



Connecticut Department of
ENERGY &
ENVIRONMENTAL
PROTECTION

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State of Connecticut Department of Energy and Environmental Protection Clean Water State Revolving Fund Intended Use Plan Federal Fiscal Year 2022 Title VI Capitalization Grant

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Section 1: Introduction

DEEP's Intended Use Plan (IUP) for the Clean Water State Revolving Fund (CWSRF) is prepared in accordance with the provisions of Title VI of the Clean Water Act of 1987 and the Consolidated Appropriations Act, 2022, as authorized by Public Law 117-103, and signed into law on March 15, 2020. This act carries over the requirements and conditions provided under the prior Appropriations Acts. State funds are governed under Sections 22a-446 and 22a-483 of the Connecticut General Statutes. This IUP is a required part of the process to request the Federal Fiscal Year 2022 Capitalization Grant, which will be matched with 20 percent state matching funds in the amount of \$2,835,000. The FY 2022 capitalization grant allotment for Connecticut as administered by DEEP is \$14,175,000 (net of the 604(b) program). This IUP describes DEEP's intended uses for all funds available in the CWSRF program for FY 2022, including the projects that DEEP expects to provide financial assistance to in FY 2022 and an overview of how the state will comply with federally mandated requirements.

The CWSRF partners with local governments in building and financing projects that improve water quality and protect public health while sustaining the State's significant natural resources. The CWSRF is managed pursuant to Sections 22a-475 to 499 of the Connecticut General Statutes and provides low interest loans consistent with the federal Clean Water Act and grants for qualified Clean Water projects. Primary sources of funding for the Clean Water Fund (CWF) program are state general obligation and revenue bonds, as managed by the Office of the State Treasurer, and federal capitalization grants through the Clean Water Act with annual appropriations through the U.S. Environmental Protection Agency (EPA). The CWSRF also received federal economic stimulus funding under the American Recovery and Reinvestment Act (ARRA) of 2009 and fully expended those funds as of December 2012. Since the program's authorization in 1987, DEEP has awarded \$4.2 billion in assistance to 120 communities including 18 municipalities that participate in regional districts or authorities. From the FY 2022 Priority List DEEP expects to fund \$193,000,000 in project commitments including current year state bonding, carryover funds from previous years and the annual federal appropriation requested through the Capitalization grant.

There is significant coordination of efforts among the agencies of the State with CWSRF responsibilities. DEEP, the agency that carries out the environmental policies of the State, manages the CWSRF programs. The Bureau of Water Protection and Land Reuse Water Planning and Management Division's Municipal Wastewater section administers the program with the support of the Bureau of Central Services (BCS). As the primary agency and the recipient of the federal capitalization grants for the CWSRF on behalf of the State, the DEEP BCS executes annual grant agreements with the federal EPA and provides the business and accounting services for the Clean Water Fund, providing management and oversight of financial and project accounting responsibilities within DEEP including contract management and expense monitoring. The Municipal Wastewater Section provides assistance to municipalities for the upgrading of municipal wastewater infrastructure and related infrastructure needs, through planning, design and construction oversight as well as the approval of permits for municipal discharges and enforcing the State's operator certification requirements. Through a Memorandum of Understanding with DEEP, the Office of the State

Treasurer manages the bond-financing program and the financial management and administration of the loan program. The State Treasurer receives all the money belonging to the State, makes disbursements as directed by statute, and manages, borrows, and invests all CWSRF funds. As authorized by the State Bond Commission, the State Treasurer oversees and administers the State's bond and debt financing program including issuance of state bonds, issuance of bonds which are limited or contingent liabilities of the state, monitoring the bond markets, financing structures and economic trends that affect interest rates in order to realize favorable bond issuances. The State Treasurer also ensures the timely payment of principal and interest, and provides information and data to private credit rating agencies.

Every year since the inception of the CWSRF program, the federal government has appropriated funds for the CWSRF. These capitalization grants are distributed to states using a formula outlined in the Clean Water Act Amendments of 1988. Since 1987, DEEP has been awarded over \$650 million in federal capitalization grants. In addition, the State of Connecticut has provided matching funds equal to 20% of the capitalization grants as required by the Title IV legislation. From 1987 to 1990, project loan costs were funded directly with the federal grant and the required state match. Since 1991, loans to municipalities have been primarily funded from the proceeds of state revenue bonds. The federal capitalization grants and state matching funds are used to provide leveraged financing for eligible projects in the state. The State uses a revenue bonding program and the federal capitalization grants are held by the Trustee in the form of either cash or permitted investments. State contributions are held by the Trustee in the form of cash, permitted investments or State general obligation bonds. The State also created a state-funded grant component that has provided over \$1,182 million for project grants within the CWF since direct grants cannot be financed through the CWSRF.

In fiscal year 2010, DEEP received additional capitalization of \$48.0 million through the American Recovery and Reinvestment Act of 2009 (ARRA), the federal stimulus bill. Two projects consisting of 5 separate contracts received ARRA funding. As of December 31, 2012 all ARRA funds have been expended.

Section 2: Fiscal Year 2022 Project Funding

DEEP's FY 2022 federal financial award for our Federal SRF is \$14,175,000 pursuant to adjustments for sequestration and rescission. Of this amount, the loan portion of the award is \$8,505,000 and accounted for in fund 21015 SID 42318. The remaining portion (\$5,670,000) of the federal financial award constitutes our Federal requirement as a grant subsidy and as such is accounted for in fund 12060 SID 22509. Under P.L. 117-103, Congress mandated that at least 10 percent of the FY 2022 capitalization grant amount (at least \$1,417,500) be put towards projects that qualify under the Green Project Reserve (GPR) to address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities. DEEP anticipates meeting or exceeding this requirement. In addition, the 2022 Consolidated Appropriations Act required that not less than 10 percent but not more than 40 percent of the national CWSRF appropriation over \$1 billion be provided as additional subsidy. DEEP will provide 40% (\$5,670,000)¹ of its FY22 capitalization grant award as subsidy in the form of a grant. All EPA grants must comply with certain Federal laws, Executive Orders, and OMB Circulars. They include regulations at 40

¹ Of the total amount \$5,670,000, \$5,103,000 is to provide subsidy to projects, and the remaining amount of \$567,000 is the administrative amount.

CFR Part 31 that apply to grants and cooperative agreements awarded to State and local (including tribal) governments. Municipalities anticipated to receive subsidy from the FY 2022 capitalization grant include distressed and environmental justice communities as defined by the State of Connecticut. Required grant conditions also include that CWSRF projects funded in FY 2022, regardless of funding source, must pay their workers the federal Davis-Bacon wage rates for their job classification and some projects will also have to ensure that certain aspects of the project are made with American iron and steel products as defined by EPA guidance "Implementation of American Iron and Steel Provisions of P. L. 113-76, Consolidated Appropriations Act, 2014" dated March 20, 2014, depending on when the plans and specs for the project were submitted and approved by DEEP. DEEP will maintain data on the use of the capitalization grant funds in the CWSRF Benefits Reporting database (CBR) on a quarterly basis and provide information in its Annual Report to the Governor relating to key project characteristics, progress of the projects and environmental protection benefits as well as compliance with the Green Project Reserve. A copy of the Annual Report will be provided to the EPA administrator.

DEEP is currently operating under the fiscal year 2020 and 2021 biennial priority list. Based on the fiscal year 2022/2023 priority list DEEP expects to finance approximately \$1,000,000,000+ of combined sewer overflow, nitrogen removal, phosphorus removal, small community, collection system improvements, and from reserves including but not limited to design, planning, prior commitments, FOG facilities, infiltration and inflow rehabilitation, emergency generators and pump station improvement projects. The fiscal year 2022/2023 priority list has gone through the call for projects and was signed by the DEEP Commissioner on July, 22, 2022.

DEEP will be applying for the FY 2022 Federal Base Capitalization Grant of \$14,175,000 for which a twenty percent (20%) State match \$2,835,000 is required, the General Supplemental Grant of \$21,804,000 for which a ten percent (10%) State match \$2,180,400 is required, and the Emerging Contaminants Grant of \$1,145,000 for which a zero percent (0%) State match \$0 is required. The required (20% and 10%) State matches will be provided from State appropriations.

Water Resources Reform and Development Act (WRRDA) amendment changes to the CWSRF program allow 1/5 of 1% of the CWSRF's Net Fund Position to be used for Federal program administration; a total of \$TBD was used for SFY 2022.

Additionally, two percent (2%) of the combined FFY 2022 Federal Capitalization Grants will be used for technical assistance, calculated at \$742,480. The 2% is intended to assist rural and small publicly owned treatment works. The uses of fund include, but is not limited to, community outreach, technical evaluation of wastewater solutions, preparation of applications, preliminary engineering reports, and financial documents necessary for receiving SRF assistance. This provision applies to the base program, the general supplemental, and emerging contaminants funds.

The Base FY 2022 Grant of (10%) or \$1,417,500 will be used for projects funded under a Green Project Reserve (GPR) - green infrastructure, water or energy efficiency, and innovative uses.

The mandated forty-nine (49%) of the FFY 2022 Supplemental Federal Capitalization Grant in the amount of \$10,683,960, additionally 10% (\$2,180,400) will directed toward GPR funding. The mandated one hundred percent (100%) of the FFY 2022 Emerging Contaminants Federal Capitalization Grant in the amount of \$1,145,000 will be used for additional subsidy for eligible borrowers, of which \$114,500 will be directed to GPR. The CWSRF reserves the right to transfer up to the full amount

Section 3: Allocation of Funds

a. Criteria and Method for Distribution of Funds

The official FY 22-23 Priority List (Attachment #5) contains information about the availability of funds, a description of the types of projects to be funded, the priority list system including priority rating criteria and project ranking mechanism, order of priority funding, public hearing and revision guidelines. Also, included is the distribution of funds and the comprehensive list of all anticipated eligible sewerage projects as requested by municipalities or identified by DEEP and the subset future project list. Projects are rated on several criteria which emphasize the impact of each upon public health, the improvement of water quality and water resource utilization including impact on potable water supply, attainment of State water quality goals, enhancement of specific water resource values – fishery, shellfish, swimming and eutrophication, population served and health related issues.

Bypass Procedures

As outlined in the Priority List, the DEEP can reallocate funds into any reserve or construction project during the last six months of each fiscal year in accordance with the requirements of Sec. 22a-482-1(c)(5) of the Regulations of Connecticut State Agencies. Revisions may be made at any time in accordance with public participation requirements and all other established procedures.

b. Types of Projects to be Funded and Financing Rates

Section 212 Projects

Projects that qualify for the funding from the CWSRF under Clean Water Act Section 212 will have an interest rate of 2.0 percent as defined by Connecticut General Statute. The repayment period of a loan cannot exceed 20 years. At this time there are no provisions for applying other interest rates or terms. Loan eligibilities include all the normal cost of planning, design and construction. No other uses are contemplated at this time.

Non-Point Source and Estuary Protection Projects are funded from Title 319 non-point source.

Green Project Reserve

DEEP continues to provide a green project reserve starting with the FY 2022/2023 Priority List (Page 9 of Attachment #5).

Disadvantaged Communities and Sustainability Policy

a. Disadvantaged Communities

The DEEP Priority List point system does not provide additional priority points or funding based on this criteria. However, the majority of funding does go to disadvantaged communities by virtue of water quality impacts

b. Sustainability Policy

The CWSRF program supports planning processes that consider public health, water quality, climate change, conservation of natural resources, alternative approaches such as decentralized solutions in areas with community pollution problems from overdevelopment, and the full life-cycle cost evaluations of infrastructure investments. The planning process must demonstrate appropriate rate structures to ensure that capital cost debt service and ongoing operation and maintenance costs can be met.

To assist communities with financial sustainability, DEEP has published the document entitled “*Methods of Capital Cost Recovery on Water Pollution Control Projects*” and has published and continues to update the document entitled “*The Cost of Clean Water, A Sewer User Charge Rate Survey and Guidance Manual*”.

Figure 1: Financing Rates – Summary Table

	INTEREST RATE	FINANCING TERM	SUBSIDY
All Project Types	2.0%	20 years	Grant*

*Distribution within project type is determined by state statute

c. Project Information:

The CWSRF program anticipates selecting the following projects to draw down the FY 2022/2023 capitalization grant funding:

692-C (The Metropolitan District)

Project Name: South Hartford Conveyance and Storage Tunnel (SHCST) Contract #3

The South Hartford Conveyance and Storage Tunnel -Contract 3 includes construction of screening and pump station facilities for the South Hartford Conveyance and Storage Tunnel, including the tunnel pump station and control building, the grit and screening facility, odor control facilities, a head tank and force main, emergency electric generators, site restoration and wetlands mitigation, and other appurtenant equipment and facilities. The Notice to Proceed date to start Contract 3 was April 4, 2022 and the schedule completion date will be March 6, 2026. This project’s Clean Water Fund state grant amount is \$66,586,785.72 the Clean Water Fund loan amount is \$72,135,684.53.

GREEN PROJECT-TBD

Actual and projected quarterly federal cash draws by project and quarter are provided in Attachment #1. Federal awards by project and year are listed in Attachment #1B. The anticipated federal draw schedule (ASAP) is shown in Attachment #3.

Section 4: Statement of Short Term and Long Term Goals

Consistent with section 606(c)(2) of the Federal Clean Water Act, DEEP submits the long and short term objectives of its water pollution control revolving fund, including its coordination with other financial assistance programs and how the SRF assists communities to attain and maintain compliance with the Clean Water Act and other provisions in the State Clean Water Strategy.

CWSRF 2022 Program Activities and Initiatives

The program activities and initiatives for the CWF and the CWSRF for fiscal year 2022 included:

- Provided financial, administrative, technical oversight for the construction of wastewater treatment plant upgrades designed to update and improve the overall treatment quality and resiliency of plants; remove nitrogen to aid in the protection of Long Island Sound and decrease CSO discharge.
- Construction continues to progress on the multiple phases of improvements being coordinated at the Hartford treatment plant (MDC project), which will reach over \$600 million when completed.
- Provided financial, administrative, and technical oversight for wastewater collection system improvements that will decrease CSO and sanitary sewer overflow (SSO) discharge, typically to comply with state and federal enforcement actions.
- Financial and administrative management as well as engineering oversight was provided for the EPA's State and Tribal Assistance Grants (STAG) program.
- The Minority Businesses/Women Businesses Enterprise (MBE/WBE) requirements and the EPA negotiated fair share goals were met and maintained.
- Implementation of phosphorus limits for many non-coastal surface water discharges.
- Identified projects to comply with FFATA requirements in an amount equivalent to federal cap grant funds awarded during FY2022.
- Phosphorus reduction work continues at the Southington wastewater treatment plants.
- CSO reduction work was awarded in the Greater New Haven WPCA.
- Work continues on the MDC's South Hartford Conveyance and Storage Tunnel. At a cost of \$319 million, it is the largest single agreement in CWF history.
- Comprehensive upgrades continue at the Farmington WPCF (\$63M).

CWSRF Program Short-term 2022 Program Activities and Initiatives

- The biennial Priority List (FY 22 and 23) will continue to direct resources toward the state's most pressing compliance and water quality needs which include reducing combined sewer overflows and increasing nitrogen controls to restore Long Island Sound.
- Provide financial and administrative management of new applications for project financing. The DEEP initiated new Connecticut Clean Water Fund projects during FY

2022 with a value of approximately \$193,000,000 of work accomplished under the FY 22/23 Priority List (see Attachment #9 for project list).

- Fund green infrastructure, water and energy efficiency and environmentally innovative projects in an amount that is at least 10 percent of the capitalization grant. No business cases have been necessary to date as the green portion was energy efficiency related.
- Expedite project development and construction by providing planning and design funding. Design funds are made available for those projects that expect to be ready to proceed to construction within three years.
- Completed the MBE/WBE availability study and received EPA approval of the goals for FY 2019-21. In contact with EPA for guidance on future filings of the availability study.
- Meet the EPA negotiated fair share minority/women-owned enterprises goal for each project.
- OTT leverages bonds by issuing tax-exempt municipal bonds secured by the CWSRF to enable funding for a greater number of projects than would otherwise be possible through a direct grant/loan program.
- Participate in outreach through trade association meetings, municipal market forums and conferences to provide information on CWSRF funding opportunities as well as CWSRF revenue bonding program.
- Manage legislative capital budgeting process for Connecticut Clean Water Fund general obligation and revenue bond authorizations in order to optimize financing for Clean Water Fund projects.
- Continued LGTS (Loan and Grant Tracking System) upgrade through Northbridge Environmental Consulting.
- Submit Financial Status Reports to complete close-out of previous capitalization grants.
- In conjunction with the Department of Administrative Services and the Office of Policy and Management, evaluate the need for additional staff to maintain the high technical and fiscal standards of the program. Add staff as necessary within the constraints of funding. Program staff will engage in an appropriate level of participation at national and regional meetings, including the annual CIFA national finance meeting and the Region I annual SRF program management and implementation meeting.

Long-Term Goals/Projections

- To maximize the ability of the CWSRF to assist local government in constructing needed water quality control facilities.
- To provide sufficient and affordable project funding which supports EPA's Sustainability Policy by evaluating the economic and environmental needs of the community as well as the use and perpetuity of the CWSRF.
- To achieve statewide compliance with water quality objectives and maximize the environmental benefits resulting from CWSRF funded projects.
- To bring Publicly-Owned Treatment Works (POTW) into compliance with federal requirements.
- Determine how to manage emerging issues such as:
 - Tighter effluent limits for metals
 - Control of pharmaceuticals and personal care products
 - Adaptation to address climate change effects of flooding and sea level rise
- As the programs of the Clean Water Fund meet their goals, DEEP will be updating and revising cost estimations for critical water quality work. DEEP estimates the overall

need for water quality improvement at \$5.2 billion through 2028, with treatment plant construction costs and combined sewer overflow correction program needs of over \$3.0 billion.

- The State also will continue to develop additional financing alternatives. The long-term goals and objectives for the CWSRF are to:
 - Maintain the fiscal integrity of the CWSRF in perpetuity through cash flow analysis, monitoring, and optimization of cash management strategies including leveraging and debt service reduction or present value savings or through the refunding or cash defeasance of bonds.
 - Continuously improve efficiency and effectiveness of the program administration.
 - Analyze and manage long term viability of the CWSRF to enhance the ability of the fund to provide low cost financing for critical projects in perpetuity.

Section 5: Financial Management

a. Funding Summary: see Attachment #8 for annual authorization information. The CWSRF provides assistance in the form of loans and state funded grants. The State has begun to contemplate the development of programs to provide guarantees and insurance. The CWSRF policies on setting terms for the various types of loan assistance provided by the fund e.g. interest rate, guarantee fees, repayment schedules are implemented in conjunction with the Office of the State Treasurer. The recipient agrees to accept grant funds that will be released by EPA utilizing the ASAP payment method. Access to grant funds will be in accordance with the following schedule:

<u>Payment Quarter</u>	<u>Payment Amount</u>
FFY-2023/Quarter 1	\$ 13,608,000
FFY-2023/Quarter 2	\$ 567,000

Since inception, the following funding has been provided:

- Federal Title VI capitalization grants through FY22 including the ARRA grant of \$48,010,300 for a cumulative total of \$650,165,448.
- State General Obligation bond authorizations total \$1,965,125,976.
- State Revenue bond authorizations total \$4,249,080,000 including bonds allocated to the drinking water program[#].

[#] \$493 M of the revenue bonding authorized for the Clean Water Program has been allocated to the Drinking Water program

Funding available for FY 2022 is as follows:

Unallocated state revenue bond authorizations: \$ 196,512,000⁽¹⁾

Unallocated state general obligation bond authorizations: \$493,013,000⁽¹⁾

(1) Unallocated CWF balance as of 06/30/2022

	<u>FY21 Funds Authorized</u>	<u>FY22 Funds Authorized</u>
State General Obligation Bonds	\$ 75,000,000	\$ 100,000,000
Federal Cap Grant	\$ 19,465,000	\$ 14,175,000 ⁽⁴⁾
State Revenue Bonds	\$302,100,000 ⁽²⁾	tbd ⁽³⁾

⁽²⁾ Public Act 20-1 authorized \$75,000,000 of the FY 2021 general obligation bonds and revenue bonds effective 3/1/2020

⁽³⁾ Public Act 21-111 authorized \$100,000,000 of the FY 2021 general obligation bonds and revenue bonds effective 7/1/2021.

⁽⁴⁾ CWF Allotment is authorized by EPA but not awarded yet.

b. State Match: Inclusive of the FY 2020 federal capitalization grant, the cumulative state match requirement for the CT CWSRF is \$120.5 million. State match provided with bonds or state funded projects totals \$127.1 million. The chart below summarizes the source of the \$127.1 million in state match that has been provided:

Match Year	Grant per Year	State Match Amount	Source
FY 1987-2009(cumulative):	\$380,904,148	\$76,180,829.60	Gen. Obligation bonds associated with projects and privately placed bonds
FY 2010:	\$ 24,961,000	\$ 4,992,200.00	Project 149-CSL: represents an equivalent amount of non-federal state funds
FY 2011:	\$ 18,090,000	\$ 3,618,000.00	Project 149-CSL: represents an equivalent amount of non-federal state funds
FY 2012:	\$ 17,314,000	\$ 3,462,800.00	Project 149-CSL: represents an equivalent amount of non-federal state funds
FY 2013:	\$ 16,356,000	\$ 3,271,200.00	Project 166-CSL1: represents an equivalent amount of non-federal state funds
FY 2014:	\$ 17,176,000	\$ 3,435,200.00	Project 166-CSL1: represents an equivalent amount of non-federal state funds
FY 2015:	\$ 17,088,000	\$ 3,417,600.00	Project 166-CSL1: represents an equivalent amount of non-federal state funds
FY 2016:	\$ 16,369,000	\$ 3,273,800.00	Project 166-CSL1: balance of \$1.7M represents an equivalent amount of non-federal state funds plus balance of \$1.5M from Project 692-C (new source of state match provided by 3/24/2016 state bond commission).
FY 2017:	\$ 16,242,000	\$ 3,248,400.00	Project 692-C: state match was provided by the 3/24/2016 state bond commission.
FY 2018:	\$ 19,663,000	\$ 3,932,600.00	Project 692-C: state match was provided by the 3/24/2016 state bond commission.
FY 2019:	\$ 19,465,000	\$ 3,893,000.00	Project 692-C: state match was provided by the 6/26/2019 state bond commission

FY 2020:	\$ 19,467,000	\$ 3,893,400.00	Project 692-C: state match was provided by the state bond commission
FY 2021:	\$ 19,465,000	\$ 3,893,000.00	Project 692-C: state match was provided by the state bond commission
FY 2022:	\$ 14,175,000	\$ 2,835,000.00	Project 728-C: state match was provided by the state bond commission

Total Match required: **\$120,512,029.60**

Match provided by State (1987-2015)	\$100,079,721.35
Additional State Match Available (03/24/2016)	\$ 10,000,000.00
Additional State Match Available (06/26/2019)	\$ 7,000,000.00
Additional State Match Available (06/16/2021)	\$ 5,000,000.00
Additional State Match Available (06/16/2021)	<u>\$ 5,000,000.00</u>

Total State Match Available **\$127,079,721.35**

Remaining Overmatch: **\$ 6,567,691.75**

The \$127,079,721.35 of state match was provided by State of Connecticut general obligation bonds and will be repaid by the State. The state match bonds are not repaid by the CWSRF. The terms of the bonds matches the terms of the CWSRF bonds.

See Attachment #4 for a statement on match requirement and proportionality and Attachment#4A for a more detailed list of projects and amounts designated as state match including summaries by project, month and year.

In accordance with 40 CFR, Section 35.3135(b)(4) the excess match may be banked toward subsequent match requirements. The State of Connecticut has expended match in excess of the minimum 20% requirement through SFY 2022. The additional match provided March 24, 2016 was expended prior to drawing on the FY 2021 federal capitalization grant. As indicated in the chart above, the state will have an overmatch of \$6,567,691.75 after the FY 2022 capitalization grant is awarded.

c. Proportionality: To demonstrate compliance with proportionality requirements, for FY 10-16 cap grant, the state match was associated specifically to projects 149-CSL and 166-CSL1 to represent an equivalent amount of non-federal (state) funds that were in the SRF and disbursed before any federal funds were drawn from those cap grants. This was agreed upon after discussions with EPA Region I. For FY 2016, \$1,701,891.75 of the \$3,273,800.00 from Connecticut (non-federal) funds, which is the equivalent to the required 20% state match, were disbursed to MDC's Project 166-CSL1. The Project consisted of sanitary sewer rehabilitation in various locations of the Hartford metropolitan area. The balance of the FY 2016 state match plus FY 2017, 2018, 2019, 2020, 2021 and 2022 is provided by MDC's Project 692-C. The interim funding loan was entered into on June 29, 2016. This Project consists of the construction of the South Hartford Conveyance and Storage Tunnel and is being completed as part of the MDC CSO Long-Term Control Plan.

- d. Fee Income: Currently, there are no other charges to the municipalities for the services provided as part of the program.
- e. Program Administration: DEEP is currently using 4 percent of the Federal Capitalization Grant for administrative purposes. Federal administrative grant funding pursuant to the FY 22 grant is \$567,000. DEEP has \$839,316 in undrawn administrative funds as of June 30, 2022. Cumulative federal amounts allotted and drawn are shown in Attachment #1A. The administrative budget for the annual capitalization grant application is provided in Attachment #2. State funded administrative charges are not specified as they are paid outside of the CWSRF.
- f. Travel: EPA approves the use of Federal funds for travel budgeted in capitalization grants for implementing the CWSRF program. The State agrees to use Federal funds to participate in training and professional development activities integral to the effective implementation and management of the CWSRF program.
- g. Clean Water National Information Management System (CWNIMS): The State agrees to input data, as required by EPA to the CWNIMS. EPA agrees to provide technical assistance to the State in its use of the CWNIMS as a management information system.
- h. Loan Repayment Funds: Monthly repayments may be in the form of level debt or level principal at the discretion of the municipality. Repayment of outstanding loans are deposited into the Revolving Fund Account and used for eligible program purposes consistent with the Clean Water Fund's leveraged funding strategy including bond debt service, and any reserve funds necessary to maintain the credit ratings.
- i. Anticipated Cash Draw Ratio: Currently Connecticut draws federal reimbursement at 100% because state match from prior years has been expended in excess of the 20% match requirement. The State anticipates that the state match will continue to be drawn and expended in advance of the federal reimbursement.
- j. Transfer of Funds from the Drinking Water State Revolving Fund: DEEP reserves the authority to transfer additional funds as appropriate, at some time in the future, between the CWSRF and DWSRF program. To date there have been no transfers of federal funds between the programs and DEEP does not currently plan on transferring funds to or from the DWSRF in FY 2022.
- k. Estimated Sources and Uses: The Sources and Uses table in Attachment #10 identifies the sources and the uses of available funds in the CWSRF in FY 2021 and cumulatively through February 28, 2022. Sources of funds include federal capitalization grants and state matching funds, as well as leveraged bond proceeds, investment earnings and repayments. The majority of available funds are used to pay for water quality projects. Funds are also used to pay for administration. The State also provides funds for administration and for debt service on leveraged and state match bonds. Public Act 20-1 provided the state general obligation and revenue bond authority necessary to proceed with the Priority List process. The fundable projects list is determined from this authorization amount. The State Bond Commission then approves the allocation of bonds that allows DEEP to enter into project agreements with the Municipalities. The listing in Attachment #1C of wastewater treatment projects funded by the Connecticut Clean Water SRF shows historical project

commitments by municipality and the amounts of state and federal funding assigned as of June 30, 2022.

I. Financial Management Strategies: The Revenue Bond program has been in place since 1991. Since the Program's inception interest subsidy support provided by the State has been as high \$19.0 million in 1991 and as low as \$3.6 million in 2001. No state-funded subsidy has been necessary since the 2001 revenue bond issue. This means that more state bond authorizations are now freed up for project purposes. Program capacity was increased in FY21 through receipt of \$219.5 million of loan prepayments. Given this inflow of funds to be recycled, new projects will be funded through program equity for the coming fiscal year, and future bond issuance will be delayed beyond 2022. The program can sustain funding levels of \$150 million per year without further State-funded interest subsidy through 2039. The increased capacity provided by the ARRA funding was utilized in two years. Depending on the needs of the program, the State may provide additional support for higher levels of revenue bond issuance in the future. Through effective management of the CWSRF, prudent leveraged bond financing and continued legislative support through authorizations, the State's program will be available to ensure compliance with the Water Quality Act of 1987. The State continually strives to ensure that the fund is a self-sustaining program now and into the future.

Also, the last bond sale was in July 2019.

Section 6: Program Management

a. Assurances and Specific Proposals

The authority for this agreement is under the Clean Water Act, Title VI, Sections 601-607 and 40 CFR 35.3130(b). In accordance with 40 CFR 35.3130(b), at the option of the State, the organizational and administrative framework and those procedures of the CWSRF program that are not expected to change annually may be described in the Operating Agreement. EPA will incorporate this agreement by reference in the annual capitalization grant agreement between EPA and the State of Connecticut (DEEP and OTT), and DEEP will incorporate this agreement by reference in the State's IUP. DEEP has provided the necessary assurances and certifications as part of the Operating Agreement between DEEP and EPA. The Operating Agreement (OA) describes the mutual obligations between EPA and DEEP, and through a Memorandum of Understanding, with OTT. The purpose of the OA is to provide a framework of procedures to be followed in the management and administration of the CWSRF. The OA was last updated in 2020/2021 timeframe.

The OA addresses our commitment to key CWSRF requirements, including:

- 1) 602(a): Environmental Reviews - The CWSRF will conduct environmental reviews according to the State Environmental Review Process developed for the SRF.
- 2) 602(b)(3): Binding Commitments - The State of Connecticut certifies that it will enter into binding commitments equal to at least 120% of each quarterly grant payment within one year from receipt.

3) 602(b)(4): Timely expenditure - The State of Connecticut certifies that it will expend all funds in the SRF in a timely manner.

b. Federal Requirements

Connecticut will strive to meet or exceed compliance in an amount equivalent to the amount of the capitalization grant for the following requirements:

Single Audit Act (OMB A-133)

Disadvantaged Business Enterprise compliance (DBE)

Federal environmental crosscutters

Federal Funding Accountability and Transparency Act (FFATA) reporting

Assistance recipients identified will:

- Submit Single Audit reports in all years when disbursements of federal funds (both CWSRF and non-CWSRF federal funds) meet or exceed federal limits. Federal single audit requirements are included as standard language in CTSRF agreements.
- Follow the EPA guidelines for encouraging disadvantaged businesses to participate during the bidding process.
- Demonstrate compliance with the federal environmental crosscutting authorities during the environmental review and project planning stage.
- Report on executive compensation as outlined in the Federal Funding Accountability and Transparency Act.

c. Davis-Bacon Wage Rates

EPA's FY 2012 Appropriations bill required the application of Davis-Bacon prevailing wage rates to all treatment works projects funded in whole or in part by the CWSRF. This requirement continues through 2022. Davis-Bacon applies to construction contracts over \$2,000 and their subcontractors (regardless of the subcontract amount). Under WRRDA, the State will now determine which NPS projects are not required to have Davis-Bacon. The Davis-Bacon requirements do not apply to decentralized wastewater treatment projects. To ensure compliance with these requirements, DEEP will confirm that the correct wage determinations are being included in the bid specifications and/or construction contracts. DEEP will also provide guidance to recipients for the specific EPA Davis-Bacon contract language that is to be included in bid specification and/or contracts. In addition, DEEP will collect Certifications of Davis-Bacon compliance from the principal or prime contractor with disbursement requests.

d. Audits and Reporting

DEEP is committed to transparency and accountability. Program information, the Priority List and other Clean Water Fund related materials are posted on the DEEP website. The Annual Report published by the Office of State Treasurer is posted at: Office of State Treasurer Shawn T. Wooden under Treasury Divisions/Debt Management/Water Fund Reports. An independent audit is conducted by an outside CPA firm annually.

e. Geospatial Data Standards

All geospatial data created will be consistent with Federal Geographic Data Committee endorsed standards as required by EPA.

f. FFATA

The FFATA designated project for FY20 was 692-C MDC. DEEP will commit funding to Project 692-C under an agreement with the MDC in the amount of \$67.8 M. This project

has been designated as the equivalent project which meets the FFATA requirement for FY20. This information will be uploaded into fhrs.gov. The FFATA designated project for FY21 is still to be determined.

g. American Iron and Steel (AIS)

In the EPA budget for 2014, Congress required CWSRF assistance recipients to use iron and steel products made in the United States for clean water projects where the project has approved plans and specifications dated after January 17, 2014. A waiver was provided for projects if the plans and specifications were submitted before January 17, 2014 and approved by April 15, 2014. To ensure these projects are constructed with American made iron and steel products as defined by the EPA Guidance, "Implementation of American Iron and Steel Provisions of P. L. 113-76, Consolidated Appropriations Act, 2014" dated March 20, 2014 DEEP has implemented the following steps:

1. Provide guidance to recipients to include overall subject guidance, a copy of the EPA Memorandum: "Implementation of American Iron and Steel provisions of P.L. 113-76, Consolidated Appropriations Act, 2014" dated March 20, 2014, language required to be included in clean water fund contract documents, certification requirements and waiver requests.

2. Include language requiring implementation of this requirement in the CWSRF loan agreement.

3. The applicant will be responsible for collecting all documentation and must have it available upon request by either EPA or the DEEP.

4. DEEP will review all waiver requests to ensure compliance with the EPA guidelines and submit them to EPA Headquarters for review and approval.

DEEP recognizes the following details with regard to American Iron and Steel consistent with the FY 2022 CWSRF Programmatic Terms and Conditions:

(a) Definitions. As used in this award term and condition—

- (1) "iron and steel products" means the following products made primarily of iron or steel: lined or unlined pipes and fittings, manhole covers and other municipal castings, hydrants, tanks, flanges, pipe clamps and restraints, valves, structural steel, reinforced precast concrete, and construction materials.

- (2) Steel means an alloy that includes at least 50 percent iron, between .02 and 2 percent carbon, and may include other elements.

(b) Domestic preference.

- (1) This award term and condition implements the Water Resources Reform and Development Act of 2014 (WRRDA) by requiring that all iron and steel products used for a project for the construction, alteration, maintenance or repair of a public water system or treatment work are produced in the United States except as provided in paragraph (b)(2) and (b)(3) of this section and condition.

- (2) This requirement does not apply with respect to a project if a State agency approves the engineering plans and specifications for the project, in that agency's capacity to

approve such plans and specifications prior to a project requesting bids, prior to January 17, 2014.

(3) This requirement shall not apply in any case or category of cases in which the Administrator of the Environmental Protection Agency finds that:

- (i) applying the requirement would be inconsistent with the public interest;
- (ii) iron and steel products are not produced in the United States in sufficient and reasonably available quantities and of a satisfactory quality; or
- (iii) inclusion of iron and steel products produced in the United States will increase the cost of the overall project by more than 25 percent.

(c) *Request for a Waiver under (b)(3)*

(1) Any recipient request to use foreign iron or steel products in accordance with paragraph (b)(3) of this section shall include adequate information for Federal Government evaluation of the request, including

- (A) A description of the foreign and domestic iron, steel, and/or manufactured goods;
- (B) Unit of measure;
- (C) Quantity;
- (D) Cost;
- (E) Time of delivery or availability;
- (F) Location of the project;
- (G) Name and address of the proposed supplier; and
- (H) A detailed justification of the reason for use of foreign iron or steel products cited in accordance with paragraph (b)(3) of this section.

(2) If the Administrator receives a request for a waiver under this section, the waiver request shall be made available to the public for at least 15 days prior to making a finding based on the request.

(3) Unless the Administrator issues a waiver of this term, use of foreign iron and steel products is noncompliant with the FY 2015 Water Resource Reform and Development Act.

(d) This term and condition shall be applied in a manner consistent with United States obligations under international agreements.

h. Water Resources Reform and Development Act (WRRDA)

The Water Resources Reform and Development Act passed on June 10, 2014. Among its provisions are amendments to Titles I, II, V and VI of the Clean Water Act. These amendments made significant changes to the CWSRF, many of which took effect October 1, 2014. They include:

- A requirement that loan recipients prepare, develop and implement a Fiscal Sustainability Plan (FSP);
- A provision that increases loan maturities to the lesser of 30 years or design life;
- A requirement that some loan recipients prepare a cost effectiveness analysis; and
- A provision that increases state flexibility in billing for administrative expenses.

EPA issued Initial Interpretive Guidance for these amendments on September 18, 2014. The guidance described how states should apply the new requirements when managing their CWSRF programs.

EPA also developed additional interpretive guidance for WRRDA's cost and effectiveness planning provision, which will take effect Oct. 1, 2015. This provision requires certain CWSRF assistance recipients to certify: (a) they studied and evaluated the cost and effectiveness of the processes, materials, techniques and technologies for carrying out the proposed project or activity; and (b) they selected a project or activity that maximizes potential for energy conservation, efficient water use, and water reuse and recapture.

WRRDA also contains the Water Infrastructure Finance and Innovation Act (WIFIA), an innovative finance program that will offer direct loans and guarantees for large water infrastructure projects at Treasury interest rates. Funds appropriated for the program would be used to provide a subsidy reserve to protect the government against default. The amount of reserve needed per project will be based on default risk and other variables.

The purpose of the requirement is to ensure that recipients of CWSRF financial assistance are managing their physical assets in ways that promote long service life, avoid expensive catastrophic failures, and maximize the long-term financial self-sufficiency of the wastewater system.

In addition to the additional subsidy that can be used at a state's discretion, the recipient agrees to use a minimum of ten percent (10%) of the funds available in the capitalization grant to provide additional subsidy to eligible recipients in the form of forgiveness or principal, negative interest loans, or grants (or any combination of these), which shall be used only where such funds are provided as initial financing for an eligible recipient or to buy, refinance, or restructure the debt obligations of eligible recipients only where such debt was incurred after May 5, 2017.

Section 7: Public Review and Comment

This IUP along with The State's Priority List provides the basis for negotiation of the capitalization grant agreement and the schedule of grant payments (see Attachment #3) as required by Section 601(b) of Title VI. As a result, public notice of the contents of this IUP and the State's Priority List have been provided for comment and review as required per Section 606(c)(1) of Title VI.

In conformance with federal regulations governing the capitalization grant that the DEEP receives from the federal Environmental Protection Agency and the CWF Regulations, the DEEP issued a notice of public hearing for the FY 22-23 Priority List dated May 16, 2022. Public notice appeared in major CT regional newspapers on April 27, 2022 which provided notification on the time, date and location of the public hearing; location of the draft priority list and date written comments were due to the Department. On April 21, 2022 the Department notified subscribers of the Municipal Wastewater Listserv of the availability of the Draft FY22/23 Priority List, and associated Table 1 and the public notice. In addition, the Department placed Exhibits 2, 4, and 4a on the Department's Municipal Wastewater webpage.

The Public Hearing was held by video conference on May 16, 2022 at 10:00 am. Due to limitations on public gatherings during the COVID emergency, the hearing was conducted through Zoom, an online internet meeting platform. The public comment period was open until May 27, 2022. The hearing report was completed July 12, 2022 the formal FY 22-23 Priority List was adopted July 22, 2022 (see Attachment #5). For a copy of the above public notice please refer to Attachment #6 entitled Notice of Public Hearing. See Attachment #7 for a summary of the Public Hearing.