistance offered by the Program.

After allocating funds for set-aside activities, the Program will combine the remaining federal Grant funds with the State Match, loan interest and repayments, and Carry-Over 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 (PWSs). 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. In 2017, 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 Maine Department of Health and Human Services 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.

The Engineering and Water Resources Team within the Maine DWP includes several full time employees in the central Augusta office and two DWP field engineers located in Portland and Presque Isle. This Team will provide administration and oversight for the 2017 DWSRF Program.

2. Short and Long-Term Goals of the DWSRF

2A. Short-term goals.

- I. Provide the required State Match within the required time frame.
- II. Provide loans to assist eligible PWSs 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 PWSs to rehabilitate or replace aging infrastructure to attain or stay in compliance with the Safe Drinking Water Act (SDWA).
- III. Provide loans to assist eligible PWSs 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 monies available for funding projects provide 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 wellhead and source water protection and acquisition of properties to create protective buffers near drinking water supplies.
- VIII. Provide financial assistance to help PWSs increase technical, financial and managerial capacity.

2B. Long-term goals.

- I. Provide assistance to PWSs to maintain the public 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 PWSs.
- V. Create and maintain a land acquisition fund in perpetuity.
- VI. Ensure the long term availability of adequate finances to assist eligible PWSs to:
 - a. Rehabilitate or replace contaminated sources or sources at risk of contamination;
 - b. Construct, rehabilitate or expand treatment facilities to improve drinking water quality;
 - c. Construct, rehabilitate or expand storage facilities to help maintain adequate drinking water supplies that are 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 ensuring the long term availability of adequate funding for loan subsidies for Disadvantaged Community Systems.

3. Financial Status

3A. Total amount of funds in DWSRF. Table 3-1 following provides a summary of the 2017 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 From Grant	Funds Allotted for 2017
2017 DWSRF Grant (projected)	\$8,241,000	\$8,241,000
Set-Asides		
Program Administration (up to 4%)	\$329,640	\$360,322
DWP Portion (90%)	\$296,676	\$327,538
MMBB Portion (10%)	\$32,964	\$32,964
Technical Assistance to Small Systems (up to 2%)	\$164,820	\$231,000
Drinking Water Program (up to 10%)	\$824,100	\$1,155,412
1. PWSS Program		\$930,349
2. Source Water		\$100,036
3. Capacity Development		\$55,295
4. Operator Certification		\$69,751
Other Non-Project Activities (up to 15%)	\$1,236,150	\$1,231,625
1. Land Acquisition		0
2. Assistance for Capacity Dev.		\$647,113
3. Wellhead & Source Protection		\$584,512
Set-Aside Totals	\$2,554,710	\$2,978,359
Remaining DWSRF Available for Projects		\$5,262,641
State Match		\$1,648,200
Other Project Funds (Interest, Repayments, and Carry-Over Funds)		\$14,749,508
Total 2017 Funds Available for Projects		\$21,660,349

3B. 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 2017 DWSRF grant. The required State Match for 2017 is estimated at \$1,726,466. The 2017 DWSRF State Match required is expected by June 30, 2017 from the State of Maine's Wholesale Liquor Contract. State

legislation has established that revenue from this Contract will provide funding for the years between 2015 and 2024.

- 3C. Beginning/end of year financial status. The initial financial status of the 2017 DWSRF program is stated above in 3A and Attachment A. The current financial status of the 2015 and 2016 funds are also shown in Attachment A. All other previous Grants have been fully expended.
- 4D. Proportionality/Cash Draw: Proportionality for the 2017 DWSRF program will be met with a 100% State Match disbursement method.

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 (4%), Technical Assistance to Small Systems (2%), Drinking Water Program Functions (10%) and Other Non-Project activities (15%), 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 \$329,640. **The Program Administration budget is \$409,895.** In addition to the available allotment of \$329,640 from the 2017 Capitalization Grant, Carry-Over Funds of \$49,573 will be combined with Banked Credit of \$30,682 to fund the full Program Administration budget that will cover the costs of the staff that directly administer the DWSRF. This will use all of the remaining Banked Credit for this set-aside. As detailed in the MMBB-DWP MOU, 10% of this set-aside will be used by the MMBB and 90% by the DWP. 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 activity, Technical Assistance to Small Systems is 2%, or \$164,820. **The Technical Assistance to Small Systems budget is \$231,000.** In addition to \$164,820 of 2017 Grant Funds, the DWP intends to use to \$66,180 of Banked Credit from the Set-Aside to fund the Technical Assistance Program. This will leave Banked Credit balance in this set-aside of \$271,903. 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 \$824,100. The Program determined the amount of funds necessary to cover the budgeted expenses for each of the **Drinking Water Program activities for the upcoming year is \$1,115,412.** The addition of banked Credit in the amount of \$331,312 will fully fund this Program budget of \$1,115,412. This will leave Banked Credit balance in this set-aside of approximately \$3,170,865. 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-aside 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 2016), at which time specific documentation in the form of actual expense sheets will be provided to verify expenditures of those monies. This end of year report will be submitted within 60 days of the end of FFY 2016.

The maximum amount available for the fourth non-project activity, **Other State Set-Aside**, is 15% of the Grant, or \$1,294,850. The Program determined the amount of funds necessary to cover the budgeted expenses for each of the activities for the upcoming year is **\$1,231,625**, which is less than the allowable allocation amount.

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 (4% Set-Aside)

As discussed above, the Program will use the maximum allotment (4%) or \$345,293 allowed by the SDWA for the first non-project activity, Program Administration. Carry-Over Funds (interest and repayments from previous years) of \$33,920 will be combined with Banked Credit of \$30,682 to fund the full Program Administration Program budget of \$409,895, which will include the salaries and expenses of personnel involved with the administration of the DWSRF including the DWSRF Manager two Project Managers/Inspectors, along with one half the Full Time Equivalency (FTE) position filled by the Senior SRF Engineer. 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% of the 4% Capitalization Grant portion of the allotment, or \$34,529, for 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 (2% Set-Aside)

The allowable allotment \$172,647 from current year will be combined with \$58,353 of Banked Credit to fund the entire 2017 budget need of \$231,000. This entire set-aside will be allotted to the Maine Rural Water Association (MRWA) to fund two Water Quality Specialist positions.

The Water Quality Specialist 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 2017 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 current needs of Maine's small PWSs. 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.

III. Drinking Water Program Functions (10% Set-Aside)

The allowable allotment of \$863,233 from FY 2017 set-aside combined with \$331,312 of Banked Credit from prior years will fund the entire 2017 budget need of \$1,155,412.

a. Administration of PWSS Program (\$930,349)

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 2017 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 (\$100,036)

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. Program Hydrogeologist and Source Water Protection Coordinator will provide administration and technical assistance.

c. Development and implementation of a Capacity Development Strategy (\$55,275)

The Program plans to use these funds to continue implementing the State Capacity Development Strategy for new and existing public water systems during this 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's Capacity Development Coordinator will oversee the components of this set-aside.

d. Implementation of Operator Certification Program (\$69,751)

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 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 and track TCH credits, renew licenses, proctor examinations, and evaluate operator applicant credentials.

IV. Other Non-Project Activities (15% Set-Aside)

a. Land Acquisition & Conservation Easements/ Source Protection Measures

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. As of 12-31-2016, the program has \$2,711,122 available from prior year loan repayments grants. An additional sum of \$332,060 of repayments is scheduled before 12-31-2017 for a total of \$3,043,182 of available funds. No funds from the 2017 Capitalization Grant will be added. All Funds allotted to this set-aside will be used to provide loans to eligible PWSs 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.

Starting with the 2010 DWSRF grant, the Land Acquisition loan program was expanded to include loans for large-scale source water protection projects that require funding beyond what is available through the Source Water Protection Grant Program (i.e., greater than \$10,000 – see discussion of the Source Water Protection Grant Program below). 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.

b. Assistance to Systems for Capacity Development (\$647,113)

- **Capacity Development Staff Assistance (\$58,413)**

The Total cost of this program in 2017 is \$58,413 to fund 50 percent of a FTE to provide on-site capacity development assistance and training.

- **Capacity Development Grants (\$135,000)**

As a part of this set-aside the Program will use \$135,000 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: a Comprehensive System Facility Plan, Capital Improvement Plan, System Infrastructure Assessment (as defined by the PUC), System Hydraulic Model Report, Management Review Report, System Vulnerability Assessment, 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.

- **System Consolidation Grants (\$100,000)**

This 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.

- **Training for Capacity Development Awareness (\$143,700)**

The Program anticipates allocating up to \$143,700 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:

- **\$43,700** in assistance to the Maine Water Utilities Association (MWUA) for planned training activities from July 1, 2017 to June 30, 2018. 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 2017 DWSRF Capitalization Grant Application. A copy of the Memorandum of Understanding between the DWP and MWUA can be found in Attachment I.
- **\$100,000** for other training topics including but not limited to:
 - Continuing education training subsidy, also known as the training reimbursement fund (TRF). 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.

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 2017 DWSRF Grant application to the EPA.

- **Asset Management Training for PWSs receiving DWSRF Principal Forgiveness (\$10,000)**
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 for at least 20% of the loan amount, based on qualifying as a Disadvantaged Community System. 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.
- **Water Audits for PWSs receiving DWSRF Principal Forgiveness (\$40,000)**
The program will contract with a technical service provider to work with public water systems having projects within the 2017 DWSRF Capital Improvement program that are receiving Asset Management Training, to complete a Water Loss Control Audit.
- **System-Specific Training Support (\$100,000)**
Proposals for training to address system-specific capacity development, emergency preparedness, or other identified public water system needs will be accepted by the Program

and may be funded under this set-aside activity based on the merit of each proposal. Training should be proposed for a specified water system or a group of systems. A budget of 100,000 will be included in this set-aside for 2017 to fund training at PWSs chosen with guidance from the DWP.

- **Emergency Preparedness Support for PWS (\$10,000)**
A budget of \$10,000 has been included in this Set-Aside activity to support Emergency Preparedness efforts including assistance for Maine’s WARN Program.
- **Statewide Cyanotoxins Monitoring Effort (\$30,000)**
In the 2016 Intended Use Plan the Drinking Water Program allocated \$125,000 of set-aside and Carry-Over Funds to launch a Statewide Cyanotoxins Monitoring Effort carried out by the University of Maine’s Mitchell Center for Sustainability Solutions (Mitchell Center) to determine the risks from harmful algal blooms (HABs) - particularly those associated with cyanobacteria – to impact public water suppliers using surface water sources in Maine. Preliminary findings indicate a potential for cyanobacteria and associated toxins to be a significant treatment monitoring and treatment challenge for some of Maine’s PWSs using surface water supplies. The Program will allocate \$30,000 from the 2017 Capitalization Grant to fund continued research to be coordinated by the DWP Hydrogeologist in 2017.
- **Perfluorinated Compounds – Coordinated Sampling Program (\$20,000)**
In order to support the Maine Department of Environmental Protection’s investigation of groundwater contamination that may have resulted from spreading of an agricultural soil enhancement product containing elevated levels of Perfluorinated Compounds (PFCs) near a municipal public water supply well in Arundel, Maine, the DWP will provide funding support for sampling and analytical costs for an amount not to exceed \$20,000. The results of this investigation will guide decisions related to the future use of the well, and may have larger implications if the product is found to be the cause of contamination, since this product has been reportedly utilized in land spreading applications at many other locations in Maine.

c. **Wellhead & Source Protection Programs (\$584,512)**

- **New Well Approval & Wellhead Protection Program Staff Expenses (\$299,512)**
The Program will use this set-aside to fund or partially fund staff including the Hydrogeologist 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. Additional staff in this set-aside provide outreach to water systems, municipalities, and other state agencies to reduce the risk of contamination of public water sources. Staff funded under this set-aside also assist 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.

- Wellhead Protection Grants (\$100,000) - The Total cost of this program in 2017 is \$100,000. 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 may submit applications for funding by March 31, 2017. Projects will be ranked using the priority scoring system shown in Section 6F. II. c.
- Source Water Protection Grants (\$100,000) - The Total cost of this program in 2017 is \$100,000. This ongoing Program was implemented in 2011 for Source Water Protection Planning activities to provide grants up to \$10,000 per system to fund planning and/or implementation of source water protection activities for surface water sources. Activities may include development or update of watershed management plans, buffer establishment and upkeep, road and storm water management and reconstruction activities, and developing public outreach and educational programs and materials.
- Public Education/Outreach (\$45,000) - 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:
 - LIDAR – Orthoimagery Internet Mapping Contract in partnership with the Maine Department of Agriculture, Conservation and Forestry and the Maine Library of Geographic Information (GeoLibrary) coordinating mapping data and implementing a 5-year program to acquire new aerial photography (orthoimagery) for the State. Collection, review, and input of data from wellhead protection self-evaluation forms are an ongoing process and a critical precursor to conducting credible assessments of source water protection areas.
 - USGS – Estimation of Mean Annual Groundwater Recharge contract in partnership with the U.S. Geological Survey, New England Water Science Center. Using the Soil-Water-Balance (SWB) method of recharge estimation provides a new opportunity to calculate average annual recharge to groundwater across the entire state of Maine, using inputs of precipitation, land cover and soil information, and estimates of potential vs. actual evapotranspiration. These data sets are now readily available in GIS layers.
 - Production of the Drinking Water Program Newsletter – “The Service Connection.” This newsletter is provided to all owners and operators of public water systems.
 - As a part of Drinking Water Outreach, the Program supports programs around the State to increase awareness of drinking water issues.

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 2017 DWSRF Grant period is \$21,660,349. A detailed breakdown of these funds can be found in Attachments A, F, and G.

The 2017 DWSRF grant appropriation is expected to include a requirement that a minimum of 20 percent and a maximum of 30 percent of the 2017 Capitalization Grant to be available for eligible recipients, including Disadvantaged Community Systems, as principal forgiveness assistance on awarded DWSRF loans. Assistance subsidies in the form of principal forgiveness available to eligible Disadvantaged Communities will continue at levels of 20, 40 and 60 percent based on community Medium Household Income and Residential Water User Rates as detailed in Section 8E. The 2017 DRSRF Draft Primary List includes 28 projects with only 8 projects meeting the Disadvantaged Community criteria with a total subsidy amount of \$ 1,188,252, or 14% of the Capitalization Grant. Therefore additional principal forgiveness of 5% will be provided to all projects (including Disadvantaged Communities). With this additional amount granted, Principal Forgiveness is expected to total \$ 2,253,316, or 27% of the Capitalization Grant.

The total subsidy of \$ 2,253,316 is intended to be met by providing principal forgiveness to loan recipients. This amount does not include an aggregated negative interest for all disadvantaged community system loans. Additionally, if upon award of all the funds, the combined principal forgiveness and aggregate negative interest is less than a required minimum amount, additional principal forgiveness will be provided to loan recipients to ensure any required minimum subsidy amount.

Beginning in FFY 2013, the DWSRF Program has set a maximum loan limit for any public water systems of 3 million dollars for any given year. Any public water system with a project or combination of projects 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. However, the Program reserves the right to exceed this limit when sufficient funds are available to meet all project needs.

The state revolving fund priority list may be amended or updated to consider new or updated information from water systems.

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 2017 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 2015 and 2016 DWSRF that were not encumbered have been carried forward into this 2017 IUP. All 2017 DWSRF projects that do not have an associated loan agreement by December 31, 2017 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 6G. 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.

Proposed projects for which the 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. All DWSRF construction projects in federal fiscal year 2017 must use the Davis-Bacon Wage Rates. Exceptions include work funded by set-asides and worked performed through force account labor (water system personnel).

USE OF AMERICAN IRON AND STEEL

As per 10 SEC. 436,(a)(1), none of the funds made available by a State water pollution control revolving fund as authorized by title VI of the Federal Water Pollution Control Act (33 U.S.C. 1381 et seq.) or made available by a drinking water treatment revolving loan fund as authorized by section 1452 of the Safe Drinking Water Act (42 U.S.C.16 300j-12) shall be used for a project for the construction, alteration, maintenance, or repair of a public water system or treatment works unless all of the iron and steel products used in the project are produced in the United States. (2) In this section, the term “iron and steel products” means the following products made primarily of iron or steel: lined or unlined pipes and fittings, manhole covers and other municipal castings, hydrants, tanks, flanges, pipe clamps and restraints, valves, structural steel, reinforced precast concrete, and construction materials.

(b) Subsection (a) shall not apply in any case or category of cases in which the Administrator of the Environmental Protection Agency (in this section referred to as the “Administrator”) finds that - (1) applying subsection (a) would be inconsistent with the public interest; (2) iron and steel products are not produced in the United States in sufficient and reasonably available quantities and of a satisfactory quality; or (3) inclusion of iron and steel products produced in the United States will increase the cost of the overall project by more than 25 percent. (c) If the Administrator receives a request for a waiver under this section, the Administrator shall make available to the public on an informal basis a copy of the request and information available to the Administrator concerning the request, and shall allow for informal public input on the request for at least 15 days prior to making a finding based on the request. The Administrator shall make the request and accompanying information available by electronic means, including on the official public Internet Web site of the Environmental Protection Agency. (d) This section shall be applied in a manner consistent with United States obligations under international agreements. (e) The Administrator may retain up to 0.25 percent of the funds appropriated in this Act for the Clean and Drinking Water State Revolving Funds for carrying out the provisions described in subsection (a)(1) for management and oversight of the requirements of this section. (f) This section does not apply with respect to a project if a State agency approves the engineering plans and specifications for the project, in that agency’s capacity to approve such plans and specifications prior to a project requesting bids, prior to the date of the enactment of this Act.

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 2017 Grant, Maine will require that all DWSRF funded projects with total project costs greater than \$400,000 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 be exempt from this requirement as determined by the DWSRF.

5H. Comprehensive System Facilities Plan/ Master Plan. With the goal of increasing Sustainability of all Public Water Systems in the State of Maine, all Projects on the Primary List will be required to have a professionally prepared Comprehensive System Facilities Plan/ Master Plan that is less than ten years old.

Should a Public Water System not have a Plan that is less than ten years old, funding assistance shall be provided as part of the project loan to complete a Plan. An amount shall be included in the final loan amount for the PWS to undertake such a plan.

Should a PWS have a Plan less than ten years old, the PWS shall be allowed to undertake other plans as detailed below under the same funding opportunities. This shall be at the PWS's option.

Examples of eligible professionally prepared documents may include:

- Comprehensive System Facilities Plans
- Asset Management Plans
- Energy Audit Reports
- System Hydraulic Modeling Studies/Reports
- Water Loss Audits
- Effective/Sustainable Utility Management Assessment and Improvement Plan

5I. PBR/ FFATA Reporting Requirements. All project loans capitalized, at least in part, with funds from the FFY 2015 Grant are entered in a national database known as Drinking Water Projects & Benefits Reporting, or PBR for short. DWSRF employees enter information into PBR following award of a loan agreement or amendment, generally on a weekly basis.

In addition, FFATA reporting requirements will be met by reporting to fsrc.gov on loans in an amount equivalent to \$8,632,330, which is the amount of the FFY 2017 Grant going towards projects. All loan recipients must obtain a DUNS number prior to receiving a loan to enable the state to satisfy FFATA requirements. Equivalency does not apply to the remainder of the capitalization grant. Any contracts, loans or grants funded out of this portion of the capitalization grant that individually exceeds \$25,000 will be reported to fsrc.gov as required.

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. Each system on the Primary Project List should notify the DWP of Intent to Proceed with the project(s) by June 30, 2017. A project on the Primary Project List may be by-passed if the system has not entered into a loan agreement (or construction contract) or made reasonable progress towards starting construction by December 31, 2017. 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, 2017 all uncommitted funds will be carried forward into the 2018 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. Of all 28 projects on the 2017 Primary List, 17 are public water systems with populations of less than 10,000. Total project funding offered for these systems is \$11,474,179, or 54% of the projects on the Primary List, greatly exceeding the 15% requirement.
- 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 have experienced a recent unexpected event that poses a serious threat to public health and welfare. This may include a severe weather event, accident or sabotage that results in infrastructure damage, or other event that causes a sudden and dramatic impact to drinking water quality and/or available quantity.

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 \$250,000 from repayment funds for the 2017 calendar year. Funds that are not committed by the end of 2017 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 \$250,000 will be reserved from the 2017 DWSRF to be available for 2017 applicants.

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. All public water systems that meet these basic eligibility criteria, and are therefore potentially eligible for a project under the Very Small System Compliance Loan (VSSCL) Fund, are identified on Attached Appendix L. In special circumstances, transient, non-community systems may also be granted financial assistance through the VSSCL Fund at the discretion of the DWP.

All qualified project applications received are deemed to have a project eligibility ranking above 85 points as projects needed to achieve compliance with current or future SDWA standards. The Standard project Ranking criteria is detailed in Section 6H. Since a ranking above 90 points exceeds the lowest ranked funded project in Attachment F, these projects are eligible for placement on the project Priority List.

Please note that 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 with the SDWA. Public water systems that are in Significant Non-Compliance (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 2017 construction season, only preliminary costs will be allocated on the 2017 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:	
acute contaminant	99
non-acute contaminant	80

Replacement of contaminated source with uncontaminated source.

Existing source:	
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
	primary pump station	44
	booster 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	26
	primary pump station	25
	booster station	23
	storage (inside painting)	20
	transmission mains	18
	distribution mains	17
	instrumentation/controls	15
	backwash lagoons	15
	roughing filters	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

5) Construction of facilities around a water system's source to address a health threat or documented contamination threat to a source of supply: *

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	40
	source-intake structure	32
	river crossing	29
	pump station	21
	storage	19
	transmission main	25

7) Other Eligible Projects:	
Catastrophic failure of critical infrastructure	70
System viability: Facility consolidation	65
Install backup power source	48
Tank Mixing & Re-chlorination	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)

	<u>Priority points</u>
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 Non-Compliance	12
Outstanding Treatment Technique Violation	10
Active Bi-lateral Compliance Agreement	8
Recommendation from a Sanitary Survey	5
* 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) Stated Project Completion and Drawdown	
Prior to August 31, 2017	5
Prior to September 30, 2017	4
Prior to October 31, 2017	3
Prior to November 30, 2017	2
Prior to December 31, 2017	1
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 system's 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 PWSs that have been in compliance with the SDWA for the last five calendar years (2011, 2012, 2013, 2014 and 2015), 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.

$$\text{(Total Standard Project Priority Point Score = (a + b1 + b2 + b3 + b4 + b5 + b6 + b7 + b8 + b9 + b10 + c + d))}$$

e. Green Project Reserve

The 2017 Drinking Water State Revolving Fund Appropriation by Congress does not require a Green Project Reserve to finance projects that are considered “green” or environmentally friendly. A number of projects on the 2017 DWSRF Primary List are able to meet Green Project Reserve criteria. 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.

<u>Type of Source</u>	<u>Priority Points</u>
-----------------------	------------------------

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:

The purpose of this program is 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.

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. All loans for the financing of 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 with a minimum interest rate of 1% for all loans. Long-term loans borrowers shall continue to be eligible for a 200-basis point subsidy and a further subsidy for fees provided however that the interest rate shall not under any circumstances be below 0.5% to compensate for any fees charged the water system to administer the project 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 qualifies 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 Long Term 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. All DWSRF Long Term loans will include a 1% DWP Project Management Fee and a 5% MMBB Administrative Fee as well as interest charges. As stated in Section 7B, the MMBB Administrative Fee will be factored into the interest rate subsidy.

DWP Project Management Fee:

A 1% DWP project Management Fee is charged to cover costs incurred by the Drinking Water Program to administer the DWSRF program. This Fee can be included in the total amount to be borrowed. This Fee applies to all construction loans and is not 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. 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. 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. This Fee applies to all construction loans and is not waived for Disadvantaged Community systems.

- 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, inter-municipal 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 any time 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 awarded to 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 any time 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 been awarded 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 interest rate for all borrowers electing to obtain interim financing through the MMBB will be equal to two thirds of the 1 year AAA municipal tax-exempt rate then available or 1%, whichever is higher. Fees will not be charged 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. The interest rates may be modified by the Program Office in consultation with the Executive Director of the Bond Band and DHHS and DEP, as applicable.

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 \$48,453 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 2017 DWSRF budget appropriation requires a minimum of 20% and a maximum 30 percent of the 2017 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.

Water systems receiving loans with Principal Forgiveness as a Disadvantaged Community will be required to finance their project with a DWSRF Interim Loan or local Bond Anticipation Note. Financing with a DWSRF Long Term Loan will be made available after satisfactory determination of final project cost.

Systems that qualify for at least 20% 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 1% DWP Project Management Fee and 5% MMBB Loan Administrative Fee will not be waived 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): System wide Residential customers of a water system must have a median household income (MHI) of **\$48,453 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 (2009-2013)** 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 (2009-2013) 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 \$48,453: **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, 40 and 60 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	40
> 2.0	60

For projects with Water Rates as a Percentage of Median Household Income at 1.0 or above, the remaining loan will be loaned at a minimum one (1) percent interest rate for a 20 year repayment period. A minimum of 0.68 percent interest rate will be allowed for a 30 year repayment period. 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 8D) 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.

Community Systems not regulated by the Maine Public Utility Commission that do not have water user rates in place may also be considered for Disadvantaged Community assistance. An alternative methodology can be proposed by the applicant for review and consideration by the Maine Drinking Water program to determine the individual water user cost for 2,000 cubic feet of water consumed per calendar year quarter.

Should the proposed alternative methodology be found by the Drinking Water program to fairly reflect the water user cost, the public water system shall be eligible to principle forgiveness at the rate ½ of the level as detailed in Section 8E,

Nonprofit, non-Community Water Systems may receive principal forgiveness if there is an excess of Disadvantaged Community System assistance dollars after all qualifying Disadvantaged Community Water System projects submitted have been financed. A maximum of 40 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 or 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. 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 2017 IUP are as follows:

- August 10, 2016 - Mailing to all PWSs eligible for DWSRF assistance, providing information on the Program and requesting applications for 2017 DWSRF funding. Information also placed on DWP web-site.
- September 30, 2016 - Last day for PWS submitting 2017 DWSRF project applications.
- December 20, 2016 - Draft Primary and Backup Project Lists, along with time and location of Public Information Meeting e-mailed to all water systems who applied for 2017 funding. Information also posted on DWP web site.

- January 11, 2017 – Draft IUP posted to website and emailed to all water systems who applied for 2017 funding.
- January 18, 2017 - Public informational meeting on draft IUP held in Augusta
- February 17, 2017 - End of public comment period
- February, 2017 – Tentative Project Loan Offers to Public Water Systems with projects on the 2017 DWSRF Primary List
- April 2017; Grant Pre-Application Review and Approval by MeCDC Grant Review Committee
- May 2017; Grant Pre-Submittal Review and Approval by DHHS Grant Review Committee
- June 2017, DWSRF Grant Application prepared and submitted to EPA Region 1
- July 2017, Expected Grant Award by EPA Region 1 (contingent on acquisition of State Match on June 30, 2017)