



**State of Connecticut  
Department of Public Health  
Drinking Water Section**

**Guidelines for Recipients of Drinking Water  
State Revolving Funds for the Small Loan Program**

**INTRODUCTION:** The Department of Public Health’s (DPH) Drinking Water Section (DWS) has developed streamlined procedures under the Drinking Water State Revolving Fund (DWSRF) to provide low-interest loans to public water systems (PWS) for the purchase and installation of drinking water equipment costing less than \$100,000. The Small Loan Program may offer partial subsidization of the eligible project costs, as indicated in the annual Intended Use Plan (IUP), and as allowed by law and funding availability. The remaining balance after the subsidy is applied will be provided in the form of a low interest DWSRF loan (see section I. for details). This program is available for the purchase or purchase and installation/replacement of water system equipment within an existing facility that does not involve construction of new buildings, building additions, building alterations, heavy equipment operators or site work. The DPH has created this Small Loan Program to provide financial assistance to small PWSs in undertaking the necessary upgrades/modifications to their water systems to maintain a high quality of drinking water, including, but not limited to:

- address the regulatory violations identified in the sanitary survey reports,
- comply the administrative/consent order(s) issued by the DPH,
- address future regulatory requirements, and
- other projects to protect public health.

These guidelines are intended to outline the requirements of this Small Loan Program and provide the PWS useful information in completing their funding application for qualifying project(s).

It is also important for PWSs that apply to the DPH for funding under this Small Loan Program to provide these guidelines to any consultants or contractors who will be designing or providing price quotes for your drinking water project to ensure that all of the applicable program requirements will be included in the project design or price quotes.

**PROGRAM REQUIREMENTS:**

**A. Minimum Requirements for Eligible Projects:**

1. The total cost of the project must be less than \$100,000.
2. The PWS must have a comprehensive Asset Management Plan (AMP) for their PWS or agree to prepare one as part of their DWSRF project. The DWS and other Technical Assistance Providers are available to assist you in preparing an AMP. For more information on this requirement please contact a DWSRF Program representative at (860) 509-7333.
3. The PWS must submit a [Small Loan Program Eligibility Application](#) to the DPH that provides sufficient details of the project for the DWS to determine its eligibility for funding and give it a ranking score (see Section B. for details).

4. The project cannot include the construction of new facilities, additions to existing facilities, renovations or structural alterations to existing facilities, use of heavy equipment or site work (i.e. grading, excavation, paving, etc.). Example of projects that are eligible for funding under this program include but are not limited to:
  - replacement of pumps or motors,
  - installation or replacement of diaphragm pressure tanks,
  - Installation of water treatment equipment or modifications to existing water treatment systems for regulatory compliance (filters, chemical feed systems, etc.),
  - minor incidental plumbing and electrical work (including SCADA) required only to accommodate the installed or replaced equipment,

The project may include minor incidental modifications to electrical and plumbing networks that are necessary to accommodate the installation of new or replacement drinking water equipment. **NOTE:** If significant modifications to your system are necessary, the PWS should discuss these modifications with a DWSRF Program Engineer in order to determine if the project would qualify for this Small Loan Program.

5. Prior to soliciting any contractor quotes for the project, the PWS shall submit the plans and specifications for the project to the DPH DWS for review and approval as required by Regulations of Connecticut State Agencies (RCSA) Sections 19-13-B102(d)(2) and Section 22a-482. After receiving the approval from the DPH DWS, plans and specifications shall be provided to all contractors for their reference to prepare price quotes for the project. **NOTE:** Engineering costs associated with the preparation of plans and specifications will not be eligible for funding from the DWSRF program unless those services are procured in accordance with Section 22a-482-4(i) of the RCSA and authorized in advance and authorization to award engineering agreement has been issued by the DPH.
6. The PWS must procure at least 3 contractor quotes from Connecticut-licensed contractors that specialize in the performance of the required work, and submit the quotes to the DPH for review and contract award authorization (see Section C. for details). This procedure will be referred further in these Guidelines as the “3 quote” procurement method.
7. Contracts under this Small Loan Program are subject to American Iron and Steel (AIS) requirements which requires DWSRF assistance recipients to use iron and steel products produced in the United States (see Section E. for details).

## **B. How to Apply for a Loan from the DWSRF Small Loan Program**

The first step in applying for a loan is to submit a [Small Loan Program Eligibility Application](#) that provides sufficient details of the project for the DWS to determine its eligibility for funding and give it a ranking score. All DWSRF projects must be ranked and incorporated into the most current DPH DWSRF Intended Use Plan (IUP) before a DWSRF loan can be provided. Applications may be submitted at any time; however, the process of incorporating new applications into the IUP is typically done on a quarterly basis after which the updated IUP must undergo a 30 day public review process before a DWSRF loan can be processed. It is recommended that applicants submit their applications at least 6 months before DWSRF funding is needed.

The DWSRF is a competitive loan program and funding availability may be limited depending on the number of loan applications received and the amount of funding available. Prioritization of projects that will receive the available funding is based on the priority ranking score a project receives and the project’s readiness to proceed. The DPH also reserves 15 percent of the available funding each year for projects associated with small PWSs that serve fewer than ten thousand persons. After your project has been incorporated into the IUP you will be requested to complete a [Small Loan Program DPH Authorization to Commence Work Request Form](#) if it is

determined that adequate funding is available for your project (see Section F. for details). The information in this form provides sufficient information for the DPH to authorize you to commence work on your project and for the OTT to qualify you for a DWSRF loan.

### C. Obtaining Price Quotes from Prime Contractors

The DPH is authorizing DWSRF Small Loan Program applicants to utilize a “3 quote” procurement method for selecting the contractor(s) to complete the work associated with their Small Loan Program project as long as the total project cost is less than \$100,000. Municipalities may utilize their existing open competitive bidding procedures, if necessary, to secure their prime contractor. **All projects with an estimated cost of \$100,000 or higher must follow the DWSRF base program procurement procedures for open competitive bidding.**

If you will be using DWSRF funding **only to purchase materials** for your project then a minimum of 3 price quotes must be obtained for those materials from 3 different retailers or wholesalers licensed and authorized to sell such materials in Connecticut. Please note that DWSRF loan agreements for these “materials purchase only” contracts will not be executed until after the borrower has submitted all certifications and after final site visit of the installed materials is performed by DPH (see Sections J. and K. for details).

If you will be using DWSRF funding for **both the purchase and installation of the materials** associated with your project then a minimum of 3 price quotes must be obtained from 3 different prime contractors that are qualified to perform this service and are licensed to conduct business in Connecticut.

PWSs **must** provide all prime contractors the same information on which to prepare their price quotes so that quotes for equivalent systems are obtained and are comparable. This information should include at a minimum:

1. A copy of the plans and specifications that have been approved by the DPH DWS along with a copy of the DPH approval letter. These documents are required to ensure that all contractors’ quotes can be fairly evaluated and the all contractors understand all terms and conditions associated with the DPH DWS’s approval of the project.
2. A copy of these Small Loan Program guidelines.
3. A copy of the notice from DPH entitled: “[Small Loan Program Important Information for Contractors](#)”.
4. If the PWS is a non-profit organization, a completed [CERT-141 tax-exempt](#) form so that tax will not be included in the contractor’s price quotes.

The DPH will authorize the work to be performed by the prime contractor that submits the lowest responsible price quote unless there are mitigating circumstances that warrant the DPH to authorize a higher priced prime contractor to perform the work. Adequate justification by the PWS must be provided to the DPH if the PWS desires to utilize a prime contractor that did not submit the lowest price quote. The DPH will review such justifications and render appropriate decisions on a case-by-case basis.

Funding from this program cannot be used for the leasing of any equipment. If any leased equipment is included in a contractor’s price quote, the cost of such leased equipment shall be included as a separate line item in the quote. It is recommended that such equipment be purchased, provided that the subsidy will reduce the actual cost to the owner.

### D. Disadvantaged Business Enterprise (DBE) Compliance

The Small Loan Program is only for projects costing less than \$100,000, therefore compliance with the federal DBE requirements **is not required.**

## E. American Iron and Steel (AIS) Requirement

The Consolidated Appropriations Act (H.R. 3547), enacted as Public Law (P.L.) 113-76 included a “Use of American Iron and Steel” (AIS) provision, requiring iron and steel products use in DWSRF-funded projects to be produced in the United States. Subsequent annual appropriations have continued this requirement. The EPA issued guidance clarifying how requirements will be implemented and how compliance will be documented. More detailed information on AIS requirements can be found on EPA’s AIS [website](#). **It is critical that you make your contractor(s) aware of this requirement.** EPA’s guidance provides clarity on specific iron and steel products that are required to comply with AIS requirements and other products containing iron and steel that do not have to comply.

Please refer to EPA’s American Iron and Steel guidance [webpage](#) for further details regarding products covered by this requirement.

The EPA has issued a [national public interest waiver for “de minimis” incidental components](#). This waiver allows a project to include a small amount of incidental iron or steel components that do not meet the AIS requirement, or their provenience cannot be determined. The total amount of these products cannot exceed 5% of the total materials cost for the project and an individual item cannot exceed 1% of the total cost of materials.

The EPA guidance also includes a process for requesting project-specific waivers, should one be needed. Please contact the DPH DWS immediately if a project specific waiver may be necessary for your project. Our staff will work with you to address your project’s compliance with AIS requirements.

### AIS Compliance Documentation Requirements:

In order to document the materials used in your project, the “[Certification of Compliance Use of American Iron and Steel for Small Loan Program](#)” must be completed by the prime contractor and submitted to the DPH upon completion of the project. **Please note that no DWSRF payment requests will be processed until this form is received.** This form requires the contractor to list the iron and steel products used in the project that meet the AIS requirement and any non-compliant or undocumented products that are covered by the “de minimis” waiver.

In addition, applicants must be provided with a ***Manufacturer’s Certification Statement of Compliance*** for each different iron or steel product permanently incorporated into the completed project. The EPA’s American Iron and Steel Requirements Guidance provides information on this requirement and includes two examples of manufacturer’s certification statements that may be used. Contractor’s must request and receive these certification statements from the manufacturer and must provide these statements to the applicant for their records. It is highly recommended that the applicant verify and ensure that the Contractor is in possession of these AIS certification statement(s) of compliance before the actual installation work begins, in order to avoid delays in payment by the State or even potential denial of payment. The manufacturer’s certification statements must be maintained in the applicant’s project records and must be made available to the DPH for review during the site visits. These certification statements do not need to be submitted to the DPH unless it is specifically requested. Certification letters must be on manufacturer’s letterhead and be dated and should, at a minimum, contain the following five elements:

1. Identification of the iron or steel product specific to the project
2. Identification of the project the product is being delivered to
3. Location of the manufacturing facility (city and state) – **not the headquarters**
4. Statement of compliance with the American Iron and Steel requirement
5. Manufacturer representative’s signature

Samples of certification letters are including in the end of the following EPA guidance document:  
<https://www.epa.gov/sites/production/files/2015-09/documents/ais-final-guidance-3-20-14.pdf>

#### **F. Requesting DPH Authorization to Secure your Contractor and Commence Work:**

After 3 price quotes have been obtained from the prime contractors described in Section C., all DWSRF applicants must complete the [Small Loan Program DPH Authorization to Commence Work Request Form](#). This Form must be submitted to the DWS along with all relevant materials requested on the Form, including the 3 price quotes for the project, components & services that were obtained. The form also includes sufficient financial information to qualify your PWS for a DWSRF loan. If the information that is provided to DPH with this Form satisfies DWSRF requirements, then the DPH will issue written authorization for you to secure your contractor and commence the work associated with your project. This authorization does not relieve applicants from its responsibilities in obtaining any other necessary federal, state or local permits or authorizations that may be required for your project. Once the authorization from DPH is received, the PWS should notify the approved contractor(s) to proceed and sign a contract with them, then submit a copy to the DPH Project Engineer assigned to your project.

#### **G. Permitting Requirements**

It is the responsibility of the PWS to obtain all necessary federal, state and local permits that may be required for their Small Loan Program project.

If the DWSRF will be providing funding for the installation of your project then a copy of any required local permits that have been issued for your project must be submitted to the DWS before you receive DWSRF reimbursement for your project.

Pursuant to CGS Section 25-32, no water company shall change the use of any water company lands without permission of the Commissioner of Public Health. The commissioner shall not grant a permit for a change in use of class I and II land unless the applicant demonstrates that such change will not have a significant adverse impact upon the present and future purity and adequacy of the public drinking water supply. By attesting to the conditions described on Worksheet A within the [Small Loan Program DPH Authorization to Commence Work Request Form](#), you provide assurance that the purity and adequacy of your water supply will not be adversely impacted as a result of this project. **This attestation will serve as your permit.**

#### **H. Environmental Assessment**

All projects funded by the DWSRF are required to undergo an Environmental Assessment (EA). It is recommended that the process begin as early as possible so that this assessment does not create project delays. Most Small Loan Program projects are expected to be exempt from the Connecticut Environmental Policy Act (CEPA) because it is anticipated that most projects will involve installation or replacement of equipment within an existing PWS facility. Regardless, the DPH will need to evaluate the location and scope of each project to determine the applicability of CEPA. In order for the DPH to begin an EA to determine if there are any possible environmental impacts, the project location and other pertinent information requested on the Eligibility Application must be provided to the DPH.

#### **I. Financial Assistance Agreement with the DPH**

Under the Small Loan Program, the total eligible project costs will be reimbursed through a loan agreement with the State of Connecticut. Under the loan agreement, you will be provided a low-interest loan, a portion of which you will not be required to repay to the State.

The Small Loan Program is designed to be a reimbursement program, therefore PWSs are expected to pay their contractors with their own funds after the project is complete. The DWSRF financing agreement with DPH will allow PWSs to be reimbursed for those eligible Small Loan Program expenses with a low-interest loan once the DPH receives a payment request from the PWS along with all of the contractor’s invoicing. The financing agreement will include a deadline for the submission of the reimbursement payment request based on the anticipated project completion date. Following DPH’s approval of the payment request, the Office of the State Treasurer (OTT) will schedule a closing on the IFO and Permanent Loan Obligation (PLO) and the PWS will receive the reimbursement payment at the closing. Applicants will begin repaying the loan in monthly payments beginning in the month following the PLO closing. This process can be a lengthy one so it is important for the PWS to provide their necessary financial information as early as possible. However, some document submittals may be time sensitive. Be sure to work out these important documents and deadlines with a DWSRF engineer.

Small Loan Program projects may be eligible for a subsidized loan from the DWSRF. On an annual basis the DPH determines if any state or federal grant funding is available to offer subsidized loans to PWSs. The availability of subsidized loans and the eligibility criteria for them are detailed in the DPH’s annual DWSRF Intended Use Plan. There are no penalties for early repayment of the loan.

As discussed in Section F., the DWS issues, if appropriate, a written authorization to commence work on your project. Once authorized, the DPH, in conjunction with the OTT, will prepare the financial assistance agreement. The DPH will send the financial assistance agreement to the appropriate PWS representative for signature. After being signed, the agreement must be returned to the DPH for signature by the Commissioner of the DPH and then may be required to be reviewed by the Office of the Attorney General. Following full execution of the agreement, the OTT will then schedule a closing date with the PWS. The PWS will be responsible for providing their bank account information to the Office of the State Comptroller (OSC) and must do so after returning the signed financial assistance agreement. Contact the OTT, Debt Management Division at (860) 702-3000 for more information. **Interest rates on your loan will be approximately one-half of the current market rate as of the date when the agreement is prepared, with a minimum rate of 2%.** The term of your loan (in years) will be determined based on the dollar amount of the loan (excluding any subsidy) that you receive, as outlined in the table below.

**Table 2**

Loan amount	Maximum loan repayment term
\$0 - \$10,000	3 years
\$10,000 - \$25,000	5 years
\$25,000 - \$100,000 <sup>1</sup>	10 years

Note that the loan amount is equal to the total eligible project cost less the eligible subsidy. Refer to the examples below:

*Example:* A new water treatment system installation costing \$30,000 that receives a 25% subsidy would require a loan in amount of \$22,500. This loan would be repayable in a maximum of 5 years and the additional \$7,500 will be covered by the subsidy. At an interest rate of 2%, the monthly payment would be \$394.37 for 5 years.

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<sup>1</sup> Projects with an overall cost (loan and subsidy) of \$100,000 or more are not eligible for the Small Loan Program and must be reviewed under and follow the procurement rules of the base DWSRF program.

Recipients of financial assistance will be required to submit a payment request with all relevant contractor invoices to the DPH amounting to the total eligible costs of the project. Information on how to submit a payment request to the DPH will be provided to the PWS by the DPH Fiscal Office after they receive written DPH authorization to secure their contractor and commence work on their Small Loan Program project. **No payment will be processed by the DPH until the DPH receives the necessary information listed in Section J.**

The DPH will review all payment requests. Once approved, the DPH will authorize the OTT to make a payment to the PWS's bank account registered with the State's Automated Clearing House (ACH) system through the OSC. The DPH Fiscal Office will send you information on the ACH method of payment processing after the written DPH authorization to secure your contractor and commence work on your project. The payments made for reimbursement of PWS payment requests can only be made following the closing of the IFO.

#### **J. DPH Site Visits**

The DPH DWS may schedule a site visit before, during or upon completion of your Small Loan Program project, as necessary. DWS engineers will schedule these site visits in advance whenever possible. These site visits will include a review of all records that the PWS is responsible for retaining under the Small Loan Program for their project.

#### **K. Project Completion Certifications**

The applicant is responsible for submitting the following information once their system installation has been completed:

1. Signed contract/agreement between PWS and Prime Contractor(s)
2. Local Building Permit (closed out) – if applicable
3. All contractor invoices covering all project costs for DWSRF payment
4. [Certification of Completed Water or Treatment Works Construction/Installation](#)
5. [Certification of Compliance Use of American Iron and Steel for Small Loan Program](#)

Contractor invoices must be from the contractor and on the contractor's letterhead. Copies of canceled checks paid to the contractor will not be accepted in lieu of invoices.