



STATE OF CONNECTICUT

Drinking Water Fund State Revolving Fund Program 2020 Annual Report



Connecticut Drinking Water Fund

Supporting the Planning, Design, and Construction of Drinking Water Infrastructure Projects

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Drinking Water State Revolving Fund (DWSRF)
Funded Projects and Set-Asides*



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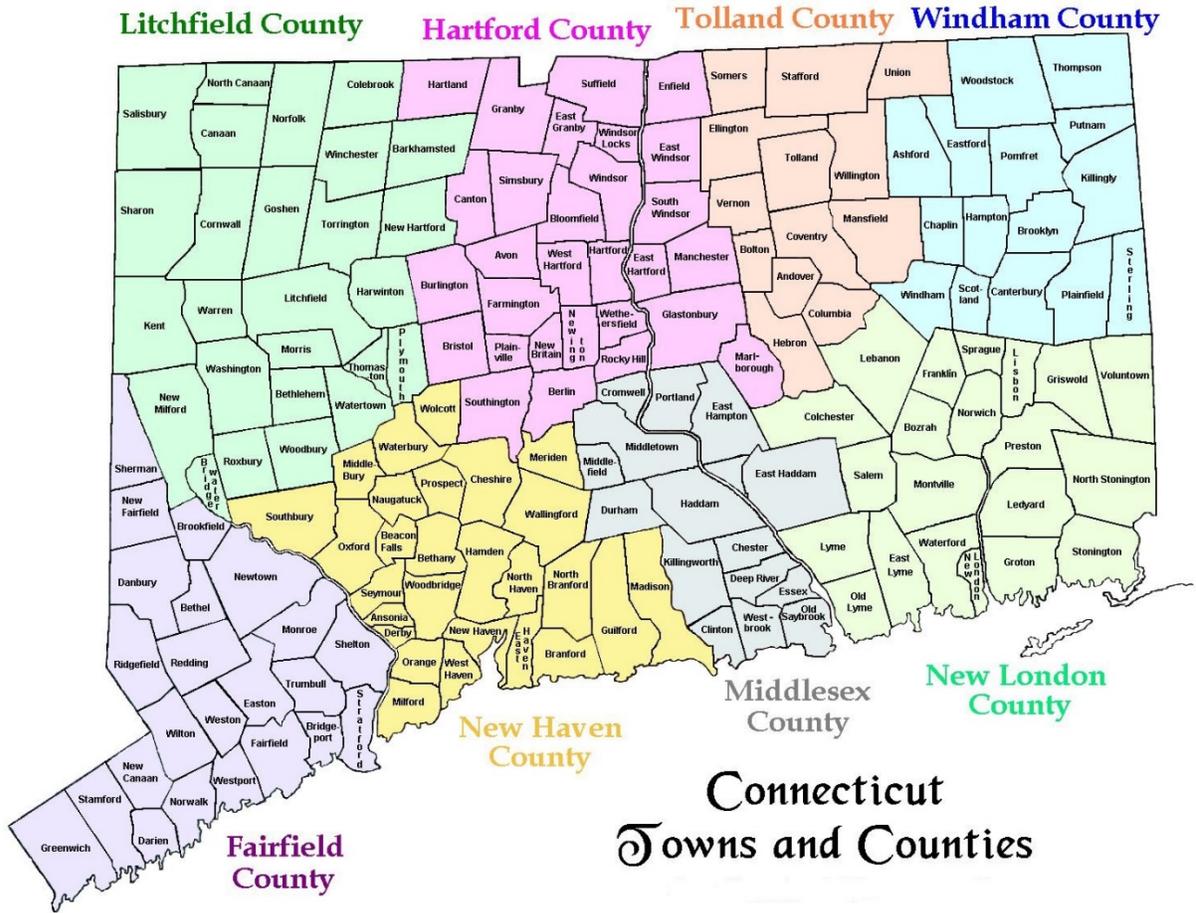
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DWSRF ANNUAL REPORT ACRONYM LIST

ARRA	American Recovery and Reinvestment Act of 2009
AWIA	America's Water Infrastructure Act of 2018
CGS	Connecticut General Statutes
CPCN	Certificate of Public Convenience & Necessity
CT AWWA	Connecticut Section of American Water Works Association
CWF	Clean Water Fund
CWSRF	Clean Water State Revolving Fund
DCAP	Disadvantaged Community Assistance Program
DEEP	Department of Energy and Environmental Protection
DPH	Department of Public Health
DWF	Drinking Water Fund
DWINSA	Drinking Water Infrastructure Needs Survey and Assessment
DW NIMS	Drinking Water National Information Management System
DWS	DPH Drinking Water Section
DWSRF	Drinking Water State Revolving Fund
EPA	United States Environmental Protection Agency
EPGP	Emergency Power Generator Program
FFATA	Federal Funding Accountability and Transparency Act
FTE	Full Time Equivalent
FFY	Federal Fiscal Year of the Federal Government (from October 1 to September 30)
FY	Fiscal Year of the State of CT (from July 1 to June 30 each year)
IFO	Interim Funding Obligation
IUP	Intended Use Plan
MOU	Memorandum of Understanding
OA	Operating Agreement between the State and the EPA
OTT	Office of the State Treasurer
PBR	Project Benefits Reporting Database
PFAS	Perfluorinated Alkyl Substances
PLO	Project Loan Obligation
PURA	Public Utilities Regulatory Authority
PWS	Public Water System
RCSA	Regulations of Connecticut State Agencies
SDWA	Safe Drinking Water Act
SDWIS	Safe Drinking Water Information System
SA&P	Source Assessment & Protection (Unit within DWS)
SRF	State Revolving Fund
ULOs	Unliquidated Obligations

COMMUNITIES ACROSS THE ENTIRE STATE OBTAINED PROJECT FUNDING OF MORE THAN \$348 MILLION THROUGH THE CONNECTICUT DRINKING WATER STATE REVOLVING FUND SINCE PROGRAM'S INCEPTION



Fairfield County: *Bethel, Brookfield*, Danbury, New Fairfield, *Newtown, Norwalk*, Ridgefield, Stamford

Hartford County: *Bristol, Bloomfield*, Enfield (Hazardville Water Company), Farmington, *Manchester, Marlborough, Metropolitan District Commission (MDC)* (includes Hartford, Bloomfield, Windsor, Rocky Hill, East Hartford, Newington, Wethersfield, West Hartford), *New Britain, Simsbury, Southington*

Litchfield County: Cornwall, Kent, Harwinton, *New Milford*, Plymouth, Salisbury, *Sharon, Watertown, Woodlake Tax District (Woodbury), Woodbury*

Middlesex County: Cromwell Fire District, East Hampton, *Portland*

New Haven County: *Guilford, Meriden*, Middlebury, Naugatuck, North Branford, Prospect, *South Central Connecticut Regional Water Authority (RWA)* (includes *Hamden, North Branford*), *Waterbury*

New London County: Colchester, *East Lyme, Griswold*, Groton, Lebanon, *Ledyard*, Montville, New London, *Norwich*, Old Lyme, Salem, Stonington

Tolland County: *Coventry, Hebron, Mansfield, Tolland, Willington*

Windham County: Ashford, *Killingly, Plainfield*, Putnam

Bold and italic towns received multiple loans

REPORT INTRODUCTION



This is the Annual Report to the Governor on the Connecticut Drinking Water State Revolving Fund (DWSRF) for the fiscal year ending June 30, 2020. It has been prepared jointly by the Department of Public Health (DPH) Drinking Water Section (DWS) and the Office of the State Treasurer (OTT) Debt Management Division.

The DWSRF was established by the 1996 amendments to the Safe Drinking Water Act (SDWA) and is a financial assistance program to help water systems achieve the public health protection objectives of the SDWA. The DWSRF provides low-cost financing for drinking water infrastructure improvement projects that have been identified by the DPH, through a call for projects, as part of the agency's responsibility for ensuring the quality and adequacy of Connecticut's public drinking water sources and systems. The financial assistance provided by the DWSRF improves water system compliance with drinking water regulations and increases public health protection.

The primary sources of funding for the CT DWSRF are revenue bonds and State contributions, which are managed by OTT, and yearly federal capitalization grants from the United States Environmental Protection Agency (EPA). The DPH is the Connecticut state agency that is authorized to enter into DWSRF Capitalization Grant agreements with EPA and manage the DWSRF program. Each year the DPH is required to submit a grant application to EPA in order to receive its capitalization grant.

The DPH DWS uses the various DWSRF resources, including federal capitalization grants and the required state match, to assist public water systems and operators to meet critical needs, reduce public health risk, and maintain safe, high quality drinking water for the state's citizens.

The DPH, the OTT, the Department of Energy and Environmental Protection (DEEP), and the Office of Policy and Management (OPM) have worked together since 1995 to implement the DWSRF program.

An overview of the participation and responsibilities of each State agency is provided in this report.

This report includes the history of the DWSRF, a review of the DWSRF during Fiscal Year (FY) 2020, descriptions of the revenue bond program, and projections of future project funding. As a major recipient of federal financial assistance, the State will also provide this annual report and audited statements to EPA in order to comply with federal reporting requirements under SDWA. The State must also comply with the Federal Single Audit Act of 1984. The audited statements for the fiscal year ending June 30, 2020, as provided in this report, have been prepared by a firm of independent certified public accountants.

This report includes some references to the Connecticut Clean Water Fund (CWF) and the Clean Water State Revolving Fund (CWSRF). Information on the CWF program is available in a separate annual report.

Copies of the 2020 report and previous annual reports since 2001 are available via the Office of the State Treasurer's website at <https://portal.ct.gov/OTT>

EXECUTIVE SUMMARY

The DPH DWS's primary responsibility is to protect public health by ensuring that Connecticut's 2,426 public water systems provide safe, adequate, and sustainable drinking water to residents and visitors of our state. These responsibilities are carried out through the provision of technical assistance, education, regulatory oversight, enforcement, and low-cost financing for infrastructure improvements. The DWS is committed to maintaining high quality drinking water throughout Connecticut by ensuring that public water systems provide proper treatment, water quality monitoring, source water protection, and consumer education.

Approximately 30% of the public water systems are eligible to receive DWSRF low-interest loans for drinking water infrastructure improvements. Funding is also provided for activities that support the DWSRF as well as the DWS's Public Water System Supervision Program. These activities include: aiding to improve the technical, managerial, and financial capacity of these systems. The DWS promotes asset management planning, and uses various tools to assist operators with the management of public water systems, with a particular focus on small systems serving fewer than 10,000 persons.

During FY 2020, the DPH committed approximately \$13.4 million in funding for 11 infrastructure projects through 10 funding agreements. Since its inception, the DWSRF program has provided more than \$361 million for 267 projects. Since 2010, the capitalization grants have included a requirement to use a portion of the grant to subsidize projects. There were 7 projects that qualified for partial federal subsidization in the form of principal forgiveness, including projects under the Emergency Power Generator Program. Two additional projects received partial subsidization in the form of a grant-in-aid from the state Public Water System Improvement Program.



SUMMARY OF FY 2020 ACTIVITIES & ACCOMPLISHMENTS

- Executed 10 funding agreements under the DWSRF program totaling \$13.4 million (of which approximately \$12.5 million was loan and approximately \$868,000 was subsidy).
- Executed 4 funding agreements under the Emergency Power Generator Program totaling \$151,634 (of which \$83,437 was loan and \$68,197 was subsidy).
- Processed 75 project payment reimbursement requests totaling approximately \$33.6 million.
- Provided ongoing asset management and technical assistance to small systems identified with weaknesses during sanitary surveys or compliance assessments. Developed a template for small systems to utilize for the Fiscal & Asset Management Plan requirement and presented a webinar on this tool.
- Met EPA's goal of having not more than two "open" capitalization grants with funds available. Continue to maintain as low a level of Unliquidated Obligations as possible.
- Conducted 231 sanitary surveys of public water systems, including evaluations of technical, financial, and managerial capacity by staff funded through the DWSRF Set-Asides.
- Processed 4,965 water quality data files, 1,372 through Electronic Data Interface (EDI) and 3,593 through Compliance Monitoring Data Portal (CMDP), from laboratories containing more than 430,000 water quality analytical results. Provided technical assistance to help 4 labs fully transition to report through the CMDP with another 4 labs in the process.
- Environmental Engineering Program conducted trainings for local health officials on required regulations for new and repaired subsurface sewage disposal systems. The 4 – 5 day trainings (14 training days total) on Phase I and Phase II were held between September, October, and November 2019, and February and March 2020. A total of 52 individuals were in attendance.
- Continued an internal work group to address the growing concerns of perfluorinated alkyl substances (PFAS), which has become a priority for the Governor.
- Issued \$50 million in Revenue Green Bonds to provide funding for ongoing and future projects.
- Received an additional allocation of \$31 million from the State Bond Commission in April 2020 for revenue bonds, which is available to commit to projects.

HISTORY & MANAGEMENT OF THE CONNECTICUT DWSRF PROGRAM

In 1996, Congress passed amendments to the SDWA authorizing the EPA to offer states capitalization grants to create the Drinking Water SRF. The SDWA provided for an annual Congressional authorization of \$1 billion nationally for the DWSRF through 2003. Between 2003 and 2018, the DWSRF funding within the SDWA was not reauthorized by Congress. However, in each subsequent year since 2003, Congress has appropriated funding for the DWSRF. In October 2018 with the passage of the American Water Infrastructure Act (AWIA), the DWSRF was reauthorized for Federal Fiscal Year (FFY) 2019 through FFY 2021 at over \$1 billion each year. Congress must still appropriate an annual amount which cannot exceed the amount of the authorization. Each state is allocated a certain amount of that appropriation based on the results of the latest national Drinking Water Infrastructure Needs Survey and Assessment (DWINSA). Beginning with the FFY 2018 allocation and through at least FFY 2021, Connecticut's allocation is 1%, based on the results of the 2015 DWINSA.

Each year the State of Connecticut is required to submit a DWSRF Capitalization Grant application to EPA to capture its DWSRF allocation. Connecticut General Statutes (CGS) Sections 22a-475 through 22a-483, inclusive, govern the establishment and administration of the DWSRF.

The State has received a total of \$213.9 million to date in capitalization grants, and as required for each awarded grant, a state match equaling 20% of the grant must also be provided. An additional \$19.5 million capitalization grant was received under the American Reinvestment and Recovery Act of 2009.

The DPH is the lead agency for the DWSRF and has entered into an Operating Agreement (OA) between the State of Connecticut and the EPA. The OA establishes the basic framework and procedures of the DWSRF that are not expected to change annually.

DWSRF Program Management

- DPH is responsible for programmatic and fiscal administration of DWSRF infrastructure improvement projects and the set-aside projects and accounts.
- OTT is responsible for the fiscal administration of the DWSRF accounts and administration of the DWSRF financial plan as part of the Connecticut CWF.
- DEEP is responsible for the administration of the CWF of which DWSRF is a subaccount.

Appendix I provides additional details on the roles of these three agencies.



*Norwich Public Utilities- Sprague Emergency
Interconnection
Pipe Trench Excavation Work*

PROGRAM FUNDING

The primary sources of funds for the Drinking Water SRF are federal capitalization grants, state contributions for the 20% match of the federal capitalization grants, proceeds of the revenue bonds, and earnings on the assets of the DWSRF.

The State can request approximately 31% of the federal capitalization grant as set-asides to administer the Drinking Water SRF, and provide managerial and technical assistance to public water systems.

Federal Capitalization Grants

The SDWA authorized the Drinking Water SRF and continues to place legal constraints on each state program. Federal regulations limit the uses of the Drinking Water SRF equity to loans, support for bonds issued to make loans, loan guarantees or insurance, refinancing of prior debt, or administrative expenses associated with qualified projects. Appendix II shows the total cumulative amounts for the DWSRF project funds and set-aside accounts that have been made available to Connecticut based upon EPA approval of the Capitalization Grants for Connecticut. The federal drinking water, non-ARRA, capitalization grants awarded to Connecticut from FFY 1997 through FFY 2019 totaled \$213.9 million. Since last year's report, the State received the FFY 2019 award of \$11.0 million. The FFY 2020 grant in the amount of \$11.0 million should be awarded in early fall 2020. While states have significant latitude in the creation and implementation of the SRF program, the federal capitalization grants and the required match for the Drinking Water SRF must be maintained by the SRF in perpetuity.

Required State Matching Funds

The State has provided sufficient funds in the Drinking Water SRF to meet the required State match. Connecticut's match has been made in the form of cash contributions in the Drinking Water SRF for a total of approximately \$49 million as of June 30, 2020 (Appendix II).

Match requirements for grants awarded in the future will be met on or before grants are drawn by the State from the EPA. In some instances when

project payment requests are large, funds from both the match monies and subsequent grants may be paid out on the same day. The state match amount for each capitalization grant is disbursed for project costs prior to drawing any federal funds for each respective capitalization grant.

State Authorizations

The State has demonstrated a significant commitment to high water quality for its citizenry through its support of the Connecticut Clean Water Fund including the Clean Water SRF and Drinking Water SRF. Due to the similarities between the federal programs, the State authorizations of revenue bonds and general obligation bonds for the two programs are combined. Pursuant to PAs 86-420 and 14-98, as of June 30, 2020, the State Bond Commission has approved a total of \$393.6 million in Revenue allocations and \$20.0 million in General Obligation allocations, respectively, to the Drinking Water program. This includes the most recent Revenue bond allocation of \$31 million in April 2020.

Revenue Bonds - SRF Leveraged Program

The State Treasurer is authorized to issue bonds and provide low-cost financing for water quality projects. The DWSRF program leverages federal grants, state matching funds, and repayments from borrowers to issue SRF revenue bonds to provide proceeds for loans.

The SRF revenue bonds are currently rated the highest available credit rating by three national credit rating agencies. Each rating reflects only the views of the respective rating agency, and an explanation of the significance of any rating may be obtained from the rating agency. There is no assurance that ratings will continue for any given period or that they will not be revised or withdrawn entirely by a rating agency if, in their judgment, circumstances so warrant.

Currently, the average coupon on the leveraged revenue bonds is higher than the interest rate charged to borrowers. The interest rate of loans made to the borrowers is generally 2%, while the

average coupon rate on the last revenue bond issue was 4.7%. Therefore, the debt service on the SRF bonds is paid from a combination of borrower loan repayments and interest earnings on the investment of SRF funds. Program assets and reserve funds are held as security for all bonds. As of June 30, 2020, the State held \$370.4 million in DWSRF program assets invested in loans, the State’s Short-Term Investment Fund, state and local government securities, and guaranteed investment contracts.

Green Bonds

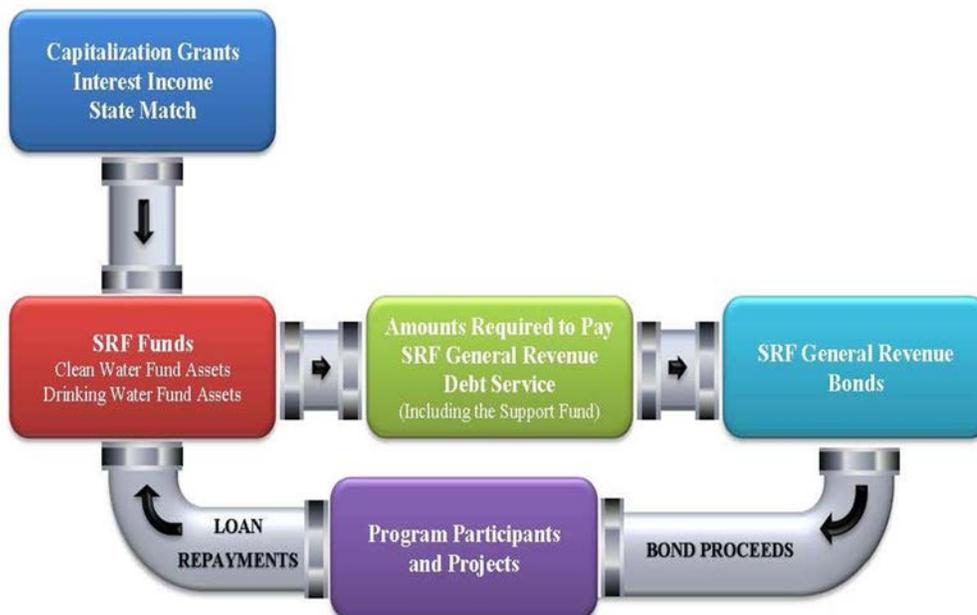
Bonds are described as being “Green” if the proceeds of the bonds will be applied exclusively for projects and activities that promote climate or other environmentally sustainable purposes in alignment with the Green Bond Principles. On July 9, 2019, the State issued \$250 million of Green Bonds to finance clean water and drinking water infrastructure projects, with approximately \$50

million set-aside for drinking water. The State also chose to pursue receiving a second opinion by Sustainalytics. This company is a provider of environmental, social, and governance research and analysis. Sustainalytics evaluated the State’s SRF Programs, the planned use of the 2019A bonds, and the alignment thereof with relevant industry standards. Their provided opinion declares that the State’s approach to selecting projects and managing green bond proceeds is “robust, and its reporting on the use of proceeds is transparent.” Sustainalytics concluded that the State’s program aligns with the four pillars of the Green Bond Principles, 2016 guidance. As of June 30, 2020, the State has issued \$750 million in revenue Green Bonds and \$190.5 million in general obligation Green Bonds. The projects funded by the revenue Green Bonds are detailed in Appendix VI.



Flow of Funds

A schematic of the flow of funds for the Drinking Water State Revolving Fund Program, which is part of the Connecticut Clean Water Fund Financing program:



CONDITION OF THE FUND

Each year, DPH and OTT, in conjunction with DEEP, estimate the amount of funding that will be available for specific projects. The amount is based on the remaining authorizations and the allocations approved through the State Bond Commission.

The Drinking Water SRF depends on the State's continued willingness to commit financial resources to the program. Due to state budget constraints and increasing drinking water project priorities, staffing levels for the DWSRF program is near its lowest since the program's inception. The program is operating with less-than adequate staff needed to attain all program goals. The DPH was directed by Public Act 16-2 (May Sp. Sess. 2016) to prepare a report concerning the expenditures necessary to ensure the continued administration of safe drinking water standards for public drinking water, including the DWSRF program. This report was completed and is available on the DPH website. In October 2017, Section 676 of Public Act 17-2 (June Spec. Sess.) was signed into law and authorizes the DPH to collect a safe drinking water primacy assessment from some water companies, based on the classification and size of the owned system. The DPH began collecting the assessment in January 2019 to support the department's ability to maintain primacy under the federal Safe Drinking Water Act (SDWA). Since 1977, the DPH has been delegated primacy from the EPA, giving the agency the authority to implement and enforce the SDWA. In June of 2019, Section 75 of Public Act 19-117 allowed for continuation of the assessment for an additional two years. Further information can be found at <https://portal.ct.gov/en/DPH/Drinking-Water/DWS/Safe-Drinking-Water-Primacy-Assessment>.

The DPH was able to initiate the project priority process and create the priority list for the year, due to the availability of funds remaining from previous authorizations. The current Project Priority List for the base Drinking Water SRF Program is available at the Department's web site www.ct.gov/dph. Since the inception of the program, the Drinking Water SRF has over \$361 million in completed projects and project commitments. Many of the

borrowers have multiple loans, and the largest number of loans and commitments continue to be with the MDC, Meriden, New Britain, Norwich, Norwalk, South Central Connecticut Regional Water Authority, and Southington. More recently the towns of Bethel and East Lyme have received funding for multiple projects.

Since 2001, the State has issued revenue bonds to expand the Drinking Water SRF and its ability to fund critical water quality projects. State bond authorizations for the Drinking Water SRF have only been used for project purposes.

The volume of projects funded in each year, as measured by DWF agreements executed with public water systems (PWSs), reflects both past demands on the program and the availability of funding through the State Bond Commission. Program capacity and cash flow projections show that combined with the Clean Water State Revolving Fund Program, the programs can sustain bond issuance of approximately \$145 million in revenue bonds per year through 2039 without additional State funds. Due to available funds in the programs trust accounts, when revenue bond proceeds are fully expended the program continues to provide funding for projects. The combined programs generally issue bonds every 18-24 months. The current projection is approximately \$250 million per issue, if needed. There is evidence that meaningful progress in water quality improvements, increased managerial and financial capacity, needs monitoring, and oversight of water resources has been made through the DWSRF program. Maintenance and continued improvement of the existing water infrastructure in Connecticut are dependent upon consistent funding for the DWSRF.

The projected financial needs of the DWSRF Program are part of the analysis of the DWF's sustainability. Cash flow and capacity models have been developed and are maintained by OTT. At least annually, DPH and OTT work together to review loan demand, current available funding, potential future needs and availability of future

funds to ensure the sustainability of the DWSRF Program.

BORROWERS

All Connecticut community and non-profit non-community PWSs are eligible to obtain funding through the DWSRF. A PWS is defined as having 15 or more service connections or regularly serves at least 25 people 60 or more days a year. In Connecticut, there are approximately 737 eligible PWSs subdivided by regulation into two categories: community and non-community, which are owned and operated by municipalities, private, or nonprofit entities. Community water systems provide water to populations that reside in the same place for more than 60 days a year. Eligible non-community systems provide water to schools and other locations where the population changes more frequently. The Clean Water SRF and the DWSRF have many similarities. However, one major difference is that the DWSRF can make

loans to private entities that own and operate PWSs. The DPH emphasizes the importance of reaching potential applicants. Each year outreach initiatives have included e-mails to eligible PWSs and municipal officials, statewide informational meetings, open forums, and the posting of information on the DPH DWS website. The DWSRF program is also promoted during sanitary survey inspections of PWSs, and at conferences and workshops around the state.

As a result of the outreach efforts, the number of new borrowers has increased significantly in the past few years. Many of these new borrowers are towns, for which the financing terms and potential subsidy are attractive incentives.



*Groton Utilities-Water Treatment Plant Upgrade
Project Panoramic View of New DAF and Filters Building and New Storage Tanks*

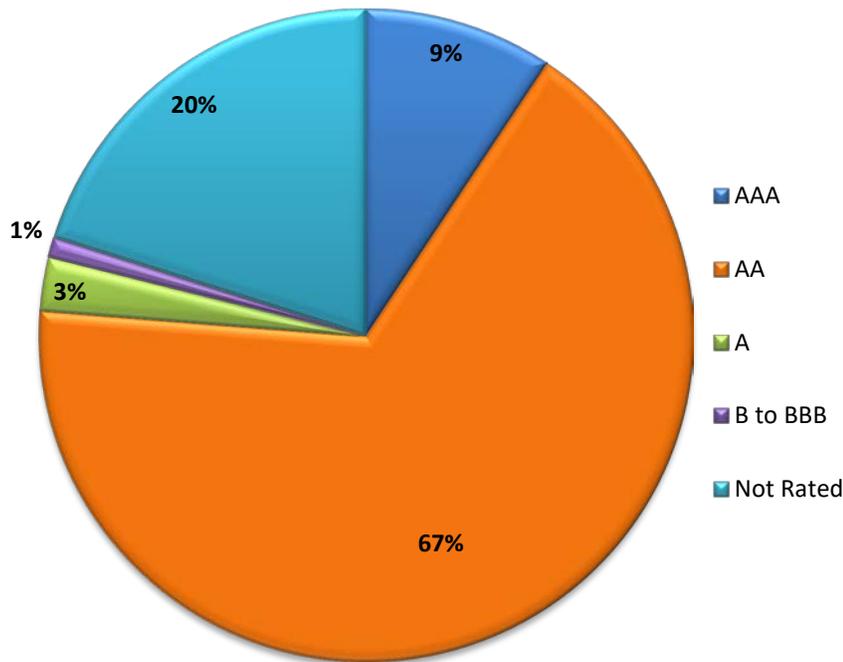
Portfolio Credit Quality

The overall financial condition of the state’s municipal and privately owned PWSs reflects positively on the Drinking Water SRF. The analysis and review of borrowers and their financial condition prior to the approval of a project loan is essential to the long-term viability of the program.

The Connecticut SRF loan portfolio is quite diverse. Approximately 76% of the borrowers with loans and commitments are rated “AA” or higher by S&P

Global Ratings as shown below. Most of the private and non-profit borrowers do not have credit ratings. The program’s loan administration includes separate loan servicing by the program’s trustee bank. No defaults have occurred to date. There is no grace period for loan repayments although the agreements allow up to 30 days to cure other defaults. A policy is in place to implement collection procedures in the event of a delayed payment.

State of Connecticut SRF Borrower Credit Ratings*



*Includes Clean Water and Drinking Water Borrowers. Ratings per S&P Global Ratings.

PROJECT FINANCING

The DWSRF provides financial assistance to eligible PWSs for planning, design, and/or construction projects. The major limitations on project financing are exclusions for projects that are primarily for growth. Other limitations are further described in the guidance documents available from the DPH and the EPA.

The DWSRF financial assistance consists of low-interest loans of approximately one-half of the market rate allowing up to 20 years for repayment. The loan rate during FY 2020 ranged from 2.0% to 2.841%, depending on the financial qualification of the borrower. The DWSRF also provides technical assistance and training with a portion of the federal grant. (note: In May 2020 the rate was calculated at 2% for all borrowers.)

The FFY 2010 (Public Law 111-85) federal capitalization grant required subsidization for eligible projects for the first time in the history of the program. The amount of subsidy available varies each year, and has been provided in the form of loan principal forgiveness for qualifying borrowers and projects. During FY 2011, the DWSRF began to offer federally funded loan subsidies designed to encourage PWSs to initiate projects they normally would not be able to afford based on their current finances. Due to continued availability from the federal capitalization grant, subsidization will continue to be offered as part of the DWSRF funding package.

Prior to FY 2015, the DWSRF did not offer state grant funding. During FY 2014, on May 22, 2014, Public Act 14-98 (PA 14-98) was signed into law, which under Section 46 provides the State Bond Commission the power to allocate general obligation bonds up to an aggregate \$50 million to be used by the DPH to implement a public water system improvement program. During the spring of 2016 legislative session, this amount was reduced to \$20 million. This program, codified under CGS 22a-483f, provides grants-in-aid, in the form of loan principal forgiveness, to certain eligible PWSs for eligible DWSRF projects. The entire \$20 million available funding under this program was allocated by the State Bond

Commission in May 2017 for two specific projects that have been determined to satisfy the eligibility criteria outlined in the Intended Use Plan (IUP). These projects are: Groton Utilities – Water Treatment Plant Upgrade and Norwich Public Utilities – Stony Brook DAF, Deep River Filters, Occum Tank, Stony Brook transmission mains, and Water main to Sprague. Groton Utilities received \$15 million of these funds during FY 2018. Norwich Public Utilities received \$2.5 million of these funds during FY 2019. Norwich received an additional \$2.39 million during FY 2020. It is expected that the remaining funds will be committed to the Norwich projects during FY 2021.

Under Public Act 20-1 an additional \$24 million was approved for this public water system improvement program. The projects which will utilize these funds are still to be determined.

Projects selected for financial assistance are chosen based on a priority ranking system created and managed by the DPH. The priority ranking system reinforces long-term goals of the State and reflects the DPH's philosophy of public health protection through the distribution of adequate and safe drinking water.

Intended Use Plan Summary

The DPH's IUP shows the proposed use of state and federal funding assistance for drinking water quality and quantity projects as well as the uses of set-aside funds used to administer the drinking water program.

The current IUP covers FY 2020 and is based on: 1) the use of FFY 2019 capitalization grant funds, 2) a state match of 20% of the FFY 2019 capitalization grant awards, and 3) unobligated funds carried forward from previous IUPs. During FY 2020, Connecticut provided the required 20% match of \$2.2 million necessary to receive the FFY 2019 award.

The Public Hearing and Open Forum for the FY 2020 IUP was held on December 5, 2019.

Applicants and interested parties participated at the hearing on projects to be funded during FY 2020 and had the opportunity to give testimony on projects and the IUP. The Open Forum allowed attendees to speak directly with staff about projects or answer any questions. The projects considered for funding in that IUP were based upon applications received during the call for projects between February 2019 and March 2019. The FY 2020 Annual IUP was finalized on January 23, 2020. In May 2020, the FY 2020 Annual IUP was revised to reflect additional eligibility applications received since its drafting. The Amended IUP was made available for a 30-day public comment period; no comments were received and the Amended IUP was finalized on June 1, 2020.

The most recent request for new DWSRF projects from PWSs occurred between February and May 2020, for projects to be funded during FY 2021. The draft FY 2021 IUP has been drafted, and a public hearing is expected to be held in September 2020. Since FY 2018, new project eligibility applications are accepted at any time, with periodic updates to the IUP. However, in order to be considered for the initial funding, the request must have been submitted to DPH by the date announced to be included in the annual IUP.

Priority Ranking System and Project Priority List

The priority ranking system is a key component of the management of the DWSRF program. Project eligibility applications are reviewed, awarded ranking points, and compiled to create a Project Priority List (PPL) to ensure that funding is available for projects that have the most pressing needs. The ranking system also incorporates procedures for emergency funding. Priority for the use of funds is designated to those projects that address one or more of the following: water quality, water quantity, acquisitions and transfers, infrastructure upgrades, protective measures covering sources of water supply and distribution systems, and affordability. Based on this system, the DWS develops a list of projects, the PPL, which will be offered funding during the year. The PPL is part of

the IUP. The IUP also includes a Comprehensive Project List of all project applications received.

The priority ranking system is used to award points for situations in which water quality impairments, water quantity deficiencies, or water system imperfections may increase risk to public health or result in noncompliance. The highest points are assigned to projects that are designed to bring systems into compliance with quality and quantity regulations of the Connecticut Public Health Code and SDWA. Points are also awarded for the acquisition of an existing public water system and upgrades to emphasize the importance of supporting projects that achieve long-term solutions to existing or potential water quality or quantity deficiencies. Affordability points are awarded to projects that serve a city or town determined to be a “distressed municipality” by the Department of Economic and Community Development, according to CGS 32-9p. The list is updated annually, and the most recent list available at the time of the call for projects is utilized for assignment of ranking points.

The priority ranking system is reviewed and revised as necessary prior to each call for projects. During FY 2018, it was significantly updated and revised. These revisions address the current drinking water infrastructure challenges and priorities facing the State of Connecticut and our PWS clients. DPH DWS Circular Letter 2017-03 was sent to all Community and Non-Profit Non-Community PWSs, as well as other interested parties, to announce and explain the changes.

While the entire priority ranking system was reevaluated, changes were made to key areas, and include the following:

- Infrastructure Sustainability: The PRS recognizes the critical role that asset management (AM) planning has in achieving a PWSs long-term sustainability.
- Infrastructure Resiliency: This new category provides points for projects that will increase a PWS’s ability to withstand and recover from natural or man-made disasters, including drought. This category will continue to provide

points for security enhancements to infrastructure facilities.

- **Water Conservation:** The revised PRS recognizes the importance of water conservation by providing additional priority points to projects that will result in significant “unaccounted for” or “non-revenue” water loss reductions. Points for water main rehabilitation or replacement have been increased to recognize the important role of these projects to reduce water main breaks and leaks.
- **Lead in Drinking Water:** Points have been increased for projects which are necessary to resolve lead action level exceedances. A new activity was added which provides points for projects that proactively reduce lead levels at schools and other childcare facilities, and for complete lead service line replacement.
- **Unregulated and Emerging Contaminants:** This new category provides points for projects which address contaminants or contaminants of emerging concern. Previously, there was no mechanism to provide points for these types of projects.

These changes were utilized beginning with the call for projects for FY 2018. As it is each year, the priority ranking criteria will be made available for review and comment from potential borrowers as part of the IUP and public hearing.

The DPH approves project funding to applicants on the PPL to the extent of funds available. Each PWS may apply for and receive project funding in an amount up to 100% of the eligible project cost. In some cases, based on readiness to proceed, a project may be bypassed on the PPL. Funding is offered to the next highest ranked and ready to proceed project(s) on the comprehensive list that was not originally included on the PPL. In these situations, the DWS continues to provide support for a potential recipient so that eligible projects can proceed as soon as possible. The PPL for FY 2020 can be found on the DWS website. Projects on the PPL are currently in the process of moving forward and are at varying stages of progress. Due to delays in certain projects originally earmarked to receive funding, from time to time bypass procedures were implemented in order to allocate all available project funds. The projects which received funding during FY 2020 are detailed in the next section of the report. Those which were bypassed are listed in Appendix VII. The PPL for FY 2021 will be available when the IUP is finalized.



Southington - New Mill St. Tank

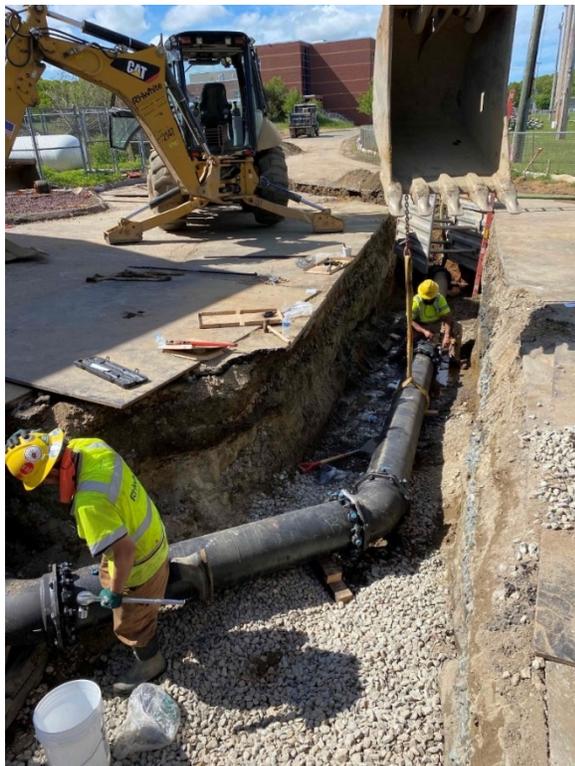
FY 2020 FUNDED PROJECTS DETAIL

During FY 2020, the Drinking Water SRF executed 9 new project commitments totaling more than \$12.4 million, including over \$11.5 million in loans for the following projects. In addition, one project received an additional \$945,766 via an amendment to the existing loan. The amount of funding provided was less than expected in part due to delays in the ability to execute new loan agreements as a result of Covid-19-related activities by the borrowers. A table listing all FY 2020 projects funded is included as Appendix III.

Base Program

Bethel Water Department – 2019 Various Water Main Replacement Project (\$934,793)

The projects consist of replacing existing undersized water mains on Oakland Heights, Pleasant Street, Highview Terrace, Grassy Plain Terrace, and Mansfield Street to address hydraulic capacity issues, reduce the risk of failure in the system, reduce bottle necks and improve system reliability, located in the Eureka Service Zone. The funding agreement was executed on May 19, 2020. Of the total project financing, the loan amount was \$714,128 at an interest rate of 2%.



East Lyme Water & Sewer –Greensand Filtration Well 1A and Well 6:Installation of Transmission Main to Convey Raw Water from Well 1A to Filtration System at Well 6

East Lyme Water & Sewer – System-Wide Meter Replacement with AMI Technology (\$2,166,410)

This project comprises a system-wide replacement/upgrade of the residential meters, commercial meters of up to 4-inch in size, and the water supply well source meters. It will include the incorporation of Advanced Metering Infrastructure (AMI) technology that is designed for instantaneous remote reading capabilities across the entire customer base. The funding agreement was executed on October 18, 2019, at an interest rate of 2%.

East Lyme Water & Sewer – Greensand Filtration-Well 1A & Well 6-Construction Phase (\$5,556,500)

This project consists of improvements to existing filtration system serving Well 6 and associated appurtenances. Part of this project is the construction of a new building to house a new filter vessel and emergency power generator. The existing electrical and mechanical components of the filtration building will be upgraded. The transmission pipe of Well 1A will be modified to allow the water from Well 1A to be pumped to the filtration system of Well 6.

The funding agreement was executed on April 15, 2020. Of the total project financing, the loan amount was \$5,156,500 at an interest rate of 2%.



RWA – Lake Saltonstall Tank Improvements – Tank #2

South Central Connecticut Regional Water Authority (RWA) – Lake Saltonstall Water Storage Tanks Improvements (\$970,745)

This project consisted of improvements to the water storage tanks at the Lake Saltonstall Water Treatment Plant. The project included multiple improvements to the existing filtered water reservoirs numbers 1 and 2, including removal of the existing steel roofs and installation of new aluminum roof covers, removal and replacement of the interior and exterior paint coating system, and installation of stairs on each tank. In addition, the reservoir influent and effluent 30-inch butterfly valves were replaced. This project addressed required capital improvements and upgrades to existing facilities, which are necessary to maintain properly operating conditions.

The funding agreement was executed on September 16, 2019. Of the total project financing, the loan was \$791,232 at an interest rate of 2%.



*Norwich Public Utilities- Sprague Emergency Interconnection
Pipe Trench Excavation Work*

Norwich Public Utilities – Occum Tank and Deep River Filters Rehab Project – Amendment (\$1,351,095)

This project comprises the installation of an aeration and mixing system in the existing Occum Tank and improvements to Deep River Water Treatment Plant Filter Units to address the elevated levels of disinfection by-products in the distribution system. Work being performed at the Deep River plant includes: replacement of

the existing filter sand media and porous plates, installation of piping system for filter to waste, cell indexing equipment, painting of filter effluent channels and filter room walls, and programming of the filter SCADA.

The amendment to the original funding agreement was executed on June 29, 2020. Of the amendment financing, the loan amount was \$945,766 at an interest rate of 2%. This project also received \$405,328 in the form of a grant-in-aid from the State of Connecticut under the Public Water System Improvement Program. The total project financing includes a loan amount of \$2,620,534 at an interest rate of 2%. The total grant amount from the Public Water System Improvement Program is \$983,917.



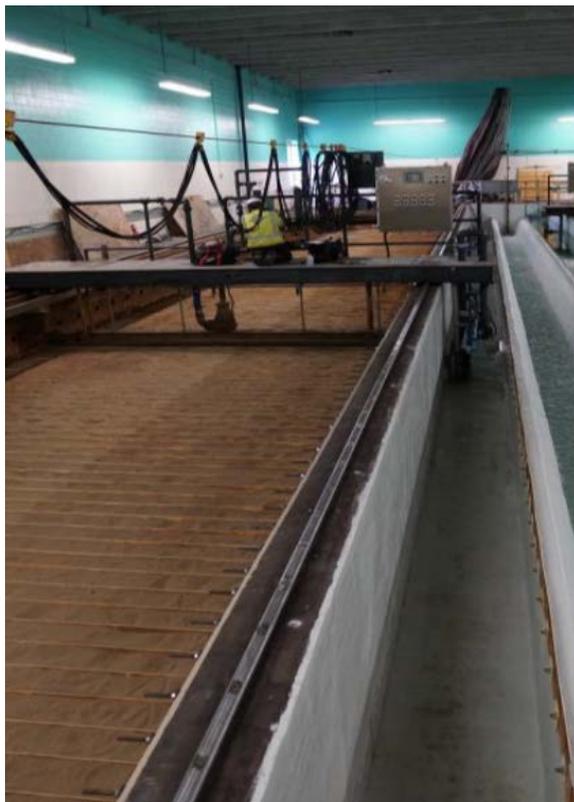
*Norwich Public Utilities- Stony Brook Transmission Main Rehab Installation of Insulated Water Main
Across Culvert Crossing*

Norwich Public Utilities- Sprague Emergency Interconnection and Stony Brook Transmission Main Rehab (\$4,652,378)

The Sprague Emergency Interconnection and Stony Brook Transmission Main Rehab are two separate projects. Project 1 comprises the installation of 12-inch diameter water main and other miscellaneous appurtenances starting from the existing terminus of Norwich Public

Utility's (NPU) distribution main at 10 Baltic Road (Route 97) in Norwich and extends northwesterly along Route 97 to the interconnection point with Sprague Water System Authority's (SWSA) distribution main located at 186 Main Street (Route 97) in Sprague. Project 2 comprises the installation of new transmission main piping and associated appurtenances at the intersection of Cove Brook Lane, Noble Hill Road in Norwich, and along Route 82 in Bozrah.

The funding agreement was executed on September 18, 2019. Of the total project financing, the loan amount was \$2,665,819 at an interest rate of 2%. This project also received \$1,986,559 in the form of a grant in-aid from the State of Connecticut under the Public Water System Improvement Program.



*Norwich Public Utilities-Deep River Filters Rehab
New Filter Media at Filter Unit #2*

Emergency Power Generator Program

The Emergency Power Generator Program (EPGP) was established in SFY 2012 due to the potential for widespread and prolonged power

outages caused by severe weather or other incidents which would impair a public water system's ability to provide safe and adequate drinking water. The EPGP includes streamlined procurement procedures, as compared to the base DWSRF Program, and allows eligible PWSs with projects costing less than \$100,000 to obtain low-interest loans and subsidies to purchase and install generators to be used in the event of power outages.

During FY 2020, the DWS continued to provide funding for this program. Since it began, 63 subsidized loans have been executed totaling over \$1.96 million for the purchase and/or installation of 69 generators. Funding applications for an additional seven generators have been received and are at varying stages in the review process.

Subsidization has provided up to 25% or 45% of the cost of eligible components of each generator project that receives DWSRF funding. The amount and percentage of subsidization depends on the amount of the request and if the generator is for replacement or if purchasing for the first time. The maximum amount of subsidy a PWS can obtain for a replacement generator is \$25,000 and \$45,000 for a new generator. The EPGP's high rate of subsidy brought many small systems to the program that may not normally participate in the DWSRF.



Ashford Hills – Emergency Generator

Ashford Hills, LLC – Emergency Power Generator (\$31,091 total funding)

This project consisted of the purchase and installation of a new 27KW emergency power

generator and associated components to provide backup electrical power to the facility during power outages. The project also includes installation of a propane tank, automated transfer switch, and associated plumbing components. The emergency power generator system was installed to bring the system to compliance with Section 19-13-B102(w) of the Regulations of Connecticut State Agencies.

The funding agreement was executed on August 2, 2019. Of the total project financing, the loan was \$17,100 at an interest rate of 2.841%.

Yeshiva Gedolah of Waterbury Durham Campus – Emergency Power Generator (\$62,004 total funding)

This project consisted of the purchase and installation of a new 150KW emergency power generator associated plumbing, connections to the fuel supply, automatic transfer switch, and wiring. This project provides backup electrical power to the Yeshiva of Waterbury Durham School Campus drinking water system during power outages. The emergency power generator system was installed to bring the system to compliance with Section 19-13-B102(w) of the Regulations of Connecticut State Agencies.

The funding agreement was executed on December 18, 2019. Of the total project financing, the loan amount was \$34,140 at an interest rate of 2.841%.



Yeshiva Gedolah of Waterbury –Emergency Generator

Knob Hill Condominiums – Emergency Power Generator (\$22,847 total funding)

This project consists of the purchase and installation of a 13KW and a 17KW stationary generator, associated plumbing, connections to the fuel supply, automatic transfer switch, and wiring. This project supplies the public water system with backup electrical power to provide potable water to the Knob Hill residents during power outages. Once installed, the emergency power generator system will bring the system to compliance with Section 19-13-B102(w) of the Regulations of Connecticut State Agencies. The funding agreement was executed on November 18, 2019. Of the total project financing, the loan amount was \$10,281 at an interest rate of 2.841%.

Westchester Hills Condominium Association, Inc – Emergency Power Generator (\$32,528 total funding)

This project consists of the purchase and installation of a 24KW stationary generator, associated plumbing, connections to the fuel supply, automatic transfer switch, and wiring. This project supplies the public water system with backup electrical power to provide potable water to the Westchester Hills residents during a power outage. Once installed, the emergency power generator system will bring the system to compliance with Section 19-13-B102(w) of the Regulations of Connecticut State Agencies. The funding agreement amendment was executed on December 2, 2019. Of the total project financing, the loan was \$14,662 at an interest rate of 2.841%.

All of these generators will be used to power the water supply system in the event of a power outage to maintain a safe and adequate supply of potable water.

Small Loan Program

Similar to the EPGP, during FY 2019 the DPH established the Small Loan Program as an extension of the EPGP to allow the streamlined procurement procedures to be used for other non-construction projects costing less than \$100,000, in an effort to make it easier for small PWSs with qualifying projects to proceed

through the DWSRF process. This program is only available for the purchase and installation of equipment, or the replacement of equipment, installed within an existing facility that does not involve the construction, alteration, or repair (including painting or decorating) of that facility. Typical projects that would be eligible to receive a loan under this program would include:

- 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

Low cost projects that would include new buildings, building additions, building alterations, or heavy equipment operators for site work would be considered construction projects and would not be appropriate for consideration under this Small Loan Program.

Small System Funding

Funding for small systems continues to be a priority for the DPH. During FY 2020, five PWSs executed five agreements for six projects, totaling approximately \$1.7 million. All small system projects that were ready to proceed were funded. The DPH continues to provide outreach and direct technical assistance to small systems in an effort to increase their participation, including assistance with developing Asset Management Plans. These systems generally need more hands-on guidance to understand and meet the DWSRF requirements, and there has been a marked increase in funding requests over the past few years. It is expected that the interest in the DWSRF program from small systems will continue. Overall, since the DWSRF program began, the DPH has exceeded the goal of providing at least 15% of available funds to small system projects.



Bethel – Water Main Installation

Projects Completed During FY 2020

During FY 2020, several projects sufficiently completed construction activities and placed the new or upgraded infrastructure into service. The table below summarizes those projects.

Projects Completed During FY 2020 *			
PWS Name (Applicant)	Loan Agreement #	Town	Brief Description
New Britain Water Department	2018-7066	New Britain	Multiple Systems Improvements
Waterbury Water Department	2019-7060	Waterbury	Various System Improvements (7 projects)
Regional Water Authority	2019-7070	New Haven (East Haven)	Lake Saltonstall Water Storage Tanks Improvements
Norwich Public Utilities	2019-7072	Norwich	Advanced Metering Infrastructure
Metropolitan District Commission	2019-7074	Hartford	Bond St. Area Water Main Replacement
Bethel Water Department	2019-7075	Bethel	Water Main Replacements
Garden Lane Apartments	2019-9064	Harwinton	Emergency Generator
Willington Ridge Condo Assn.	2019-9065	Willington	Emergency Generators
Ashford Hills Associates, LLC	2019-9068	Ashford	Emergency Generator
Yeshiva of Waterbury - Durham Campus	2020-9069	Durham	Emergency Generator

* Project completed means work completed for funding purpose only; may or may not have signed permanent loan note or repaid.



Highlights of the Benefits Provided by the FY 2020 Completed Projects

Bethel Water Department: The Bethel Water Department completed the “2018” various water main replacement project which addressed hydraulic capacity issues in various service areas in the distributions system. Replacement of these water mains will reduce the likelihood of water main breaks, reduce bottlenecks, and improve the reliability of the distribution system.

Willington Ridge Condominium Assn - Emergency Power Generator: The Willington Ridge Condo Assn. completed the installation of two new emergency power generators and associated appurtenances. These generators will help to maintain resiliency in the Association’s two water systems and ensure that they continue to provide an uninterrupted supply of water to their customers during a power outage.



Willington Ridge – Emergency Generator

Garden Lane Apartments - Emergency Power Generator: This project included the purchase and installation of an emergency power generator and associated appurtenances. This generator provides the water system with backup electrical power to provide an uninterrupted supply of potable water to the apartment’s residents in the event of a power outage.



Garden Lane Apartments – Emergency Generator & Propane Fuel Tanks

The Metropolitan District (MDC) – Bond St. Area, Hartford: The MDC completed replacement of a water main in the vicinity of Bond Street in Hartford, which has exceeded its useful service life. The project will improve the operation and reliability of the system to ensure that customers continue to receive a safe and adequate supply of potable water.



MDC – Bond St. Water Main Replacement Paving after Water Service Line Replacement

City of New Britain – Multiple System Improvements Projects (Planning Phase): This project included the planning phase for various improvements to existing facilities of the New Britain Water Department: 1) Filter Plant SCADA Upgrade to improve the operation of the water filter plant, 2) White Bridge Raw Water Surface Supply (Pond) Station, 3) Redevelopment of the Lower White Bridge wellfield to provide necessary backup sources of supply in the event of emergency, and 4) Replacement of the water main on Batterson Park Road to minimize water main

break occurrences and prevent water services interruption.

Norwich Public Utilities – AMI Water Meter Replacement Program: This project included of the removal and replacement of customers’ water meters and repair of associated service lines. This was a system-wide water meter replacement project and will improve the reliability and accuracy of the metered water use thereby improving the accuracy of accounted for and non-revenue water.

South Central Connecticut Regional Water Authority (RWA) – Lake Saltonstall Water Storage Tanks Improvements: The RWA completed improvements to the water storage tanks at the Lake Saltonstall Water Treatment Plant to address required capital improvements and upgrades to existing facilities, which are necessary to maintain properly operating conditions.



RWA – Lake Saltonstall Tank Improvements – Tank #1

Waterbury Water Department – Various Water System Improvements: This agreement included seven different projects located in various areas, including: installation of four new emergency power generators at pump stations, replacement of the emergency power generator at the Water Treatment Plant (WTP), water main cleaning and cement lining; and replacement of the sludge collection system at the WTP. These projects improve the reliability and operations of the water system.

The generator projects listed below were started and completed during the fiscal year. The new generators will be used to provide emergency power to their PWSs in the event of a power outage. Details of the projects are in the previous section.

- **Ashford Hills Associates, LLC**
- **Yeshiva of Waterbury - Durham Campus**



Summary of Projects

Appendix IV provides a more detailed list of FY 2020 subsidy and loan disbursements, loan payment receipts, outstanding loans, undrawn loan commitments, and additional loan commitments anticipated through June 30, 2021.

Drinking Water Infrastructure Needs Survey & Assessment and Future Funding Needs

The Drinking Water Infrastructure Needs Survey and Assessment (DWINSA) documents and assesses the 20-year costs and types of capital investment needs of public water systems that are required to protect public health and ensure compliance with the SDWA throughout Connecticut and the United States. Local water utilities make significant investments to install, upgrade, or replace equipment in order to deliver safe drinking water and protect public health. Every four years, EPA conducts a survey of the anticipated costs of these investments. The results are reported to Congress and are used by the EPA to determine the percentage of the DWSRF appropriation that each state will receive each year for the four-year period interval following the release of each survey's report. Connecticut's participation in the DWINSAs for 1999, 2003, 2007, 2011, and 2015 evidenced that a significant need for infrastructure improvement funding continues to exist throughout the state.

The 2015 DWINSA assessed the cost and types of drinking water needs throughout the nation for the period January 1, 2015, to December 31, 2034. The results of the survey were used to determine the DWSRF allocation for FFYs 2018 through 2021. The results of the 2015 survey, which were released in March 2018, showed that the State of Connecticut's estimated need had grown from \$1.394 billion in 2007 to \$4.018 billion in 2011. Based on this result, starting with the FFY 2018 capitalization grant, Connecticut's allotment will be 1%. Even though the need in Connecticut has increased significantly, so has the need throughout the country.

As the cost and need for infrastructure projects continue to increase, the demand for low-cost loans will most likely also increase. The availability of federal subsidization since 2010 for DWSRF projects has also increased the demand for loans. For FY 2020, DPH received requests for loans for 44 infrastructure projects totaling approximately \$108.6 million in total project costs which demonstrates the continued demand and interest in the program.

Preparations for the 2020 DWINSA have begun, and the DPH will continue to fully participate in the ongoing effort to identify the drinking water needs in Connecticut. The survey was originally anticipated to occur during 2019 but has been delayed due to various circumstances. The AWIA of 2018 included a new requirement that the DWINSA include an assessment of costs to replace all lead service lines and describe, separately, the costs associated with PWS-owned lines and those to replace any remaining portions, to the extent practicable. The methodology for including this information in the 2020 survey is still under development.

Additional information on the needs survey can be found on DPH's and EPA's websites.

INFRASTRUCTURE NEED AMOUNTS (MILLIONS) (2015 DWINSA)	
Transmission and Distribution	\$ 2,542.0
Treatment	770.4
Storage	400.9
Source	187.6
Other	116.7
Total	\$ 4,017.6

FY 2020 SET-ASIDES DETAIL

The Drinking Water SRF has several program set-asides that give the State extensive flexibility to explore multiple options to support eligible participants in the Drinking Water SRF. Set-asides are funds allocated for a range of specific activities such as encouraging source water protection and supporting other State drinking water program activities which can represent approximately 31% of the capitalization grant. The breakdown of set-aside funding by year is located in Appendix V. The Intended Use Plan (IUP) describes the State's intended uses for set-aside and project funds. Those uses are also listed in this report.

Administrative Set-Aside

The State uses this set-aside for the financial administration of DWSRF. Funds are allowed to pay for support services provided by staff outside of the DWS, which includes other State agencies.

These staff perform important functions for the DWSRF Program, from the evaluation of financial viability prior to a project proceeding, to processing of payment requests during construction, and finally closing of the loan and initiation of repayment. All necessary reviews were conducted as required, although the actions would have been timelier if there was a full complement of staff during the year.

During FY 2020, staff reviewed and processed 75 project payments totaling approximately \$33.6 million, of which approximately \$6.4 million was state grant-in-aid. It is stated in each loan agreement when payments must be made each month. For this reason, they are processed in a timely manner. In addition, staff attended SRF training hosted by EPA Region 1, along with staff from other states in the region and EPA.

Small Systems Technical Assistance Set-Aside

The State uses this set-aside to provide technical assistance to those PWSs that serve fewer than 10,000 people.

This staff person performs important functions for both small public water systems and in support of the DWSRF Program. Small systems are generally some of the most vulnerable PWSs and are also the

most numerous. These systems typically do not have the in-house expertise that large utilities do and require more direct assistance from DPH staff, especially when issues arise. While they all are required to have certified operators, many of these PWSs are run by volunteer boards and do not necessarily have the comprehensive understanding needed for the operation of a PWS. Staff funded by this set-aside performed 52 sanitary surveys inspections, provided technical assistance including site visits, performed 10 engineering plan and specification reviews of projects, and performed the subsequent inspections. In addition, 4 Level 2 Assessments were conducted, 2 Bulk Water Hauling Licenses were processed, and 9 consumer complaints, emergencies, and/or contamination incidents were handled. This staff person also provided technical assistance to systems on seasonal startup procedures and trained new staff on how to conduct sanitary surveys

Program Management Set-Aside

This set-aside is used to assist in the administration of the State's Public Water System Supervision (PWSS) Program. The staff performs important functions in support of the DWSRF Program and DWS as a whole.

These support activities are critical to the success in achieving the goals of the entire DWS and overall protection of public health. A few of the more important activities staff performed include: coordination of the administration of grants and interaction with EPA, including submittal of applications and reporting; preparation of guidance documents, work plans, and long-term strategies, including the primacy assessment; provided direct assistance to PWSs for water quality testing and reporting; assisted in maintenance and updating of the DWS website; assisted with processing water quality data files; continuation of Memorandum of Agreements between DPH and UCONN; and participated in the preparations and training for the upcoming DWINSAs.

Staff also reviewed the DWSRF financial assistance applications and coordinated the preparation of DWSRF funding agreements among DWS, DPH

Fiscal Office, and OTT, and provided legal assistance to the DWS.

Funds from this set-aside were also used for internships for University of Connecticut students. These interns assisted staff across the entire DWS with various activities, including source water protection, permit reviews, updates to GIS database, project reviews, and drafting of documents and letters.

Local and Other State Program Management Set-Aside

This set-aside is divided into two sections: Capacity Development and Source Water/ Wellhead Protection.

Capacity Development

Under this set-aside, staff are responsible for initiatives that are consistent with the DWS's EPA-approved capacity development strategy and help to improve the technical, financial, and managerial capacity of PWSs. DPH's strategy contains long-term sustainability initiatives including: education, technical assistance, enforcement, consolidation, DWSRF assistance, water system restructuring, promoting the use of asset management, and assessing compliance with State regulations and the SDWA. Systems that do not correct existing violations through technical assistance are referred for formal enforcement actions including possible takeover proceedings.

Technical staff funded by this set-aside support all types of PWSs with a range of activities: perform sanitary survey inspections, including technical, financial, and managerial capacity assessments; provide technical assistance including site visits; and perform engineering plan and specification review of projects and perform the subsequent inspections. Staff work closely with PWSs, and when necessary local health departments, and provide technical assistance to correct any deficiencies or violations that may occur. Staff also review optimal corrosion control treatment (OCCT) projects following lead and/or copper exceedances.

Staff completed 231 sanitary surveys, 26 technical project reviews, 30 OCCT technical project

reviews, 7 level 2 assessments (under RTCR), addressed 12 complaints/emergencies, and reviewed 2 water supply plans. Due to the Covid-19 pandemic, field work was suspended for a period of time, reducing the number of sanitary surveys that would have been completed during the FY. During this time, staff worked on development of a protocol for completing these surveys remotely.

Staff assisted in processing 4,965 water quality data files, 1,372 through Electronic Data Interface (EDI) and 3,593 through Compliance Monitoring Data Portal (CMDP), from laboratories containing more than 430,000 water quality analytical results. Provided technical assistance to help 4 labs fully transition to report through the CMDP with another 4 labs in the process.

One staff person worked in the Enforcement Unit on various tasks, including: prepared 15 Administrative/Consent Orders, issued 170 formal and informal enforcement actions for monitoring/reporting, maximum contaminant level and public notification violations, and provided technical assistance to 15 public water systems on the EPA Enforcement Targeting Tool report to return them to compliance.

Staff funded by this set-aside are part of the Lead Team, a workgroup created following the crisis in Flint, Michigan, to improve implementation of the Lead & Copper Rule. This team meets regularly to discuss various items, including water sampling results, orders for lead or copper level exceedances, OCCT projects, and lead service line inventory information. During FY 2020, this workgroup also provided guidance to school and childcare facilities on the flushing of taps to reduce lead in the water, developed comments on the Lead & Copper Rule Revisions, drafted a policy for PWS with lead sample levels between 5 ppb and 15 ppb in schools and childcare facilities, and the lead components of the Water Infrastructure Improvements for the Nation (WIIN) Act, which aim to reduce the level of lead in drinking water and develop a testing program for schools and childcare facilities. This workgroup also interacts with other Sections within the DPH which monitor the health effects of lead exposure in the

environment in an effort to improve communication and coordination.

Staff also assisted in the implementation of new drinking water rules, including the development of a template for small community water systems to use in developing a Fiscal and Asset Management Plan.

Staff funded under this set-aside attended trainings/workshops including: AWWA Water Audit Seminar, Legionella Conference, DPH Everbridge Training, Resilient Connecticut Summit, Greater Hartford Leadership Enneagram Training, and presented at the Resilient/Sustainable CT Water Systems Meeting. In addition, staff attended several EPA, AWWA, NEIWPCC, and ASDWA webinars, including several on Covid-19. Staff also participated in various workgroups and committees, including: Safety Committee, Governor's Council on Climate Change (GC3), Radiological Response Field Sampling Team, SAFR Council Resilient Connecticut State Agency Workgroup, Capacity Development Workgroup, Covid-19 Environmental Lab Preparedness Team, Covid-19 Resource Team, and Remote Sanitary Survey Pilot Workgroup.

Source Water/Wellhead Protection Program

The DPH Drinking Water Section continued to develop a proactive approach toward source water protection and planning. The Source Assessment and Protection Unit (SA&P Unit) is responsible for the protection of Connecticut's 4,000 drinking water sources.

Source Water Protection

The SA&P Unit maintains a Strategic Plan for the Implementation of Drinking Water Source Protection in Connecticut. The unit coordinates, manages, and regulates source protection through the proactive enhancement and oversight of existing laws and regulations. This ensures that only the safest water is made available for public consumption through protection of the land that surrounds Connecticut's public water supplies. The unit continues to develop, enhance, and adapt source water protection laws.

Staff funded by this set-aside performs many functions to support the protection of sources of supply in an effort to maintain potable drinking water. These include review and approval of proposed sources of supply; permitting of activities associated with water company-owned land, such as sale, changes to, and reactional uses of; working with local, regional, and state partnerships on environmental reviews for projects that may have an impact on drinking water quality; and coordination of the process for conducting annual watershed inspections with the submission of annual watershed survey reports. The SA&P Unit has expanded its work related to Contaminants of Emerging Concern including perfluorinated alkyl substances (PFAS), cyan toxins and sodium/chloride.

The SA&P Unit staff continues to provide assistance to public water systems that utilize surface water sources with assessing harmful algal bloom toxins in their water sources by participating in internal and regional workgroups and maintaining a web page for public outreach. Staff funded by this set-aside work with public water systems, municipalities, state and federal agencies, local health departments, conservation districts and academia to address increasing levels of chloride and sodium being found in public drinking water sources of supply.

In addition, staff funded by this set-aside participated in meetings and co-authored the CT Interagency PFAS Task Force Report to Governor Lamont along with a companion webinar entitled PFAS 101 which is available on the PFAS Task Force Web Page and the CTDPH's YouTube Channel. The staff continues to lead an internal group coordinating implementation of the Public Health Action Items identified in the Interagency Task Force Report. The staff regularly communicates with counterparts at the DEEP, the DPH Environmental and Occupational Health Assessment Program, the Private Well Program, the State Public Health Laboratory, and the EPA. Staff also provides direct technical assistance to public water systems that have sampled their source waters and provide outreach education to Local Health Departments and Districts. They also

participate in regional meetings, conference calls, and webinars on the subject.

Staff from the SA&P Unit have leveraged the connections made through the Connecticut Source Water Collaborative to advance several funded opportunities benefitting source waters including a NRCS Source Water Readiness Pilot project with the Southeast CT Conservation District and a drinking water source water protection mapping project with the CT Council on Soil and Water Conservation.

The SA&P Unit hosted a Certificate Watershed Inspector Training on October 15, 2019 at the MDC's Training center. The training provided public water system staff responsible for inspecting properties in drinking water watersheds and certified operator's information to identify risks to their water supplies and provide them with tools to address potential risks and protect Connecticut's drinking water sources.

The SA&P Unit develops and maintains a geographic information system (GIS) to provide staff and the public with information that will aid in protecting drinking water sources. An enhanced and updated GIS was published in FY2020. The public version of the GIS is available at <https://portal.ct.gov/DPH/Drinking-Water/DWS/Public-Water-Supply-Map>.

The SA&P Unit is a partner, and a member of the technical advisory team, with the Connecticut Council on Soil and Water Conservation on a funded project to accelerate the implementation of source water protection in Connecticut. Protecting Connecticut's drinking water supplies is a top priority for the state as evidenced by the recent adoption of the State Water Plan.

Connecticut's Coordinated Water System Planning Process

In June 2016, the DPH convened the Water Utility Coordinating Committee (WUCC) for three Public Water Supply Management Areas pursuant to CGS §25-33f and directed each WUCC to implement the planning process established by that statute as well as CGS §§25-33g and 25-33h. Over a 24-month period, each WUCC held monthly meetings that were open to the public.

Between May and June 2018, each WUCC completed the development of their Coordinated Water Supply Plans (CWSPs). The CWSPs do not attempt to prioritize or recommend any particular capital improvement project, leaving such decisions to the individual utilities to evaluate with assistance from each WUCC. However, several potential projects are identified in order to facilitate further discussion and possible funding.

On December 20, 2018, the Commissioner of Public Health approved the three CWSPs. The approved plans will now guide the implementation of the recommendations by water utilities, municipalities, state agencies, and planning organizations.

Each CWSP contains more than 60 recommendations for each WUCC to pursue in order to improve public water supply coordination through 2030. These recommendations fall into the topic areas of responsible planning, drought management, source protection, water conservation, resiliency, and funding. Some recommendations will require action by DPH or other state agencies for completion, while others will rely on action by COGs or public water systems. These recommendations will provide the basis for discussion and action by each WUCC over the next ten years.

In FY 2020, the SA&P Unit initiated the WUCC Implementation Workgroup. This group is charged with implementing the recommendations of the CWSPs. A kickoff meeting was held on January 30, 2020, that focused on prioritization of tasks and getting feedback from stakeholders. More information on this meeting can be found here: <https://portal.ct.gov/DPH/Drinking-Water/WUCC/Water-Utility-Coordinating-Committee-Implementation-Workgroup>.

Environmental Engineering Program

The EHS Environmental Engineering Program (EEP) supports the implementation of drinking water source and wellhead protection in linking the protection of public water supplies with subsurface sewage system approval, maintenance, training, and repair.

Various activities include training of subsurface sewage installers in the proper location, design, construction, and operation of these systems. In addition, staff reviewed plans and specifications for all systems with a capacity of 2,000 gallons per day or more. Staff conducted:

- 30 complaint investigations for: illegal septage dumping, unlicensed installation, work practice violations and negligence resulting in 4 formal petitions and 1 hearing
- 8 plans for subsurface sewage disposal systems were reviewed; 6 were approved
- 32 central system exception request reviews; 25 were approved
- 20 well exceptions reviews; 18 were approved
- 13 technical assistance and regulation clarifications provided

During FY 2020, staff conducted two Phase I and one Phase II training sessions to local health officials on required regulations on new and repaired subsurface sewage disposable systems. The 4 - 5 day trainings, 14 training days total, were held in September, October, and November 2019, and February and March 2020. A total of 52 individuals were in attendance.

This staff prepared presentation material and conducted trainings to local health officials on required regulations for new and repaired subsurface sewage disposal systems. All in-person training has been converted to web-based due to Covid-19.

Staff conducted Soils Training in October 2019 in conjunction with other federal, state, and local officials. A total of 78 individuals attended. The training program was updated to include a track on hydraulic soil training.

The Environmental Engineering Program staff assisted the town of Westbrook in the development and finalization of wastewater management ordinances and regulations. The purpose of the ordinances was the reducing of potential wastewater impacts to environmentally sensitive areas, aquifer protection areas, and non-point source pollution.

Staff attended the EPA MOU Partners Workforce development training and National Environmental Health Association Annual Education Conference and participated in the national State Onsite Regulators Association meetings, EPA MOU partnership meetings, and was the DPH representative to the CT Environmental Health Association Subsurface Sewage Code Advisory Committee.

The Environmental Engineering Program staff continues to advocate for the protection of public water supplies through reduction of non-point source pollution from subsurface sewage disposal systems and participates in local and national training events to stay current on emerging and innovative technologies.

COMPLIANCE WITH OPERATING AGREEMENT, GRANT CONDITIONS, AND PROGRAM REQUIREMENTS

As described previously, the DPH has an Operating Agreement with the EPA for the administration of the DWSRF program. The OA includes several conditions that must be met on an ongoing basis. During FY 2020, the following activities related to these conditions were completed.

- Attorney General Certification included with FFY 2019 grant application met the requirement of the State having the authority to conduct the DWSRF program
- Deposited state matching funds. The State has provided a cumulative amount of approximately \$49 million through FY 2020 as state match for the capitalization grants. This is approximately \$6.0 million more than the requirement of \$42.8 million through FFY 2019.
- Reviewed technical, financial, and managerial capacity of assistance recipients
- Maintained DWSRF loan account, set-aside account, and DWSRF administration account
- Required DWSRF loan recipients to adhere to accounting and auditing procedures
- Submitted IUP and used all funds in accordance with the IUP
- Complied with enforceable requirements of the SDWA
- Independent auditor has evaluated program on a yearly basis
- Implemented/maintained system to minimize risk of waste, fraud, abuse, and corrective action
- Submitted and obtained EPA approval for DWSRF Set-Aside Work plans
- Requested approval from the EPA Project Officer as needed prior to any significant deviation to the approved work plans

Each capitalization grant award also includes many awards and programmatic conditions. DPH has also

met the following conditions of the capitalization grant with the EPA:

Applicant Credit Evaluation: OTT staff conducted a credit review evaluation for all borrowers. This evaluation determined whether an applicant has the ability to repay a loan.

Use Funds in Timely and Expeditious Manner: Public Water Systems with binding commitments have moved in an expeditious and timely manner to start and complete funded activities, and submit monthly payment requests.

DPH has also met the following requirements of the DWSRF Program:

Ensure Recipient Compliance with Applicable Federal Crosscutting Authorities: The State of Connecticut and all of its assistance recipients have complied with all applicable federal crosscutting authorities. A “Compliance with Federal and State Requirements” clause is included in every loan agreement, which requires compliance with all applicable state and federal laws and regulations.

Minority and Women’s Business Enterprises (MBE/WBE): The DWSRF utilized the same percentages that were approved by the EPA for the Clean Water SRF program of 3% for MBE participation and 5% for WBE participation. The DPH utilized equivalency for MBE/WBE reporting beginning with the October 2014 report. During FY 2020, all required reports were submitted.

Conduct Environmental Reviews: All public water system projects that received assistance during FY 2020 were reviewed using the DWS’s “Environmental Reviews of DWSRF Project” guidance document.

Green Project Reserve (GPR): The FFY 2011 GPR requirement was previously reported. There has been no federal requirement to fund projects under the GPR since FFY 2011.

Project Benefits Reporting (PBR) Database: After full execution of the funding agreement, each project was entered into the EPA PBR database. Upon

completion of the project and closure of the permanent financing, the project entry was updated.

Bypassed Projects: During FY 2020, it was necessary to bypass several projects, which may be due to withdrawal by the applicant, notification of a delay by the applicant, or a determination that a project is no longer eligible for funding. A list of these projects is included in Appendix VII.

American Iron and Steel: Beginning with the FFY 2014 appropriation enacted on January 17, 2014, projects must comply with new American Iron and Steel (AIS) requirements for certain materials and products used in the construction of the project. This requirement has been included in each successive annual appropriation.

Appendix III lists the projects which entered into binding commitments during FY 2020 and identifies those which are required to comply with AIS. Each funding agreement includes language referencing the applicability of AIS requirements, regardless if a project is utilizing a waiver or not. All projects are

reviewed for compliance with the AIS requirements during routine site visits.

Federal Single Audit: Any subrecipient that receives a total amount of \$750,000 or more from any federal source, including the DWSRF, in a single federal fiscal year is required to conduct a federal single audit according to the Single Audit Act Amendments of 1996. This requirement is included as a term in all project funding agreements.

Federal Funding Accountability and Transparency Act (FFATA): The projects listed in the table below were reported via the Federal Subaward Reporting System on the date noted for the FFY 2017 FFATA requirement for project funds. The full amount of FFY 2017 reporting requirements has been met. It is expected that projects will be reported for the FFY 2018, 2019, and 2020 grants during FY 2021. These projects will be used for all equivalency reporting, including MBE/WBE utilization and the Dun & Bradstreet Number (DUNS) requirement.

Federal Funding Accountability and Transparency Act Reporting							
Loan Agrmnt #	Loan Agrmnt Date	PWSID	Public Water System Name	Project Name	FFATA Reported Amount	FFATA Assigned Cap Grant FFY	FFATA Report Date
2020-7082	10/18/2019	CT0450011	East Lyme Water & Sewer Dept.	Advanced Metering Infrastructure	\$2,161,924	2017	11/25/2019
Total reported:					\$2,161,924		

Additional Subsidization

As explained in the project financing section of this report, the DWSRF program has been providing additional subsidy with project loans beginning with the FFY 2010 capitalization grant. Connecticut has met the annual requirements to have subsidy included in executed loans and disbursements for FFY 2010 through FFY 2016. In no case has any maximum amount of committed or disbursed subsidy been exceeded.

The DPH acknowledges that the goal to commit the minimum amount of subsidy for the 2017, 2018, and 2019 grants has not yet been met. It is expected that the minimum subsidy for FFY 2017 will be committed by September 30, 2020, though unlikely that the minimums for the 2018 and 2019 grants will be met by that date. However, several agreements are expected to be executed during FY 2021 and assigned to these grants. The remaining projects that are expected to be assigned to these grant years are in varying stages of the review process.

In previous years, projects had not been held to “readiness” as strictly as they are currently. As a result, there is still some catching up to do as these projects finally proceed to funding agreements and construction.

The goal of committing the minimum required subsidy by the end of the second year after the grant appropriation is not expected to be met for FFY 2018. Going forward, we do expect this goal to be met for FFY 2019 and beyond. The DPH understands the importance of committing and disbursing these funds in a timely manner, as they have a direct impact on the levels of ULOs. Appendix VIII lists the projects expected to be assigned subsidy, along with the expected month of commitment and full disbursement.

The AWIA of 2018 required states to provide subsidy to disadvantaged communities beginning with FFY 2019 capitalization grant. The DPH developed a Disadvantaged Community Assistance Program (DCAP) within the SFY 2019 Intended Use Plan. No subsidy has yet to be committed under this program; however, several eligible projects are in the process of development of loan agreements.

Appendix IX lists by FFY additional subsidization, including the total amount of subsidy committed, amount disbursed, amount remaining to be disbursed, and the expected month of final disbursement. Each project is listed individually until all subsidy has been disbursed. The funding agreements that will commit the required funds are pending. The goal is to complete the capitalization grant minimum required disbursements as soon as feasibly possible. The table below summarizes the federal subsidies from awarded capitalization grants:

Summary of Federal Subsidies

Cap Grant FFY	Minimum Amount of Federal Subsidy to Disburse	Maximum Amount of Federal Subsidy to Disburse	Total Federal Subsidy Amount Committed as of June 30, 2020	Additional Federal Subsidy Expected to be Committed	Federal Subsidy Amount Disbursed as of June 30, 2020	Remaining Federal Subsidy Amount Expected to be Disbursed	Estimated Month for Committal of Minimum Subsidy	Estimated Month for Disbursement of Minimum Federal Subsidy	Estimated Month for Full Disbursement of Federal Subsidy
2010	\$4,071,900	N/A	\$4,723,405	\$0	\$4,723,405	\$0	Achieved	Achieved	Achieved
2011	\$2,825,400	N/A	\$2,990,646	\$0	\$2,990,646	\$0	Achieved	Achieved	Achieved
2012	\$1,795,000	\$2,692,500	\$2,203,031	\$0	\$2,203,031	\$0	Achieved	Achieved	Achieved
2013	\$1,684,200	\$2,526,300	\$1,720,424	\$0	\$1,720,424	\$0	Achieved	Achieved	Achieved
2014	\$1,792,400	\$2,688,600	\$1,950,370	\$0	\$1,935,544	\$1,908	Achieved	Achieved	Sept 2020
2015	\$1,778,600	\$2,667,900	\$1,926,939	\$0	\$1,926,939	\$0	Achieved	Achieved	Achieved
2016	\$1,684,600	\$1,684,600	\$1,684,600	\$0	\$1,659,359	\$25,241	Achieved	Sept 2020	Sept 2020
2017	\$1,670,200	\$1,670,200	\$1,587,414	\$82,786	\$411,183	\$1,259,017	August 2020	March 2022	March 2022
2018	\$2,221,400	\$2,221,400	\$0	\$2,221,400	\$0	\$2,221,400	Dec 2020	Dec 2022	Dec 2022
2019	\$2,200,800	\$2,200,800	\$0	\$2,200,800	\$0	\$2,200,800	June 2021	June 2023	June 2023
2019 DCAP	\$660,240	\$3,851,400	\$0	\$3,851,400	\$0	\$3,851,400	October 2020	October 2020	Dec 2021

DWSRF Program Goals

The DPH, in consultation with the OTT Fund Administrator, develops goals for the DWSRF program, which are detailed in the IUP. The DWSRF short-term goals are focused on continued development and implementation of all facets of the DWSRF program. The short-term goals are benchmarks for measuring overall success and effectiveness of the program. The DWSRF long-term goals express strategic principles for guiding the DWSRF into the future. Many of these goals are associated with the normal operation of the program, and the activities associated with achieving these goals are included throughout this report. Those goals for which activities are not addressed elsewhere are noted below.

Several specific goals were implemented in the past few years which have had meaningful impacts on improving the overall program. These include:

- Maintaining use of a two-year budget planning period to coincide with the State's biennial budget
- Criteria in the DWSRF Priority Ranking System continues to place significant emphasis on ready-to-proceed projects
- Allow for new project eligibility applications to be submitted at any time during the year and update the Comprehensive Project List in the IUP with these new projects in a timely manner
- Continue to work closely with DWSRF loan applicants, along with coordination of regulatory review and loan preparation activities
- Maintaining a pipeline of projects through close interaction with public water systems concerning their system needs during the data gathering process for the 2011 and 2015 EPA Drinking Water Infrastructure Needs Survey and Assessment (DWINSA), and working to better promote and explain the DWSRF process

- Continue to institute streamlining techniques, as time permits

Maintaining an adequate staffing level has also been identified as an important factor in the success of the DWSRF program, and overall in the assistance and oversight provided to all public water systems. While the minimum goals continue to be achieved, the increased workload on staff is not sustainable. The majority of the staff time is spent implementing the minimum necessary to maintain the program and ensure compliance with ever-increasing federal requirements. Staff do not have time for the efforts needed to grow the program and improve processes for the borrowers.

The Small Loan Program was created during FY 2019 to further refine the streamlined procurement procedures that allow small, low-cost (less than \$100,000), non-construction projects to more easily progress through the contractor selection process while still meeting all state and federal procurement and contracting requirements. This process began with the Emergency Power Generator Program and has proved to work very well. It is expected that these procedures will greatly improve the overall DWSRF process for small water systems and increase the number of projects funded for these systems.

The DWS continued to work toward transitioning from the current databases to utilizing the Loan and Grants Tracking System (LGTS). Activities during FY 2020 involved continued use of the financial tracking of funding agreements and the start of entering additional project details. Further modifications to the current project database to help ensure smoother development and transfer of information and development of the LGTS project module had been on hold due to delays with the national development contract. However, a state contract was executed in spring 2019 which has allowed this work to continue.

The DPH completed its annual assessment of the implementation of the DWSRF Cash Management policy and procedure manual, which included status of pre-draw protocol, quality control and quality measurement, as well as a review of best management practices. The assessment revealed that the DPH has adequate internal control systems and

has complied with EPA requirements for the administration of the DWSRF grant monies.

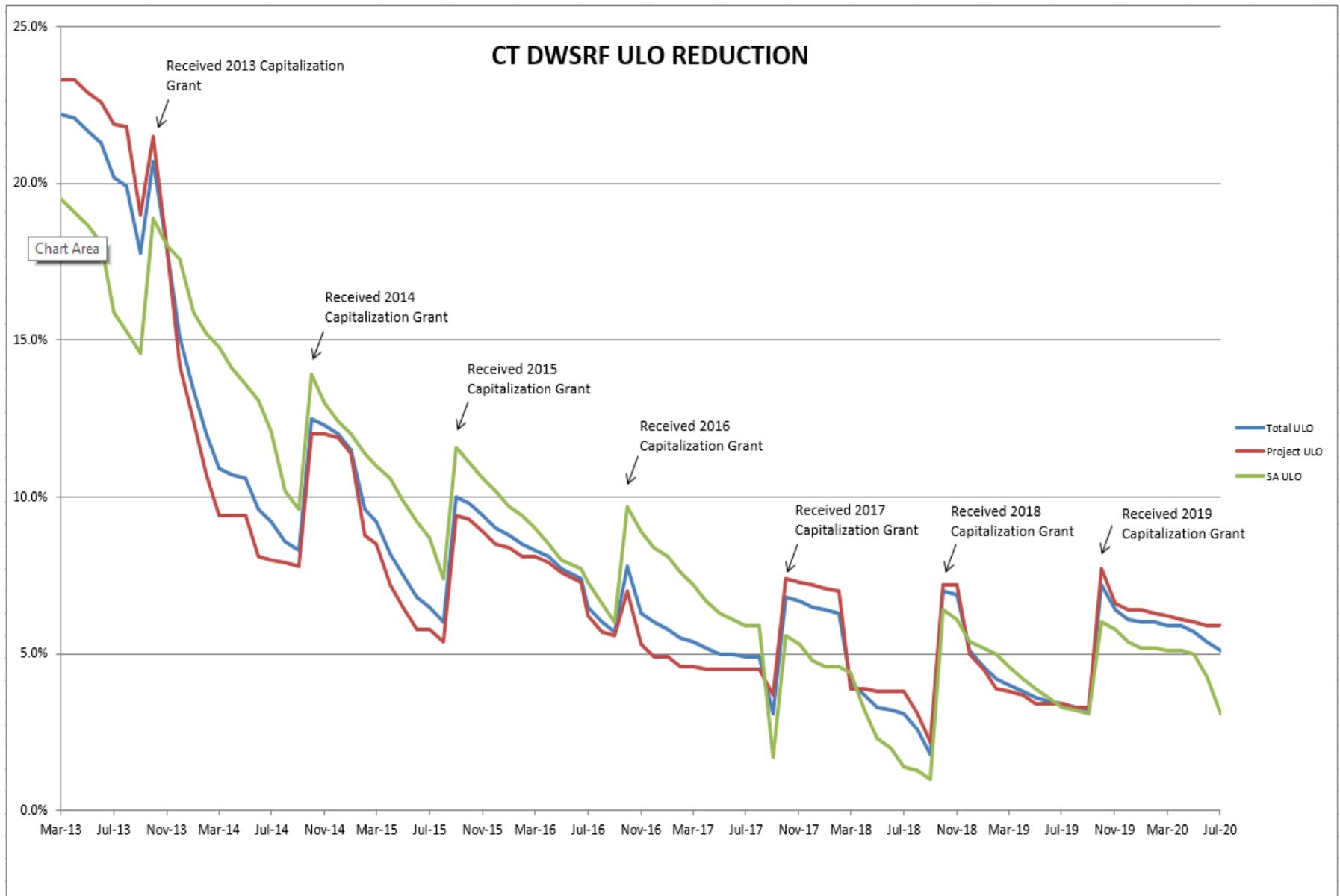
The ULO project balance is \$9,715,816 as of July 1, 2020. Due to program requirements, all monies provided as federal subsidy must come directly from the federal capitalization grant. As a result, a balance of project ULOs must be maintained in an amount sufficient to fund federal subsidy payments for qualifying projects currently under funding agreements and those for which funds are being carried over. The ULO set-aside balance is \$1,937,093.

The DPH closely monitors DWSRF ULOs with the goal being the expeditious disbursement of each capitalization grant. The DPH has a ULO Reduction Plan which outlines strategies to keep DWSRF project and set-aside ULOs as low as possible. In April 2014, EPA established national objectives for states to fully expend their capitalization grants within two years of their award date. The DPH will fully disburse and draw the remaining funds associated with the FFY 2018 capitalization grant by September 2020 and expects to continue to meet the EPA goal in the future.

The set-asides are primarily used to support adequate levels of DWS staffing to implement the DWSRF, Source Water Protection, Capacity Development, and Public Water System Supervision Programs with limited outside contractual support. The State of Connecticut provides in-kind matching funds to obtain our federal EPA grants; however, non-matching state contributions for these activities have diminished in recent years and are not expected to increase in the foreseeable future due to current State budget deficit projections. The DPH has been carrying over unspent set-asides from prior years' capitalization grants to sustain these programs. Since 2019, the DPH has been able to collect fees from Public Water Systems to provide additional support for these programs and reduce our dependence on the capitalization grant carryovers. The DPH currently has authorization to collect fees under Public Act 19-117. This Public Act allows for collection of fees from Community and Non-Transient Non-Community public water systems through State Fiscal Year 2021. The DPH will be working to continue collecting fees through future legislation. DPH's ULO Reduction Plan accelerated the rate of spending these carryover funds to reduce ULOs, but it is necessary to manage those funds in a

manner that minimizes the risk of diminishing the important services provided by the programs until alternative sources of new funding are obtained.

With primary SDWA enforcement responsibility granted by the EPA, the DWS requires sufficient resources to meet the many requirements for state primacy. Increasing oversight of state programs current implementation of and compliance with federal rules, such as lead and copper, has led to an increase in workload. The state's drinking water program is in need of additional funding resources in the near future to sustain our current staffing level and necessary to reach an optimal staffing level.



Appendix I: Management of DWSRF Program

Department of Public Health (DPH)

The DPH is a State of Connecticut regulator focused on protecting public health by regulating access to the health care professions as well as community-based and environmental providers, and provides regulatory oversight of health care facilities and other services including drinking water systems. The DPH is the primary agency responsible for the administration of state and federal drinking water regulations. This mandate focuses on the use and the protection of the state's drinking water resources and assuring the quality and adequacy of Connecticut's public drinking water sources. The Drinking Water Section within the DPH is responsible for enforcement of and compliance with State and federal laws, rules, and regulations pertaining to drinking water and its use in the state. CGS Section 25-32 grants DPH jurisdiction over all matters concerning the purity and adequacy of drinking water and provides regulatory oversight of public water systems throughout the state. In the course of a day, virtually every Connecticut resident as well as many others who visit the state come into contact with drinking water provided by a public water system. DPH monitors approximately 2,426 public water systems in Connecticut. Of those, approximately 737 public water systems are eligible for DWSRF funding. Public water systems monitoring activities include:

- Emphasizing the importance of reaching these potential applicants through the implementation of its public outreach initiatives simultaneously with the improvement of the Drinking Water SRF program
- Reach and maintain low levels of ULOs associated with capitalization grant awards (projects and set-asides)
- Determining future needs and setting priorities with the preparation of a one-year Project Priority List

- Providing project information to the DEEP for development of the biennial capital budget
- Distributing applications and project information to the Office of the State Treasurer and when applicable, the DEEP's PURA, for review and approval. Once approved, the loans with the DWSRF borrowers are signed by the DPH
- Establishing a compliance schedule for each step of the project, including planning, design, and construction
- Quarterly and Annual reporting on the details of these and other program activities to the EPA
- Conducting the Public Hearing and Open Forum on the IUP and Project Priority List
- Participates as a member of the Drinking Water SRF Interagency Committee

Department of Energy and Environmental Protection (DEEP)

The Connecticut Drinking Water SRF, as one of the major programs of the Connecticut Clean Water Fund, was created and initially managed through the coordination of DPH, the Department of Environmental Protection (now DEEP), the Department of Public Utility Control (DPUC), and the OTT. The State Clean Water Act gave the agencies certain statutory responsibilities for the Drinking Water SRF, and the agencies worked together through an Interagency Committee. As the program has evolved, the DPUC has been absorbed into the DEEP as the Public Utilities Regulation Authority (PURA) and the DEEP coordinates the capital budget requests for the entire Clean Water Fund, including the DWSRF. DEEP participates as a member of the Drinking Water SRF Interagency Committee.

Appendix I: Management of DWSRF Program (cont.)

Office of the State Treasurer

OTT has responsibilities for the Drinking Water SRF's financing program and various financial components of the Drinking Water SRF. The State Treasurer and the Commissioner of the Department of Environmental Protection entered into a Memorandum of Agreement in 1989 which was later modified by a Memorandum of Understanding in 2009, and also signed by the Department of Public Health Commissioner. These Agreements delegate to the State Treasurer various financial components of the CWF and the DWF and certain responsibilities with respect to the implementation and management of the CWF and the DWF. A financial administrator, who works for the State Treasurer, manages and coordinates the various financial components of the CWF and DWF programs on a day-to-day basis. The activities of the financial administrator are coordinated with those of the DPH, the DEEP, and OPM.

Financing Program Administration

Both DPH and OTT are involved in the evaluation of each loan application, and after review by both offices, all loan and subsidy agreements are approved by the Commissioner of the DPH. The OTT has the responsibility to structure loans based on consideration of the borrower's financial condition and financial management capabilities, protection of the high credit quality of the state fund, as well as the laws and regulations of the State. Although there is some flexibility with regard to the timing of approvals, in all cases funding is subject to a project being listed on a Project Priority List and obtaining State Bond Commission approval.

Appendix II: Federal Capitalization Grant and State Match Summary

Federal Capitalization Grant and State Match*						
As of June 30, 2020						
Federal Fiscal Year	Project Funds	Set-Aside Funds	Total Capitalization Grant	Cumulative Capitalization Grant	State Match Provided	Cumulative State Match Provided
1997	14,771,658	6,636,542	21,408,200	21,408,200		0
1998	4,913,697	2,207,603	7,121,300	28,529,500		0
1999	5,150,022	2,313,778	7,463,800	35,993,300		0
2000	5,352,330	2,404,670	7,757,000	43,750,300		0
2001	5,374,479	2,414,621	7,789,100	51,539,400	10,398,696	10,398,696
2002	5,556,225	2,496,275	8,052,500	59,591,900		10,398,696
2003	5,522,829	2,481,271	8,004,100	67,596,000		10,398,696
2004	5,729,139	2,573,961	8,303,100	75,899,100		10,398,696
2005	5,716,995	2,568,505	8,285,500	84,184,600		10,398,696
2006	5,678,217	2,551,083	8,229,300	92,413,900	5,000,000	15,398,696
2007	6,500,910	1,482,471	7,983,381	100,397,281	1,610,500	17,009,196
2008	6,924,100	1,467,519	8,391,619	108,788,900	1,600,820	18,610,016
2009	4,399,080	3,746,920	8,146,000	116,934,900	3,616,640	22,226,656
2010	9,215,370	4,267,630	13,483,000	130,417,900		22,226,656
2011	6,022,180	3,395,820	9,418,000	139,835,900	3,078,085	25,304,741
2012	6,192,750	2,782,250	8,975,000	148,810,900		25,304,741
2013	5,622,130	2,798,870	8,421,000	157,231,900	7,169,861	32,474,602
2014	6,183,780	2,778,220	8,962,000	166,193,900	1,065,307	33,539,909
2015	6,143,070	2,749,930	8,893,000	175,086,900	941,253	34,481,163
2016	5,811,870	2,611,130	8,423,000	183,509,900	5,968,953	40,450,116
2017	5,696,230	2,654,770	8,351,000	191,860,900	552,847	41,002,963
2018	7,663,830	3,443,170	11,107,000	202,967,900	493,425	41,496,388
2019	7,592,760	3,411,240	11,004,000	213,971,900	7,343,843	48,840,232
						22.83%
* Does not include ARRA award of \$19,500,000 from 2009. State match was not required.						

Appendix III: Drinking Water SRF Binding Commitments

Loan Agreement #	Loan Agreement Execution Date	PWSID	Public Water System Name	Project Name	Total DWSRF Funding Amount	Loan Amount	Federal Subsidy Amount	Assigned Cap Grant FFY for Subsidy	AIS
2019-9068	8/2/2019	CT0030011	Ashford Hills Associates, LLC †	Emergency Generator	\$34,201	\$18,810	\$15,390	2017	Y
2019-7070	9/16/2019	CT0930011	Regional Water Authority	Lake Saltonstall Water Storage Tanks Improvements	\$970,745	\$791,232	\$179,513	2017	Y
2019-7081	9/18/2019	CT1040011	Norwich Public Utilities	Sprague Emergency Interconnection and Stony Brook Transmission Main Rehab *	\$2,665,819	\$2,665,819	\$0	-	Y
2020-7082	10/18/2019	CT0450011	East Lyme Water & Sewer Commission	System-Wide Meter Replacement with AMI Technology	\$2,166,410	\$2,166,410	\$0	-	Y
2019-9067	11/18/2019	CT0280051	Knob Hill Condos †	Emergency Generator	\$22,847	\$12,566	\$10,281	2017	Y
2019-9066	12/2/2019	CT0280031	Westchester Hills Condo Assn†	Emergency Generator	\$32,582	\$17,920	\$14,662	2017	Y
2020-9069	12/18/2019	CT0380041	Yeshiva of Waterbury - Durham Campus †	Emergency Generator	\$62,004	\$34,140	\$27,864	2017	Y
2020-7084	4/15/2020	CT0450011	East Lyme Water & Sewer Commission	Greensand Filtration Well 1A & Well 6 - Construction Phase	\$5,556,500	\$5,156,500	\$400,000	2017	Y
2020-7085	5/19/2020	CT0090011	Bethel Water Dept †	2019 Various Water Main Replacement	\$934,793	\$714,128	\$220,665	2017	Y
2019-7069-2	6/29/2020	CT1040011	Norwich Public Utilities	Occum Tank & Deep River Filters Rehab (Amendment) *	\$945,766	\$945,766	\$0	-	Y
				Total funded amounts:	\$13,391,668	\$12,523,293	\$868,375		

† - These Public Water Systems are considered "small" for the purposes of DWSRF funding.

* - This project also received an additional amount of state subsidy under the Public Water System Improvement Program

Appendix IV: Drinking Water Projects – FY 2020 Disbursements, Receipts, Outstanding & Estimated Additional Commitments

Applicant	Town	Federal Subsidy Disbursed FY2020	Loan Disbursed FY2020	Loan Received FY2020	IFO/PLO Loan Outstanding at 06/30/2020	Undrawn Loan Commitments	Estimated Additional Commitments thru 06/30/2021
1st Taxing District- City of Norwalk	Norwalk	-	-	329,059.83	5,235,042.73	-	8,800,000.00
2nd Taxing District- City of Norwalk	Norwalk	-	-	1,142,117.88	11,423,197.95	-	-
Arnio Drive	Plainfield	-	-	3,041.42	5,445.39	-	-
Ashford Hills	Ashford Hills	13,991.18	17,100.32	-	17,100.32	1,710.03	-
Baxter Farms	Baxter Farms	-	-	2,043.21	13,155.12	-	-
Bethel	Bethel	116,236.60	348,709.73	242,751.13	4,321,361.48	-	6,468,391.00
Bristol	Bristol	-	-	71,399.47	1,084,118.99	-	-
Candlewood Springs	New Milford	-	-	2,931.54	4,837.05	-	-
Candlewood Trails	New Milford	-	-	28,029.09	395,951.70	-	-
Colchester	Colchester	-	-	126,444.62	1,126,813.25	-	-
Cook Willow	Plymouth	-	-	47,910.01	90,574.91	-	-
Cromwell Fire	Cromwell	-	-	6,473.19	127,790.26	-	-
East Lyme	East Lyme	63,209.67	2,009,013.42	363,069.22	7,588,694.51	5,313,896.58	-
Groton	Groton	-	9,911,804.72	-	30,815,817.48	8,184,182.52	-
Harmony ACRES	Prospect	-	-	1,811.78	6,797.81	-	-
Hazardville Water	Enfield	-	-	3,836.39	27,263.39	-	-
Hillside Water Corp	Marlborough	-	-	9,655.34	23,111.87	-	-
Idleview Park	Naugatuck	-	-	700.33	2,926.34	-	-
Jewett City	Jewett City	-	-	3,606.91	13,533.06	-	-
Juniper Club	Vernon	-	-	-	5,421.86	-	-
Ledyard	Ledyard	-	-	310,641.71	4,066,212.76	-	-
Little Brook Road	New Hartford	-	-	2,658.13	4,318.83	-	-
Manchester	Manchester	-	-	45,953.46	903,978.02	-	1,350,000.00
MDC	Various	-	1,837,923.66	3,560,121.92	50,247,689.38	540,801.61	17,568,920.00
Meriden	Meriden	-	-	877,458.53	15,778,805.63	-	-
Middlebury Commons	Middlebury	-	-	3,290.09	1,420.20	-	-
New Britain	New Britain	104,284.40	-	1,988,874.66	8,133,449.21	-	4,700,000.00
New London	New London	-	-	240,770.05	4,473,661.14	-	-

Appendix IV: Drinking Water Projects – FY 2020 Disbursements, Receipts, Outstanding & Estimated Additional Commitments (cont.)

Applicant	Town	Federal Subsidy Disbursed FY2020	Loan Disbursed FY2020	Loan Received FY2020	IFO/PLO Loan Outstanding at 06/30/2020	Undrawn Loan Commitments	Estimated Additional Commitments thru 06/30/2021
Newtown	Newtown	-	-	38,306.82	145,783.02	-	-
North Willington Village Condo	Willington	-	-	-	199.46	-	-
Northland Country Living	Morris	18,663.75	22,811.25	1,067.74	21,794.42	-	-
Norwich	Norwich	245,342.04	5,074,719.69	784,847.69	15,967,640.88	4,428,796.50	-
Point-O-Woods	Old Lyme	-	-	246,655.02	-	-	-
Portland	Portland	-	-	176,803.40	1,072,443.86	-	-
Putnam	Putnam	-	-	49,283.30	568,997.16	-	-
Quassuk Heights	Woodbury	-	-	2,794.31	2,855.46	-	-
Quonnipaug Hills	Guilford	-	-	2,938.06	-	-	-
Ridgefield	Ridgefield	-	-	25,717.12	291,161.27	-	-
SCCRWA	East Haven	179,512.60	-	-	-	-	-
SCCRWA	New Haven	-	791,232.48	1,011,913.36	22,065,580.58	-	10,104,023.00
SCWA	Various	-	-	23,026.52	248,796.05	-	-
Sharon	Sharon	-	-	93,461.67	132,929.69	-	-
Southington	Southington	-	3,131,304.93	464,614.77	9,914,936.47	1,127,190.24	-
Tariffville Fire District	Tariffville	-	-	49,566.24	1,001,796.06	-	-
Town in Country	Woodbury	-	-	4,966.36	2,509.35	-	-
Twin Hills	Marlborough	-	-	3,273.10	-	-	-
Waterbury	Waterbury	642,509.45	2,570,037.83	40,021.24	3,440,888.32	100,965.60	2,750,000.00
Willington Ridge	Willington	9,198.18	11,242.22	11,250.58	-	-	-
Winsted Water Works	Winsted	-	-	-	-	-	2,335,850.00
Woodlake Tax District	Woodbury	-	-	54,647.95	609,659.45	-	-
Woodland Summit	Tolland	5,032.17	15,096.47	-	204,070.33	-	-
Yeshiva Gedolah - Durham Campus	Waterbury	27,864.00	34,056.00	261.24	33,878.56	-	-
Totals		1,425,844.04	25,775,052.72	12,500,066.41	201,664,411.00	19,697,543.08	54,077,184.00

Appendix V: Cumulative Set-Aside Funding by Category

<i>As of 6/30/2020</i>	Administration	Small Systems Technical Assistance	State Program Management	Local Assistance (Capacity Development and Wellhead Protection)	Total
Set-Aside Maximum Percentage:	4%	2%	10%	15%	31%
1997-2013 Awarded	\$6,892,876	\$3,438,938	\$16,902,190	\$23,598,285	\$50,832,289
drawn thru 6/30/20	\$6,892,876	\$3,438,938	\$16,902,190	\$23,598,285	\$50,832,289
Balance	\$0	\$0	\$0	\$0	\$0
2014 Award	\$358,480	\$179,240	\$896,200	\$1,344,300	\$2,778,220
Drawn thru 06/30/2020	\$358,480	\$179,240	\$896,200	\$1,344,300	\$2,778,220
Balance	\$0	\$0	\$0	\$0	\$0
2015 Award	\$291,120	\$178,060	\$880,300	\$1,335,450	\$2,684,930
Drawn thru 06/30/2020	\$291,120	\$178,060	\$880,300	\$1,335,450	\$2,684,930
Balance	\$0	\$0	\$0	\$0	\$0
2016 Award	\$336,920	\$168,460	\$842,300	\$1,263,450	\$2,611,130
Drawn thru 06/30/2020	\$336,920	\$168,460	\$842,300	\$1,263,450	\$2,611,130
Balance	\$0	\$0	\$0	\$0	\$0
2017 Award	\$400,000	\$167,020	\$835,100	\$1,252,650	\$2,654,770
Drawn thru 06/30/2020	\$400,000	\$167,020	\$835,100	\$1,252,650	\$2,654,770
Balance	\$0	\$0	\$0	\$0	\$0
2018 Award	\$444,280	\$222,140	\$1,110,700	\$1,666,050	\$3,443,170
Drawn thru 06/30/2020	\$444,280	\$222,140	\$1,110,700	\$1,666,050	\$3,443,170
Balance	\$0	\$0	\$0	\$0	\$0
2019 Award	\$440,160	\$220,080	\$1,100,400	\$1,650,600	\$3,411,240
Drawn thru 06/30/2020	\$197,871	\$97,019	\$382,482	\$796,775	\$1,474,147
Balance	\$242,289	\$123,061	\$717,918	\$853,825	\$1,937,093
TOTAL Awarded:	\$9,163,836	\$4,573,938	\$22,567,190	\$32,110,785	\$68,415,749
Drawn thru 06/30/2020	\$8,921,547	\$4,450,877	\$21,849,272	\$31,256,960	\$66,478,656
TOTAL Balance:	\$242,289	\$123,061	\$717,918	\$853,825	\$1,937,093

Appendix VI: Green Bond Reporting - State Revolving Fund Bonds

CLEAN WATER & DRINKING WATER REVENUE GREEN BONDS

2015 SERIES A REVENUE GREEN BONDS PAR \$283,600,000 - PROCEEDS \$283,600,000 - See FY17 Annual Report for Expenditure Details

2017 SERIES A REVENUE GREEN BONDS PAR \$250,000,000 - PROCEEDS \$298,723,051.45 - See FY19 Annual Report for Expenditure Details

2019 SERIES A REVENUE GREEN BONDS PAR \$250,000,000 - PROCEEDS \$298,715,831.53 - Issue Date: 7/9/2019

Recipient	Program	Project #	Project Description	Disbursements
Arnio Drive	Drinking Water	2019-9063	Generator	\$8,486.61
Berlin	Clean Water	217-CSL	Belcher Brook interceptor sewer rehab project	1,933,314.07
Bethel	Drinking Water	2018-7067	Briar Cliff pump station	622,599.06
Bethel	Drinking Water	2019-7075	Various Water main replacements	644,494.66
Bridgeport	Clean Water	681-C	Combined sewer overflow storm water pump station	215,323.54
Bridgeport	Clean Water	706-DC	West side wastewater treatment plan improvements	476,362.73
Bristol	Clean Water	640-DC	Upgrade WPCF	53,749.84
Bristol	Drinking Water	2019-7073	DeWitt Drive storage tank improvements	490,610.32
East Lyme	Drinking Water	2020-7082	AMI Water meter replacement program	1,292,644.50
Enfield	Clean Water	671-DC	Upgrade WPCF design and construction	19,437,726.56
Farmington	Clean Water	620-DC	WPCF facility upgrade	11,964,552.38
GNH WPCA	Clean Water	711-DC	Short term control plan improvements to reduce CSO's	4,922,694.36
Groton	Drinking Water	2017-7059	Upgrade Poquonock water treatment plant	20,911,791.25
Juniper Club	Drinking Water	2019-9062	Generator	5,389.48
Killingly	Clean Water	524-DC	Reconstruction of the Rogers Village Pump Station	40,952.78
Killingly	Clean Water	688-D	Design upgrade to Killingly WPCF	331,090.40
Killingly	Clean Water	688-C	Upgrade to Killingly WPCF	5,559,336.90
Little Brook Road	Drinking Water	2018-9059	Generator	8,036.29
MDC	Clean Water	219-CSL	Goff Brook overflow closure	27,318,740.80
MDC	Clean Water	221-CSL	Cedar Street sewer/water main project Newington	1,690,106.35
MDC	Clean Water	652-C	WPCA facility upgrade	2,078,420.38
MDC	Clean Water	657-CD1	Hartford WWTP upgrades	22,430,266.65
MDC	Clean Water	692-C1	Construction of the MDC SHCST	53,673,618.76
MDC	Clean Water	697-DC	MDC Hartford WPCF RSRF, GT and solids processing	14,859,749.60
MDC	Drinking Water	2017-7055	Install radio based meter reading equipment phase IV	177,905.23
MDC	Drinking Water	2018-7061	Water main replacement Montclair and Linbrook area in Hartford	376,919.98
MDC	Drinking Water	2018-7062	Water main replacement Garden Street in Wethersfield	926,357.58
MDC	Drinking Water	2019-7074	Water main replacement Bond Street	1,730,861.05
Middletown	Clean Water	220-CSL	Old Mill Rd area-sanitary sewer, water main & surface improvements	1,591,466.57
Middletown	Clean Water	696-C	Demo old and construct new inter-municipal pump station	13,270,836.97
New Britain	Drinking Water	2018-7066	Filter plant upgrade, water main improvements, water surface supply station	718,165.25
Norwich	Clean Water	707-PD	Develop long term control plan to reduce combined sewer discharges	793,388.86
Norwich	Drinking Water	2017-7056	Mohegan Park water tank installation	484,037.93
Norwich	Drinking Water	2019-7069	Occum Tank and Deep River Filters Rehabilitation	1,651,813.15
Norwich	Drinking Water	2019-7072	AMI Water meter replacement program	1,582,334.77
Norwich	Drinking Water	2019-7077	Stony Brook dissolved air floatation (DAF)	2,422,053.17
Norwich	Drinking Water	2019-7081	Sprague interconnection and Stony Brook main Rehabilitation	1,992,897.12
Old Colony Beach Club	Clean Water	720-D	Design sewers, drainage and green infrastructure improvements	389,834.78
Old Lyme Shores	Clean Water	645-D	Design sewers, drainage and green infrastructure improvements	425,211.15
Old Saybrook	Clean Water	673-C1	Decentralized wastewater management system	1,210,941.37
Plainville	Clean Water	715-DC	WPCF phosphorus removal upgrade project	6,969,112.84
SCCRWA	Drinking Water	2019-7064	Burwell Hill tank replacement	2,366,281.38
SCCRWA	Drinking Water	2019-7078	AMI Water meter replacement program	3,912,957.51
SCCRWA	Drinking Water	2019-7070	Lake Saltonstall water storage tank improvements	791,232.48
Southington	Clean Water	651-DC	WPCF phosphorus removal upgrade project	19,489,796.08
Southington	Drinking Water	2019-7080	Well installation and improvements	2,228,348.74

Appendix VI: Green Bond Reporting - State Revolving Fund Bonds (cont.)

CLEAN WATER & DRINKING WATER REVENUE GREEN BONDS

2015 SERIES A REVENUE GREEN BONDS PAR \$283,600,000 - PROCEEDS \$283,600,000 - See FY17 Annual Report for Expenditure Details

2017 SERIES A REVENUE GREEN BONDS PAR \$250,000,000 - PROCEEDS \$298,723,051.45 - See FY19 Annual Report for Expenditure Details

2019 SERIES A REVENUE GREEN BONDS PAR \$250,000,000 - PROCEEDS \$298,715,831.53 - Issue Date: 7/9/2019

<u>Recipient</u>	<u>Program</u>	<u>Project #</u>	<u>Project Description</u>	<u>Disbursements</u>
Southington	Drinking Water	2019-7076	Well installation and improvements	1,883,252.63
Torrington	Clean Water	546-DC	WPCF comprehensive upgrade	21,879,274.02
Waterbury	Clean Water	677-DC	WPCF phosphorus removal upgrade project	14,349,253.34
Waterbury	Drinking Water	2019-7060	Various Water main improvements and replacements	2,570,037.83
Woodland Summit	Drinking Water	2018-7068	AMI Water meter replacement program	200,492.03
Funds Fully Expended as of 04/30/2020				\$ 298,715,831.53
Total Remaining To Disburse				\$ -

Appendix VII: Bypassed Projects List

The following projects were bypassed for funding consideration during SFY 2020

Projects from SFY 2020 Project Priority List bypassed during SFY 2020 & not funded:

Original Rank	Points	PWSID	PWS Name	Base City Served by PWS	Project Name	Amount requested	Reason for not funding	Action
1	95	CT1600081	Cedar Ridge Apartments	Willington	Consolidation with CT Water Company	\$600,000	Project delayed	On SFY 2021 PPL
2	90	CT1620011	Winsted Water Works	Winchester	Crystal Lake Tank and Plant Upgrades	\$1,126,850	Project delayed & under design	On SFY 2021 PPL
3	90	CT1620011	Winsted Water Works	Winchester	Wallens Hill Storage Tank	\$1,209,000	Project delayed & under design	On SFY 2021 PPL
4	70	CT0720041	Southeastern CT Water Authority - Tower-Ferry View	Ledyard	Replacement Pump Station and Storage Facilities	\$716,000	Project delayed; withdrawn and submitted new application	Withdrawn (new application on SFY 2021 Comprehensive List)
5	65	CT0090011	Bethel Water Department	Bethel	Bergstrom Well Field	\$3,608,000	Project delayed	Planning/Design Phase on SFY 2021 Carryover List; Construction on SFY 2021 PPL
6	65	CT0580051	Jewett City Water Co - S&W System	Griswold	Booster Station Upgrades	\$99,600	Project withdrawn	Withdrawn
7	60	CT1570112	Weston Field Club - Well #1	Weston	Corrosion Control Treatment (Lead and Copper Rule)	\$84,795	Project delayed due to Covid	On SFY 2021 PPL
8	55	CT0090011	Bethel Water Department	Bethel	Chestnut Ridge Zone Water Storage Tank	\$2,239,681	Project under construction; Loan agreement in process of execution	On SFY 2021 Carryover List
9	55	CT0930011	Regional Water Authority	New Haven	Brushy Plains Water System Improvements	\$1,076,440	Project under construction; Loan agreement expected during SFY 2021	On SFY 2021 Carryover List
10	50	CT1620011	Winsted Water Works	Winchester	Water Main Replacements - Case, Center and Holabird area	\$757,175	Project delayed & under design;	On SFY 2021 PPL
11	50	CT0090011	Bethel Water Department	Bethel	Emergency Power Generator Program - Briar Cliff Pump Station	\$27,084	Project delayed	On SFY 2021 Carryover List

Appendix VII: Bypassed Projects List (cont.)

Original Rank	Points	PWSID	PWS Name	Base City Served by PWS	Project Name	Amount requested	Reason for not funding	Action
12	50	CT1250011	Sharon Ridge Apartments	Sharon	Small Loan Program - Conversion to VFD pumps to Eliminate Hydropneumatic Tank	\$97,000	Project delayed	On SFY 2021 PPL
14	50	CT0671021	Wellswood Estates Foundation, Inc.	Hebron	Emergency Power Generator Program	\$25,000	Project delayed	On SFY 2021 PPL
15	50	CT0671021	Wellswood Estates Foundation, Inc.	Hebron	Small Loan Program - Booster Pumps/Hydro Tank Elimination	\$50,000	Project delayed	On SFY 2021 PPL
16	50	CT0600011	Quonnipaug Hills - Main System	Guilford	Emergency Power Generator Program	\$24,215	Project delayed	On SFY 2021 PPL
17	45	CT0930011	Regional Water Authority	New Haven	Advanced Metering Infrastructure (AMI)- Stage 4	\$8,000,000	Project completed; loan agreement to be drafted	On SFY 2021 Carryover List
18	40	CT1030011	Norwalk First Taxing District	Norwalk	Kellogg-Deering Wellfield Treatment - Manganese and PFAS (Planning and Design)	\$1,400,000	Project delayed	On SFY 2021 Comprehensive List
19	40	CT1510011	Waterbury Water Department	Waterbury	Water Main Rehabilitation and Replacement Westridge Dr., Eastridge Dr. and Southridge Dr. Area	\$750,000	Project delayed	On SFY 2021 Carryover List
20	40	CT0450011	East Lyme Water & Sewer	East Lyme	Well 2A Treatment	\$1,060,000	Project delayed	On SFY 2021 Comprehensive List
21	40	CT0930011	Regional Water Authority	New Haven	Seymour Backup Well No. 4B	\$1,027,583	Project completed; loan agreement to be drafted	On SFY 2021 Carryover List
22	40	CT0181122	Huckleberry Hill Elementary School	Brookfield	Consolidation with Aquarion Water Co. and Interconnection of Homes Served by Private Wells with High Chloride Levels	\$1,252,800	Project delayed & under design	On SFY 2021 PPL
23	40	CT0860171	Oakridge Gardens, LLC	Montville	Distribution, Storage and Back-up Power Improvements	\$47,000	Project delayed	On SFY 2021 Comprehensive List
24	35	CT0930011	Regional Water Authority	New Haven	Ansonia Derby Atmospheric Storage Tank	\$2,800,527	Project delayed	On SFY 2021 Comprehensive List
25	35	CT1510011	Waterbury Water Department	Waterbury	Hitchcock Road Standpipe Tank Repair and Recoating	\$1,000,000	Project delayed & under design	On SFY 2021 Carryover List

Appendix VII: Bypassed Projects List (cont.)

Original Rank	Points	PWSID	PWS Name	Base City Served by PWS	Project Name	Amount requested	Reason for not funding	Action
26	30	CT0930011	Regional Water Authority	New Haven	System-Wide Radio Telemetry Unit and Hardware Upgrade	\$1,728,498	Project under construction, but delayed	On SFY 2021 Comprehensive List
27	30	CT1510011	Waterbury Water Department	Waterbury	Variable Frequency Drive Pump Upgrade	\$1,000,000	Project delayed & under design	On SFY 2021 Carryover List
28	30	CT0950011	New London Water Department	New London	System-wide Lead Service Line Replacement (Planning and Design)	\$1,500,000	Project delayed	On SFY 2021 PPL
29	30	CT1630011	Windham Water Works	Windham	Repairs and Improvements to Raw Water Intake Structures & Emergency Power Upgrades	\$1,450,000	Project delayed	On SFY 2021 Comprehensive List
30	30	CT1030011	Norwalk First Taxing District	Norwalk	Advanced Metering Infrastructure (AMI) - Phase 2	\$2,000,000	Project delayed & under design	On SFY 2021 PPL
31	30	CT0540074	Town of Glastonbury (JB Williams Park)	Glastonbury	Interconnection of Homes Served by Private Wells with High Uranium Levels (Planning)	\$250,000	Project delayed	On SFY 2021 Carryover List
32	30	CT0600011	Quonnipaug Hills - Main System	Guilford	Water Treatment System Installation - Iron Sequestering	\$35,000	Project delayed	On SFY 2021 PPL
33	30	CT0770021	Manchester Water Department	Manchester	Glastonbury Water Main Extension - Uranium in Private Wells	\$150,000	Project completed; loan agreement to be drafted	On SFY 2021 Carryover List
34	30	CT0070011	Kensington Fire District	Berlin	Water Main Cole Lane and Condon Street area	\$205,000	Project delayed	On SFY 2021 Comprehensive List
35	25	CT0890011	New Britain Water Department	New Britain	Water Treatment Plant SCADA Upgrades	\$980,000	Project delayed	On SFY 2021 PPL
36	25	CT0640011	Metropolitan District Commission	Hartford	Water Main Replacement - Saybrooke & Bonner St. Area - Hartford	\$4,333,350	Project delayed; contract awarded; loan agreement to be drafted	On SFY 2021 Carryover List
38	25	CT1040011	Norwich Public Utilities	Norwich	Countryside Drive Assoc. Consolidation	\$600,000	Project delayed	On SFY 2021 PPL
39	20	CT0090011	Bethel Water Department	Bethel	Emergency Power Generator Program - Eureka WTP	\$38,626	Project delayed	On SFY 2021 Carryover List
41	20	CT0890011	New Britain Water Department	New Britain	Batterson Park Rd. Area Water Main	\$1,380,000	Project delayed	On SFY 2021 PPL

Appendix VII: Bypassed Projects List (cont.)

Original Rank	Points	PWSID	PWS Name	Base City Served by PWS	Project Name	Amount requested	Reason for not funding	Action
42	15	CT0930011	Regional Water Authority	New Haven	North Branford Tank Structural Improvements	\$1,123,000	Project withdrawn	Withdrawn
43	15	CT0770021	Manchester Water Department	Manchester	Water Main Replacement - Chestnut St. Area	\$1,500,000	Project delayed	On SFY 2021 Comprehensive List
44	15	CT0770021	Manchester Water Department	Manchester	Water Main Replacement - Thompson Road Area	\$1,500,000	Project delayed	On SFY 2021 Comprehensive List
45	15	CT0640011	Metropolitan District Commission	Hartford	Water Main Replacement - Webster Hill Area - West Hartford	\$6,815,640	Project delayed; contract awarded; loan agreement to be drafted	On SFY 2021 Carryover List
46	15	CT0640011	Metropolitan District Commission	Hartford	Water Main Replacement - Church & Nott St. Area- Wethersfield	\$2,550,000	Project withdrawn	Withdrawn
47	15	CT0730021	Jewett City Water Co - Hill-n-Dale	Lisbon	Booster Station Tank Replacement	\$120,000	Project withdrawn	Withdrawn
48	10	CT1520071	Waterford WPCA	Waterford	Fargo Road Tank Recoating Project	\$1,000,000	Project delayed	On SFY 2021 Comprehensive List
49	10	CT0770021	Manchester Water Department	Manchester	Well #5 Love Lane - Water Treatment Station	\$1,520,000	Project delayed	On SFY 2021 Comprehensive List
50	10	CT0770021	Manchester Water Department	Manchester	Well #6 Replacement	\$300,000	Project delayed	On SFY 2021 Comprehensive List
51	10	CT0770021	Manchester Water Department	Manchester	Well #10 Water Treatment Station	\$1,520,000	Project delayed	On SFY 2021 Comprehensive List

Appendix VII: Bypassed Projects List (cont.)

Projects from the Carryover List (prior years' Project Priority Lists) bypassed and not funded

Original Rank	Points	PWSID	PWS Name	Base City Served by PWS	Project Name	Amount requested	Reason for not funding	Action
12 (SFY 2019)	20	CT0090011	Bethel Water Dept	Bethel	SCADA Upgrades	\$403,800	Project delayed & under design	On SFY 2021 PPL
13 (SFY 2018)	50	CT0110051	Juniper Club, Inc.	Bloomfield	Replacement Water Tank	\$52,000	Project withdrawn	Withdrawn
4 (SFY 2018)	75	CT0121051	166 & 180 Boston Turnpike	Bolton	Corrosion Control Treatment (Lead and Copper Rule)	\$31,262	Project withdrawn	Withdrawn
1 (SFY 2018)	130	CT0189971	39 Hop Brook Road - Apt. Complex	Brookfield	New Well Water Supply	\$19,300	Project withdrawn	Withdrawn
17 (SFY 2018)	50	CT0189971	39 Hop Brook Road - Apt. Complex	Brookfield	Emergency Power Generator Program - NEW	\$36,144	Project delayed	On SFY 2021 Carryover List
8 (SFY 2020)	40	CT0640011	Metropolitan District Commission	Hartford	Madison Ave. Water Main Replacement - Hartford	\$2,518,272	Project under construction; Loan agreement in process	On SFY 2021 Carryover List
9 (SFY 2020)	30	CT0640011	Metropolitan District Commission	Hartford	Buckingham St. Area Water Main Replacement - Hartford	\$7,150,000	Project delayed; contract awarded & loan agreement to be drafted	On SFY 2021 Carryover List
38 (SFY 2018)	15	CT0770021	Manchester Water Department	Manchester	Stove Pipe Replacements - Misc. Areas	\$1,200,000	Project completed; loan agreement to be drafted	On SFY 2020 Carryover List
18 (SFY 2018)	25	CT0820031	Middlefield Housing Authority	Middlefield	Emergency Power Generator Program	\$25,000	Project delayed	Withdrawn
22 (SFY 2018)	50	CT0820501	Old Indian Trail	Middlefield	Emergency Power Generator Program	\$20,000	Project delayed	On SFY 2021 PPL
3 (SFY 2018)	75	CT0860011	Southeastern CT Water Authority - Montville Div	Montville	Interconnection with SCWA - Seven Oaks Division	\$369,050	Project delayed; Withdrawn & replaced with new project	Withdrawn (new application on SFY 2021 Comp List)
24 (SFY 2018)	40	CT1030011	Norwalk First Taxing District	Norwalk	Advanced Metering Infrastructure - Phase 1	\$2,000,000	Project delayed	On SFY 2021 Carryover List
8 (SFY 2018)	50	CT1030011	Norwalk First Taxing District	Norwalk	West Rocks High Service Area Water Service Reliability Project	\$6,800,000	Project delayed	On SFY 2021 Carryover List
4 (SFY 2015)	5	CT1050732	Connecticut Water Company - Shoreline Region - Sound View	Old Lyme	Old Lyme Beach Shores Association Water Main Replacement	\$812,000	Project construction delayed; loan agreement for design phase to be drafted	On SFY 2021 Carryover List

Appendix VIII: Anticipated Project Subsidy Commitments

Additional Subsidy to be Committed - Completed FFYs				
All projects with committed subsidy for the following FFYs have been reported in prior Annual Reports. No additional projects are expected to be assigned subsidy for these years.				
FFY	Committed Subsidy amount	Amount of subsidy still to be committed	Minimum Subsidy	Maximum Subsidy
2010	\$4,723,406	\$0	\$4,071,900	N/A
2011	\$2,990,646	\$0	\$2,825,400	N/A
2012	\$2,203,031	\$0	\$1,795,000	\$2,692,500
2013	\$1,720,424	\$0	\$1,684,200	\$2,526,300
2014	\$1,937,452	\$0	\$1,792,400	\$2,688,600
2015	\$1,926,939	\$0	\$1,778,600	\$2,667,900
2016	\$1,684,600	\$0	\$1,684,600	\$1,684,600

Additional Subsidy still to be committed - FFY 2017				FFY 2017 subsidy:	\$1,670,200
Recipient	Project Name	Total funding amount requested	Expected (Potential) Subsidy amount *	Expected Month of Loan Agreement execution (commitment of funds)	Expected month of full subsidy disbursement
Metropolitan District Commission	Madison Ave. Water Main Replacement - Hartford	\$2,518,272	\$82,786	September 2020	April 2021
* The above list identifies those projects which are eligible to receive subsidy, on a first come, first served basis. The total amount of subsidy to be provided and disbursed will not exceed \$1,670,200. A project may be assigned subsidy for more than one year if necessary.					
Amount of subsidy to be committed:			\$82,786		
Amount of subsidy committed as of June 30, 2020:			\$1,587,414		
Total amount of subsidy to be committed for FFY 2017:			\$1,670,200		

Additional Subsidy still to be committed - FFY 2018				FFY 2018 subsidy:	\$2,221,400
Recipient	Project Name	Total funding amount requested	Expected (Potential) Subsidy amount *	Expected Month of Loan Agreement execution (commitment of funds)	Expected month of full subsidy disbursement
Metropolitan District Commission	Madison Ave. Water Main Replacement - Hartford	\$2,518,272	\$156,477	September 2020	April 2021
Bethel Water Department	Chestnut Ridge Storage Tank	\$2,239,681	\$500,000	July 2020	January 2022
Metropolitan District Commission	Buckingham St. Area Water Main Replacement - Hartford	\$3,715,865	\$300,000	November 2020	November 2022
South Central CT Regional Authority	Adv. Metering Infrastructure - Stage 4	\$8,000,000	\$300,000	November 2020	December 2020
South Central CT Regional Authority	Seymour Backup Well No. 4B	\$1,000,000	\$87,215	December 2020	January 2021

Appendix VIII: Anticipated Project Subsidy Commitments (cont.)

Recipient	Project Name	Total funding amount requested	Expected (Potential) Subsidy amount *	Expected Month of Loan Agreement execution (commitment of funds)	Expected month of full subsidy disbursement
Manchester Water Department	Stove Pipe WM Replacements & Glastonbury WM Ext.	\$1,387,182	\$161,861	October 2020	November 2020
Bethel Water Department	Emergency Power Generator Program - Eureka WTP	\$30,500	\$6,938	October 2020	May 2021
Bethel Water Department	Emergency Power Generator Program - Briar Cliff Pump Station	\$27,084	\$6,771	October 2020	May 2021
Town of Glastonbury (JB Williams Park)	Interconnection of Homes Served by Private Wells with High Uranium Levels (Planning)	\$250,000	\$62,500	November 2020	November 2021
Quonnipaug Hills - Main System	Emergency Power Generator Program	\$24,215	\$6,054	November 2020	April 2021
Quonnipaug Hills - Main System	Water Treatment System Installation - Iron Sequestering	\$35,000	\$8,750	November 2020	April 2021
Metropolitan District Commission	Water Main Replacement - Saybrooke & Bonner St. Area - Hartford	\$4,333,350	\$300,000	November 2020	July 2022
Metropolitan District Commission	Water Main Replacement - Webster Hill Area - West Hartford	\$6,812,600	\$300,000	November 2020	July 2022
Connecticut Water Company - Shoreline Region - Sound View	Old Lyme Beach Shores Association Water Main Replacement (Design)	\$150,000	\$37,500	November 2020	April 2021
* The above list identifies those projects which are eligible to receive subsidy, on a first come, first served basis. The total amount of subsidy to be provided and disbursed will not exceed \$2,221,400. A project may be assigned subsidy for more than one year if necessary.					
Amount of subsidy to be committed:			\$2,221,400		
Amount of subsidy committed as of June 30, 2020:			\$0		
Total amount of subsidy to be committed for FFY 2018:			\$2,221,400		

Additional Subsidy still to be committed - FFY 2019			FFY 2019 subsidy:	\$2,200,800	
Recipient	Project Name	Total funding amount requested	Estimated (Potential) Subsidy amount *	Estimated Month of Loan Agreement execution (commitment of funds)	Estimated month of full subsidy disbursement
Saint Joseph School/ Saint Joseph Church	St. Joseph Church and School Interconnection to Aquarion Water Co.	\$140,000	\$35,000	November 2020	August 2021
Waterbury Water Department	Hitchcock Road Standpipe Tank Repair and Recoating	\$1,000,000	\$100,000	December 2020	November 2021
Waterbury Water Department	Variable Frequency Drive Pump Upgrade	\$1,000,000	\$100,000	December 2020	November 2021
Waterbury Water Department	Water Main Rehab/Replace Westridge Dr., Eastridge Dr. and Southridge Dr. Area	\$750,000	\$75,000	December 2020	May 2022

Appendix VIII: Anticipated Project Subsidy Commitments (cont.)

Recipient	Project Name	Total funding amount requested	Estimated (Potential) Subsidy amount *	Estimated Month of Loan Agreement execution (commitment of funds)	Estimated month of full subsidy disbursement
South Central CT Regional Authority	Brushy Plains Water System Improvements	\$1,000,000	\$75,980	January 2021	February 2022
Bethel Water Department	Bergstrom Well Field (Planning & Design)	\$380,000	\$95,000	November 2020	May 2022
Huckleberry Hill Elementary School	Consolidation with Aquarion Water Co. and Interconnection of Homes Served by Private Wells with High Chloride Levels	\$1,252,800	\$313,200	December 2020	November 2021
Wellswood Estates Foundation, Inc.	Emergency Power Generator Program	\$25,000	\$6,250	March 2021	September 2021
Wellswood Estates Foundation, Inc.	Small Loan Program - Booster Pumps/Hydro Tank Elimination	\$50,000	\$12,500	March 2021	September 2021
Norwalk First Taxing District	Advanced Metering Infrastructure - Phase 1	\$2,000,000	\$200,000	March 2021	December 2021
Norwalk First Taxing District	West Rocks High Service Area Water Service Reliability Project	\$6,800,000	\$300,000	March 2021	May 2023
CTWC-Naugatuck Reg-Central	Water Main Extension on Crestwood Drive	\$316,500	\$79,125	April 2021	September 2022
Durham Center Water System	Water Main Extension (design)	\$1,114,000	\$278,500	May 2021	February 2022
New Britain Water Department	Water Treatment Plant SCADA Upgrades	\$980,000	\$98,000	April 2021	November 2022
New Britain Water Department	Batterson Park Rd. Area Water Main	\$1,380,000	\$138,000	April 2021	May 2022
Winsted Water Works	Crystal Lake Tank and Plant Upgrades	\$1,126,850	\$281,713	April 2021	May 2022
Winsted Water Works	Wallens Hill Storage Tank	\$1,209,000	\$302,250	April 2021	May 2022
Heritage Cove Condominium Association	SLP - Various Wellhouse Equipment Upgrades	\$60,000	\$15,000	November 2020	July 2021
Connecticut Water Company - Shoreline Region - Sound View	Old Lyme Beach Shores Association Water Main Replacement (Construction)	\$850,000	\$212,500	May 2021	August 2022
39 Hop Brook Road - Apt. Complex	Emergency Power Generator Program	\$36,144	\$9,036	May 2021	September 2021
Old Indian Trail	Emergency Power Generator Program	\$20,000	\$5,000	May 2021	September 2021
* The above list identifies those projects which are eligible to receive subsidy, on a first come, first served basis. The total amount of subsidy to be provided and disbursed will not exceed \$2,200,800. A project may be assigned subsidy for more than one year if necessary.					
Amount of subsidy to be committed:			\$2,200,800		
Amount of subsidy committed as of June 30, 2020:			\$0		
Total amount of subsidy to be committed for FFY 2019:			\$2,200,800		

Appendix IX: Cumulative Project Subsidy Disbursed

Additional Subsidy - FFY Disbursements Completed					
The list of project disbursements for these FFYs were all included in prior years' Annual Reports					
FFY	Total funding amount (agreements with subsidy)	Committed Subsidy amount	Final Subsidy amount dispersed	Minimum Subsidy	Maximum Subsidy
2010	\$24,812,486	\$4,723,406	\$4,723,406	\$4,071,900	N/A
2011	\$36,292,003	\$2,990,646	\$2,990,646	\$2,825,400	N/A
2012	\$30,832,448	\$2,203,031	\$2,203,031	\$1,795,000	\$2,692,500
2013	\$22,899,791	\$1,720,424	\$1,720,424	\$1,684,200	\$2,526,300
2015	\$10,153,537	\$1,926,939	\$1,926,939	\$1,778,600	\$2,667,900
No additional subsidy is expected to be committed for these FFYs.					

Additional Subsidy Disbursed - FFY 2014					Min FFY 2014 subsidy: \$1,792,400 Max FFY 2014 subsidy: \$2,688,600			
Loan Agreement #	Recipient	Project Name	Loan Agreement execution date	Total funding amount	Committed Subsidy amount	Subsidy amount dispersed as of June 2020	Subsidy amount not yet dispersed as of June 2020	Expected date of full subsidy disbursement
2018-7066	New Britain - planning (4 projects)	Planning (SCADA; raw water station; wellfield; water main)	5/23/2018	\$1,031,349	\$185,228	\$185,228	\$0	Disbursements complete
2018-7068	Woodland Summit	System Improvements	6/14/2018	\$270,901	\$66,831	\$66,831	\$0	Disbursements complete
2018-7067	Bethel Water Dept.	Briar Cliff PS	7/12/2018	\$840,680	\$207,533	\$207,533	\$0	Disbursements complete
2019-7069	Norwich Public Utilities	Occum Tank & Deep River WTP Filters	8/7/2018	\$2,392,526	\$139,169	\$137,262	\$1,908	August 2020
2019-9061	Candlewood Springs	Generator	8/16/2018	\$14,078	\$6,310	\$6,310	\$0	Disbursements complete
2019-9062	Juniper Club, Inc.	Generator	12/3/2018	\$9,831	\$4,410	\$4,410	\$0	Disbursements complete
Total of Disbursements completed and reported prior to FY 2020:				\$18,072,257	\$1,327,971	\$1,327,971		8 projects
Total amounts as of June 30, 2020 for FFY 2014:				\$22,631,623	\$1,937,452	\$1,935,544	\$1,908	
No additional subsidy is expected to be committed for FFY 2014								

Appendix IX: Cumulative Project Subsidy Disbursed (cont.)

Additional Subsidy Disbursed - FFY 2016

FFY 2016 subsidy: \$1,684,600

Loan Agreement #	Recipient	Project Name	Loan Agreement execution date	Total funding amount	Committed Subsidy amount	Subsidy amount dispersed as of June 2020	Subsidy amount not yet dispersed as of June 2020	Expected date of full subsidy disbursement
2019-7060	Waterbury Water Department	Multiple: Generators, water main, water treatment plan sludge removal	4/8/2019	\$3,338,755	\$667,751	\$642,509	\$25,241	September 2020
2019-7075	Bethel Water Dept	Water Main	11/29/2018	\$869,662	\$214,832	\$214,832	\$0	Disbursements complete
2019-7077	Norwich Public Utilities	Stony Brook WTP DAF †	2/27/2019	\$6,077,134	\$185,074	\$185,074	\$0	Disbursements complete*
Total of Disbursements completed and reported prior to FY 2020:				\$6,904,669	\$616,944	\$616,944		3 projects
Total amounts as of June 30, 2020 for FFY 2016:				\$17,190,219	\$1,684,600	\$1,659,359	\$25,241	
† - This project also received an additional amount of state subsidy under the Public Water System Improvement Program								
* - The subsidy assigned to this project has been split between FFY 2016 and FFY 2017; the final total amount of subsidy assigned under FFY 2016 may increase if the Waterbury project does not utilize all remaining committed subsidy								
No additional subsidy is expected to be committed for FFY 2016								

Additional Subsidy Disbursed - FFY 2017

FFY 2017 subsidy: \$1,670,200

Loan Agreement #	Recipient	Project Name	Loan Agreement execution date	Total funding amount	Committed Subsidy amount	Subsidy amount dispersed as of June 2020	Subsidy amount not yet dispersed as of June 2020	Expected date of full subsidy disbursement
2019-7070	South Central CT Regional Authority	Lake Saltonstall Water Storage Tanks Improvements	9/16/2019	\$970,745	\$179,513	\$179,513	\$0	Disbursements complete
2019-7077	Norwich Public Utilities	Stony Brook WTP DAF †	2/27/2019	\$6,077,134	\$281,177	\$98,744	\$182,433	March 2022 *
2019-7079	Town of Guilford - Bittner Park	Water Main Ext.	5/28/2019	\$3,443,000	\$410,000	\$0	\$410,000	September 2021
2020-7084	East Lyme Water & Sewer Commission	Greensand Filtration Well 1A & Well 6 - Construction Phase	4/15/2020	\$5,556,500	\$400,000	\$63,210	\$336,790	February 2022
2020-7085	Bethel Water Department	2019 Various Water Main Replacement	5/19/2020	\$934,793	\$220,665	\$0	\$220,665	December 2021
2019-9065	Willington Ridge Condos	Generator	5/2/2019	\$20,449	\$9,198	\$9,198	\$0	Disbursements complete
2019-9064	Northland Country Living (dba Garden Lane Apts)	Generator	6/5/2019	\$41,526	\$18,664	\$18,664	\$0	Disbursements complete
2019-9066	Westchester Hills - generator	Generator	12/2/2019	\$32,582	\$14,662	\$0	\$14,662	September 2020

Appendix IX: Cumulative Project Subsidy Disbursed (cont.)

Loan Agreement #	Recipient	Project Name	Loan Agreement execution date	Total funding amount	Committed Subsidy amount	Subsidy amount dispersed as of June 2020	Subsidy amount not yet dispersed as of June 2020	Expected date of full subsidy disbursement
2019-9067	Knob Hill - generator	Generator	11/18/2019	\$22,847	\$10,281	\$0	\$10,281	September 2020
2019-9068	Ashford Hills Associates, LLC	Generator	8/2/2019	\$34,201	\$15,390	\$13,991	\$1,399	Disbursements complete
2020-9069	Yeshiva of Waterbury - Durham Campus	Generator	12/18/2019	\$62,004	\$27,864	\$27,864	\$0	Disbursements complete
Total amounts as of June 30, 2020 for FFY 2017:				\$17,195,781	\$1,587,414	\$411,183	\$1,176,231	
† - This project also received an additional amount of state subsidy under the Public Water System Improvement Program								
* - The subsidy assigned to this project has been split between FFY 2016 and FFY 2017								
Additional subsidy to be committed								
2020-7086	Metropolitan District Commission	Madison Ave. Water Main Replacement - Hartford	TBD	\$2,518,272	\$82,786	\$0	\$82,786	April 2021
Totals expected for FFY 2017:					\$1,670,200	\$411,183	\$1,670,200	

Additional Subsidy Disbursed - FFY 2018

FFY 2018 subsidy: \$2,221,400

Loan Agreement #	Recipient	Project Name	Loan Agreement execution date	Total funding amount	Committed Subsidy amount	Subsidy amount dispersed as of June 2020	Subsidy amount not yet dispersed as of June 2020	Expected date of full subsidy disbursement
No loan agreements with subsidy have been executed through June 30, 2020.								
Total amounts as of June 30, 2020 for FFY 2018				\$0	\$0	\$0	\$0	
Additional subsidy to be committed								
multiple	Multiple - TBD	Multiple	TBD	TBD	\$2,221,400	\$0	\$2,221,400	December 2022
Totals expected for FFY 2018:					\$2,221,400	\$0	\$2,221,400	

Appendix IX: Cumulative Project Subsidy Disbursed (cont.)

Additional Subsidy Disbursed - FFY 2019					FFY 2019 subsidy: \$2,200,800			
Loan Agreement #	Recipient	Project Name	Loan Agreement execution date	Total funding amount	Committed Subsidy amount	Subsidy amount dispersed as of June 2020	Subsidy amount not yet dispersed as of June 2020	Expected date of full subsidy disbursement
No loan agreements with subsidy have been executed through June 30, 2020.								
Total amounts as of June 30, 2020 for FFY 2019				\$0	\$0	\$0	\$0	
Additional subsidy to be committed								
multiple	Multiple - TBD	Multiple	TBD	TBD	\$2,200,800	\$0	\$2,200,800	June 2023
Totals expected for FFY 2019:					\$2,200,800	\$0	\$2,200,800	

Additional Subsidy Disbursed - FFY 2019 - DCAP					Min FFY 2019 DCAP subsidy: \$660,240			
					Max FFY 2019 DCAP subsidy: \$3,851,400			
Loan Agreement #	Recipient	Project Name	Loan Agreement execution date	Total funding amount	Committed Subsidy amount	Subsidy amount dispersed as of June 2020	Subsidy amount not yet dispersed as of June 2020	Expected date of full subsidy disbursement
No loan agreements with subsidy have been executed through June 30, 2020.								
Total amounts as of June 30, 2020 for FFY 2019 DCAP				\$0	\$0	\$0	\$0	
Additional subsidy to be committed								
multiple	Multiple - TBD	Multiple	TBD	TBD	\$3,851,400	\$0	\$3,851,400	December 2021
Totals expected for FFY 2019 DCAP:					\$3,851,400	\$0	\$3,851,400	

FINANCIAL STATEMENTS



**STATE OF CONNECTICUT CLEAN WATER FUND -
DRINKING WATER FEDERAL REVOLVING
LOAN ACCOUNT (STATE REVOLVING FUND)**

**AUDIT REPORTS AND SCHEDULES IN
ACCORDANCE WITH THE UNIFORM GUIDANCE**

June 30, 2020 and 2019

**STATE OF CONNECTICUT CLEAN WATER FUND -
DRINKING WATER FEDERAL REVOLVING
LOAN ACCOUNT (STATE REVOLVING FUND)
June 30, 2020 and 2019**

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SEWARD AND MONDE

CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT

Mr. Shawn T. Wooden, Treasurer

Dr. Deidre S. Gifford, Acting Commissioner,
Department of Public Health,
State of Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account (State Revolving Fund) (SRF) (an enterprise fund of the State of Connecticut) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account as of June 30, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial position of the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account and do not purport to, and do not, present fairly the financial position of the State of Connecticut, as of June 30, 2020 and 2019, the changes in its financial position, or its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4 - 9 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2020 on our consideration of the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the SRF's internal control over financial reporting and compliance.

Seward and Monde

North Haven, Connecticut
September 10, 2020

**OFFICE OF THE TREASURER
STATE OF CONNECTICUT
DRINKING WATER FUND
FISCAL YEAR ENDED JUNE 30, 2020
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Management Discussion and Analysis (MD&A) of the State of Connecticut Drinking Water Federal Revolving Loan Account (State Revolving Fund) (SRF) provides an introduction to the major activities affecting the operation of the SRF and is a narrative overview of the financial performance for the fiscal year ended June 30, 2020. The information contained in this discussion should be considered in conjunction with the Fund's basic financial statements and the notes thereto.

Financial Highlights

The Fund's net position at the close of fiscal year 2020 was \$197.2 million with total assets of \$370.4 million plus deferred outflows of \$0.1 million offset by liabilities of \$173.3 million compared to fiscal year 2019's net position of \$197.6 million. The net position of the fund decreased by \$.4 million, or .18%. The factors contributing to the decrease were the increase in loans receivable of \$13.3 million, an overall increase in investments that were offset by an increase in outstanding bonds of \$42.4 million. The increase in total restricted assets of \$7.1 million is reflective of debt service fund and match account increases as bond proceeds from the 2019 bond sale have been fully expended and continuation of funding project loan payments has been done through the Revolving Fund. At the closing of the 2019 bond sale the funds transferred from the Revolving Fund have been returned.

Restricted assets include assets that have been restricted in use in accordance with the terms of an award, agreement or by state law. The majority of the assets are invested and portions are restricted in accordance with the requirements of state statutes and the federal Clean Water Act. Restricted assets represent the amount of assets which relate to the federal capitalization grants and associated state match. Unrestricted assets include all assets not restricted and available for any program purpose.

The Fund's net revenue before federal capitalization grants and transfers decreased by \$1.0 million after showing a loss of \$2.1 million in FY2019. The net loss of \$3.1 million is higher due to increased interest expense.

Overview of the Financial Statements

The Drinking Water Fund financial statements are reported by the Office of the Treasurer in conjunction with the Department of Public Health (DPH). The Treasurer is responsible for reporting the detailed financial information in the Drinking Water Fund financial statements, which incorporates information generated and prepared by the DPH Business Office and DPH Drinking Water Section. The Drinking Water Fund is a part of the Clean Water Fund which is classified as an Enterprise Fund within the Proprietary Funds of the State of Connecticut.

Proprietary funds focus on the determination of the change in the statement of net position, change in financial position, and cash flows for governmental activities that operate similar to a commercial enterprise. Proprietary funds use the accrual basis of accounting.

The loan program activities shown on the financial statements indicate the amount of loans financed and the amount of repayments collected during the past year. Fund financial statements also provide information about activities of the Fund as a recipient of federal capitalization grants and state matching funds. The amount of capitalization grants remaining for future use is disclosed in the Notes to the Financial Statements.

The Revenue Bond Program is the leveraged financing strategy implemented by the Connecticut SRF that maximizes the financing capacity of the respective federal capitalization grants, the required 20% state match for these grants and the Fund's assets. Based on this strategy, the Connecticut SRF issues revenue bonds and uses the proceeds to provide financing for Clean Water and Drinking Water projects. Where necessary, due to the issuance of bonds and investment activities for both the Clean Water Fund and Drinking Water Fund, bond proceeds, interest income and expenses may be allocated between the Clean Water Fund and the Drinking Water Fund. For the Revenue Bond Program activities, the financial statements indicate the amount of the bonds issued and retired, and the remaining amount of bonds to be repaid in the future.

The financial statements indicate the amount of interest income generated by the investment of funds and describe the structure of the investments.

Since 2001, the proceeds of the Connecticut SRF bonds have been used for both clean water and drinking water projects. All of the currently outstanding bonds were issued under the 2002 general bond resolution as further described in the Notes to the Financial Statements. All of the accounts established under the 2002 general bond resolution, whether restricted or unrestricted, are held by US Bank (the Trustee), as further described in the Notes to the Financial Statements.

Operating Activities

The Drinking Water Loan Program

Loans are made to public water systems, owned by both municipalities and private entities, for project funding. There are two categories of loans, construction loans or interim funding obligations (IFOs) and permanent loan obligations (PLOs) which are initiated after project completion. The PLOs have 20 year repayment terms and can be prepaid at any time, without penalty. There is subsidization available for qualified projects through the federal capitalization grants and state grant funds.

During fiscal year 2020, payments to public water systems for ongoing projects totaled \$25.8 million. Completed projects which were permanently financed during the year totaled \$7.1 million. There were 5 new construction loan commitments made to public water systems during fiscal year 2020 totaling \$11.4 million.

Further details about the loans can be found in the Notes to the Financial Statements.

Loan repayment collection services are provided by the Trustee, US Bank. Repayments on the DWF loans made by the State since 1998 are paid to the Drinking Water State account held at US Bank. These funds provide security for the Bonds and any new Bonds issued hereafter.

Non-Operating Activities

Investment of Funds

The federal capitalization grants and the state matching funds are used to provide leveraged financing for eligible projects in the state. All other state contributions that are held by the Trustee are used as they are deposited for program purposes. The federal capitalization grants, the state matching funds and all other state contributions are deposited into the State Revolving Fund accounts held by the Trustee in the form of either cash or permitted investments.

The State currently invests in the State's Short Term Investment Fund (STIF) and in guaranteed investment agreements with financial institutions. Certain monies currently held in the Fund are invested pursuant to investment agreements with providers which are collateralized with securities issued or guaranteed by the U.S. Government or agencies or instrumentalities whose market value is at least 100% of the funds invested.

The Bond Program

The Connecticut SRF has issued long-term debt obligations backed by the pledge of specific assets including loans, reserve funds and other program assets. Pursuant to the 2002 bond resolution and the State Act, the long-term debt obligations of the Fund are special obligations of the State which are payable only from the revenues or monies available in the Fund. Currently, bonds are outstanding under the 2002 General Revenue Bond Resolution, the latest of three resolutions used for Connecticut SRF bond issues since 1991. Proceeds are used for program purposes including the funding of loans to Clean Water Fund borrowers. Further information about outstanding bonds can be found in the Notes to the Financial Statements.

The program's advisors are:

Bond Counsel - Hardwick Law Firm, LLC

Financial Advisors - Sycamore Advisors

Financial Advisors - Hilltop Securities

Trustee - US Bank

Loan Repayment Collection Services - US Bank

Verification Agent - AMTEC

Arbitrage Rebate Calculation Services - AMTEC

Auditor - Seward & Monde CPAs

General Counsel - Attorney General of the State of Connecticut

Credit Ratings

The Connecticut SRF is the recipient of credit ratings from three nationally recognized credit rating agencies as follows: AAA from Standard and Poor's, AAA from Fitch Investors Services and Aaa from Moody's Investor Services.

SELECTED FINANCIAL INFORMATION

	2020	2019	Increase/ (Decrease)
Total Net Position	\$197,247,173	\$197,601,860	(\$354,687)
Total Loans Outstanding	\$201,664,411	\$188,325,177	\$13,339,234
Bonds Payable	\$146,459,034	\$104,045,617	\$42,413,417
Interest Expense	\$7,082,123	\$5,055,343	\$2,026,780
Operating Revenues- Interest on Loans	\$3,989,814	\$3,719,248	\$270,566
Interest on Investments	\$2,924,320	\$3,285,721	(\$361,401)
Federal Capitalization Grants Drawn	\$5,963,725	\$11,226,936	(\$5,263,211)

ECONOMIC CONDITIONS AND OUTLOOK

Connecticut's economy is showing signs of recovery from the devastating effects of the COVID-19 pandemic. There may be additional support and investment coming from the federal government to support Connecticut businesses and families through this time.

The global impact of COVID-19 has resulted in unprecedented pause to economies all over the world. In April, U.S. payroll employment fell by 20.5 million jobs with declines reported in all 50 states. Connecticut lost a historic 266,300 new jobs, a 15.9% decline in just one month. On an encouraging note, Connecticut has recently begun to reverse this trend, adding back an estimated 77,300 net jobs in June 2020 and another 26,500 in July 2020 as reported by Connecticut Department of Labor. However, the economic impact of COVID-19 has not yet fully materialized. Forecast data provided by IHS shows the State unemployment rate growing to 15.5% in Fiscal Year 2021 compared to an estimated 7.4% in Fiscal Year 2020. Connecticut Department of Labor's Office of Research estimates the State's average annual unemployment rate as of April 2020 to be in the range of 17.5%. All of these estimates are based on models developed for different circumstances and should not be viewed as anything other than an indication of the significant impact of COVID-19 on the State. Real Gross State Product is expected to contract by 2.8% in Fiscal Year 2021, the year in which the full economic impact of the pandemic is expected.

Economic indicators show that the COVID-19 pandemic is affecting virtually all aspects of the state and national economies. Connecticut continues to navigate this pandemic and is following public health guidelines such as mask-wearing and social distancing.

Connecticut's housing sector shows mixed results compared to this time last year. Berkshire Hathaway Home Services reported a drop of nearly 15% in home sales in June 2020 compared to June 2019. However, the median sale price increased by over 5% during that same time period. The firm reported stronger results for the Connecticut housing market for July 2020, as compared to July 2019, with sales of single family homes up 14.3% and median sale prices up 15.5%.

The Office of Policy and Management, in its August 20, 2020 letter, is estimating a General Fund surplus for FY 2020 of \$52.3 million. The final result for fiscal year 2020 will be reported by the State Comptroller on September 30, 2020. Any surplus will be deposited to the Budget Reserve Fund along with a projected transfer of \$582.9 million from the State's volatility cap provision. Following these deposits, the Budget Reserve Fund is expected to reach over \$3 billion, more than 15% of General Fund expenditures. This will help the State address a \$2.1 billion General Fund budget deficit in fiscal year 2021 projected by the Office of Policy and Management. This projected shortfall represents 10.3 percent of net General Fund appropriations and is primarily due to significant revenue reductions related to the impact of the ongoing coronavirus pandemic.

Public Act 20-1 effective March 12, 2020 increased the State's Clean Water and Drinking Water Fund revenue bond authorization by \$84.0 million in FY 2021 bringing the total authorization for both revenue bonding programs to nearly \$4.0 billion since inception. This enables the State Revolving Fund (SRF) programs to continue their efforts to provide necessary funding to as many communities as possible. Local, state and federal budget constraints will continue to mean greater pressure on the SRF programs to provide timely and innovative financial assistance for critical projects. All of these factors impact how Connecticut municipalities plan and implement the capital projects funded by the SRF programs.

The major focus for the Drinking Water Fund continues to be setting priorities and providing financing for critical work. The Connecticut Department of Energy and Environmental Protection, the Connecticut Department of Public Health and the Office of the Treasurer, working together, will continue to assist state legislators and municipal officials in determining the most cost effective and efficient way to meet the water quality needs of the communities within the state.

The Office of the Treasurer Debt Management Division continually monitors the impact of credit ratings of investment providers and borrowers, assists in the preparation of comments on financial regulation and participates in industry discussions on infrastructure, including water and transportation, as well as the economic development and growth potential for the state.

REQUIRED SUPPLEMENTARY INFORMATION

The Drinking Water Fund does not separately report required supplementary information that contains budgetary comparison schedules; schedules presenting infrastructure assets or supplementary pension fund information because this information is recorded by the State of Connecticut.

supplementary pension fund information because this information is recorded by the State of Connecticut.

The Notes to the Financial Statements provide additional information that further explains and supports the information in the financial statements. They are essential to a full understanding of the data provided in the Drinking Water Fund's financial statements.

CONTACTS

This financial report is designed to provide a general overview of the Drinking Water Fund's finances. Questions about this report or requests for additional information should be addressed to:

SRF Financial Administrator
Connecticut State Treasurer's Office
Debt Management Division
165 Capitol Avenue
Hartford, CT 06106
Telephone (860) 702-3000
<https://portal.ct.gov/OTT>

Questions about the Drinking Water Fund and water quality in Connecticut should be addressed to:

Connecticut Department of Public Health
Drinking Water Section
410 Capitol Avenue, MS# 12 DWS
P.O. Box 340308
Hartford, CT 06134-0308
Telephone (860) 509-7333
www.ct.gov/dph

**STATE OF CONNECTICUT CLEAN WATER FUND -
DRINKING WATER FEDERAL REVOLVING LOAN ACCOUNT
(STATE REVOLVING FUND)
STATEMENTS OF NET POSITION
June 30, 2020 and 2019**

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,125,970	\$ 4,546,959
Interest receivable - investments	68,311	83,202
Interest receivable - loans	1,108,231	419,786
Grant receivable	230,018	729,998
Loans receivable	60,231,485	41,461,652
Total current assets	66,764,015	47,241,597
Noncurrent assets:		
Loans receivable	141,432,926	146,863,525
Revolving fund	128,456,229	97,642,369
Restricted assets:		
Bond proceeds fund	917	3,076
Revolving fund	4,214,633	5,022,754
Debt service fund	21,162,637	18,048,476
Support fund	1,606,589	1,922,081
Match account	6,742,513	1,599,469
Total restricted assets	33,727,289	26,595,856
Total noncurrent assets	303,616,444	271,101,750
Total assets	370,380,459	318,343,347
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refundings	141,056	161,207
Total deferred outflows of resources	141,056	161,207
LIABILITIES		
Current liabilities:		
Interest payable on revenue bonds	2,169,167	1,281,410
Bonds payable	7,575,600	7,586,583
Total current liabilities	9,744,767	8,867,993
Noncurrent liabilities:		
Premium on revenue and refunding bonds	24,646,141	15,575,667
Bonds payable	138,883,434	96,459,034
Total noncurrent liabilities	163,529,575	112,034,701
Total liabilities	173,274,342	120,902,694
NET POSITION		
Unrestricted	26,427,752	30,673,153
Restricted for loans	170,819,421	166,928,707
Total net position	\$ 197,247,173	\$ 197,601,860

The notes to financial statements are an integral part of this statement.

**STATE OF CONNECTICUT CLEAN WATER FUND -
DRINKING WATER FEDERAL REVOLVING LOAN ACCOUNT
(STATE REVOLVING FUND)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended June 30, 2020 and 2019**

	2020	2019
OPERATING REVENUES		
Interest on loans	\$ 3,989,814	\$ 3,719,248
OPERATING EXPENSES		
Salaries	1,131,517	1,209,735
Employee benefits	1,041,645	1,150,419
Other	895,773	869,373
Project grants	1,425,844	1,790,820
Total operating expenses	4,494,779	5,020,347
Operating loss	(504,965)	(1,301,099)
NONOPERATING REVENUES (EXPENSES)		
Interest on investments	2,924,320	3,285,721
Amortization of bond premium	1,545,438	1,003,279
Interest expense	(7,082,123)	(5,055,343)
Total nonoperating revenues (expenses)	(2,612,365)	(766,343)
Loss before federal capitalization grants and transfers	(3,117,330)	(2,067,442)
FEDERAL CAPITALIZATION GRANTS		
Project funds - loans	1,689,914	6,260,349
Project funds - grants	1,425,844	1,790,820
Set-aside activities	2,847,967	3,175,767
Total federal capitalization grants	5,963,725	11,226,936
OPERATING TRANSFERS	(3,201,082)	384,352
Change in net position	(354,687)	9,543,846
NET POSITION, beginning	197,601,860	188,058,014
NET POSITION, ending	\$ 197,247,173	\$ 197,601,860

The notes to financial statements are an integral part of this statement.

**STATE OF CONNECTICUT CLEAN WATER FUND -
DRINKING WATER FEDERAL REVOLVING LOAN ACCOUNT
(STATE REVOLVING FUND)
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2020 and 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received on loans	\$ 3,301,369	\$ 3,401,412
Loan originations	(25,839,299)	(34,808,899)
Principal paid on loans receivable	12,500,065	12,025,338
Payments to employees for salaries and benefits	(2,173,162)	(2,360,154)
Payments on project grants	(1,425,844)	(1,790,820)
Other payments	(895,773)	(869,373)
Net cash used by operating activities	(14,532,644)	(24,402,496)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Federal capitalization grants	6,463,705	10,472,059
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayment of bonds payable	(7,586,583)	(7,118,900)
Proceeds from bonds payable	50,000,000	-
Premium on bonds payable	10,615,912	-
Interest paid on bonds payable	(6,174,215)	(5,128,043)
Operating transfers	(3,201,082)	384,352
Net cash provided (used) by noncapital financing activities	43,654,032	(11,862,591)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	2,939,211	3,295,768
Increase in revolving fund	(30,813,860)	(5,838,027)
(Increase) decrease in restricted assets	(7,131,433)	27,580,411
Net cash provided (used) by investing activities	(35,006,082)	25,038,152
Net change in cash and cash equivalents	579,011	(754,876)
CASH AND CASH EQUIVALENTS, beginning	4,546,959	5,301,835
CASH AND CASH EQUIVALENTS, ending	\$ 5,125,970	\$ 4,546,959
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	(\$ 504,965)	(\$ 1,301,099)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Changes in assets and liabilities:		
Increase in interest receivable - loans	(688,445)	(317,835)
Increase in loans receivable	(13,339,234)	(22,783,562)
Net cash used by operating activities	(\$ 14,532,644)	(\$ 24,402,496)

The notes to financial statements are an integral part of this statement.

**STATE of CONNECTICUT CLEAN WATER FUND - DRINKING WATER
FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
NOTES to FINANCIAL STATEMENTS
June 30, 2020 and 2019**

1 - NATURE OF ORGANIZATION

The State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account (State Revolving Fund or SRF), an enterprise fund of the State of Connecticut, established in 1998 pursuant to Connecticut General Statutes Section 22a-475 to 22a-483, provides assistance to the public water systems in Connecticut to finance the costs of infrastructure needed to achieve or maintain compliance with the Safe Drinking Water Act (SDWA). The SRF is funded through revenue bonds and federal grants as established under the SDWA, which requires the State of Connecticut (State) to match federal funds to the extent of 20% of federal funds received.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the SRF conform to U.S. generally accepted accounting principles as applicable to government enterprises. The following is a summary of the SRF's significant accounting policies:

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting and the flow of economic resources as specified by the Governmental Accounting Standards Board's (GASB) requirements for an enterprise fund.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Operating and Nonoperating Revenues and Expenses

The SRF's principal operation consists of making low interest loans and grants to public water systems in Connecticut. Operating revenue consists of interest earned on those loans. Operating expenses consist of personnel, other expenses and grants incurred in the initial approval, disbursement and ongoing servicing of these loans and grants and incurred in set-aside activities.

Nonoperating revenues include interest earned on investments and nonoperating expenses include interest expense on revenue and refunding bonds.

Revenue Recognition

Federal capitalization grants are reported as nonoperating revenue and are recognized as federal funds are drawn and as the SRF expenses are incurred.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the SRF considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. However, the SRF's policy is to exclude restricted assets from cash and cash equivalents for purposes of the Statements of Cash Flows due to the limitations imposed on their use by the Clean Water Fund Revenue Bond Program General Bond Resolution, adopted by the State Bond Commission on December 17, 2002 (the "Resolution").

Investments

The SRF's policy is to present all investments at fair value except for money market investments and investment contracts, which the SRF has elected to report at amortized cost. The fair value of investments traded on public markets is determined using quoted market prices. The fair value of state general obligation bonds, which are not traded on a public market, is estimated using a comparison of other state general obligation bonds. Based on this comparison, the cost or par value of the state general obligation bonds approximates their estimated fair value.

There were no material investment gains or losses for the years ended June 30, 2020 and 2019.

Loans, Allowance for Loan Losses and Credit Risk

The SRF makes loans to public water systems in the State of Connecticut to finance the costs of infrastructure needed to achieve or maintain compliance with the SDWA. Interest rates on the loans range from 2.00% to 4.68% and interest income is recognized as it is earned. The loans are secured by the full faith and credit or revenue pledges of the public water systems, or both. No allowance for loan losses is considered necessary based on management's evaluation of the collectability of the loans. The evaluation takes into consideration such factors as changes in the size of the public water system loans, overall quality, review of specific problem loans, and current economic conditions and trends that may affect the borrowers' ability to pay.

Restricted Assets

Restricted assets consist of investments, which are segregated into funds and accounts in accordance with the Resolution as previously described, plus amounts determined to be prudent by management including amortizing long-term investments. The Resolution restricts investments to: a) the State Treasurer's Short-Term Investment Fund, b) interest bearing time deposits held by the trustee, a member bank of the Federal Reserve System, or a bank which is insured by the Federal Deposit Insurance Corporation and c) Investment Obligations as defined in the Resolution.

Bond Premiums/Deferred Loss

The premiums on the revenue and refunding bonds are being amortized over the term of the bonds on a straight-line basis, which yields results equivalent to the interest method.

The deferred loss on early retirement of bonds (Note 8) is being amortized over the shorter of the life of the refunded or refunding bonds.

Revenue Bonds

The following funds and accounts have been established in accordance with the Resolution adopted December 17, 2002:

<u>Fund/Account</u>	<u>Description and Use</u>
Revolving Fund	The Revolving Fund consists of amounts in the water pollution control federal revolving loan account and drinking water federal revolving loan account. The State maintains the Revolving Fund in accordance with the Federal Act. The State shall transfer to the Debt Service Fund any amounts necessary, together with any amounts on deposit therein, sufficient to pay principal of, redemption premium, if any, and interest on bonds.
Bond Proceeds Fund	Receives proceeds from the sale of revenue bonds as specified and determined by the Resolution. Funds are expensed for purposes of financing loans to borrowers under the State Revolving Fund program and if other monies are not available, payment of principal and interest on bonds.
Debt Service Fund	Receives amount from the Revolving Fund, Support Fund and, if necessary, Bond Proceeds Fund sufficient to pay the debt service on the bonds. Pays principal and interest on outstanding bonds.
Support Fund	The Support Fund, and accounts therein, shall be funded in the amounts and in the manner set forth in a Supplemental Resolution. Monies in the Support Fund shall be transferred to the Debt Service Fund to pay the interest, principal and Sinking Fund Installments and Redemption Price due on bonds, in accordance with the schedule set forth in the applicable Supplemental Resolution.
Administrative Fund: Cost of Issuance Account	Established outside the SRF, receives a portion of the revenue bond proceeds. Investment income is transferred to the revenue fund for debt service payments. Used to pay issuance cost on revenue bonds.
Rebate Fund	Receives any earnings required to be rebated to the United States pursuant to the Tax Regulatory Agreement. Used for IRS obligations as required.

Deferred outflows/inflows of resources

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The SRF only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the Statements of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price.

In addition to liabilities, the Statements of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The SRF does not have any items that qualify for reporting in this category.

Net Position

Net position is classified in the following categories:

- a. Net investment in capital assets - consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The SRF does not have capital assets.
- b. Restricted - consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- c. Unrestricted - consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Subsequent Events

Management of the SRF has evaluated subsequent events through September 10, 2020, the date the financial statements were available to be issued.

3 - CASH DEPOSITS AND INVESTMENTS

According to GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, the SRF needs to make certain disclosures about deposits and investment risks that have the potential to result in losses. Thus, the following deposit and investment risks are discussed below:

Interest Rate Risk - the risk that changes in interest rates will adversely affect the fair value of an investment.

Credit Risk - the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

Concentration of Credit Risk - the risk of loss attributed to the magnitude of an investment with a single issuer.

Custodial Credit Risk (deposits) - the risk that, in the event of a bank failure, the SRF's deposits may not be recovered.

Custodial Credit Risk (investments) - the risk that, in the event of a failure of the counterparty, the SRF will not be able to recover the value of investments or collateral securities that are in the possession of an outside party.

Cash and cash equivalents

Cash and cash equivalents of the SRF include funds held by the Connecticut State Comptroller and US Bank (Trustee).

As of June 30, 2020 and 2019 funds held by the State Comptroller was \$5,407,500 and \$4,546,959 respectively. These funds are included with other State of Connecticut accounts, and custodial credit risk cannot be determined at the SRF level. As of June 30, 2020 and 2019 cash included in restricted assets was \$0 and \$2,445 respectively.

As of June 30, 2020 funds held in Connecticut Short Term Investment Funds (STIF) were \$147,448,864, of which \$917 is included in the bond proceeds fund, \$128,456,229 is included in the revolving fund and \$18,991,718 is included in the debt service fund on the Statements of Net Position. As of June 30, 2019 funds held in Connecticut Short Term Investment Funds (STIF) were \$112,667,205, of which \$3,076 is included in the bond proceeds fund, \$97,642,369 is included in the revolving fund and \$15,021,760 is included in the debt service fund on the Statements of Net Position.

STIF is a money market investment pool, rated AAAM as of June 30, 2020 and 2019 by Standard and Poor's, in which the State, municipal entities, and political subdivisions of the State are eligible to invest. The State Treasurer with the advice of the Investment Advisory Council, whose members include outside investment professionals and pension beneficiaries, establishes investment policies and guidelines. The State Treasurer is authorized to invest STIF funds in U.S. government and agency obligations, certificates of deposit, commercial paper, corporate bonds, savings accounts, bankers' acceptances, repurchase agreements, asset-backed securities, and student loans.

As of June 30, 2020 funds held in Fidelity Institutional Government Money Market (FIGMM) were \$8,913,432, of which \$2,170,919 is included in the debt service fund and \$6,742,513 is included in the match account on the Statements of Net Position. As of June 30, 2019 funds held in FIGMM were \$4,623,740, of which \$3,024,271 is included in the debt service fund and \$1,599,469 is included in the match account on the Statements of Net Position.

FIGMM is a money market investment pool, managed by Fidelity Investments, normally investing at least 80% of assets in U.S. Government securities and repurchase agreements for those securities and generally maintaining a dollar-weighted average maturity of 60 days or less.

Investments

As of June 30, 2020, the SRF had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in years)				Rating
		Less than 1	1 - 5	6 - 10	More than 10	
U.S. Treasury State & Local Governments	\$ 69,379	\$ -	\$ -	\$ 69,379	\$ -	AA+
Guaranteed Investment Contracts	245,863	-	-	245,863	-	A+
Guaranteed Investment Contracts	3,649,322	-	2,357,975	1,291,347	-	NR
Connecticut General Obligation Bonds	1,856,658	-	1,856,658	-	-	AA
	<u>\$ 5,821,222</u>	<u>\$ -</u>	<u>\$ 4,214,633</u>	<u>\$ 1,606,589</u>	<u>\$ -</u>	

As of June 30, 2019, the SRF had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in years)				Rating
		Less than 1	1 - 5	6 - 10	More than 10	
U.S. Treasury State & Local Governments	\$ 69,379	\$ -	\$ -	\$ 69,379	\$ -	AA+
Guaranteed Investment Contracts	306,261	-	-	306,261	-	A+
Guaranteed Investment Contracts	4,119,807	-	2,573,367	1,546,440	-	NR
Connecticut General Obligation Bonds	2,449,386	592,728	1,856,658	-	-	AA
	<u>\$ 6,944,833</u>	<u>\$ 592,728</u>	<u>\$ 4,430,025</u>	<u>\$ 1,922,080</u>	<u>\$ -</u>	

Interest Rate Risk

The SRF's policy for managing interest rate risk is to have the maturity or redemption dates of investments coincide as nearly as practicable with the times at which funds will be required for purposes as established in the General Bond Resolutions.

Credit Risk

The SRF minimizes exposure to this risk by investing in Investment Obligations as defined by the Resolution.

Concentration of Credit Risk

The SRF currently invests approximately 67% and 64%, at June 30, 2020 and 2019, respectively, in long-term investment agreements with Trinity Plus Funding and Bank of America.

4 - LOANS RECEIVABLE

The SRF loans funds to qualified public water systems. Principal and interest payments on loans are payable over a 20 year period in equal monthly installments commencing one month after the scheduled completion date, or in a single annual installment representing the first year's principal and interest not later than one year after the scheduled completion date and thereafter in monthly installments. Prepayments are not subject to any penalty.

Loans receivable by type are as follows as of June 30:

	<u>2020</u>	<u>2019</u>
Construction in process	\$ 48,095,269	\$ 29,369,687
Completed projects	<u>153,569,142</u>	<u>158,955,490</u>
	<u>\$ 201,664,411</u>	<u>\$ 188,325,177</u>

Aggregate maturities of loans receivable in subsequent years for completed projects are as follows:

<u>Year ending June 30</u>	
2021	\$ 12,136,216
2022	11,589,400
2023	11,364,177
2024	10,521,818
2025	10,209,350
Thereafter	<u>97,748,181</u>
	<u>\$ 153,569,142</u>

5 - FEDERAL LETTER OF CREDIT

The following represents a summary of the cumulative amounts of funds awarded and drawn, as well as the amount of funds available under the U.S. Environmental Protection Agency's letter of credit as of June 30:

	<u>2020</u>	<u>2019</u>
Awarded	\$ 213,971,900	\$ 202,967,900
Drawn	<u>202,304,385</u>	<u>195,840,680</u>
Available federal letter of credit	<u>\$ 11,667,515</u>	<u>\$ 7,127,220</u>

As part of the State grant agreements with EPA and in accordance with State and Federal statutes, the State is required to provide a 20% match on all federal grant awards. As of June 30, 2020 and 2019, the required State match was \$42,794,380 and \$40,593,580, respectively. As of June 30, 2020 and 2019, the State match provided was \$48,975,232 and \$41,496,388, respectively. In fiscal year 2014, the State established a separate account in order to be able to clearly track the State match deposits and State match expenditures in order to ensure compliance with the federal capitalization grant requirement.

6 - RESTRICTED ASSETS

Restricted assets as of June 30 are comprised of the following:

	<u>2020</u>	<u>2019</u>
Cash equivalents:		
Cash	\$ -	\$ 2,445
Money market investment pool	27,906,067	19,648,576
Investments:		
U.S. Treasury State and Local Governments	69,379	69,379
Guaranteed Investment Contracts	3,895,185	4,426,070
Connecticut General Obligation Bonds	<u>1,856,658</u>	<u>2,449,386</u>
	<u>\$ 33,727,289</u>	<u>\$ 26,595,856</u>

7 - RELATED PARTY TRANSACTIONS

The SRF is one fund of many within the State of Connecticut financial reporting structure and as a result, certain transactions including operating transfers, loans receivable and allocation of expenses among funds are under the direction of the State.

Investments

The SRF has invested in the State Treasurer's Short Term Investment Fund and holds State General Obligation Bonds as presented in Note 3.

Allocation of Expenses

Fringe benefit costs which are incurred at the State level are applied as a percentage of salaries to all State governmental units, including the SRF. For the years ended June 30, 2020 and 2019, the actual rates were 92.06% and 95.10%, respectively, of the SRF wages and the amounts charged aggregated \$1,041,645 and \$1,150,419, respectively.

8 - BONDS PAYABLE

A summary of changes in bonds payable during the year ended June 30, 2020 is as follows:

	Balance June 30, 2019	Issued	Principal Refunded	Principal Paydowns	Balance June 30, 2020
Revenue bonds payable	\$ 100,319,450	\$ 50,000,000	\$ -	\$ 6,974,250	\$ 143,345,200
Refunding bonds payable	<u>3,726,167</u>	<u>-</u>	<u>-</u>	<u>612,333</u>	<u>3,113,834</u>
	<u>\$ 104,045,617</u>	<u>\$ 50,000,000</u>	<u>\$ -</u>	<u>\$ 7,586,583</u>	<u>\$ 146,459,034</u>

A summary of changes in bonds payable during the year ended June 30, 2019 is as follows:

	Balance June 30, 2018	Issued	Principal Refunded	Principal Paydowns	Balance June 30, 2019
Revenue bonds payable	\$ 107,438,350	\$ -	\$ -	\$ 7,118,900	\$ 100,319,450
Refunding bonds payable	<u>3,726,167</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,726,167</u>
	<u>\$ 111,164,517</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,118,900</u>	<u>\$ 104,045,617</u>

Revenue Bonds

The proceeds of these bonds are to be used to provide funds to make loans to Connecticut municipalities and public water systems, for use in connection with the financing or refinancing of waste water and drinking water treatment projects.

The State of Connecticut has issued the following bonds, of which a portion has been allocated to the SRF:

Issue Date	Issue Name	Original Allocated Par Amount	Balance Outstanding June 30, 2020
3/24/2011	State Revolving Fund General Revenue Bonds, 2011 Series A	\$ 16,464,150	\$ 5,245,200
2/21/2013	State Revolving Fund Refunding General Revenue Bonds, 2013 Series B	1,241,167	988,834
5/6/2015	State Revolving Fund General Revenue Bonds, 2015 Series A	52,475,000	43,255,000
6/15/2017	State Revolving Fund General Revenue Bonds, 2017 Series A	50,000,000	44,845,000
6/15/2017	State Revolving Fund Refunding General Revenue Bonds, 2017 Series B	2,485,000	2,125,000
7/9/2019	State Revolving Fund General Revenue Bonds, 2019 Series A	50,000,000	50,000,000
		<u>\$ 172,665,317</u>	<u>\$ 146,459,034</u>

Debt service on the outstanding bonds will be paid solely from Available Moneys in the SRF and the Clean Water Fund. Available Moneys include all funds in the SRF legally available and therefore can be used for any lawful purpose. The bond proceeds fund, the debt service fund and the support fund, the investments thereof and the proceeds of such investments, if any, are pledged for the payment of all bonds issued under the 2002 Resolution.

The State of Connecticut issued State Revolving Fund General Revenue Bonds 2011 Series A dated March 24, 2011. In accordance with the State Revolving Fund General Revenue Bonds, 2011 Series Plan of Finance, the State allocated the proceeds of 2011 Series Bonds between the Clean Water Fund and the SRF with \$166,470,850 allocated to the Clean Water Fund and \$16,464,150 allocated to the SRF.

The State of Connecticut issued State Revolving Fund General Revenue Bonds 2015 Series A dated May 6, 2015. In accordance with the State Revolving Fund General Revenue Bonds, 2015 Series Plan of Finance, the State allocated the proceeds of 2015 Series Bonds between the Clean Water Fund and the SRF with \$197,525,000 allocated to the Clean Water Fund and \$52,475,000 allocated to the SRF.

The State of Connecticut issued State Revolving Fund General Revenue Bonds 2017 Series A dated June 15, 2017. In accordance with the State Revolving Fund General Revenue Bonds, 2017 Series Plan of Finance, the State allocated the proceeds of 2017 Series Bonds between the Clean Water Fund and the SRF with \$200,000,000 allocated to the Clean Water Fund and \$50,000,000 allocated to the SRF.

The State of Connecticut issued State Revolving Fund General Revenue Bonds 2019 Series A dated July 9, 2019. In accordance with the State Revolving Fund General Revenue Bonds, 2019 Series Plan of Finance, the State allocated the proceeds of 2019 Series Bonds between the Clean Water Fund and the SRF with \$200,000,000 allocated to the Clean Water Fund and \$50,000,000 allocated to the SRF.

The SRF's revenue bonds payable are serial bonds, of which \$143,345,200 and \$100,319,450 was outstanding as of June 30, 2020 and 2019, respectively. The serial bonds mature through 2037 and have interest rates ranging from 1.0% to 5.0%.

Refunding Bonds - 2013 Series B

On February 21, 2013 the State issued \$1,241,167 of State Revolving Fund Refunding General Revenue Bonds 2013, Series B with interest rates of 2.0% to 5.0% to refund on a current basis Clean Water Fund Refunding General Revenue Bonds, Series 2006 B (Refunded Bonds). The Refunded Bonds were scheduled to mature at various dates through July 1, 2027, but have been redeemed on July 1, 2016.

The outstanding principal balance of the Refunding Bonds as of June 30, 2020 and 2019 was \$988,834 and \$1,241,167, respectively.

Refunding Bonds - 2017 Series B

On June 15, 2017 the State issued \$2,485,000 of State Revolving Fund Refunding General Revenue Bonds 2017, Series B with interest rates of 3.625% to 5.0% to refund on a current basis Clean Water Fund Refunding General Revenue Bonds, Series 2009 A (Refunded Bonds). The Refunded Bonds were scheduled to mature at various dates through June 1, 2027, but have been redeemed on June 1, 2019.

The outstanding principal balance of the Refunding Bonds as of June 30, 2020 and 2019 was \$2,125,000 and \$2,485,000, respectively.

Bond Maturities

Requirements at June 30, 2020 to retire the SRF's revenue and refunding bonds are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 7,575,600	\$ 6,915,888
2022	8,206,100	6,598,158
2023	7,266,550	6,228,602
2024	8,827,150	5,874,672
2025	8,214,084	5,448,300
2026-2030	42,749,550	21,022,467
2031-2035	42,100,000	11,137,050
2036-2037	21,520,000	2,161,050
	<u>\$ 146,459,034</u>	<u>\$ 65,386,187</u>

9 - NET POSITION

The following represents an analysis of net position for the years ended June 30, 2020 and 2019:

	<u>Unrestricted</u>	<u>Restricted for Loans</u>	<u>Total</u>
Balance at June 30, 2018	\$ 29,611,057	\$ 158,446,957	\$ 188,058,014
Change in net position	<u>1,062,096</u>	<u>8,481,750</u>	<u>9,543,846</u>
Balance at June 30, 2019	30,673,153	166,928,707	197,601,860
Change in net position	<u>(4,245,401)</u>	<u>3,890,714</u>	<u>(354,687)</u>
Balance at June 30, 2020	<u>\$ 26,427,752</u>	<u>\$ 170,819,421</u>	<u>\$ 197,247,173</u>

The net position reserved for loans represents amounts accumulated from federal drawdowns, less set-aside activity expenses not exceeding 31% of the federal grant and subsidies, and the State's match of federal funds.

10 - OPERATING TRANSFERS

Operating transfers consist of the following for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Transfers related to CWF debt service	\$ -	(\$ 63,670)
Transfer related to bond proceeds	(10,472,975)	-
State match	414,830	448,022
Transfer related to cost of issuance of bond offerings	(142,937)	-
Transfer from State for match	<u>7,000,000</u>	<u>-</u>
	<u>(\$ 3,201,082)</u>	<u>\$ 384,352</u>

11 - LOAN FUNDING COMMITMENTS

The operating agreements for the federal capitalization grants require that the SRF enter into binding commitments with local government units within one year of the receipt of each federal grant payment to provide assistance in an amount equal to 120% (including 20% state matching grants) of each federal capitalization grant.

The following represents a summary of loan commitments at June 30:

	<u>2020</u>	<u>2019</u>
Total funds committed to public water systems	\$ 275,442,174	\$ 272,854,997
Loan amount outstanding to public water systems	<u>201,664,411</u>	<u>188,325,177</u>
Loan commitments outstanding	<u>\$ 73,777,763</u>	<u>\$ 84,529,820</u>

12 - RISK MANAGEMENT

The State of Connecticut is responsible for risk management of the SRF activities through the use of commercial and self-insurance.

13 - RISKS AND UNCERTAINTIES

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. Future potential impacts to the SRF may include a decrease in planned projects and borrowers' ability to pay their loan payments. The future effects of these issues are unknown.

SEWARD AND MONDE

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Mr. Shawn T. Wooden, Treasurer

Dr. Deidre S. Gifford, Acting Commissioner,
Department of Public Health,
State of Connecticut

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account (State Revolving Fund) (SRF) (an enterprise fund of the State of Connecticut) as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated September 10, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the SRF's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the SRF's internal control. Accordingly, we do not express an opinion on the effectiveness of the SRF's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the SRF's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Seward and Monde

North Haven, Connecticut
September 10, 2020

SEWARD AND MONDE

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Mr. Shawn T. Wooden, Treasurer

Dr. Deidre S. Gifford, Acting Commissioner,
Department of Public Health,
State of Connecticut

Report on Compliance for Each Major Federal Program

We have audited the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account's (State Revolving Fund) (SRF) (an enterprise fund of the State of Connecticut) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the SRF's major federal programs for the year ended June 30, 2020. The SRF's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the SRF's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the SRF's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the SRF's compliance.



Opinion of Each Major Federal Program

In our opinion, the SRF complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the SRF is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the SRF's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the SRF's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Seward and Monde

North Haven, Connecticut
September 10, 2020

**STATE OF CONNECTICUT CLEAN WATER FUND - DRINKING WATER
 FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the year ended June 30, 2020**

<u>Federal Grantor; Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>	<u>Expenditures to Subrecipients</u>
ENVIRONMENTAL PROTECTION AGENCY			
Direct:			
Capitalization Grants for State Revolving Fund	66.468	<u>\$ 5,963,725</u>	<u>\$ 3,115,758</u>

See notes to schedule.

**STATE OF CONNECTICUT CLEAN WATER FUND - DRINKING WATER
FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2020**

A - ACCOUNTING BASIS

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account (State Revolving Fund) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent that administrative costs have been incurred by the SRF and charged to the grant and federal funds have been loaned or granted to public water systems during the year.
2. The SRF did not use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

C - SUBRECIPIENTS

Loans disbursed to subrecipients during year ended June 30, 2020 totaled \$1,689,914. Grants disbursed to subrecipients during year ended June 30, 2020 totaled \$1,425,844.

D - MUNICIPAL LOAN BALANCES

The balance of outstanding loans to municipalities totaled \$201,664,411 as of June 30, 2020.

**STATE OF CONNECTICUT CLEAN WATER FUND - DRINKING WATER
 FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the year ended June 30, 2020**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> Yes <u> X </u> No
Significant deficiency(ies) identified?	<u> </u> Yes <u> X </u> None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> Yes <u> X </u> No
Significant deficiency(ies) identified?	<u> </u> Yes <u> X </u> None reported

Type of auditors' report issued on compliance for major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) of the Uniform Guidance? Yes X No

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
66.468	Capitalization Grants for State Revolving Fund

Dollar threshold used to distinguish between type A and type B programs \$ 750,000

Auditee qualified as low risk auditee? X Yes No

. . . Continued . . .

**STATE OF CONNECTICUT CLEAN WATER FUND - DRINKING WATER
FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2020
. . . Continued . . .**

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings are reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs are reported.