

Department of Public Health (DPH)
Drinking Water Section, Drinking Water State Revolving Fund (DWSRF)
PROCESS OVERVIEW

1. Introduction

DPH is the lead Agency responsible for the administration and management of the Drinking Water State Revolving Fund program in cooperation with the Department of Environmental Protection (DEP), the Office of the State Treasurer (OTT), and when necessary the Department of Public Utility Control (DPUC). The technical program elements are implemented and overseen by staff within the Engineering Unit (EU) of the Drinking Water Section (DWS). The DWS's duties also include: preparation of the Federal grant application, administration of set-aside funds, maintaining a priority ranking of eligible projects, and entering into project funding agreements with the loan recipients. The Office of the Treasurer (OTT) handles the financial aspects of the program. Some of their duties include: review of applicant's credit worthiness, determination of interest rates, coordinate annual US Environmental Protection Agency (EPA) audit, preparation of annual reports, and closings for Interim Funding Obligations (IFO) and Permanent Loan Obligation (PLO). The DEP administers the fiscal operations of the program, including: develop Project Loan Agreement, prepare and submit Bond Commission requests to the Office of Policy and Management (OPM), process monthly payments. These responsibilities are more clearly outlined in a DWSRF Interagency Memorandum of Understanding (MOU).

2. Call for Projects

a) Eligible Public Water Systems (PWS) under the DWSRF Program include:

- All Community Water Systems
- Non-Community Water Systems (Non-Profit Only)

b) A notice (Call For Projects Notice) is issued annually by the DWS on the DWSRF web-site. In the past it was mailed to all eligible Public Water Systems (PWS) indicating "Eligibility Applications" (EA) and program assistance are available upon request, and stipulates a deadline for submission of the EA.

3. DWS Review and Ranking of Eligibility Applications

a) Applicants must submit EAs to the DWS by deadline stated in the DWS's Call For Projects notice.

b) Projects are logged in and assigned DWSRF ID# (i.e. PDC 2006 0720031a) [P-planning, D-design, and C-construction + Funding Fiscal Year (FFY) + Public Water System ID Number (PWSID) + alphabetical letter for each sub project]

c) DWS's EU reviews EA for:

- i. Project eligibility.
- ii. Completeness (all required forms are satisfactorily filled out and necessary supporting information is provided).
- iii. Reviews files as warranted for verification of violations identified in an application by reviewing recent sanitary survey, letters, or orders and/or meets with Compliance Unit staff as warranted to determine or verify system violations.
- iv. Completes Priority Ranking System (PRS) points ranking form utilizing PRS criteria document.

If the EA is determined to be ineligible or incomplete, the applicant is contacted and/or sent a letter as a follow-up as warranted.

d) DWS develops a Draft Priority Ranking List of Eligible Projects (PRLEP). The Draft PRLEP identifies all eligible projects by applicant (PWS name), DWSRF ID#, project description, PWS population category (Small- $\leq 1,000$, Medium- $>1,000$ but $\leq 10,000$, and Large- $>10,000$), and most importantly by a project's points ranking from highest to lowest assigned points for each population category.

The PRS criteria document also outlines funding line determinations based on PWS population categories and project by-pass procedures.

4. Public Hearing/Open Forum

a) A Legal Notice for a Public Hearing/Open Forum is issued by DWS annually.

b) A Circular Letter is issued by the DWS to PWSs determined to have an eligible and complete EA indicating date of Public Hearing/Open Forum and including a copy of: Legal Notice for a Public Hearing, Draft PRLEP and PRS criteria document and point ranking form. This letter also stipulates a deadline for the submission of a Full Loan Application (FLA). Additionally, newspaper notices are issued to announce the Public Hearing/Open Forum.

c) A Public Hearing/Open Forum is held to provide an opportunity for an applicant to formally object to or question the Draft PRLEP. This Forum is also held to briefly explain the DWSRF process, provide a copy of a FLA to an applicant, provide opportunity for applicant to question and discuss and comment on requirements and regulations of the DWSRF program including the DWSRF Intended Use Plan (IUP) which identifies how set aside program money is used.

d) Written comments can be submitted to the DWS prior to and in lieu of attending the Public Hearing/Open Forum.

e) Additionally, any applicant having an eligible and complete EA who did not attend the Public Hearing/Open Forum will later be sent a FLA.

f) Changes to or comments with regards to the PRS can also be part of this Public Hearing/Open Forum.

g) As a result of the Public Hearing/Open Forum the PRLEP is finalized.

Note, project eligibility does not guarantee that an applicant's project will be approved nor does it signify that engineering agreements or construction contracts can be awarded by an applicant.

A meeting or at least a phone conversation with an applicant to discuss the DWSRF process, completion of the FLA and to provide technical assistance may be conducted at this time. Meetings will be scheduled in the order of the highest rank applicant in descending order.

5. DWS Review of Full Loan Application

- a) Applicant submits FLA to the DWS by deadline stated in the DWS's Public Hearing/Open Forum letter.
- b) FLA is reviewed for the following items:
- i. Completeness, in that all required forms warranted are filed and are satisfactorily filled out.
 - ii. Content, in that all information provided meets the requirements of applicable DWSRF regulations. Checklists (planning, design or construction) are used in conjunction with the regulations to accomplish this more complex and detailed review.
 - iii. Readiness to Proceed Overall, the DWS will consider a FLA that is complete and provides the necessary content, as identified in the two previous bullets i and ii, to be at a status of readiness to proceed. This will vary on the category of the FLA under consideration (planning, design or construction). The following bullets briefly outline this determination for each category, but are not inclusive of all required items. Note, this assessment would vary if multiple categories are identified in a single FLA .
 - *Planning*: A Qualification Based Selection (QBS) process used by an applicant for selecting a consultant/engineer has been reviewed by the DWS and found to be acceptable; a proposed Engineering Agreement for planning components has been reviewed by the DWS, and the DWS is in a position to authorize its award. The outcome of the planning phase is an engineering report.
 - *Design*: An Engineering Report from an applicant has been reviewed by the DWS and found to be acceptable, a QBS process for selecting a consultant/engineer has been reviewed by the DWS and found to be acceptable; and a proposed Engineering Agreement for design components has been reviewed by DWS and the DWS is in a position to authorize its award. Additionally, an environmental review must have been satisfactorily completed by this time and there are no pending environmental program issues. The outcome of the design phase is a bid document with plans and specifications.
 - *Construction*: An Engineering Report from an applicant has been reviewed by the DWS and found to be acceptable; QBS process for selecting a consultant/engineer has been reviewed by the DWS and found to be acceptable; a proposed Engineering Agreement for construction oversight components has been reviewed by the DWS and the DWS is in a position to authorize its award; an environmental review has been completed and there are no pending environmental program issues; and plans and specifications (Bid Documents) for proposed construction contract (subagreement with applicant) has been reviewed by the DWS and approved to go out to bid or has been bid and the DWS is in a position to authorize its award. The outcome of the construction phase is the completion of contract work for which funds were being sought.

There may be instances where there are unrelated projects or multiple project phases under one application. In this case, readiness to proceed may be based on the first phase or first project. The DWS can and may make an applicant file separate applications for each project or project phase. Additionally, if the same engineer is used for the three categories of projects, QBS only needs to be reviewed one time, however, engineering agreements or amendments to an agreement must be reviewed for compliance with regulations for each category.

c) If applicants submit a FLA, and the FLA is incomplete and/or additional information that has been requested has not been sent to the DWS, then a letter is issued with a stipulated deadline. If no response is received by the deadline, the FLA is inactivated and a letter is issued to the applicant informing them of this status.

6. Environmental Review

An environmental review is conducted for each FLA and the review is administered by the DWS. A review must be completed for each construction project prior to forwarding a letter of justification to the Bond Commission. The review for design applications should be initiated upon receipt of FLA that is determined ready to proceed, but may not be feasible to conduct until design is underway or near complete.

a) The first step of the review is an environmental categorization of a project (category 1, 2 or 3) in accordance with the DWS's document entitled "Criteria for the Environmental Review of DWSRF Projects and Classification of Projects". This categorization may change as information is received in reply to letters issued by the DWS as part of the environmental review process.

b) Once a project is categorized an environmental review is conducted to verify that a project is in compliance with multiple environmental programs. These programs and the actions to be taken by DWS and/or associated program staff are described in a DWS document entitled "Description of Environmental Programs". A DWS checklist document entitled "Environmental Assessment Construction Project Assurances" is used to track the status with respect to applicability and resolution/completion of each environmental program. If certain programs are applicable and they are beyond the scope of the DWS's review, letters with an attached "Individual Program's Comment Form" are issued to a program contact in order to obtain resolution.

7. State Bond Commission Approval

a) Prior to a making a formal request for bonding, a FLA has been determined by the DWS to be Ready to Proceed, the project is ranked above the funding lines established by the PRLEP or is applicable for bypassing, basically indicating adequate DWSRF are available. OTT by this time has had an opportunity to review the applicant for financial viability and is in concurrence to move the project to bonding. Additionally, the DPUC should have completed a determination of an applicant's managerial and technical viability.

b) DWS Commissioner forwards a correspondence to DEP's Commissioner requesting a project be moved forward to the Bond Commission along with a supporting justification document prepared by the DWS and signed by the DWS's Chief. Draft copies of the correspondence and justification document are forwarded to DEP just prior to the formal submission to initiate their process. The initial DWS Commissioner's request and DWD justification memo must be prepared and submitted to DEP at least 6 weeks prior to a scheduled Bond Commission meeting. Additionally, any justification must be supported by information provided in the FLA and is contingent on the applicant's Readiness to Proceed.

c) DEP prepares and forwards a State Bond Commission Request Form for Grants and Loans to the Office of Policy and Management (OPM) requesting a project be placed on the agenda for consideration of allocation of funding under the Clean Water Fund.

d) An OPM committee meets and determines agenda items for the State Bond Commission meeting. If on the agenda, the project is typically approved for funding. The Bond Commission meetings are typically scheduled for the last Friday of the month. The meeting agenda is usually published/issued by OPM the Wednesday prior to the meeting. (<http://www.opm.state.ct.us/budget/capit/SBCAgenda.htm>)

8. Interim Funding Obligation (IFO)

After the Bond Commission approves the allocation of bonds for a project, the DEP prepares the Loan Agreement. The Agreement is circulated for signature by the applicant, DPH Commissioner, DEP Commissioner and then forwarded to the Attorney General (AG) for approval. Once approved by the AG, an Interim Funding Obligation (IFO) closing is arranged between the OTT and the applicant's Bond Counsel.

9. Authorization of Award

After Bond Commission approval the DWS can issue a letter authorizing the award of engineering agreement and/or construction contract as is applicable for an application.

Once an engineering agreement or construction contract is awarded a copy of all executed documents must be provided to the DWS for file record. Any Engineering Agreement Amendments or Change Orders to a construction Bid Document must be forwarded to the DPH for approval.

In some instances, when an application has been determined ready to proceed and there are no outstanding environmental review or DWSRF process review items, this letter can be issued prior to Bond Commission approval or completion of an IFO. This letter states a disclaimer that: **NOTHING CONTAINED IN THIS LETTER SHALL CONSTITUTE A COMMITMENT BY THE STATE TO MAKE A PROJECT LOAN TO YOU UNDER THE DRINKING WATER STATE REVOLVING FUND PROGRAM.** Additionally, no funds are available to the applicant until the IFO is signed.

10. Payment Requests

Payment requests received from an applicant are processed by DEP monthly. Payment requests are due to DEP by the second business day of the month. Payments are processed in the Clean Water Fund (CWF) Access accounting database. A form is prepared for each payment requested. These forms are due to OTT for processing by the 4th business day of each month and money is wired to the applicant's Reich & Tang account on the 12th business day of the month.

11. Completion of a Project

This process step outlines actions to be conducted by the DWS and items necessary for file record in order to consider a project complete by the DWS. In all cases, documents as were required for determination of an application to be considered for Readiness to Proceed should be on record. In many instances there is an overlap of information since planning, design and construction are contained within one FLA.

a) For a project categorized for Planning the following is applicable:

- Executed Engineering Agreement and any Amendments made to them.
- Engineering Report or other applicable document identified as the outcome for the subject application as identified on the DWS's checklist.
- A summary and verification of all WBE/MBE funds paid as part of an Engineering Agreement.

b) For a project categorized for Design the following is applicable:

- Executed Engineering Agreement and any Amendments made to them.
- Pre-bid Document as identified on the DWS's checklist.
- A summary and verification of all WBE/MBE funds paid as part of an Engineering Agreement.

c) For a project categorized for Construction the following is applicable:

- Inspection of Project.
- Executed Engineering Agreement and any Amendments made to them.
- Executed Bid Document as identified on the DWS's checklist and a summary of all Change Orders.
- A summary and verification of all funds paid to WBE/MBE subcontractors by the prime contractor awarded the contract per the Bid Document.
- Appropriate signed letter from applicant indicating substantial completion of Engineering Agreement and/or Bid Document/Construction Contract.

12. Permanent Loan Obligation (PLO)

Upon completion of a project and with approval from DWS and DEP, the OTT conducts a PLO closing and the applicant begins repaying the loan. The repayment funds are held on deposit and will be used to fund other Drinking Water State Revolving Loan Fund projects.

DISCLAIMER: This document serves as guidance to the DWSRF program. Applicants and their representatives must follow and adhere to all requirements of Section 22a-482 of the Clean Water Fund Regulations.