

VIRGINIA

DRINKING WATER STATE REVOLVING FUND PROGRAM

PROGRAM DESIGN MANUAL

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Virginia Department of Health
Office of Drinking Water
Financial and Construction Assistance Programs

109 Governor Street, 6th Floor, Richmond Virginia 23219

voice: 804 – 864-7501

fax: 804 – 864-7521

www.vdh.virginia.gov/drinkingwater/financial

**Virginia Department of Health
Office of Drinking Water**

Financial and Construction Assistance Programs

LOCATIONS:

Headquarters Office, 109 Governor Street -6th Floor, Richmond, Virginia 23219
(804) 864 -7501
FAX: (804) 864 7521

Lexington Field Office, 131 Walker Street, Lexington, VA 24450
FAX: (540) 463-3892

Abingdon Field Office, 454 East Main Street, Abingdon, VA 24210
FAX: (276) 676-5659

CONTACTS

As of January 1, 2009

1. **Steven D. Pellei, P.E.**, Director, Division of Construction Assistance; Planning & Policy
(804) 864-7489 (Richmond) Email: Steve.Pellei@vdh.virginia.gov
2. **J. Dale Kitchen, P.E.**, Project Supervisor
(540) 463-7136 -Ext. 122 (Lexington)
(804) 864-7508 (Richmond) Email: Dale.Kitchen@vdh.virginia.gov
3. **Theresa Hewlett**, Administrative Assistant
(804) 864-7501 (Richmond) Email: Theresa.Hewlett@vdh.virginia.gov
4. **Thomas Slack**, Project Officer
(804) 864-7507 (Richmond) Email: Thomas.Slack@vdh.virginia.gov
5. **Sharon Collins**, Accountant Senior
(804) 864-7504 (Richmond) Email: Sharon.Collins@vdh.virginia.gov
6. **Barry Matthews, P.G.**, Special Projects Engineer
(804) 864-7515 (Richmond) Email: Barry.Matthews@vdh.virginia.gov
7. **Paul Green**, Project Engineer
(276) 676-5650 (Abingdon) Email: Paul.Green@vdh.virginia.gov
8. **Brian Blankenship, P.E.**, Project Engineer
(276) 676-5650 (Abingdon) Email: Brian.Blankenship@vdh.virginia.gov
9. **Keith J. Kornegay, P.E.**, Project Engineer
(540) 463-7136 -Ext. 120 (Lexington) Email: Keith.Kornegay@vdh.virginia.gov

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I. INTRODUCTION - VIRGINIA DRINKING WATER STATE REVOLVING FUND (DWSRF) PROGRAM

The federal Safe Drinking Water Act Amendments of 1996 (P.L. 104 -182), referred to as SDWA, established a Drinking Water State Revolving Fund (DWSRF) Program. Funds for the DWSRF are awarded to eligible states through a capitalization grant.

The Virginia Department of Health (VDH) has had primary enforcement responsibility, primacy, for SDWA since 1977. Therefore, VDH has been designated as the agency to apply for and administer the capitalization grant for the DWSRF and the associated state funds.

Funds awarded to a state through a capitalization grant are categorized into two uses; (i) non-project funds or set-asides and (ii) project funds which are to be utilized for construction at public drinking water systems (waterworks). Set-aside funds enhance the ability of the state and owners of waterworks to ensure a waterworks' long-term capacity to produce safe drinking water and to protect construction loan investments. Construction funds for waterworks are to be utilized to address public health problems and to ensure compliance with the provisions of the SDWA. Construction funds may not be utilized to satisfy growth demands.

A 20% state match is required to obtain the capitalization grant. The matching funds must be deposited into a dedicated state loan fund on or before the date the state receives federal grant payments. The *Virginia Water Supply Revolving Fund* (§62.1-233 et seq. of the *Code of Virginia*) has been chosen by VDH as the dedicated state loan fund for Virginia. Under this state law and in conjunction with VDH, the Virginia Resources Authority has certain responsibilities for individual loans.

The development of an annual Intended Use Plan (IUP) is a required part of the application (§1452 (b) of the SDWA) for a capitalization grant. An IUP must describe how the capitalization grant will be expended, including all set-aside and construction funds.

No application fee or other program fees are required to access the Virginia DWSRF program. Waterworks owners shall pay their own loan closing costs such as their legal fees for bond counsel.

Congress has set a goal of providing 15% of the amounts credited to the loan fund as loan assistance to waterworks that regularly serve fewer than 10,000 persons. The Commonwealth intends on using the described bypass procedure if necessary to meet this goal.

All applicants for financing must comply with all applicable federal and state law, regulation or other requirements.

II. GOAL:

VDH based this Program on the fact that safe drinking water is essential to public health. The goal of VDH in administering the capitalization grant is to provide a comprehensive and integrated technical and financial assistance program to waterworks owners through a balanced approach of using set-aside funding and construction loan funds.

III. DEMONSTRATION PROJECT FOR STATE OF VIRGINIA

The Environmental Protection Agency authorizes Virginia to establish a special demonstration project to loan funds to a regional endowment to "...finance new drinking water facilities..." in an area of Southwest Virginia encompassing Planning Districts 1 and 2. The Coalfield Water Development Fund, Inc. (CWDF) was established to assist in meeting the special needs of Southwest Virginia.

IV. ELIGIBLE APPLICANTS

A. Construction Loans:

- An owner of a community waterworks or nonprofit noncommunity waterworks is eligible, except the state and federal government.
- SDWA in § 1452 states "...no assistance shall be provided to a public water system that: (i) does not have the technical, managerial and financial capability to ensure compliance with the requirements of this title or (ii) is in significant noncompliance with any requirement of the national primary drinking water regulations or variance." However, a waterworks owner may receive assistance if use of the funds will ensure compliance or if the waterworks owner agrees to undertake appropriate changes in operations (including ownership, management, accounting, rates, maintenance, consolidation, alternative water supply, or other procedures) to assure compliance.
- The *Code of Virginia* requires that a waterworks owner obtain a **permit** from VDH before modifying or establishing a waterworks. VDH's permitting process includes a **waterworks business operation plan**, which addresses the waterworks owner's ability to supply safe drinking over the long term by identifying sufficient technical, managerial, financial and operational abilities.

B. Set-asides:

The following is a list of activities for which set-aside funds from the capitalization grant may be applied. Also, applicant eligibility requirements are specified, if any.

- Administration of the DWSRF program and general technical assistance - 4% maximum of grant- None specified.
- Technical assistance to small waterworks – 2% maximum of grant - None specified
- Assistance to state programs – 10% maximum of grant:
 - a. for the public water system supervision programs. - None specified
 - b. to provide technical assistance through source water protection programs – None specified.
 - c. to develop and implement a capacity development strategy under section 1420(c) – any waterworks owner is eligible except for the federal government
 - d. for the operator program of section 1419. - None specified.
- Combination of the following - 15% maximum of grant:
 - a. loans to acquire land or a conservation easement to protect source water. – Any community and nonprofit noncommunity waterworks owner is eligible.
 - b. loans for community water systems to implement voluntary source water protection measures. - Any community waterworks owner is eligible
 - c. loans to implement source water protection partnership program - Any community waterworks owner is eligible.
 - d. technical and financial assistance to a water system as part of the capacity development strategy in section 1420(c). - Any community or nonprofit noncommunity waterworks owner is eligible.
 - e. make expenditures from grants available in FY 96 and 97 to delineate and assess source water protection areas as mentioned in section 1453. - None specified.
 - f. make expenditures to establish and implement wellhead protection programs. - None specified.

- C. Mandatory attendance is required at our training session on program requirements for execution of awards for construction, planning grant, or other activities.

V. TYPES OF FINANCIAL ASSISTANCE

As authorized in SDWA section 1452, the Virginia DWSRF Program will allow:

- direct loans for project planning and construction,
- the buying or refinancing of municipal debt obligations if construction was started and such debt was **incurred after July 1, 1993**,
- guaranteeing or purchasing insurance for a local obligation, and
- being a source of revenue or security of state bonds if proceeds are deposited in the loan fund.

No leveraging is anticipated at this time.

Direct loans will have rates below market with terms normally for 20 years but out to 30 years for a disadvantaged community.

VI. ELIGIBLE COSTS/ELIGIBLE PROJECTS

VDH may reduce loan eligibility, or reduce scope and size of a project to ensure the greatest benefit to as many waterworks as possible. VDH reserves the right to limit funding participation to the least cost of the feasible alternatives.

Regardless of their population size, successful applicants must comply with the Virginia Public Procurement Act, our program requirements, and procurement procedural guidelines.

Loans from the construction fund may be utilized for upgrading, rehabilitation or reasonable expansion of a waterworks. SDWA (§1452(g)(3)(C)) excludes funding to expand any waterworks in anticipation of future population growth. However, the federal DWSRF Program guidance (February 28, 1997) states that if the primary purpose of the project is to solve a compliance or health problem, the entire project is eligible, including that portion to accommodate reasonable growth over the project's useful life. Funding may be utilized to consolidate waterworks or nonpublic drinking water systems if the water is contaminated or inadequate in quantity or if the system is not able to maintain compliance for financial or managerial reasons. The DWSRF program allows for associated planning and design costs. Expenses incurred on an approved project prior to the execution of a loan agreement are eligible costs if our requirements have been followed.

The purchase of land, easements, or rights-of-way are eligible cost if they are an integral part of the project. In addition, a waterworks owner may purchase land under the special set-aside provision of section 1452 for source water protection.

VDH will review all costs for eligibility.

VII. CONSTRUCTION LOANS

Construction loan funds are disbursed on a cost reimbursement basis. All requests for disbursement of loan funds must be substantiated by invoices. VDH will review and approve such requests prior to the actual disbursement of funds.

VDH will have preliminary engineering conferences, review and approve preliminary engineering reports and any required business plans, review and approve project plan design, issue construction permits, have a

field presence during construction as well as make a final inspection before issuance of an operating permit, all under the Board of Health’s Waterworks Regulations. VDH will oversee the **environmental review**. This effort, in conjunction with owner’s and consultant’s inspectors, will produce a quality product.

A. Target User Rates

Target user rates are based upon Median Household Income (MHI). The MHI utilized for a project will be based upon the latest census figures or latest update for the city, town or county in which the waterworks is located. Applicants may submit specific comparisons for the waterworks’ entire service area. To understand how the target user rate relates to disadvantaged assistance, refer to the following section on Disadvantaged Waterworks.

<u>MHI</u>	<u>Target User Rate</u>
<\$28,250	0.75% of the MHI
\$28,250 to <\$34,350	1.00% of the MHI
\$34,350 to <\$44,000	1.25% of the MHI
\$44,000 and above	1.50% of the MHI

The annual cost of debt service, operation, and maintenance is calculated using financial data submitted by the owner. The equivalent residential charge is derived by taking into account the number and type of connections. These factors are used to compute an approximate monthly user cost for a range of interest rates.

The range of possible charges is compared to the community’s existing monthly bill and the community’s target user rate. Using this data and other factors deemed necessary, a loan interest rate is determined.

B. Terms

The loan must be fully amortized not later than twenty years (up to 30 years for a waterworks serving a **disadvantaged waterworks**) after completion of the project.

C. Payments

The construction loan recipient will establish one or more dedicated sources of revenue (or in the case of a privately owned system demonstrate that there is adequate security) for repayment of the loan.

Prior to loan receipt, each applicant’s financial credit history will be evaluated so VDH may make a final determination on offering a loan. The applicant’s financial history will be assessed to determine their riskiness and to determine the appropriate collateral to secure repayment of any loan to be offered. Specific provisions that can be required as a condition to making a loan are: establish and collect rents, rates, fees, and charges to produce revenue sufficient; levy and collect ad valorem taxes on all property; create and maintain special funds for the payment of principal and interest; create and maintain other special funds; conveyance of or the granting of liens on or security interests in real and personal property, together with all rights, title and interest therein; or take other actions as deemed necessary or desirable to secure payment of principal and interest.

Principal and interest payments on each loan will commence not later than one year after completion of the project. **Part of the interest on a loan may be designated by VDH as a fee and used by VDH for the drinking water program. No fee applies on interest free loans.**

Payment terms and the beginning date of the payment of the loan are negotiated depending on availability of revenue and the waterworks' financial situation.

D. Core Program Interest Rate

Virginia's financial assistance policy is based on the waterworks owner's ability to repay. Interest rates for loans are established for each applicant by following the guide under Target User Rates. Interest rates will be less than or equal to the current market interest rates for municipal 20 year AA revenue bonds. After a target rate monthly user charge is determined, the interest rate of the loan is balanced against this target. VDH will set the rate and terms at the time of loan closing.

All applicants will initially be considered for an interest rate ranging from 3% to the ceiling rate. The ceiling rate is considered to be 1% below the current market interest rate.

E. Disadvantaged Waterworks Program

• General

In addition to the core program of 3% to ceiling interest rates for a 20 year term, the DWSRF Program allows the state to provide additional subsidization (partial or full forgiveness of principal) to the owner of a waterworks designated as disadvantaged. The State has elected to implement a disadvantaged program. No more than 30% of the capitalization grant can be used for forgiveness of principal. Forgiveness of principal will decrease available loan funds. However, this will allow waterworks to undertake projects they could not otherwise construct and therefore protect the public health; and, when coupled with a waterworks business operation plan, it will reduce demand on the loan fund by insuring the long term well being of the waterworks

Disadvantaged waterworks are those who:

- a. apply for a construction loan to resolve a health or compliance problem,
- b. will serve less than 3300 people on a retail connection basis,
- c. have or may have, after the project is completed, monthly user rates that exceed the target rate, and
- d. have a customer demographic where the median household income is 80% or less than the state average.

Larger waterworks may receive this designation if taking over another waterworks which would be determined to be disadvantaged under this criteria, or by providing drinking water service to existing unserved documented areas with public health challenges.

• Benefits

Where the project resolves health or compliance problems and where monthly user rates conditions warrant, the following will be considered:

- a. interest rates between zero and the ceiling rate,
- b. a repayment term of up to 30 years,
- c. partial or full forgiveness of principal normally at the beginning of the loan.

By following the process described under target user rate and by blending one or more of these three considerations there should result a monthly user rate not less than the target or that which presently exists.

F. Closings

If an applicant happens to have multiple successful projects, all may be scheduled to close on the same date.

VIII. COMPREHENSIVE PRIORITY LIST

The Intended Use Plan (IUP) must contain (i) a comprehensive priority list of projects and set-aside activities that are eligible for assistance, and (ii) a list of eligible projects and set-aside activities to receive funding from the capitalization grant. These lists may be combined into a single list that designates those applicants and set-aside activities to receive funding. Loan applications are solicited annually and prioritized in accordance with rating criteria described below.

Changes in EPA guidance and interpretation thereof may necessitate reevaluation of project eligibility and priority; but generally, it is not expected that any change would be applied retroactively.

IX. BY-PASS PROCEDURES

VDH reserves the right to add and fund a project or to by-pass any project of a higher priority and make loans to one of a lower priority based on:

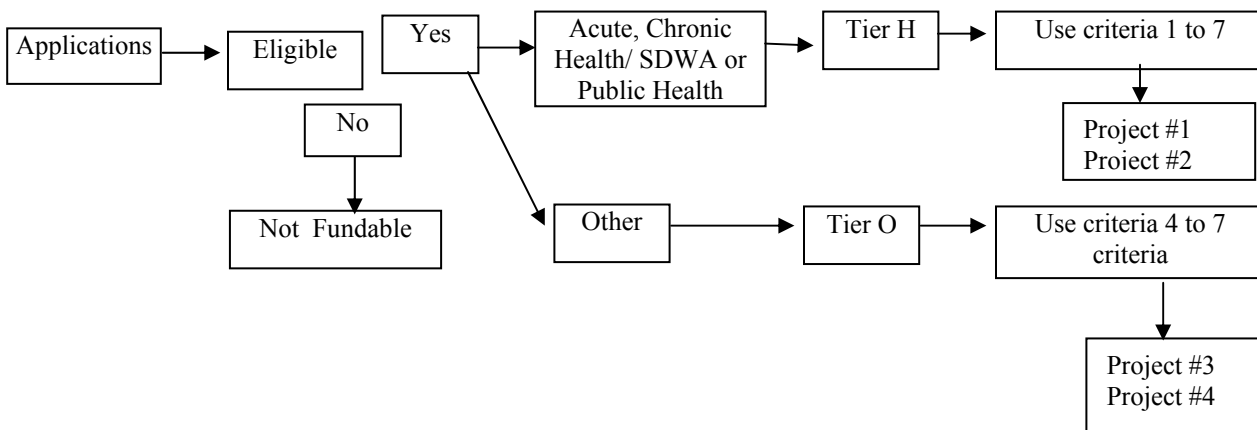
- Health or compliance problems, resulting from either natural or manmade events, necessitate a project being added to the list or funded out of priority order;
- Partial funding for the project has limited financial benefit to the community; but the next community in line for funding can fund most or all of their project with the available funds;
- The project not being ready to begin construction **within one year** of VDH's offer to tie up loan funds.
- Need to obligate special funding (15% goal to small communities);
- Detailed project evaluation uncovers information previously unknown or not considered; or level of the required documentation is insufficient to proceed with the decision process. An example is the required prescreening for technical, financial, and managerial capability of an owner may disclose information that would prevent offering a loan to an owner.
- A project has secured adequate funding elsewhere.
- The owner withdraws the project
- The owner is not making sufficient progress on an existing project(s), planning grant(s), or other FCAP activity(ies)
- The owner has not closed out an existing project(s), planning grant(s), or other FCAP activity(ies)

A by-passed project will be considered for future allocations based upon their submittal of another application and in competition with all applicants for the year in question. All waterworks will receive assistance needed to prepare future applications.

X. CRITERIA UTILIZED IN PRIORITIZING CONSTRUCTION PROJECTS

This priority system ensures that all eligible acute, chronic health/ SDWA compliance or public health projects are funded before any other eligible project. The priority of project funding is based upon a two-tiered system after considering eligibility.

Each application for project funding is reviewed and is identified as being based on either (1) an eligible acute, chronic health/ SDWA compliance or public health problem or (2) other problem. All eligible acute, chronic health/ SDWA compliance or public health projects are designated as Health (Tier Designation H). **Tier H projects are funded first and in descending order of acute, chronic health/SDWA compliance and then public health.** The remaining eligible projects are designated as Other (Tier Designation O). After all Tier H projects are funded, Tier O projects would be funded.



After VDH designates a project to a particular tier, it is necessary to sort priority within that tier. **Seven** criteria within three general groups are used to accomplish the sorting within tiers. VDH will assign points to all eligible projects (including potential refinancing efforts) in accordance with the following criteria.

GROUP I-- Health and Compliance criteria (direct health violations or infrastructure needs that affect health issues.

- (1) Acute Health Priority, SDWA Compliance 50 points
- (2) Chronic Health Priority, SDWA Compliance 30 points
- (3) Public Health Priority, Waterworks Regulations Compliance 15 points
- POINTS SUBTOTAL = 95 points or **73.08%**

GROUP II--Affordability Criteria

- (4) County/ City /Town/Area Median Household Income (MHI) 20 points
- POINTS SUBTOTAL = 20 points or **15.38%**

GROUP III-- State Discretion criteria

- (5) Regionalization 8 points
- (6) Other funds 4 points
- (7) Projected cost per connection 3 points
- POINTS SUBTOTAL = **15 points or 11.54 %**
- TOTAL 130 points

Acute Health Priority, SDWA Compliance (50 points maximum). *These are health concerns that affect an individual in the immediate short-term and are given the highest weight of any criteria.*

- Administrative Order or Commissioner declaring a health hazard at existing waterworks (50 points)
- Surface Water Treatment Rule violation, i.e., inadequately treated surface water or groundwater under the direct influence of surface water (GUDI) (10 points)
- Persistent Total coliform rule (TCR) (10 points) or Nitrate violations (10 points)
- Continuing Boil Water Notice (10 points)
- Inadequate individual home water supplies documented by an Investigation Report and letter by District Health Director to show health hazards. Supporting Investigation Report data will be from at least 25% of the homes in the project area. The samples are to be evenly spaced and all potential line segments are to be sampled. The project map will illustrate the results and problem areas. (5 points).

Chronic Health Priority, SDWA Compliance (30 points maximum). *Chronic health problems that affect an individual over a lifetime.*

- Administrative Order (30 points)
- Persistent PMCL Violations for contaminants such as VOC, SOC, IOC, RAD, etc. (10 points)
- Lead and Copper Action Levels (10 points)
- Significant noncompliance (SNC) (10 points)

Public Health Priority, Waterworks Regulations Compliance (15 points maximum)

Improvements to infrastructure necessary to bring the waterworks into compliance with the Waterworks Regulations and to ensure the provision of safe drinking water such as:

- Resolving conditions of inadequate quality and quantity of a groundwater source of water supply. This includes individual home wells. (5 points)
- Ensuring that drinking water receives appropriate treatment to protect the public health. (10 points)
- Preventing conditions favoring the entrance of contaminants into the distribution system. (5 points)
- Increase storage capacity in the waterworks so it is adequate. (5 points)
- Increase adequate pressure in waterworks (5 points)
- Reduce water losses and increase accountability (10 points)

Affordability-- Median Household Income (20 points maximum). *The census or latest update median household income (MHI) is used in order to weigh assistance to those with fewer resources available per household. Project specific income surveys may be submitted for use; contact VDH for forms and guidance regarding survey by unbiased third party.*

MHI Less than \$28,250	20 points
\$28,250 =< MHI <\$34,350	10 points
\$34,350 =< MHI <\$44,000	5 points
MHI of \$44,000 or Greater	0 point

Regionalization (8 points max). *State law encourages regionalization; therefore, such efforts receive additional consideration.*

Consolidation of multiple non-complying waterworks	8 points
Consolidation of one non-complying waterworks	6 points
Consolidation of complying waterworks or interconnection	4 points
Service to areas with individual homes having documented quality/quantity problems	2 points

Other Funds Available (4 points maximum). *Incentive points are assigned to encourage an applicant to have other funds in addition to the construction loan from the DWSRF program. The percentage is calculated by dividing the other funds by the total project cost.*

Less than 5%	0 point
5% to =<10%	1 point
10% to =<15%	2 points
15% to =<20%	3 points
Greater than 20%	4 points

Projected Cost per Connections Served (3 points maximum). *The cost per household is calculated by dividing the amount of the construction loan from the DWSRF program by the actual number of households receiving the benefit.*

Less than \$500/household	3 points
\$500 to =<\$2500/household	2 points
\$2500 to =<\$5000/household	1 point
Greater than \$5000/household	0 point

Readiness To Proceed. *No points are allotted for Readiness to Proceed. However, Readiness to Proceed is considered as a decision factor for selecting projects to receive funding. The closer a project is to construction the more likely it will be on the funded list.*

A Preliminary Engineering Report must be submitted with the application if VDH requires one for the project. If not required, a letter from VDH documenting this waiver must be submitted with the application.

If new users are to be added by the project, at least 50% must have signed agreements at time of filing the application. 80% or more must sign agreements for the project to be feasible from a positive cash flow prospective.

In addition an adequate water source or source agreement contract is a necessity

XI. 1452 (k) LOCAL ASSISTANCE AND OTHER STATE PROGRAMS (15%)

“A State may fund several other categories of activities to assist development and/or implementation of local drinking water protection initiatives (section 1452). A State may use up to 15% of the capitalization grant amount...with the stipulation that not more than 10% of the capitalization grant can be used for any one activity.”

Loans to water systems for (1) Land Acquisition/Conservation Easements (2) Incentive Based Voluntary Protection Measures and (3) Petition Program

The 1996 Amendments of the SDWA encourages partnerships between State primacy agencies and waterworks to protect sources of water. This increased emphasis on prevention stresses a philosophy of cooperative interaction, and promotes non-regulatory solutions to protecting and preserving high quality source waters. Source protection will become a larger component in achieving our goal of providing safe and reliable drinking water to the consumer. The expenditure of funds to prevent or eliminate the degradation of sources of water should result in reductions of public health risks, replacement needs, raw water treatment costs, compliance monitoring and system O&M costs. This provision of the SDWA will allow Virginia to loan money for three different types of activities to protect important drinking water resources. Loans are available under the law to: (1) acquire land/conservation easements, (2) establish local, voluntary incentive-based programs, and (3) support local efforts in developing petition programs.

Virginia elects to participate in (1) and (2). These activities represent implementation activities after a basic program has been established.

Virginia's general approach for eligibility requirements, submittal (application) requirements, project ranking, review and oversight for each loan type are described below.

The interest rate will be 1% and the term of loan is 20 years. Principal forgiveness is not allowed under the 1452(k) loans. The procedures for determining loan repayment sources and terms of loan are the same as described for the loans for construction projects. The Virginia Resources Authority will evaluate each applicant's financial credit history and advise VDH accordingly so VDH may make a final decision on offering a loan. A dedicated account for loan repayments associated with land acquisition/conservation easements and incentive based protection will be established.

A. Land Acquisition and Conservation Easements

VDH will utilize its waterworks data base to solicit applications from waterworks owners who wish to borrow money to protect their drinking water sources through land acquisition or conservation easements in order to ensure compliance with the SDWA.

This money will be used to give the highest ranked waterworks loans for purchase of land and/or conservation easements necessary for source water protection. If the loan is used to acquire land, the land must be integral to the source water protection needs of the system, as determined by VDH and identified by VDH as a source water protection area. Source Water Protection Areas are the areas to be delineated through the VDH's Source Water Assessment Program. The purchase price per acre must be at a rate comparable to similar property recently sold in the area and must be acquired from a willing seller.

Eligibility Requirements

Applicant must be a Community or Non-profit Noncommunity waterworks.

Site must be located in the "Delineated Source Water Protection Area".
Landowner must be a willing seller.

Land cannot be resold while the drinking water source is still being used. If resold, loan payment is due in full at settlement.

Conservation easements must be recorded in land records.

For acquired land, the recipient must enter into legally binding agreement to manage land to protect drinking water quality.

For easements, the waterworks and the landowner must agree to acceptable conservation practices and land uses.

Application

The application must include name and address of applicant, name and address of property owner, general vicinity map (USGS topographic quad sheet), copy of tax map and site location drawing (1"=200'). The site location drawing shall include a listing of site constraints and potential pollutant sources, existing land use, existing zoning classification, topography, stream locations, wetlands, ground cover/tree cover, buildings and any other structures and other relevant information.

A current appraisal of the fair market value of the property is required with the application. The application must also include the financial information for loan evaluation as required by VA DWSRF.

Ranking

I.	SOURCE TYPE	(Maximum 30 points)
	Spring	30 pts
	Surface water	25 pts
	GW under direct influence of surface water	25 pts
	GW Unconfined Aquifer	20 pts
	GW Confined Aquifer	10 pts
II.	SYSTEM TYPE	
	1. Community	20 pts
	2. Nonprofit Noncommunity	10 pts
III.	SOURCE WATER PROTECTION AREA RELATIONSHIP	(Maximum 30 points)
	1. Land Use/Zoning	
	Industrial/Commercial	30 pts
	Residential (greater than 1 du/a)	25 pts
	Residential (less than 1 du/a)	20 pts
	Agriculture	20 pts
	Resource Conservation	10 pts
	2. Project Size (Ratio of project acreage to Watershed or Source Water Protection Area Acreage)	(Maximum 50 points)
	Greater than 50%	50 pts
	30% to 49%	40 pts
	20% to 29%	30 pts
	10% to 19%	20 pts
	5% to 9%	10 pts
	Less than 5%	5 pts
	3. Project Proximity to Intake/Wellhead/Recharge Area (Maximum 30 points)	
	Wells – within Source Water Protection Area	30 pts
	Springs within recharge area	30 pts
	Surface intakes – within 500 ft. of reservoir	30 pts
	Surface intakes – within 1 mile of intake & 500 ft. of stream	30 pts
	Surface intakes – greater than 1 mile from intake but within 500 ft. of supply stream or tributary	20 pts
	Outside of Source Water Protection Area but within topographic watershed	10 pts

4. Pre-existence of a source water protection strategy 30 pts

IV. DRINKING WATER STANDARDS

1. Effect on pollutant concentration at raw water source (Maximum 30 points)
- | | |
|----------------------------|--------|
| Greater than 10% reduction | 30 pts |
| Less and 10% reduction | 25 pts |
| No increase | 15 pts |
2. Effect on organic precursor concentration at raw water source
- | | |
|----------------------------|--------|
| Greater than 10% reduction | 15 pts |
| Less than 10% reduction | 10 pts |

B. Implementation of Voluntary, Incentive-based Source Water Protection

This money will be used to give the highest ranked waterworks loans for voluntary incentive-based source protection measures.

Eligibility

Applicant must be a Community Waterworks.

Programs and measures must be implemented within a delineated source water protection area.

Project must identify that it will facilitate compliance with primary drinking water standards or otherwise further health protection objectives of the SDWA.

Participation in programs must be voluntary.

Programs must identify incentives for local participants.

Application

Applications must include the name and address of the applicant, the target area for the incentive measures on a USGS quad sheet, and location of device/structure/practice at 1"=200' if sites are already selected. A narrative outlining a description of the proposal, an explanation of how the project meets all eligibility requirements, actions to be taken and its qualitative and quantitative benefits on the water supply must be included. Justification for the amount of the loan requested and a detailed budget is required. The application must also include the financial information for loan evaluation as required by VA DWSRF.

Ranking

Types of projects eligible under this component include but are not limited to: creating a local fund for owners and managers of storm water structures to have facilities retrofitted, creating a local fund for business to install containment devices around bulk storage facilities, funding the development of a local source water protection ordinance, creating a local public outreach program that is designed to reduce citizen usage of fertilizers, funding for planting trees or other natural treatment zones to enhance water quality and creating local emergency response capabilities.

Criteria used for ranking these projects are: projects that show multi-agency local support (20 pts), projects that are part of a formal locally based water supply protection effort approved by local governments (20 pts), and projects that address primary public drinking water contaminants detected in water supply (10 pts).

XII. PLANNING AND DESIGN GRANTS

The 1996 Amendments of the Safe Drinking Water Act (SDWA) encourages States to provide technical assistance to waterworks. In addition to other forms of technical assistance, VDH has created an activity to annually provide planning and design grants up to \$30,000 per project, especially for small, financially challenged, community waterworks. Eligible projects may include preliminary engineering planning, design of plans and specifications, performance of source water quality and quantity studies, drilling test wells to determine source feasibility, or other similar technical assistance projects.

Private and public owners (except state and federal) of community waterworks are eligible to apply for these grant funds. These funds could assist the waterworks owner in future submittals for construction funds.

Expenses incurred on an approved project prior to execution of an agreement are not eligible costs. Regardless of their population size, successful applicants must comply with the Virginia Public Procurement Act, our program requirements, and procurement procedural guidelines.

VDH reserves the right to add and fund an activity or to by-pass any activity of a higher priority and make grants to one of a lower priority based on criteria discussed in Section IX.

Criteria for eligibility:

- Applicant must be a community waterworks
- Population served by the waterworks must be fewer than 3,300 persons
- Waterworks must have documented evidence of non-compliance with: primary drinking water standards, *Waterworks Regulations*, or other health protection objectives of the SDWA
- Waterworks must show the need for funding based on existing user water rates, median household income, etc.

Note: Eligibility for grant assistance is increased when other participants and funding sources are documented as being available.

Types of projects include (but are not limited to):

- Preliminary engineering planning
- Design of plans and specifications
- Performance of source water quality and quantity studies
- Drilling of test wells to determine source water feasibility

This Priority Ranking/Scoring System will be employed to rank all grant applications.

ITEMS CONSIDERED	Maximum Points
→PROJECT SIZE (20 pts. Max.)	
• ≥500 to <3300 population	5
• ≥250 to <500 population	10
• ≥100 to <250 population	15
• <100 population	20

→PROJECT ON PREVIOUS IUP FUNDABLE LIST BUT BYPASSED	20
→PROJECT ON IUP COMPREHENSIVE LIST	10
→PROJECT HAS DOCUMENTED JURISDICTIONAL SUPPORT (15 pts. max.)	
• 1 jurisdiction. e.g., county, city, town, or PSA	5
• 2 jurisdictions	10
• ≥ 3 jurisdictions. e.g., PDC endorsement	15
→PROJECT HAS DOCUMENTED OTHER FUNDING SUPPORT (15 pts. max.)	
• 1 source	5
• 2 sources	10
• 3 sources	15
→ACUTE HEALTH PRIORITY, SDWA COMPLIANCE (50 pts. max.)	
• Commissioner’s letter declaring a health hazard or Administrative Order	15
• SWTR Violation	10
• Persistent TCR or nitrate violations	10
• Continuing boil water notice	10
• Documented inadequate water supply showing health hazards	5
→CHRONIC HEALTH PRIORITY, SDWA COMPLIANCE (30 pts. max.)	
• Administrative Order	15
• Persistent PMCL violations (e.g. VOC, SOC, IOC, RAD, etc.)	10
• Lead & Copper action level exceedance	10
• Significant Noncompliance (SNC)	10
→PUBLIC HEALTH PRIORITY, WATERWORKS REGS COMPLIANCE (15 pts. max.)	
• Resolve Quality & Quantity of a Groundwater Source	5
• Drinking Water Receives Appropriate Treatment to Protect Public Health	5
• Prevent distribution system contamination & water losses, provide adequate storage/pressure	5
→WATER LOSS EVALUATION APPLICATIONS Only (18. pts max)	
• 0% - 10% loss	0
• 11% - 20% loss	3
• 21% - 30% loss	6
• 31% - 40% loss	9
• 41% - 50% loss	12
• 51% - 60% loss	15
• 61% loss and above	18
Water Loss Total	
→AFFORDABILITY (Use Median Household Income)-(20 pts. max.)	
• <\$28,250	20
• \$28,250 to <\$34,350	10
• \$34,350 to <\$44,000	5
• \geq \$44,000	0

→REGIONALIZATION (8 pts. max.)	
• Consolidation of multiple non-complying waterworks	8
• Consolidation of one non-complying waterworks	6
• Consolidation of complying waterworks	4
• Service to areas with individual homes having quality/quantity problems	2
TOTAL	

APPENDICES

- A. Synopsis of Construction Loan Program Requirements
- B. List of presently known Federal Cross-cutters
- C. Application Packages
 - 1) Construction **Loans** (includes instructions and Project Scheduling worksheet)
 - 2) 1452(k) **Loans** for Source Water Protection Initiatives
 - a. Land Acquisition and Conservation Easements
 - b. Voluntary, Incentive-based source protection measures
 - 3) Planning and Design **Grants**
 - 4) Set-Aside Suggestions Form

APPENDIX A

Synopsis of Program Requirements

Introduction:

There are a number of Federal and State requirements which are applicable to projects funded through the Program. It is the intent of the Virginia Department of Health (VDH) to ensure compliance with all of these requirements by our Loan Recipients. **In order for this goal to be achieved, it is important that our Recipients fully understand these requirements and that they follow through in meeting these requirements in a timely manner.**

The Purpose of this synopsis is to provide a very brief summary of the program requirements as they relate to the Recipients. The Synopsis is not intended to explain all of the details of meeting these requirements, as that information is provided in the *Procedural Guidelines*. It is imperative that the Recipient read, understand and follow the procedures presented in the *Guidelines*. This document provides a review of the requirements for easy reference in one location. The guidance documents contained within the *Procedural Guidelines* are referenced as appropriate (as PG #s).

Financial (PG #'s 3, 4, 5, 6)

The financial requirements of the Program include:

1. Compliance with the *Virginia Public Procurement Act*. (Recipients must comply with all the requirements of this Act regardless of population size).
2. Compliance with *Office of Management and Budget Circular A-102*.
3. Compliance with the *Uniform Financial Report Manual*.
4. Compliance with the *Single Audit Act*.

An adequate recordkeeping/filing system is the only way to ensure that required records related to the above requirements are maintained and accessible. There is no specific recordkeeping/filing requirements regarding the manner in which files are kept. The *Procedural Guidelines* contains a summary of the type of information that will be reviewed during VDH monitoring visits, and a sample filing system.

Planning and Design

There are six (6) Program requirements related to project planning and design. It is important to note that all planning and design requirements must be satisfied prior to closing a loan through the Program. The requirements are as follows:

1. *Environmental Review (ER)* (PG #7) - This requirement is intended to ensure that projects funded through the Program are environmentally sound and is one of the major planning requirements. It involves a review of the environmental impacts of the project alternatives along with any preventive or mitigative measures which could be taken to minimize the adverse impacts. There are three types or levels of environmental review in the Program based on the project's potential for significant environmental impacts; ranging from a relatively simple Categorical Exclusion to the more complex Environmental Impact Statement. The review includes procedures for soliciting public participation into the process and final review and approval.

2. Permit Application - Notification of Intent (PG #8) - This form is submitted by waterworks owners to initiate the project evaluation process. The *Code of Virginia* Section 32.1-172B requires a person to apply to the Field Office of VDH prior to the establishment, construction or operation of a waterworks. Applications also may be completed by telephone and signed during the Preliminary Engineering Conference.
3. Preliminary Engineering Conference (PEC) (PG #8) - The PEC's provides for an exchange of information between all parties and is normally held at the Field Office of the VDH with the environmental engineering staff. The envisioned project will be discussed in its entirety. The applicant's engineer shall be prepared to set forth water supply problems and the proposed solution in such a manner as to support the conclusions and recommendations. Discussions regarding system problems and technical design standards and construction requirements and ongoing financial commitments will help determine if the project is feasible and, if so, the scope of work for the envisioned project.

The effort will enable the owner to consider many elements that will affect the long term economic viability necessary to ensure stability of the project. Preliminary thoughts for design exceptions should be formulated at this step.

PEC's are encouraged for all projects involving treatment processes or complex hydraulics. For routine waterline extensions, a telephone conference may suffice at the discretion of VDH.

4. Waterworks Business Operations Plan (WBOP) (PG #8) - The Program restricts assistance to a waterworks that lacks the technical, managerial or financial capability to maintain compliance with the SDWA and the *Waterworks Regulations* (see PG #1).

In addition, Section 32.1-172 of the *Code of Virginia* states that "an application for a permit shall include a comprehensive business plan detailing the technical, managerial, and financial commitments to be made by the owner in order to assure that the waterworks' performance requirements for providing the water supply will be met over the long term".

In addition the *Code* allows for waiving the comprehensive business plan portion if an applicant has demonstrated an acceptable history of compliance with the *Waterworks Regulations*.

The Program staff, with concurrence with the Field Director, will determine whether a WBOP or another form of certification of technical, managerial and financial capability is required of the applicant. If a WBOP is required of the applicant, the Program staff will provide a document outlining the requirements of such a plan. The field office staff will perform the evaluation.

5. Preliminary Engineering Report (PER) (PG #8) - A PER is required for all projects receiving funding. Information required in the PER is listed in 12 VAC 5-590-200C of the *Waterworks Regulations*. Reports submitted for approval shall be prepared by or under the supervision of a licensed professional engineer legally qualified to practice in Virginia. The field office environmental engineering staff will perform the technical evaluation of PERs.
6. Plans and Specifications (PG #8) - Plans and specifications based on the approved PER are required of all projects. Information required in the plans and specifications is listed in 12 VAC 5-590-200 D, E & F of the *Waterworks Regulations*. Plans and specifications submitted for approval shall be prepared by or under the supervision of a licensed professional engineer legally qualified to practice in Virginia. The Field Office environmental engineering staff will perform the technical evaluation

of plans and specifications. The Program staff will do a biddability review of the plans, specifications and addenda and review all change orders for compliance with the Program requirements.

Construction Documents

1. *Virginia Waterworks Regulations* - The design of the waterworks facilities must be in conformance with the *Virginia Waterworks Regulations*.
2. *Inclusion of the State Contracts Inserts* - The specifications for the project must include the Contract Inserts provided in the *Procedural Guidelines*. These inserts address the following requirements which must also be mentioned in the Information to Bidders section of the contract documents:
 - (a) *Compliance with Equal Employment Opportunity*
 - (b) *Certification on Non-Segregational Facilities*
 - (c) *Compliance with Minority and Women’s Business Enterprise Goals (MBE/WBE)*
 - (d) *Compliance with the Civil Rights Act of 1964*
 - (e) *Compliance with Age Discrimination Act of 1975, Rehabilitation Act of 1973, and the Prohibition against Sex Discrimination*
 - (f) *Utilization of Small Businesses in Rural Areas*

The Recipient must follow the Virginia Public Procurement Act in procuring the goods and services related to project construction. Once the Recipient has selected the contractor for the project, they must submit a bid package to the VDH for review. The bid package must contain evidence of bid advertisement, the bid tabulations, documentation regarding contractor selection, the bid bond, the bid proposal, and documentation verifying solicitation of MBE/WBE firms.

It is very important to note that the Recipient and Prime contractor must both demonstrate a “good faith effort” in the solicitation and utilization of Minority Business Enterprises / Women’s Business Enterprises (MBE/WBE) during the bid process. Efforts such as public notice, telephone or postal solicitations must be undertaken and evidence of these efforts must be provided in order to ensure VDH participation in the project. Information regarding the anticipated utilization of MBE/WBE firms must also be presented and must demonstrate “good faith effort”.

Through the course of project construction, the Recipient must monitor contractor solicitation and utilization of MBE/WBE businesses and services. The MBE/WBE Utilization Report Forms must also be submitted by the Recipient to the VDH on a quarterly basis. The VDH will periodically monitor the Recipient’s performance in regard to these requirements.

3. *Final Project Evaluation* - VDH will conduct a final project evaluation to determine whether all program requirements and loan conditions have been satisfied, and that construction of the project was completed in substantial accordance with approved plans, specifications, and change orders. The final evaluation will be conducted after notification by the Recipient that construction is complete and, if appropriate, will be conducted in conjunction with the Final Inspection referenced in the Waterworks Regulations.

4. *Final Financial Evaluation* - VDH will conduct a Final Financial Evaluation to ensure that the financial management records are complete, that financial operations were conducted properly, that the Recipient complied with laws and regulations affecting the expenditure of monies, and that costs claimed are reasonable, allowable, and allocable to the project. Disbursement of Fund proceeds is held to the 95% level until a Final Financial Evaluation can be conducted.

Summary

The requirements associated with the Program are detailed in the Program Guidance. VDH staff are available to assist recipients during this process.

APPENDIX B
FEDERAL CROSS-CUTTING REQUIREMENTS¹

ENVIRONMENTAL AUTHORITIES:

Archeological and Historic Preservation Act of 1974, Pub. L. 86-523, as amended.
Clean Air Act, Pub. L. 84-159, as amended.
Coastal Barrier Resources Act, Pub. L. 97-348.
Coastal Zone Management Act, Pub. L. 92-583, as amended.
Endangered Species Act, Pub. L. 93-205, as amended.
Environmental Justice, Executive Order 12898.
Farmland Protection Policy Act, Pub. L. 97-98.
Fish and Wildlife Coordination Act, Pub. L. 85-624, as amended.
Floodplain Management, Executive Order 11988, as amended by Executive Order 12148.
National Environmental Policy Act, Pub. L. 91-190.
National Historic Preservation Act of 1966, Pub. L. 89-665, as amended.
Protection of Wetlands, Executive Order 11990.
Safe Drinking Water Act, Pub. L. 93-523, as amended.
Wild and Scenic Rivers Act, Pub. L. 90-542, as amended.

ECONOMIC AND MISCELLANEOUS AUTHORITIES:

Debarment and Suspension, Executive Order 12549.
Demonstration Cities and Metropolitan Development Act of 1966, Pub. L. 89-754, as amended, Executive Order 12372.
Procurement Prohibitions under Section 306 of the Clean Air Act and Section 508 of the Clean Water Act, including Executive Order 11738, Administration of the Clean Air Act and the Federal Water Pollution Control Act with Respect to Federal Contracts, Grants, or Loans.
Uniform Relocation and Real Property Acquisition Policies Act, Pub. L. 91-646, as amended.

SOCIAL LEGISLATION:

Age Discrimination Act of 1975, Pub. L. 94-135.
Anti-Lobbying Provisions (40 CFR Part 30) [applies only to capitalization grant recipients].
Equal Employment Opportunity, Executive Order 11246.
Section 13 of the Federal Water Pollution Control Act Amendments of 1972, Pub. L. 92-500 (the Clean Water Act).
Section 129 of the Small Business Administration Reauthorization and Amendment Act of 1988, Pub. L. 100-590.
Section 504 of the Rehabilitation Act of 1973, Pub. L. 93-112 (including Executive Orders 11914 and 11250).
The Drug-Free Workplace Act of 1988, Pub. L. 100-690 (applies only to the capitalization grant recipient).
Title IV of the Civil Rights Act of 1964, Pub. L. 88-352.
Women's and Minority Business Enterprise, Executive Orders 11625, 12138 and 12432.

¹This information is provided for guidance and may not include all federal legislation as of this printing.

APPENDIX C
APPLICATION PACKAGES
(See attached)