

STATE OF CONNECTICUT

Drinking Water Fund State Revolving Fund Program 2022 Annual Report to the Governor



Connecticut Drinking Water Fund

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

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(DWSRF) Funded Projects and Set- Asides*

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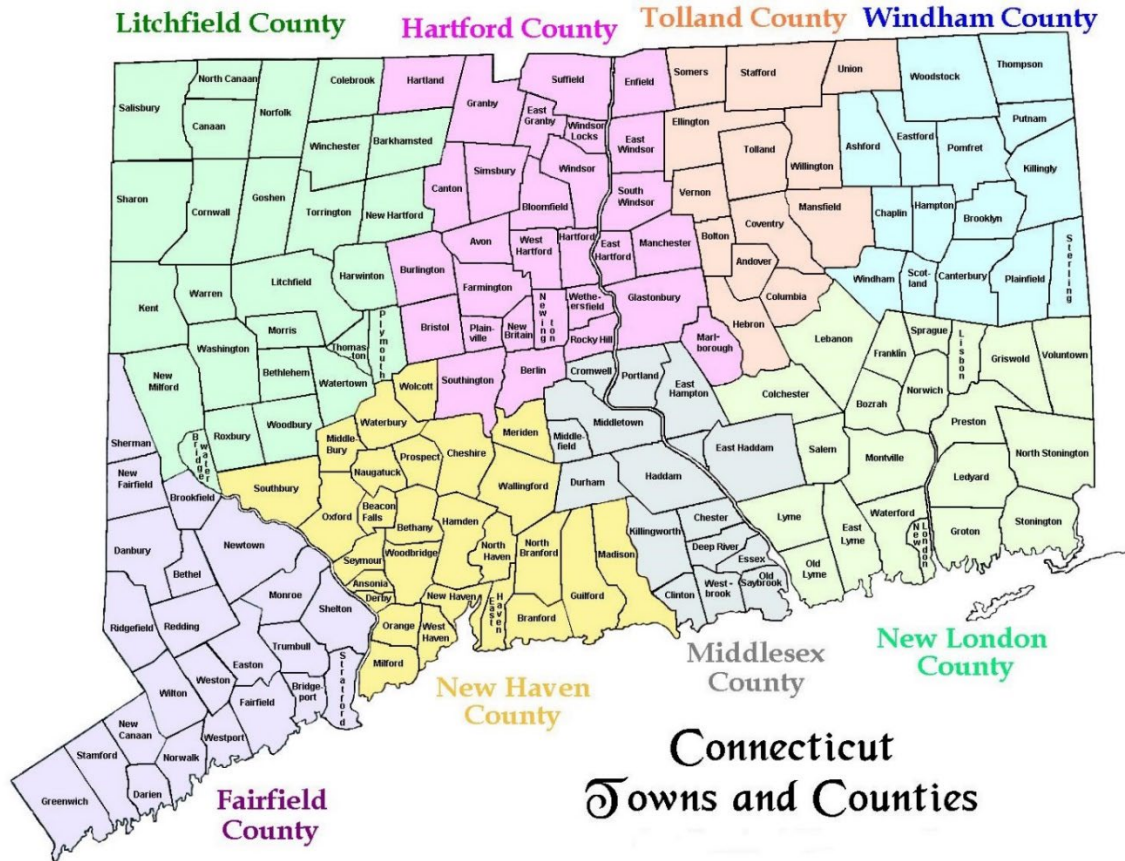
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DWSRF ANNUAL REPORT ACRONYM LIST

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| ARRA | American Recovery and Reinvestment Act of 2009 |
| AWIA | America's Water Infrastructure Act of 2018 |
| BIL | Bipartisan Infrastructure Law |
| CGS | Connecticut General Statutes |
| CMDP | Compliance Monitoring Data Portal |
| 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 each year) |
| 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 |
| OPM | Office of Policy and Management |
| OTT | Office of the State Treasurer |
| PBR | Project Benefits Reporting Database |
| PFAS | Perfluorinated Alkyl Substances |
| PLO | Project Loan Obligation |
| PPL | Project Priority List |
| 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) |
| SLP | Small Loan Program |
| SRF | State Revolving Fund |
| ULOs | Unliquidated Obligations |

COMMUNITIES ACROSS THE ENTIRE STATE OBTAINED PROJECT FUNDING OF MORE THAN \$406.5 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, Winchester (Winsted), Woodlake Tax District (Woodbury), Woodbury*

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

New Haven County: *Guilford, Meriden, Middlebury, Naugatuck, North Branford, Prospect, **South Central Connecticut Regional Water Authority (RWA) (includes New Haven, North Haven, Derby, Ansonia, East Haven, West Haven, Orange, Milford, Woodbridge, Branford, 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, Willimantic*

Bold and italic towns received multiple loans

REPORT INTRODUCTION



This is the Annual Report to the Governor of the State of Connecticut (State) on the Connecticut Drinking Water State Revolving Fund (DWSRF) for the fiscal year ending June 30, 2022. 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 Federal 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 the State'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 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 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 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) 2022, 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 the EPA in order to comply with federal reporting requirements under the SDWA. The State must also comply with the Federal Single Audit Act of 1984. The audited statements for the fiscal year ending June 30, 2022, 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 2022 report and previous annual reports since 2001 are available via OTT's website at:

<https://portal.ct.gov/OTT/Debt-Management/Drinking-Water-Fund-Reports>

EXECUTIVE SUMMARY

The DWS's primary responsibility is to protect public health by ensuring that the State's 2,384 public water systems provide safe, adequate, and sustainable drinking water to residents and visitors. 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 the State 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 within the State 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 aid 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 2022, the DPH committed approximately \$18.5 million in funding for ten infrastructure projects through nine funding agreements and one funding agreement amendment, of which four agreements were with small systems. Since its inception, the DWSRF program has provided more than \$406.5 million for 296 projects. Since 2010, the capitalization grants have included a requirement to use a portion of the grant to subsidize projects. All projects funded in FY 2022 qualified for partial federal subsidization in the form of principal forgiveness.



SUMMARY OF FY 2022 ACTIVITIES & ACCOMPLISHMENTS

- Executed ten funding agreements which included one amendment under the DWSRF program totaling \$18.5 million (of which approximately \$15.2 million was loan and approximately \$3.3 million was subsidy).
- Provided approximately \$288,000 in Water Infrastructure Improvements for the Nation grant funds to aid a small and disadvantaged community.
- Executed four funding agreements for small water systems, including one under the Small Loan Program totaling \$3,904,887.88 (of which \$2,533,627.27 was loan and \$1,371,260.61 was subsidy).
- Processed project payment reimbursement requests totaling approximately \$26.6 million in DWSRF funds and \$1.1 million in state grant-in-aid funds.
- Provided ongoing asset management and technical assistance to small systems identified with weaknesses during sanitary surveys or compliance assessments.
- 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 sanitary surveys of public water systems, including evaluations of technical, financial, and managerial capacity by staff funded through the DWSRF Set-Asides.
- Processed water quality data files, through Electronic Data Interface and through Compliance Monitoring Data Portal from laboratories containing water quality analytical results. Provided technical assistance to help labs fully transition to report through the CMDP and for other labs still in the process.
- Environmental Engineering Program staff conducted Phase I and Phase II training sessions for local health officials on required regulations and on new and repaired subsurface sewage disposable systems. The 4 - 5 day trainings were held in September, October, and November 2021 (Phase I & II), and February and March 2022 (Phase I only).
- Continued an internal work group to address the growing concerns of perfluorinated alkyl substances (PFAS), which continues to be a priority for the Governor.

HISTORY & MANAGEMENT OF THE CONNECTICUT DWSRF PROGRAM

In 1996, the United States 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 2022, Connecticut's allocation is 1%, based on the results of the 2015 DWINSA.

The Bipartisan Infrastructure Law (BIL) was signed into law on November 15, 2021, and includes three new federal capitalization grants (namely, the SRF Supplemental Fund, Lead Service Line Replacement Fund and the Emerging Contaminants Fund) which will provide additional funding through the DWSRF to improve drinking water systems that millions of families rely on for drinking water that is safe from lead and other contaminants. These grants will be provided annually over the next five FFYs, with implementation by DPH in accordance with applicable guidance and grant award terms and conditions.

Each year the State 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 \$235.9 million to date in capitalization grants, of which \$218.5 million has been fully expended. 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 (ARRA).

The DPH is the lead agency for the DWSRF and has entered into an Operating Agreement (OA) between the State 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 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 State agencies.



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 DWSRF, and provide managerial and technical assistance to public water systems.

Federal Capitalization Grants

The BIL was signed into law on November 15, 2021. It includes \$50 billion to the EPA to strengthen the nation's drinking water and wastewater systems – the single largest investment in clean water that the federal government has ever made. With this new funding, SRF Drinking Water Program will see a significant increase in capitalization grants received.

The bill includes The Drinking Water and Wastewater Infrastructure Act (S. 914) which reauthorizes funding levels for the SRFs and amends SRF provisions in the Clean Water Act and the Safe Drinking Water Act. In addition to the base Federal Capitalization Grants, the new law authorizes three new DWSRF grants, DWSRF General Supplemental Funding, DWSRF Emerging Contaminants Funding, and DWSRF Lead Service Line Replacement. A significant portion of the three new grants must be provided as a subsidy to disadvantaged communities.

| Capitalization Grant | CT FFY 2022 Allotment |
|-------------------------------|-----------------------|
| Base DWSRF | \$7,008,000 |
| General Supplemental | 17,992,000 |
| Lead Service Line Replacement | 28,350,000 |
| Emerging Contaminant | 7,555,000 |

A fundamental principle of the SRFs is the flexibility provided to states and borrowers to address a wide variety of local water quality and public health challenges.

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 the State based upon EPA approval of the Capitalization Grants for the State. The federal drinking water, non-ARRA, capitalization grants awarded to Connecticut from FFY 1997 through FFY 2021 totaled \$235.9 million of which \$218.5 million has been fully expended. Since last year's report, the State received the FFY 2021 award of \$11.0 million. The FFY 2022 grant in the amount of \$7.0 million is expected to be awarded in early fall 2022. 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 \$64.2 million as of June 30, 2022 (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 Water Fund including the CWSRF and DWSRF. 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, 2022, 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.

Revenue Bonds - SRF Leveraged Program

The State Treasurer is authorized to issue tax-exempt bonds in order to 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 at 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, 2022, the State held \$367.0 million in DWSRF program assets invested in loans, the State's Short-Term Investment Fund, state and local government securities, and guaranteed investment contracts.

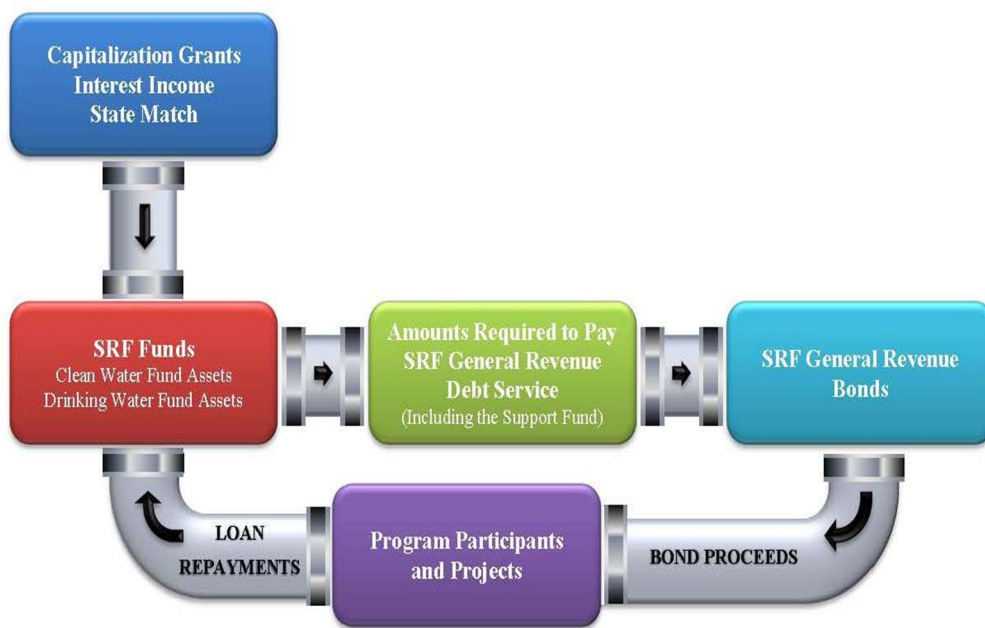
Green Bonds

Bonds are designated as "Green" if the net 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. The last several new money bonds issued in 2015, 2017, and 2019 were designated as Green Bonds. The State plans to continue issuing Green Bonds in the future, as they are attractive to investors and are a positive for the program. The State chose to pursue Green Bond certification from 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 bonds issued, and the alignment thereof with relevant industry standards. Their 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, 2022, 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 CWF 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 DWSRF 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, the staffing level 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 Spec. 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 authorized 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 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 through June 30, 2021, inclusive, each water company that owned a community or non-transient non-community PWS was required to pay to the DPH a safe drinking water primacy assessment to support the DPH's ability to maintain primacy under the SDWA. The State's General Assembly did not extend the fee program beyond June 30, 2021, allowing it to sunset. An assessment is not being collected during FY 2023, but the State continues to fund the staff salaries that were previously covered by the assessment. 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 DWSRF Program is available at the Department's web site www.ct.gov/dph. Since the inception of the program, the DWSRF has over \$406 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, East Lyme, and Waterbury have received funding for multiple projects.

Since 2001, the State has issued revenue bonds to expand the DWSRF and its ability to fund critical water quality projects. State bond authorizations for the DWSRF 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 CWSRF Program, the programs can sustain bond issuance of approximately \$150 million in revenue bonds per year through 2039 without additional State funds. Due to available funds in the program's trust accounts, when revenue bond proceeds are fully expended the program continues to provide funding for projects. The combined programs historically have issued bonds every 18-24 months. The current projection is approximately \$250 million per issue, if needed. Similar to many other SRF programs across the country, the State's SRF saw a significant increase in requests by borrowers to prepay SRF loans. Although the 2% loan rate has historically been very attractive to SRF

borrowers, in the historically low interest rate environment that existed for most of FY 2021 and FY 2022, many borrowers issued refunding bonds and prepaid their SRF loans before maturity for savings. The State followed the tax law requirements by using the prepayments to originate new loans and defease debt in keeping with IRS guidance. Due to the receipt of these prepayments, the State analyzed program cash flows and projected loan demand with the program's financial advisors. Given the level of prepayments received it is projected that the SRF will not need to issue revenue bonds for the next few years to fund new program loans. This will, in effect, pause the program's practice of leveraging through debt issuance, and instead rely on the increased cash balances to make loans and defease debt. Once prepayment funds are recycled and the program's cash balances are restored to more traditional levels, the SRF will resume its ongoing leveraging. This flexibility is a result of the overall

maturity of the SRF as a revolving loan program. 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 the State 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 State 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 the State, there are approximately 743 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 CWSRF 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.

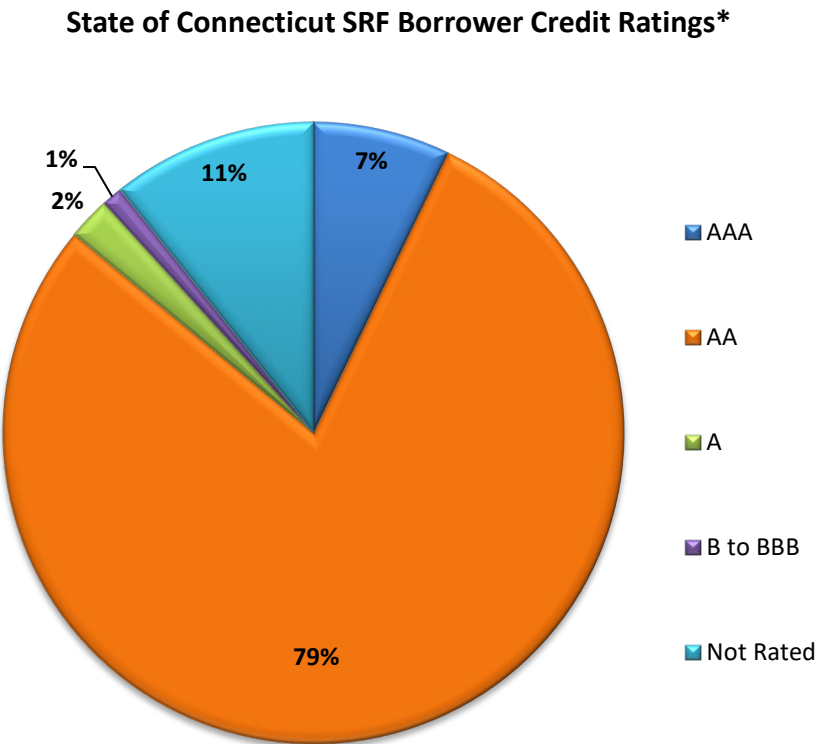


Portfolio Credit Quality

The overall financial condition of the state’s municipal and privately owned PWSs reflects positively on the DWSRF. 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 State’s SRF loan portfolio is concentrated and commitments to borrowers with loans rated “AA” or higher by S&P Global Ratings are shown on the chart 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.



*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 interest rate during FY 2022 was 2.0% for all borrowers. The DWSRF also provides technical assistance and training with a portion of the federal grant.

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 and an additional \$80,600 during FY 2022.

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 2022 and is based on: 1) the use of FFY 2021 capitalization grant funds, 2) a state match of 20% of the FFY 2021 capitalization grant awards, and 3) unobligated funds carried forward from previous IUPs. During FY 2022, the State provided the required 20% match of \$2.2 million necessary to receive the FFY 2021 award.

The Public Hearing for the FY 2022 IUP was held on August 18, 2021. Applicants and interested parties participated at the hearing on projects to be funded during FY 2022 and had the opportunity to give testimony on projects and the IUP. The projects considered for funding in that IUP were

based upon applications received during the call for projects between February 2021 and April 2021. The FY 2022 Annual IUP was finalized on September 30, 2021, and published in January 2022. In May 2022, the FY 2022 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 is in the process of being finalized.

The most recent request for new DWSRF projects from PWSs occurred between February and March 2022, for projects to be funded during FY 2023. The draft FY 2023 IUP is still being drafted, and a public hearing will be scheduled. 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 Call for Projects.

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 three most recent lists available at the time of the call for projects are utilized for assignment of ranking points.

The priority ranking system is reviewed and revised as necessary prior to each call for projects. Revisions are being drafted for FY 2023 to incorporate the new criteria for BIL funds and to incorporate the Center for Disease Control’s Social Vulnerability Index (SVI). 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 need to 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. No projects were bypassed during FY 2022. The PPL for FY 2022 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. The PPL for FY 2023 will be available when the IUP is finalized.



FY 2022 FUNDED PROJECTS DETAIL

During FY 2022, the DW SRF executed ten new project commitments totaling almost \$18.5 million, including over \$15.2 million in loans for the following projects. A table listing all FY 2022 projects funded is included as Appendix III.

Base Program

Bethel Water Department – Water Main Replacement (\$796,655)

This project consists of replacing water mains on Pleasant Street, Highview Terrace, Bethel Municipal Center, Fleetwood Park, Bonnette Drive Extension, and Rector Street. Also included is replacing water services within the Town right-of-way, installing new fire hydrant assemblies and line valves, associated earthwork, and surface restoration. This project will address hydraulic capacity issues, reduce the risk of failure in the system, and improve system reliability.

The funding agreement was executed on December 17, 2021. Of the total project financing, the loan amount was \$609,356.00 at an interest rate of 2%.



New Britain Water Department – Batterson Park Road Area Water Main Installation (\$920,403)

The project consists of installation of water main along Batterson Road which will connect to existing water main at intersection with Two Mile Road and intersection with Hamilton Way. This project will address reliability of water service in the intended area, eliminate water stagnation, and prevent potential water quality

issues, hydraulic capacity issues, reduce the risk of failure in the system, and improve system reliability.

The funding agreement was executed on October 13, 2021. Of the total project financing, the loan amount was \$670,382.10 at an interest rate of 2%.



New Britain Water Department - White Bridge Facilities Upgrades (\$2,120,000)

This project includes new production wells at Lower and Upper Wellfields, restoration of the existing Supply Pond and Canal, and construction of new Pond Pump Station building with provisions for future chemical addition. This project will decommission three existing pump stations to ensure that customers continue to receive a safe and adequate supply of water.

The funding agreement was executed on October 13, 2021. Of the total project financing, the loan amount was \$1,685,966.08 at an interest rate of 2%.



Brookfield Huckleberry Hill Elementary School – Consolidation Aquarion Water – Interconnection (\$1,012,777)

The project consists of installing water main and water service connections at Nabby Road and Candlewood Lake Road. This project will eliminate the on-site public water system serving the Huckleberry Hill Elementary which will become customers of Aquarion Water Co.

The funding agreement was executed on April 6, 2022. Of the total project financing, the loan amount was \$788,282.00 at an interest rate of 2%.



Metropolitan District Commission – Wickham Hill Water Main Replacement (\$3,867,347)

The project consists of replacing existing water mains in the Wickham Hill area in East Hartford as well as connecting existing water service connections. This project will improve operation and reliability to ensure customers receive an uninterrupted supply of potable water.

The funding agreement was executed on May 9, 2022. Of the total project financing, the loan amount was \$3,217,347.40 at an interest rate of 2%.



Norwalk First Taxing District - West Rocks High Service Area Water Service Reliability Project (\$6,800,000)

The project consists of the construction of a 500,000 gallon elevated storage tank located off of West Rocks Road, installation of multiple sizes of water mains to replace the existing mains in various locations serving the customers within the West Rocks High Service Area, demolition of the existing storage tank, and remediation of the project site.

The funding agreement was executed on December 16, 2021. Of the total project financing, the loan amount was \$6,650,000.00 at an interest rate of 2%.



Norwich Public Utilities - Countryside Drive Assoc. Consolidation (\$564,464)

The project consists of the installation of approximately, 1,200 lineal feet of 8-inch diameter Ductile Iron Pipe along Lawler Lane and 1,400 lineal feet of 4-inch diameter Polyethylene Pipe along Evergreen Street to serve a total of 22 residential homes that are currently supplied by Countryside Drive Assoc. (CDA) public water system. This project will decommission the antiquated water system facility, and the homeowners will become customers of Norwich Public Utilities. The funding for this project also includes a grant under the Water Infrastructure Improvements for the Nation Act which will help lower the cost for each homeowner.

The funding agreement was executed on May 9, 2022. Of the total project financing, the loan amount was \$178,879.00 at an interest rate of 2%.



Winsted Water Works - WMR Center Case and Holabird Area – (\$2,039,213)

The project consists of the installation of water main on Center Street between Elm Street and Case Avenue, Case Avenue between Main Street (Route 44) and Gay Street, and Holabird Avenue between Whiting Street and Florence Street intersections. In addition, approximately 900 linear feet of new 6-inch ductile-iron water main on Thibault Avenue between Elm Street and Greenwoods Avenue and on Greenwoods Avenue between Thibault Avenue and Gay Street intersections. The water main improvements also include the removal of the existing water main, installation of new hydrants, valves, water service connections, temporary bypass piping, and pavement restoration. This project will improve operation and reliability to ensure customers receive an uninterrupted supply of potable water.

The funding agreement was executed on June 24, 2022. Of the total project financing, the loan amount was \$1,092,528.49 at an interest rate of 2%.

Norwich Public Utilities - Stony Brook Dissolved Air Flotation (DAF)- Amendment #2 (\$277,770)

This project comprises of the installation of Dissolved Air Flotation (DAF) package units, modifications to chemical systems, construction of the new DAF building, and demolition or modifications to other existing facilities. The

project also includes upgrades to all processes and related mechanical components; civil, yard piping and site work; HVAC and plumbing improvements; electrical distribution and instrumentation and control systems modifications; and other miscellaneous components. In addition, installation of chemical metering pumps to replace the antiquated and defective pumps, three each for sodium hypochlorite and sodium hydroxide, and two pumps for polyphosphate to successfully complete the project. An amendment to the loan agreement for this project was executed in FY 2022 to increase the total amount of the loan and extend the scheduled project completion date.

The amendment was executed on March 22, 2022. Of the amendment financing, the loan amount was \$256,458.49 at an interest rate of 2%. This project is also receiving funding in the form of a grant-in-aid from the State under the Public Water System Improvement Program. The overall total project financing includes a loan amount of \$5,867,341.39 at an interest rate of 2%. The total grant amount from the Public Water System Improvement Program is \$2,027,013.07.





Emergency Power Generator Program

The Emergency Power Generator Program (EPGP) was established in FY 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.

Since it began, 66 subsidized loans have been executed totaling over \$2 million for the purchase and/or installation of 73 generators. Funding applications for an additional three generators have been received and are at varying stages in the review process. No loans were executed under this program during FY 2022.

Subsidization is provided up to 25% of the cost of eligible components of each generator project that receives DWSRF funding. The maximum amount of subsidy a PWS can obtain for a generator is \$25,000. The EPGP's subsidy brought many small systems to the program that may not normally participate in the DWSRF.

Small Loan Program

Similar to the EPGP, during FY 2019 the DPH established the Small Loan Program (SLP) 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 the SLP.

Heritage Cove Condominium Association – Well House Improvements (\$56,243)

The project consisted of the purchase and installation of atmospheric storage tanks, booster pumps, chemical feed pumps, meters and various associated piping and appurtenances. The DWSRF funded the purchase of materials for this project.

The funding agreement was executed on December 10, 2021. Of the total project financing, the loan amount was \$43,460.63 at an interest rate of 2%.

Small System Funding

Funding for small systems continues to be a priority for the DPH. During FY 2022, four PWSs executed four agreements for four projects, totaling more than \$2.9 million. This represents

40% of the agreements but only approximately 21% of the total funding. 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.



Projects Completed During FY 2022

During FY 2022, 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 2022* | | | |
|--|------------------|--------------------------|--|
| PWS Name (Applicant) | Loan Agreement # | Town | Brief Description |
| Aqua Vista - Upper | 2021-6003 | Danbury | SLP - Well House Improvements |
| Aqua Vista - Lower | 2021-6004 | Danbury | SLP - Well House Improvements |
| East Lyme Water & Sewer | 2020-7084 | East Lyme | Greensand Filtration-Well 1A & Well 6-Construction Phase |
| East Lyme Water & Sewer | 2020-7082 | East Lyme | System-Wide Meter Replacement with AMI Technology |
| Heritage Cove | 2021-6005 | Essex | SLP - Various Wellhouse Equipment Upgrades |
| Metropolitan District Commission | 2021-7092 | Hartford | Saybrooke & Bonner Water Main Replacement |
| Metropolitan District Commission | 2021-7093 | Hartford (West Hartford) | Webster Hill Water Main Replacement |
| New Britain Water Department | 2022-7099 | New Britain | Batterson Park Water Main Installation & Interconnection |
| Candlewood Knolls | 2021-7096 | New Fairfield | Storage Tank Replacement |
| Wellswood Estates | 2021-6002 | Willimantic | Emergency Generator/VFD Pumps |
| * Project completed means work completed and placed into service for funding purpose only; may or may not have signed permanent loan note or repaid. | | | |



Highlights of the Benefits Provided by the FY 2022 Completed Projects

The Metropolitan District (MDC): The MDC completed two projects for the replacement of water main in the vicinities of Webster Hill in West Hartford and Saybrooke & Bonner in Hartford, which had exceeded the useful service life. The projects improve the operation and reliability of the system to ensure that customers continue to receive a safe and adequate supply of potable water.



Candlewood Knolls: Candlewood Knolls completed the replacement of two 20,000-gallon atmospheric storage tanks. The old tanks had exceeded their useful service life. These new tanks will help ensure that this small water system can maintain water service.

Heritage Cove: The Heritage Cove Condo Association completed the purchase and installation of their well house improvements. This

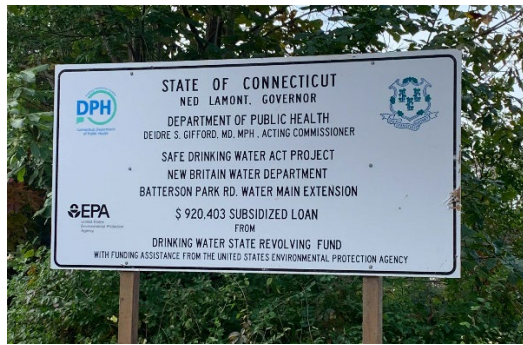
project consisted of the purchase of atmospheric storage tanks, booster pumps, chemical feed pumps, meters, and various associated piping and appurtenances. The DWSRF funded the purchase of materials for this project.



East Lyme Water and Sewer: The Town of East Lyme completed its improvements to existing filtration system serving Well 1A and Well 6. The project consisted of the construction of a new building, abutting to the existing treatment building to house a new filtration vessel, emergency power generator, and other associated appurtenances. The existing electrical and mechanical components of the filtration building was upgraded. The transmission pipeline of Well 1A was reconfigured to allow the water from Well 1A to be pumped to the filtration system for iron and manganese removal.



New Britain: New Britain completed the installation of water main along Batterson Road which had exceeded the 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.



Wellswood Estates: Wellswood Estates completed the installation of a new emergency generator, automatic transfer switch and propane fuel tank, and the conversion of the public drinking water system serving Wellswood Estates to constant pressure operation, by eliminating and replacing the steel hydropneumatic storage tank, replacing the booster pumps with a variable frequency drive (VFD) controlled pump system and new pressure (bladder) tanks.

Aqua Vista Association Upper & Lower System:

The Aqua Vista Association completed installation of their well house improvements to the Upper and Lower system. This project decommissioned the aging hydropneumatic storage tanks to increase safety in the well house. The project also upgraded the pumping controls, chlorine system and various piping and appurtenances.

Groton Utilities: The City of Groton completed its Water Treatment Plant (WTP) Upgrade project and placed into active service. The major components included in the WTP Upgrade consist of installation of: three (3) Dissolved Air Flotation (DAF) basins, four (4) Granular Activated Carbon (GAC) filtration trains, manganese pumping systems and new chemical feed systems, transmission line piping

around the WTP, new supervisory control and data acquisition (SCADA) system and campus-wide SCADA network, new high lift pumping systems, two (2) 1.0 million gallon water storage tanks, and associated components. The project also included the conversion of the three existing filter units in the old treatment building to Manganese Contactors to remove the seasonal high levels of manganese in the raw water.

In addition, updates to various components of the existing plant including disinfection and chemical stabilization facilities, electrical system and standby power generators, heating and ventilation system utilizing the geothermal, plumbing system, and security features were completed. Demolition and removal of antiquated equipment and facilities including remediation of hazardous materials in the old filter WTP building were part of this project.



Summary of Projects

Appendix IV provides a more detailed list of FY 2022 subsidy and loan disbursements, loan payment receipts, outstanding loans, undrawn loan commitments, and additional loan commitments anticipated through June 30, 2023.

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. The State'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 due to the delay with the subsequent survey, this has been extended to FFY 2023. The results of the 2015 survey, which were released in March 2018, showed that the State'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, the State's allotment will be 1%. Even though the need in the State 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. During FY 2022, during the Call for Projects between January and March 2022, DPH received requests for loans for 80 infrastructure projects

totaling approximately \$418.8 million in total project costs for funding during FY 2023. In addition, two projects submitted requests for funding outside of the annual Call for Projects totaling \$5.7 million. This demonstrates the continued demand and interest in the program.

The results of the 2021 DWINSA are expected to be available during calendar year 2023 and impact individual state allotments starting with FFY 2024. The survey was originally anticipated to occur during 2019 but was delayed due to various circumstances, including COVID-19. 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 2021 DWINSA also includes an assessment of PWS workforce and use of iron and steel within each water system.

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 2022 SET-ASIDES DETAIL

The DWSRF has several program set-asides that give the State extensive flexibility to explore multiple options to support eligible participants. 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 2022, staff reviewed and processed project payments totaling approximately \$29.6 million, of which approximately \$3.4 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 web-based SRF training hosted by EPA, along with staff from other states in the country 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 sanitary survey inspections, provided technical assistance including site visits, performed engineering plan and specification reviews of projects, and performed the subsequent inspections. In addition, Level 2 Assessments were conducted, Bulk Water Hauling Licenses were processed, and consumer complaints, emergencies, and/or contamination incidents were addressed. Staff 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 DWINSA.

The Operator Certification Program (OCP) ensures that all CWSs and NTNC PWSs are operated by qualified and skilled certified operators. Staff issued certifications for treatment plant,

distribution system, small water system operators, backflow prevention device testers, and cross connection survey inspectors based on criteria established in regulation. OCP staff also approved operator training course curriculum, coordinated DWS outreach activities, maintained assigned certified operator information in the Safe Drinking Water Information System, and monitor operator compliance. In addition, staff are drafting revised regulations that will further improve identification of capacity weakness in professional water system operations.

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 in the (OCP) are also funded under this set-aside, in addition to under State Program Management.

Staff completed sanitary surveys, technical project reviews, OCCT technical project reviews, level 2 assessments (under RTCR), addressed complaints/emergencies, and reviewed 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 Fiscal Year. During this time, staff worked on development of a protocol for completing these surveys remotely, which was implemented in the fall of 2020.

Staff assisted in processing water quality data files through Electronic Data Interface (EDI) and Compliance Monitoring Data Portal (CMDP), from laboratories. Staff also provided technical assistance to help labs.

Staff also worked on Enforcement tasks, including: preparing Administrative/Consent Orders, issuing formal and informal enforcement actions for monitoring/reporting, maximum contaminant level and public notification violations, and provided technical assistance to 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 2021, 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, implemented the 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. Finally, this workgroup completed the development of the LSL inventory form, which is required to be used by all PWSs when submitting their LSL inventory.

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

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 the State. 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 the State'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 per- and polyfluoroalkyl substances (PFAS), cyanotoxins and sodium/chloride. In late FY21, a separate unit was created to focus on these and other emerging contaminants.

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 of the Connecticut Interagency PFAS Task Force. 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. In addition, staff from the SA&P Unit

continue to participate in the Connecticut Source Water Collaborative.

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. 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 the State's drinking water supplies is a top priority for the state as evidenced by 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 Connecticut General Statutes (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.

The WUCCs have transitioned from the development of Coordinated Water System Plans

to the implementation of the recommendations within the Plans. A WUCC Implementation Workgroup was convened with the specific task of prioritizing and implementing regional water supply planning recommendations. Currently this workgroup has four ad hoc sub-groups with specific topics: Conservation and Drought Management, Interconnections and Regionalization, creation of a Local Review Checklist, and Non-Community Public Water System Standards/Facilitating Connections. The groups meet quarterly and work on the tasks informally between meetings. These groups are currently analyzing/discussing the following:

- Interconnections/Regionalization
- Non-Community Water System Standards
- Solutions to Facilitate Connections of Non-Community Water Systems to Community Water Systems
- Conservation and Drought Management

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 to 7,500 gallons per day. Staff conducted:

- Complaint investigations for: illegal septage dumping, unlicensed installation, work practice violations and negligence resulting in formal petitions and hearings
- Plans for subsurface sewage disposal systems were reviewed
- Central system exception request reviews
- Well exceptions reviews
- Technical assistance and regulation clarifications provided

During FY 2022, staff conducted Phase I and Phase II training sessions to local health officials on

required regulations on new and repaired subsurface sewage disposable systems. The four to five day trainings were held in September, October, and November 2021 (Phases I & II), and February and March 2022 (Phase I only).

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 training due to Covid-19.

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 2022, the following activities related to these conditions were completed.

- Attorney General Certification included with FFY 2021 and 2022 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 \$64.1 million through FY 2022 as state match for the capitalization grants. This is approximately \$16.9 million more than the requirement of \$47.2 million through FFY 2021.
- 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 2022, all required reports were submitted.

Conduct Environmental Reviews: All public water system projects that received assistance during FY 2022 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.

EPA State Revolving Fund (SRF) Data System: After full execution of the funding agreement, each project was entered into the EPA SRF database. Upon completion of the project and closure of the permanent financing, each project entry was updated.

Bypassed Projects: During FY 2022, it was not necessary to bypass any project.

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 2022 and identifies those which are required to comply with AIS. All projects funded during FY 2022 are required to follow these requirements. 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.

Included with the BIL, the Build America, Buy America Act (BABA) will expand upon the AIS and require more materials and products to be Made in the USA. This requirement will be imparted upon the award of the FFY 2022 capitalization grants.

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 2018, 2019, 2020, and 2021 FFATA requirement for project funds. The full amount of reporting requirements through FFY 2021 has been met. These projects will be used for all equivalency reporting, including MBE/WBE utilization.

| Federal Funding Accountability and Transparency Act Reporting | | | | | | | |
|---|------------------|-----------|----------------------------------|---|-----------------|------------------------|-------------|
| Loan Agrmnt # | Loan Agrmnt Date | PWSID | Public Water System Name | Project Name | Reported Amount | Assigned Cap Grant FFY | Report Date |
| 2021-7093 | 6/24/2021 | CT0640011 | Metropolitan District Commission | Webster Hill Water Main Replacement | \$720,148 | 2018 | 9/29/2021 |
| 2021-7093 | 6/24/2021 | CT0640011 | Metropolitan District Commission | Webster Hill Water Main Replacement | \$5,408,456 | 2019 | 9/29/2021 |
| 2020-7088 | 6/24/2021 | CT0640011 | Metropolitan District Commission | Buckingham Water Main Replacement | \$2,184,304 | 2019 | 9/30/2021 |
| 2020-7088 | 6/24/2021 | CT0640011 | Metropolitan District Commission | Buckingham Water Main Replacement | \$1,636,819 | 2020 | 9/29/2021 |
| 2021-7092 | 6/24/2021 | CT0640011 | Metropolitan District Commission | Saybrooke & Bonner Water Main Replacement | \$3,871,879 | 2020 | 9/30/2021 |
| 2022-7100 | 10/13/2021 | CT0890011 | New Britain Water Department | White Bridge Facilities Upgrades (Design of New Wells & pump station) | \$2,088,892 | 2020 | 1/12/2022 |
| 2022-7099 | 10/13/2022 | CT0890011 | New Britain Water Department | Batterson Park Rd. Area Water Main | \$790,690 | 2021 | 6/21/2022 |
| 2022-7103 | 12/16/2021 | CT1030011 | Norwalk First Taxing District | West Rocks High Service Area Water Service Reliability Project | \$6,800,000 | 2021 | 6/21/2022 |

Total reported: \$23,501,188

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 completed disbursements for FFY 2010 through FFY 2016. The full amount of additional subsidy has been committed for FFYs 2017 and 2018 and disbursements are ongoing and it is expected that the disbursements will be completed during FY 2022. 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 2019, 2020 and 2021 grants has not yet been met. It is expected that the minimum subsidy for FFY 2019 will be committed by June 30, 2023, the minimum subsidy for FFY 2020 will be committed by June 30, 2023, and the minimum subsidy for FFY 2021 will be committed by June 30, 2024. Several agreements are expected to be executed during FY 2023 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. In addition, project delays in FY 2020 and 2021 due to Covid-19 are still being felt and will take time to return to normal.

The goal of committing the minimum required subsidy by the end of the second year after the grant appropriation will not be met for FFY 2019 and FFY 2020. Going forward, we do expect this goal to be met for FFY 2021 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.

The AWIA of 2018 required states to provide a certain amount of subsidy to disadvantaged communities beginning with FFY 2019 capitalization grant.

The DPH developed a Disadvantaged Community Assistance Program (DCAP) within the FY 2020 Intended Use Plan. The minimum subsidy has been committed and disbursed under this program for both the 2019 and 2020 grants. No subsidy has yet been committed under the FFY 2021 grant. Several eligible projects are in the process of development of loan agreements which will receive this subsidy. It is expected that the remaining amount of subsidy available under the FFY 2019 grant will be committed by July 31, 2022. The DPH intends to utilize the maximum amount of this subsidy available from all grants.

Appendix VII lists by FFY all committed 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 remaining 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, 2022 | Additional Federal Subsidy Expected to be Committed | Federal Subsidy Amount Disbursed as of June 30, 2022 | 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 | \$1,937,451 | \$0 | \$1,937,451 | \$0 | Achieved | Achieved | Achieved |
| 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 | \$1,684,600 | \$0 | Achieved | Achieved | Achieved |
| 2017 | \$1,670,200 | \$1,670,200 | \$1,670,200 | \$0 | \$1,639,478 | \$30,722 | Achieved | September 2022 | September 2022 |
| 2018 | \$2,221,400 | \$2,221,400 | \$2,221,400 | \$0 | \$2,140,831 | \$80,569 | Achieved | May 2023 | May 2023 |
| 2019 | \$2,200,800 | \$2,200,800 | \$681,406 | \$1,519,394 | \$266,492 | \$1,934,308 | June 2023 | December 2024 | December 2024 |
| 2019 DCAP | \$660,240 | \$3,851,400 | \$3,430,182 | \$421,218 | \$1,100,823 | \$2,750,577 | Achieved | Achieved | October 2024 |
| 2020 | \$1,541,540 | \$1,541,540 | \$0 | \$1,541,540 | \$0 | \$1,541,540 | June 2023 | June 2025 | June 2025 |
| 2020 DCAP | \$660,660 | \$3,853,850 | \$927,344 | \$2,926,506 | \$927,344 | \$2,926,506 | Achieved | Achieved | January 2025 |
| 2021 | \$1,540,140 | \$1,540,140 | \$0 | \$1,540,140 | \$0 | \$1,540,140 | June 2024 | December 2025 | December 2025 |
| 2021 DCAP | \$660,060 | \$3,850,350 | \$0 | \$3,850,350 | \$0 | \$3,850,350 | June 2023 | December 2024 | December 2025 |

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, and 2021 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. During FY 2022, one loan was executed under this program.

The DWS continued to work toward transitioning from the current databases to utilizing the Loan and Grants Tracking System (LGTS). Activities during FY 2022 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 have continued, including transitioning to a web-based platform.

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 \$14,652,824.91 as of July 1, 2022. Due to program requirements, all monies provided as federal subsidy must come directly from

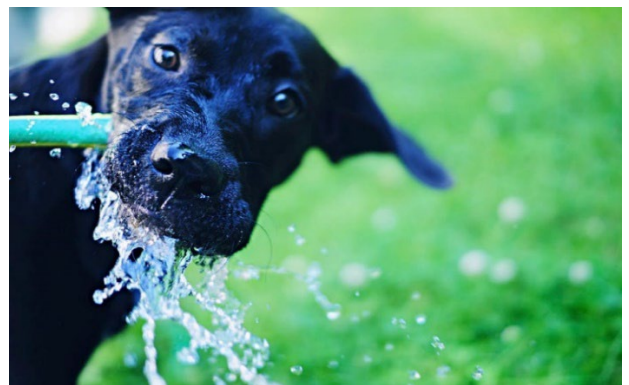
the federal capitalization grant. As a result, a balance of project ULOs must be maintained in an amount sufficient to fund federal subsidy payments for qualifying projects currently under funding agreements and those for which funds are being carried over. The ULO set-aside balance is \$2,772,352.61.

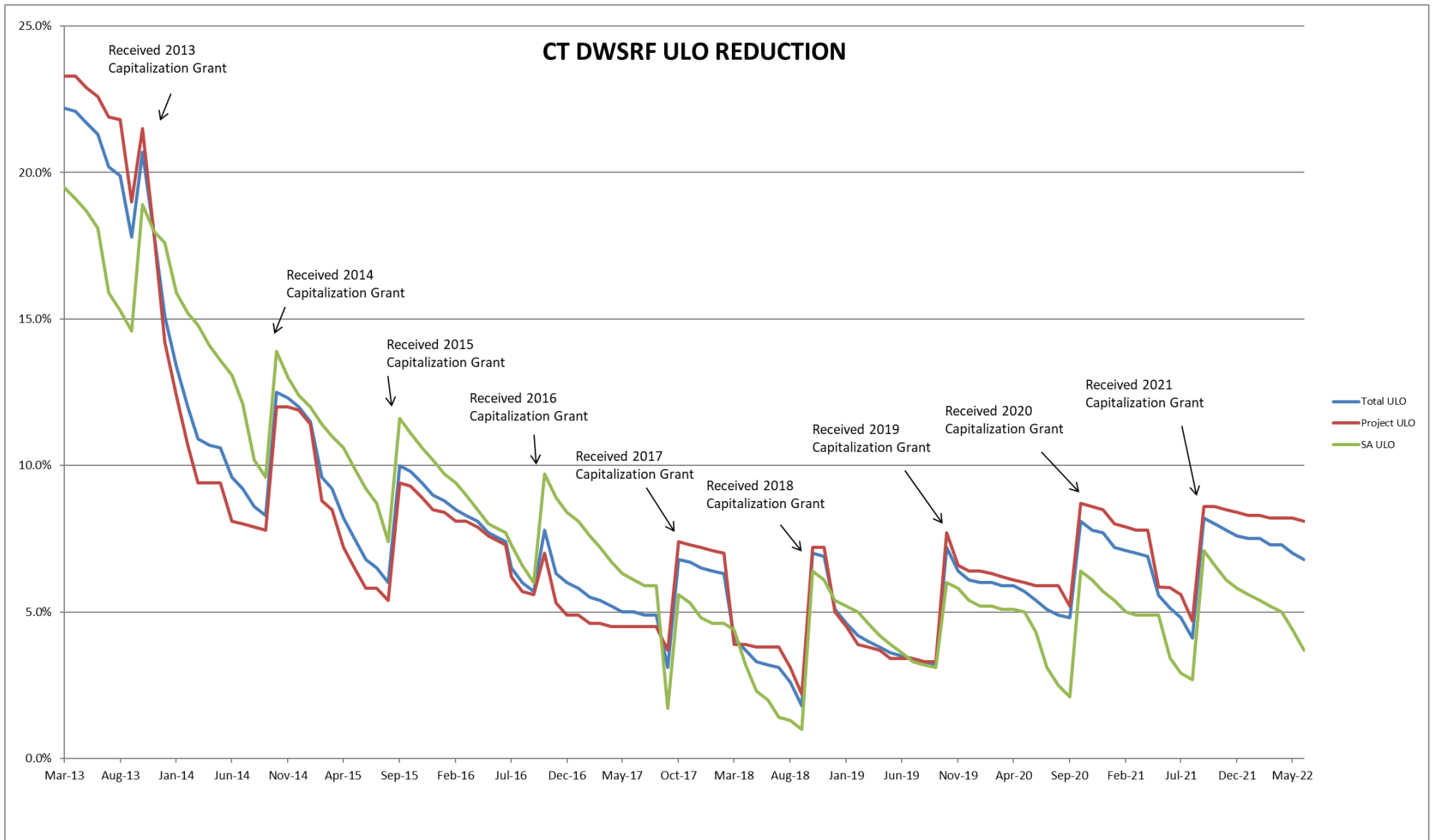
The DPH closely monitors DWSRF ULOs with the goal being the expeditious disbursement of each capitalization grant. The DPH has a ULO Reduction Plan which outlines strategies to keep DWSRF project and set-aside ULOs as low as possible. EPA has established a national objective for states to not have more than two capitalization grants with funds remaining at any one time. The DPH does not expect to fully disburse and draw the remaining funds associated with the FFY 2020 capitalization grant by October 2021. Project delays in FY 2020 and 2021 due to Covid-19 are still being felt and will take time to return to normal. It is expected that the FFY 2020 funds will be fully disbursed during SFY 2023. The DPH expects 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 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 had authorization to collect fees under Public Act 19-117. This Public Act allowed for collection of fees from Community and Non-Transient Non-Community public water systems through State FY 2021. Although this assessment is no longer being collected, the State continues to fund the staff salaries that were previously covered by the assessment. 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.





APPENDICES



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 the State'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 State 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 2,384 public water systems in the State. Of those, approximately 723 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 OTT 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 in 2022, 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, 2022 | | | | | | |
| 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 |
| 2020 | 7,597,590 | 3,413,410 | 11,011,000 | 224,982,900 | 193,100 | 49,033,332 |
| 2021 | 7,597,590 | 3,403,410 | 11,001,000 | 235,983,900 | 15,157,085 | 64,190,416 |
| | | | | | | 27.20% |
| * 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 |
|------------------------------|-------------------------------|-----------|---|--|----------------------------|---------------------|------------------------|------------------------------------|-----|
| 2022-7099 | 10/13/2021 | CT0890011 | New Britain Water Department | Batterson Park Water Main * | \$920,403 | \$670,382 | \$250,021 | 2019 | Y |
| 2022-7100 | 10/13/2021 | CT0890011 | New Britain Water Department | White Bridge Facilities Upgrades (Design of New Wells & pump station) * | \$2,120,000 | \$1,685,966 | \$434,034 | 2018 & 2019 ‡ | Y |
| 2022-7103 | 12/16/2021 | CT1030011 | Norwalk First Taxing District | West Rocks Area Improvements | \$6,800,000 | \$6,650,000 | \$150,000 | 2019 | Y |
| 2021-7098 | 12/17/2021 | CT0090011 | Bethel Water Department † | 2021 Water Main Replacements | \$796,655 | \$609,356 | \$187,299 | 2019 | Y |
| 2021-6005 | 12/10/2021 | CT0500011 | Heritage Cove Condominium Association, Inc. † | SLP - Various Wellhouse Equipment Upgrades | \$56,243 | \$43,461 | \$12,782 | 2019 | Y |
| 2019-7077-2 | 3/22/2022 | CT1040011 | Norwich Public Utilities # | Stony Brook Dissolved Air Flotation (DAF)-Amendment #2 | \$277,770 | \$256,458 | \$21,311 | 2017 | N |
| 2022-7101 | 4/6/2022 | CT0181122 | Town of Brookfield - Huckleberry School † | Consolidation with Aquarion Water Co. and Interconnection of Homes Served by Private Wells with High Chloride Levels | \$1,012,777 | \$788,282 | \$224,495 | 2019 | Y |
| 2022-7102 | 5/9/2022 | CT0640011 | Metropolitan District Commission | Wickham Hill Water Main Replacement - East Hartford * | \$3,867,347 | \$3,217,347 | \$650,000 | 2019 | Y |
| 2022-7104 | 5/9/2022 | CT1040011 | Norwich Public Utilities | Countryside Drive Assoc. Consolidation * ^ | \$565,464 | \$179,879 | \$385,585 | 2019 | Y |
| 2022-7105 | 6/24/2022 | CT1620011 | Winsted Water Works † | Water Main Replacement Center, Case and Holabird Area * | \$2,039,213 | \$1,092,528 | \$946,685 | 2019 | Y |
| Total funded amounts: | | | | | \$18,455,872 | \$15,193,660 | \$3,262,212 | | |

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

* - This project received subsidy under the Disadvantaged Community Assistance Program which is included in the amount shown.

‡ - The subsidy assignment for this project was split between these two federal fiscal years.

^ - This project also received an additional amount of WIIN grant funding.

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

Appendix IV: Drinking Water Projects – FY 2022 Disbursements, Receipts, Outstanding & Estimated Additional Commitments

| Applicant | Town | Federal Subsidy Disbursed FY2022 | Loan Disbursed FY2022 | Loan Received FY2022 | IFO/PLO Loan Outstanding at 06/30/2022 | Undrawn Loan Commitments | Estimated Additional Commitments thru 06/30/2023 |
|---|---------------|----------------------------------|-----------------------|----------------------|--|--------------------------|--|
| 1st Taxing District Norwalk | Norwalk | 150,926 | 3,068,642 | 359,037 | 7,555,758 | 5,411,911 | 7,000,000 |
| Aqua Vista Association Inc. | Danbury | 43,600 | 137,225 | - | 137,225 | 2,774 | - |
| Arnio Drive, LLC | Plainfield | - | - | 2,609 | - | - | - |
| Ashford Hills, LLC | Ashford | - | - | 4,138 | 10,624 | - | - |
| Baxter Farms | Tolland | - | - | 2,127 | 8,944 | - | - |
| Bethel | Bethel | 208,647 | 698,155 | 243,851 | 6,678,011 | 183,238 | 8,203,800 |
| Bristol | Bristol | - | - | 60,790 | 963,742 | - | 15,100,000 |
| Candlewood Trails | New Milford | - | - | 29,172 | 338,185 | - | - |
| Candlewood Knolls Water Authority | New Fairfield | 53,875 | 178,852 | 3,971 | 175,662 | - | - |
| Colchester | Colchester | - | - | 131,916 | 865,746 | - | - |
| Cook Willow | Plymouth | - | - | - | 75,435 | - | - |
| Cromwell Fire District | Cromwell | - | - | 6,737 | 114,449 | - | 1,500,000 |
| East Lyme | East Lyme | 52,062 | 1,171,847 | 480,413 | 11,275,198 | - | 9,900,000 |
| Groton | Groton | 999,942 | 2,936,637 | - | 39,000,000 | - | - |
| Guilford | Guilford | 410,000 | 2,955,081 | 401,820 | 2,553,260 | - | - |
| Hazardville Water Co | Enfield | - | - | 3,993 | 19,357 | - | - |
| Heritage Cove Condominiums | Essex | 12,281 | 36,842 | - | 36,842 | 6,619 | - |
| Huckleberry Hill Elementary School | Brookfield | - | - | - | - | - | 1,252,800 |
| Idleview Park | Naugatuck | - | - | 794 | 1,354 | - | - |
| Jewett City - Other | Jewett City | - | - | 3,754 | 6,099 | - | - |
| Knob Hill Condominiums | Colchester | - | - | 3,200 | 7,315 | - | - |
| Ledyard | Ledyard | - | - | 324,681 | 3,427,620 | - | - |
| Little Brook Road Property Owners Association | New Hartford | - | - | 1,611 | 222 | - | - |
| Manchester | Manchester | - | - | 98,755 | 1,954,421 | - | - |
| Meriden | Meriden | - | - | 836,436 | 14,047,200 | - | - |
| New Britain | New Britain | 293,903 | 804,056 | 1,758,540 | 5,150,126 | 1,552,293 | 10,275,000 |

Appendix IV: Drinking Water Projects – FY 2022 Disbursements, Receipts, Outstanding & Estimated Additional Commitments (cont.)

| Applicant | Town | Federal Subsidy Disbursed FY2022 | Loan Disbursed FY2022 | Loan Received FY2022 | IFO/PLO Loan Outstanding at 06/30/2022 | Undrawn Loan Commitments | Estimated Additional Commitments thru 06/30/2023 |
|--|-------------|---|-----------------------------|----------------------------|--|--------------------------------|--|
| New London | New London | - | - | 250,168 | 4,018,630 | - | 1,500,000 |
| Newtown | Newtown | - | - | 39,991 | 66,652 | - | - |
| Northland Country Living, LLC DBA Garden Lane Apts. | Morris | - | - | 4,473 | 12,974 | - | - |
| Old Indian Trail | Middlefield | - | - | 10,533 | - | - | - |
| Norwich Public Utilities | Norwich | 200,202 | 467,137 | 894,711 | 17,981,164 | 369,713 | 660,000 |
| Portland | Portland | - | - | 89,393 | 895,048 | - | - |
| Prospect-Harmony Acres | Prospect | - | - | 1,886 | 3,064 | - | - |
| Putnam River Trail | Putnam | - | - | 53,764 | 456,990 | - | 170,000 |
| Quassuk Heights Garden Assoc. | Woodbury | - | - | 222 | - | - | - |
| Ridgefield | Ridgefield | - | - | 27,241 | 237,668 | - | - |
| SCCRWA | various | - | - | 1,289,223 | 25,222,453 | - | 3,832,521 |
| SCWA | various | - | - | 25,266 | 200,819 | - | - |
| Sharon | Sharon | - | - | 28,137 | 40,187 | - | - |
| Simsbury- Tariffville Fire | Simsbury | - | - | 51,587 | 899,642 | - | - |
| Southington | Southington | - | - | 418,388 | 8,294,666 | - | - |
| St. Joseph's Church Brookfield | Brookfield | - | - | 3,096 | 89,716 | - | - |
| The Juniper Club, Inc. | Bloomfield | - | - | - | 5,422 | - | - |
| The Metropolitan District | various | 1,727,368 | 10,520,486 | 3,500,468 | 55,121,336 | 655,848 | 39,024,000 |
| Waterbury | Waterbury | - | - | 152,163 | 3,166,452 | - | 11,205,000 |
| Wellswood Estates Foundation, Inc. | Willimantic | 21,752 | 43,698 | 1,409 | 42,658 | - | - |
| Westchester Hills Condominium Association, Inc | Westchester | - | - | 4,619 | 10,698 | - | - |
| Windham | Windham | - | - | - | - | - | 600,000 |
| Winsted | Winchester | - | - | - | - | - | 3,093,025 |
| Woodlake Tax District | Woodbury | - | - | 57,133 | 496,650 | - | - |
| Woodland Summit Community Water | Tolland | - | - | 7,944 | 176,021 | - | - |
| Yeshiva Gedolah | Durham | - | - | 4,147 | 27,085 | - | - |
| Totals | | 4,174,558 | 23,018,657 | 11,674,306 | 211,868,792 | 8,182,396 | 113,316,146 |

Appendix V: Cumulative Set-Aside Funding by Category

| <i>As of 6/30/2022</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% |
| 1997-2015 Awarded | \$7,542,476 | \$3,796,238 | \$18,678,690 | \$26,278,035 | \$56,295,439 |
| Drawn thru 06/30/2022 | \$7,542,476 | \$3,796,238 | \$18,678,690 | \$26,278,035 | \$56,295,439 |
| Balance | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2016 Award | \$336,920 | \$168,460 | \$842,300 | \$1,263,450 | \$2,611,130 |
| Drawn thru 06/30/2022 | \$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 06/30/2022 | \$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 06/30/2022 | \$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 06/30/2022 | \$440,160 | \$220,080 | \$1,100,400 | \$1,650,600 | \$3,411,240 |
| Balance | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2020 Award | \$440,440 | \$220,220 | \$1,101,100 | \$1,651,650 | \$3,413,410 |
| Drawn thru 06/30/2022 | \$437,146 | \$192,199 | \$1,026,492 | \$1,651,650 | \$3,307,487 |
| Balance | \$3,294 | \$28,021 | \$74,608 | \$0 | \$105,923 |
| 2021 Award | \$440,040 | \$220,020 | \$1,100,100 | \$1,650,150 | \$3,410,310 |
| Drawn thru 06/30/2022 | \$0 | \$0 | \$0 | \$743,880 | \$743,880 |
| Balance | \$440,040 | \$220,020 | \$1,100,100 | \$906,270 | \$2,666,430 |
| TOTAL Awarded: | \$10,044,316 | \$5,014,178 | \$24,768,390 | \$35,412,585 | \$75,239,469 |
| Drawn thru 06/30/2022 | \$9,600,981 | \$4,766,137 | \$23,593,682 | \$34,506,315 | \$72,467,115 |
| TOTAL Balance: | \$443,335 | \$248,041 | \$1,174,709 | \$906,271 | \$2,772,354 |

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: Cumulative Project Subsidy Disbursed

| Additional Subsidy - FFY Disbursements Completed | | | | | |
|---|--|--------------------------|--------------------------------|-----------------|-----------------|
| The list of completed 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 |
| 2014 | \$22,855,356 | \$1,937,451 | \$1,937,451 | \$1,792,400 | \$2,688,600 |
| 2015 | \$10,153,537 | \$1,926,939 | \$1,926,939 | \$1,778,600 | \$2,667,900 |
| 2016 | \$17,064,012 | \$1,684,600 | \$1,684,600 | \$1,684,600 | \$1,684,600 |
| No additional subsidy is expected to be committed for these FFYs. | | | | | |

Appendix VII: Cumulative Project Subsidy Disbursed (cont.)

| 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 2022 | Subsidy amount not yet dispersed as of June 2022 | Expected date of full subsidy disbursement |
| 2019-7077 | Norwich Public Utilities | Stony Brook WTP DAF † | 2/27/2019 | \$6,354,903 | \$277,246 | \$246,524 | \$30,722 | September 2022 * |
| 2019-7079 | Town of Guilford - Bittner Park | Water Main Ext. | 5/28/2019 | \$3,443,000 | \$410,000 | \$410,000 | \$0 | Disbursements complete |
| 2020-7084 | East Lyme Water & Sewer Commission | Greensand Filtration Well 1A & Well 6 - Construction Phase | 4/15/2020 | \$5,349,597 | \$400,000 | \$400,000 | \$0 | Disbursements complete |
| 2020-7085 | Bethel Water Department | 2019 Various Water Main Replacement | 5/19/2020 | \$868,746 | \$210,295 | \$210,295 | \$0 | Disbursements complete |
| 2020-7086 | Metropolitan District Commission | Madison Ave. Water Main Replacement - Hartford | 10/13/2020 | \$1,906,156 | \$98,485 | \$98,485 | \$0 | Disbursements complete ^ |
| Total of Disbursements completed and reported prior to FY 2021: | | | | \$1,181,496 | \$274,173 | \$274,173 | | 7 projects |
| Total amounts as of June 30, 2022 for FFY 2017: | | | | \$19,103,897 | \$1,670,200 | \$1,639,478 | \$30,722 | |
| † - This project also received an additional amount of state grant-in-aid under the Public Water System Improvement Program; this project also received additional overall funding during SFY 2022 | | | | | | | | |
| * - The subsidy assigned to this project has been split between FFY 2016 and FFY 2017 | | | | | | | | |
| ^ - The subsidy assigned to this project has been split between FFY 2017 and FFY 2018; the amount of subsidy reported for the respective FFYs has been updated since the SFY 2021 report | | | | | | | | |
| No additional subsidy is expected to be committed for FFY 2017 | | | | | | | | |

Appendix VII: Cumulative Project Subsidy Disbursed (cont.)

| 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 2022 | Subsidy amount not yet dispersed as of June 2022 | Expected date of full subsidy disbursement |
| 2020-7086 | Metropolitan District Commission | Madison Ave. Water Main Replacement - Hartford | 10/13/2020 | \$1,906,156 | \$92,130 | \$92,130 | \$0 | Disbursements complete * |
| 2020-7089 | Bethel Water Department | Chestnut Ridge Tank | 7/16/2020 | \$2,224,702 | \$500,000 | \$500,000 | \$0 | Disbursements complete |
| 2021-7094 | St. Joseph's Church & School | Consolidation with Aquarion Water Co. | 3/29/2021 | \$123,476 | \$30,664 | \$30,664 | \$0 | Disbursements complete |
| 2021-6002 | Wellswood Estates | Generator & VFD pump controls | 4/27/2021 | \$65,820 | \$21,753 | \$21,753 | \$0 | Disbursements complete |
| 2021-7095 | Norwalk First Taxing District | Advanced Metering Infrastructure - Phase 1 | 4/28/2021 | \$2,000,000 | \$169,447 | \$102,521 | \$66,925 | May 2023 |
| 2021-9072 | Bethel Water Department | Generators | 5/19/2021 | \$46,440 | \$15,348 | \$15,348 | \$0 | Disbursements complete |
| 2021-6003 | Aqua Vista (Upper) | SLP - Well House Improvements | 6/23/2021 | \$83,600 | \$19,000 | \$19,000 | \$0 | Disbursements complete |
| 2021-6004 | Aqua Vista (Lower) | SLP - Well House Improvements | 6/23/2021 | \$99,999 | \$24,600 | \$24,600 | \$0 | Disbursements complete |
| 2020-7088 | Metropolitan District Commission | Buckingham St. Water Main Replacement - Hartford | 6/24/2021 | \$2,915,936 | \$213,669 | \$213,669 | \$0 | Disbursements complete |
| 2021-7092 | Metropolitan District Commission | Saybrooke & Bonner St. Water Main Replacement - Hartford | 6/24/2021 | \$3,871,879 | \$300,000 | \$300,000 | \$0 | Disbursements complete |
| 2021-7093 | Metropolitan District Commission | Webster Hill Water Main Replacement - West Hartford | 6/24/2021 | \$6,128,604 | \$287,056 | \$286,356 | \$13,644 | March 2023 † |
| 2021-7096 | Candlewood Knolls | Storage Tank Replacement | 6/24/2021 | \$233,507 | \$53,875 | \$53,875 | \$0 | Disbursements complete |
| 2022-7099 | New Britain | Batterson Park Water Main replacement | 10/19/2021 | \$920,403 | \$10,544 | \$10,544 | \$0 | Disbursements complete^ |
| Total of Disbursements completed and reported prior to FY 2022: | | | | \$7,732,116 | \$470,372 | \$470,372 | | 3 projects |
| Total amounts as of June 30, 2022 for FFY 2018: | | | | \$28,352,638 | \$2,221,400 | \$2,140,831 | \$80,569 | |
| * - The subsidy assigned to this project has been split between FFY 2017 and FFY 2018 | | | | | | | | |
| ^ - The subsidy assigned to this project has been split between FFY 2018 and FFY 2019 | | | | | | | | |
| † - The amount of subsidy reported for this FFY has been updated since the SFY 2021 report | | | | | | | | |
| No additional subsidy is expected to be committed for FFY 2018 | | | | | | | | |

Appendix VII: 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 2022 | Subsidy amount not yet dispersed as of June 2022 | Expected date of full subsidy disbursement |
| 2021-7098 | Bethel Water Department | 2021 Water Main Replacements | 12/17/2021 | \$796,655 | \$187,299 | \$142,039 | \$45,259 | November 2022 |
| 2022-7099 | New Britain | Batterson Park Water Main Replacement | 10/19/2021 | \$920,403 | \$72,797 | \$56,490 | \$16,306 | May 2023^ |
| 2022-7100 | New Britain | White Bridge Facilities Upgrades (Design of New Wells & pump station) | 10/19/2021 | \$2,120,000 | \$34,034 | \$7,277 | \$26,757 | October 2023 |
| 2022-7101 | Brookfield - Huckleberry School | Consolidation with Aquarion Water Co. and Interconnection of Homes Served by Private Wells with High Chloride Levels | 4/6/2022 | \$1,012,777 | \$224,495 | \$0 | \$224,495 | September 2022 |
| 2022-7103 | Norwalk First Taxing District | West Rocks Area Improvements | 12/16/2021 | \$6,800,000 | \$150,000 | \$48,405 | \$101,595 | April 2024 |
| 2021-6005 | Heritage Cove | SLP - Various Wellhouse Equipment Upgrades | 12/10/2021 | \$56,243 | \$12,782 | \$12,281 | \$502 | September 2022 |
| Total amounts as of June 30, 2022 for FFY 2019: | | | | \$11,706,077 | \$681,406 | \$266,492 | \$414,914 | |
| ^ - The subsidy assigned to this project has been split between FFY 2018 and FFY 2019 | | | | | | | | |
| Additional subsidy to be committed | | | | | | | | |
| multiple | Multiple - TBD | Multiple | TBD | TBD | \$1,519,394 | | \$1,519,394 | December 2024 |
| Totals expected for FFY 2019: | | | | | \$2,200,800 | | \$2,200,800 | |

Appendix VII: Cumulative Project Subsidy Disbursed (cont.)

| Additional Subsidy Disbursed - FFY 2019 - Disadvantaged Community Assistance Program | | | | | 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 2022 | Subsidy amount not yet dispersed as of June 2022 | Expected date of full subsidy disbursement |
| 2022-7099 | New Britain - Batterson Park | Batterson Park Water Main Replacement | 10/19/2021 | \$920,403 | \$166,681 | \$134,069 | \$32,612 | May 2023 |
| 2022-7100 | New Britain - White Bridge - planning | White Bridge Facilities Upgrades (Design of New Wells & pump station) | 10/19/2021 | \$2,120,000 | \$400,000 | \$85,523 | \$314,477 | October 2023 |
| 2022-7102 | Metropolitan District Commission | Wickham Hill Water Main Replacement - East Hartford | 5/9/2022 | \$3,867,347 | \$650,000 | \$0 | \$650,000 | October 2024 |
| 2022-7104 | Norwich Public Utilities | Countryside Drive Assoc. Consolidation | 5/9/2022 | \$564,464 | \$385,585 | \$0 | \$385,585 | March 2023 |
| 2022-7105 | Winsted Water Works | Water Main Replacements - Case, Center and Holabird Area | 6/23/2022 | \$2,039,213 | \$946,685 | \$0 | \$946,685 | March 2023 |
| Total of Disbursements completed and reported prior to FY 2022: | | | | \$8,230,287 | \$881,231 | \$881,231 | \$0 | 2 projects |
| Total amounts as of June 30, 2022 for FFY 2019 DCAP: | | | | \$17,741,715 | \$3,430,182 | \$1,100,823 | \$2,329,359 | |
| Additional subsidy to be committed | | | | | | | | |
| multiple | Multiple - TBD | Multiple | TBD | TBD | \$421,218 | \$0 | \$421,218 | October 2024 |
| Totals expected for FFY 2019 DCAP: | | | | | \$3,851,400 | | \$3,851,400 | |

Appendix VII: Cumulative Project Subsidy Disbursed (cont.)

| Additional Subsidy Disbursed - FFY 2020 | | | | | FFY 2020 subsidy: \$1,541,540 | | | |
|---|----------------|--------------|-------------------------------|----------------------|-------------------------------|--|--|--|
| Loan Agreement # | Recipient | Project Name | Loan Agreement execution date | Total funding amount | Committed Subsidy amount | Subsidy amount dispersed as of June 2022 | Subsidy amount not yet dispersed as of June 2022 | Expected date of full subsidy disbursement |
| No loan agreements with subsidy have been executed through June 30, 2022. | | | | | | | | |
| | | | | | | | | |
| Total amounts as of June 30, 2022 for FFY 2020: | | | | \$0 | \$0 | \$0 | \$0 | |
| Additional subsidy to be committed | | | | | | | | |
| multiple | Multiple - TBD | Multiple | TBD | TBD | \$1,541,540 | | \$1,541,540 | June 2025 |
| Totals expected for FFY 2020: | | | | | \$1,541,540 | | \$1,541,540 | |

| Additional Subsidy Disbursed - FFY 2020 – Disadvantaged Community Assistance Program | | | | | Min FFY 2020 DCAP subsidy: \$660,660 Max FFY 2020 DCAP subsidy: \$3,853,850 | | | |
|--|----------------------------------|--|-------------------------------|----------------------|--|--|--|--|
| Loan Agreement # | Recipient | Project Name | Loan Agreement execution date | Total funding amount | DCAP Committed Subsidy amount | Subsidy amount dispersed as of June 2022 | Subsidy amount not yet dispersed as of June 2022 | Expected date of full subsidy disbursement |
| 2020-7088 | Metropolitan District Commission | Buckingham St. Water Main Replacement - Hartford | 6/24/2021 | \$2,915,936 | \$427,344 | \$427,344 | \$0 | Disbursements complete |
| 2021-7092 | Metropolitan District Commission | Saybrooke & Bonner St. Water Main Replacement - Hartford | 6/24/2021 | \$3,871,879 | \$500,000 | \$500,000 | \$0 | Disbursements complete |
| Total amounts as of June 30, 2022 for FFY 2020 DCAP: | | | | \$6,787,815 | \$927,344 | \$927,344 | \$0 | |
| Additional subsidy to be committed | | | | | | | | |
| multiple | Multiple - TBD | Multiple | TBD | TBD | \$2,926,506 | | \$2,926,506 | January 2025 |
| Totals expected for DCAP FFY 2020: | | | | | \$3,853,850 | | \$3,853,850 | |

Appendix VII: Cumulative Project Subsidy Disbursed (cont.)

| Additional Subsidy Disbursed - FFY 2021 | | | | | FFY 2021 subsidy: \$1,540,140 | | | |
|---|----------------|--------------|-------------------------------|----------------------|-------------------------------|--|--|--|
| Loan Agreement # | Recipient | Project Name | Loan Agreement execution date | Total funding amount | Committed Subsidy amount | Subsidy amount dispersed as of June 2022 | Subsidy amount not yet dispersed as of June 2022 | Expected date of full subsidy disbursement |
| No loan agreements with subsidy have been executed through June 30, 2022. | | | | | | | | |
| | | | | | | | | |
| Total amounts as of June 30, 2022 for FFY 2021: | | | | \$0 | \$0 | \$0 | \$0 | |
| Additional subsidy to be committed | | | | | | | | |
| multiple | Multiple - TBD | Multiple | TBD | TBD | \$1,541,140 | | \$1,541,140 | December 2025 |
| Totals expected for FFY 2020: | | | | | \$1,541,140 | | \$1,541,140 | |

| Additional Subsidy Disbursed - FFY 2021 - Disadvantaged Community Assistance Program | | | | | Min FFY 2021 DCAP subsidy: \$660,060 Max FFY 2021 DCAP subsidy: \$3,850,350 | | | |
|--|----------------|--------------|-------------------------------|----------------------|--|--|--|--|
| Loan Agreement # | Recipient | Project Name | Loan Agreement execution date | Total funding amount | Committed Subsidy amount | Subsidy amount dispersed as of June 2022 | Subsidy amount not yet dispersed as of June 2022 | Expected date of full subsidy disbursement |
| No loan agreements with subsidy have been executed through June 30, 2022. | | | | | | | | |
| | | | | | | | | |
| Total amounts as of June 30, 2022 for FFY 2021: | | | | \$0 | \$0 | \$0 | \$0 | |
| Additional subsidy to be committed | | | | | | | | |
| multiple | Multiple - TBD | Multiple | TBD | TBD | \$3,850,350 | | \$3,850,350 | December 2025 |
| Totals expected for FFY 2020: | | | | | \$3,850,350 | | \$3,850,350 | |

FINANCIAL STATEMENTS



**STATE OF CONNECTICUT CLEAN WATER FUND -
WATER POLLUTION CONTROL AUTHORITY FEDERAL
REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)**

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

June 30, 2022 and 2021

**STATE OF CONNECTICUT CLEAN WATER FUND -
WATER POLLUTION CONTROL AUTHORITY FEDERAL
REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
June 30, 2022 and 2021**

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SEWARD AND MONDE

CERTIFIED PUBLIC ACCOUNTANTS
296 STATE STREET
NORTH HAVEN, CONNECTICUT 06473-2165
(203) 248-9341
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INDEPENDENT AUDITORS' COMBINED REPORT ON THE BASIC FINANCIAL STATEMENTS AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Mr. Shawn T. Wooden, Treasurer

Ms. Katie Dykes, Commissioner,
Department of Energy and Environmental Protection,
State of Connecticut

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the State of Connecticut Clean Water Fund - Water Pollution Control Authority 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, 2022 and 2021, and the related notes to the financial statements, as listed in the table of contents.

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 - Water Pollution Control Authority Federal Revolving Loan Account, as of June 30, 2022 and 2021, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State of Connecticut Clean Water Fund - Water Pollution Control Authority Federal Revolving Loan Account, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of a Matter

As discussed in Note 1, the financial statements present only the financial position of the State of Connecticut Clean Water Fund - Water Pollution Control Authority 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, 2022 and 2021, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about of the State of Connecticut Clean Water Fund - Water Pollution Control Authority Federal Revolving Loan Account's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 State of Connecticut Clean Water Fund - Water Pollution Control Authority Federal Revolving Loan Account's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State of Connecticut Clean Water Fund - Water Pollution Control Authority Federal Revolving Loan Account's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 - 10 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information 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. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing

standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards 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 1, 2022 on our consideration of the State of Connecticut Clean Water Fund - Water Pollution Control Authority 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 solely to 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 - Water Pollution Control Authority 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 1, 2022

**OFFICE OF THE TREASURER
STATE OF CONNECTICUT
CLEAN WATER FUND
FISCAL YEAR ENDED JUNE 30, 2022
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Management Discussion and Analysis (MD&A) of the State of Connecticut Clean Water Fund - Water Pollution Control Authority Federal Revolving Loan Account (State Revolving Fund) (SRF) introduces 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, 2022. 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 total assets were \$1,706.7 million plus deferred outflows of \$4.0 million offset by liabilities of \$862.1 million. The net position at the close of fiscal year 2022 was \$848.6 million, which is an increase of \$4.8 million or .57% compared to fiscal year 2021's net position of \$843.9 million. The increase in net position this year is due to loan and investment interest income combined with federal grants that were greater than bond and administration expenses in fiscal year 2022. The Revolving Fund asset reduction of \$30.2 million is a result of the pause on bond issuances to fund new project loans, a flexibility provided by the maturity of the revolving loan program, and offset by prepayments received on outstanding loan obligations.

Restricted assets saw an increase of \$14.6 million in the current fiscal year in the debt service fund related to loan repayments. Restricted assets are shown in accordance with the terms of an award, agreement, or by state law. Most 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 that 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 to a negative \$10.7 million after showing a gain of \$2.0 million in fiscal year 2021. The decrease is due to increased allocated administration expenses and grants provided to municipalities.

Overview of the Financial Statements

The Clean Water Fund financial statements are reported by the Office of the State Treasurer in conjunction with the Connecticut Department of Energy and Environmental Protection (DEEP). The Treasurer's Office is responsible for reporting the detailed financial information in the Clean Water Fund financial statements. The Clean Water Fund is classified as an Enterprise Fund within the Proprietary Funds of the State of Connecticut's financial statements. 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 like a commercial enterprise. Proprietary funds use the accrual basis of accounting.

The Clean Water loan program activities shown in the financial statements indicate the amount of loans financed and the amount of repayments collected during the past fiscal 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 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 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 also show the amount of interest income generated by the investment of funds and describe the structure of the investments.

Since 2001, the proceeds of the SRF bonds have been used for both clean water and drinking water projects. All the currently outstanding bonds were issued under the 2002 General Bond Resolution as further described in the Notes to the Financial Statements. All 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 Clean Water Loan Program

Loans are made to municipalities for clean water project funding and consist of construction loans or interim funding obligations (IFOs), which accrue interest during construction and long-term 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 for loans closed prior to October 23, 2020. Commencing October 23, 2020, all new loan agreements now permit optional prepayments of principal only on or after ten (10) years from the date of any PLO. This adjustment was necessary to counteract the historically low interest rate environment that existed for most of fiscal year 2021 and fiscal year 2022 that prompted many borrowers to prepay their SRF loans before their scheduled maturity. The State followed the tax law requirements by using the prepayments to originate new loans and defease debt in keeping with IRS guidance. There are several state grants available to participants in this program.

During fiscal year 2022, payments to municipalities for ongoing projects totaled \$109.4 million. Completed projects that were permanently financed during the fiscal year totaled \$96.6 million, while new construction loan commitments totaled \$11.3 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. Repayments on the loans made by the DEEP since 1987 are paid to the Clean Water Fund account held by the Trustee. These funds provide security for the bonds and any new bonds issued thereafter.

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.

Funds are invested in the State's Short-Term Investment Fund (STIF), the U.S. Treasury's State and Local Government Series (SLGS) securities, and in guaranteed investment contracts (GICs) with various financial institutions. Certain monies are also invested pursuant to investment agreements with providers that 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

On July 1, 2022, the State executed an optional cash redemption of the remaining outstanding State Revolving Fund Refunding General Revenue Bonds, 2013 Series B. Given the level of prepayments received in fiscal year 2021 and fiscal year 2022, it is projected that the SRF will not need to fund new program loans by issuing revenue bonds for the next few years. This will effectively pause the program's practice of leveraging through debt issuance, and instead rely on the increased cash balances to make loans and defease debt. Once prepayment funds are recycled and the program's cash balances are restored to more traditional levels, the SRF will resume its ongoing leveraging. Historically, the program issued bonds every 18-24 months for approximately \$250 million per issue, if needed.

The SRF has issued long-term bonds 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 bonds of the Fund are special obligations of the State that 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 SRF bond issues since 1991. Proceeds are used for program purposes including funding 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 SRF is the recipient of credit ratings from three nationally recognized credit rating agencies as follows: Aaa from Moody's Investors Service, AAA from S&P Global Ratings, and AAA from Fitch Ratings.

SELECTED FINANCIAL INFORMATION

| | Fiscal Year 2022 | Fiscal Year 2021 | Increase/ (Decrease) |
|--|---------------------|---------------------|-------------------------|
| Total Net Position | \$ 848,643,046 | \$ 843,868,248 | \$ 4,774,798 |
| Total Loans Outstanding | 1,027,380,550 | 1,060,166,489 | (32,785,939) |
| Bonds Payable | 747,472,167 | 793,492,166 | (46,019,999) |
| Interest Expense | 37,910,390 | 40,804,772 | (2,894,382) |
| Operating Revenues - Interest on Loans | 21,518,735 | 23,042,272 | (1,523,537) |
| Interest on Investments | 3,114,315 | 3,418,436 | (304,121) |
| Federal Capitalization Grants Drawn | 15,407,180 | 9,466,834 | 5,940,346 |

OUTLOOK

Investment in the nation's water infrastructure is a key public and environmental policy goal at both the state and federal level. A major breakthrough toward that goal occurred with the passage of the Bipartisan Infrastructure Law (BIL) on November 15, 2021, which will deliver more than \$50 billion to the Environmental Protection Agency (EPA) to improve our nation's drinking water, wastewater, and stormwater infrastructure - the single largest investment in water that the federal government has ever made.

In addition, at the State level, Connecticut Public Act 21-111 effective June 30, 2021, increased the State's Clean Water and Drinking Water Fund revenue bond authorization by \$237.0 million in fiscal year 2023 bringing the total authorization for both revenue bonding programs to nearly \$4.5 billion since inception.

All these factors impact how Connecticut municipalities plan and implement the capital projects funded by the SRF programs. Current authorizations and the new BIL provide the SRF programs with continuity to provide necessary funding to as many communities and critical projects as possible. With this new funding, the SRF programs will create jobs while upgrading Connecticut's aging water infrastructure and addressing key challenges like lead in drinking water and per- and poly-fluoroalkyl substances (PFAS) contamination.

The implementation of the BIL calls for strong partnership, and the EPA is working with the states SRFs to ensure that communities see the full benefits of this investment. Meanwhile inflation impacts on the cost of construction and labor as well as national supply chain disruptions have an impact on the cost and time to complete these projects in the local communities. One strategy to mitigate their impact to the water and wastewater systems sector are EPA "adjustment period waivers" which also helps communities to prepare SRF's for compliance with the new Made in America standards in BIL.

Interest rates also have an impact on state SRFs, including Connecticut. Due to the very low interest rates during the pandemic, the Connecticut SRF saw a significant increase in requests by borrowers to prepay SRF loans. Although the 2% loan rate has historically been very attractive to SRF borrowers, in the historically low interest rate environment that existed for most of fiscal year 2021 and fiscal year 2022 many borrowers issued refunding bonds and prepaid their SRF loans before maturity for savings. With the federal reserve more recently increasing interest rates to address inflationary pressures, the prepayments have ceased but the cost of new bonding will be higher to finance these programs.

The major focus for the Clean Water SRF continues to be setting priorities and providing financing for critical work. Working together, DEEP and the Office of the State Treasurer will continue to assist state legislators and municipal officials to determine the most cost effective and efficient way to meet the water quality needs of the communities within the state.

The Office of the State Treasurer's 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 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 Clean Water Fund's financial statements.

The Clean 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.

CONTACTS

This financial report is designed to provide a general overview of the Clean 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 Clean Water Fund and water quality in Connecticut should be addressed to:

Connecticut Department of Energy and Environmental Protection
Bureau of Water Protection and Land Reuse
79 Elm Street
Hartford, CT 06106
Telephone (860) 424-3704
<https://portal.ct.gov/deep>

**STATE OF CONNECTICUT CLEAN WATER FUND -
WATER POLLUTION CONTROL AUTHORITY FEDERAL
REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
STATEMENTS OF NET POSITION
June 30, 2022 and 2021**

| | <u>2022</u> | <u>2021</u> |
|---|-----------------------|-----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,366,787 | \$ 5,290,077 |
| Interest receivable - investments | 960,791 | 1,058,516 |
| Interest receivable - loans | 4,525,880 | 2,886,509 |
| Loans receivable | 219,188,772 | 210,999,776 |
| Due from other sources | 459,686 | 459,686 |
| Total current assets | <u>226,501,916</u> | <u>220,694,564</u> |
| Noncurrent assets: | | |
| Loans receivable | 808,191,778 | 849,166,713 |
| Revolving fund | 426,283,659 | 456,460,973 |
| Restricted assets: | | |
| Bond proceeds fund | 860 | 858 |
| Revolving fund | 1,908,709 | 3,776,710 |
| Debt service fund | 233,276,833 | 213,315,379 |
| Support fund | 10,561,578 | 14,030,193 |
| Total restricted assets | <u>245,747,980</u> | <u>231,123,140</u> |
| Total noncurrent assets | <u>1,480,223,417</u> | <u>1,536,750,826</u> |
| Total assets | <u>1,706,725,333</u> | <u>1,757,445,390</u> |
| DEFERRED OUTFLOW OF RESOURCES | | |
| Deferred charges on refundings | 4,031,907 | 4,969,501 |
| Total deferred outflow of resources | <u>4,031,907</u> | <u>4,969,501</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Interest payable on revenue and refunding bonds | 10,268,438 | 10,806,139 |
| Bonds payable | 49,549,000 | 46,020,000 |
| Total current liabilities | <u>59,817,438</u> | <u>56,826,139</u> |
| Noncurrent liabilities: | | |
| Premiums on revenue and refunding bonds | 104,373,589 | 114,248,338 |
| Bonds payable | 697,923,167 | 747,472,166 |
| Total noncurrent liabilities | <u>802,296,756</u> | <u>861,720,504</u> |
| Total liabilities | <u>862,114,194</u> | <u>918,546,643</u> |
| NET POSITION | | |
| Restricted for loans | 640,430,345 | 632,167,628 |
| Unrestricted | 208,212,701 | 211,700,620 |
| Total net position | <u>\$ 848,643,046</u> | <u>\$ 843,868,248</u> |

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

**STATE OF CONNECTICUT CLEAN WATER FUND -
WATER POLLUTION CONTROL AUTHORITY FEDERAL
REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended June 30, 2022 and 2021**

| | 2022 | 2021 |
|--|----------------|----------------|
| OPERATING REVENUES | | |
| Interest on loans | \$ 21,518,735 | \$ 23,042,272 |
| OPERATING EXPENSES | | |
| Salaries | 243,816 | 327,382 |
| Employee benefits | 214,547 | 279,913 |
| Other | 110,039 | 193,555 |
| Project grants | 6,686,101 | - |
| Total operating expenses | 7,254,503 | 800,850 |
| Operating income | 14,264,232 | 22,241,422 |
| NONOPERATING REVENUES (EXPENSES) | | |
| Interest on investments | 3,114,315 | 3,418,436 |
| Amortization of bond premium | 9,874,749 | 17,186,262 |
| Interest expense | (37,910,390) | (40,804,772) |
| Total nonoperating revenues (expenses) | (24,921,326) | (20,200,074) |
| Income (loss) before federal capitalization grants and transfers | (10,657,094) | 2,041,348 |
| FEDERAL CAPITALIZATION GRANTS | | |
| Project funds - loans | 8,262,716 | 8,839,539 |
| Project funds - grants | 6,686,101 | - |
| Administrative set-asides | 458,363 | 607,295 |
| Total federal capitalization grants | 15,407,180 | 9,446,834 |
| OPERATING TRANSFERS | 24,712 | 296,546 |
| Change in net position | 4,774,798 | 11,784,728 |
| NET POSITION, beginning | 843,868,248 | 832,083,520 |
| NET POSITION, ending | \$ 848,643,046 | \$ 843,868,248 |

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

**STATE OF CONNECTICUT CLEAN WATER FUND -
WATER POLLUTION CONTROL AUTHORITY FEDERAL
REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2022 and 2021**

| | 2022 | 2021 |
|--|-----------------------------|------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Interest received on loans | \$ 19,879,364 | \$ 23,975,214 |
| Loan originations | (109,351,309) | (116,493,953) |
| Principal paid on loans receivable | 142,137,248 | 300,154,589 |
| Payments to employees for salaries and benefits | (458,363) | (607,295) |
| Payments on project grants | (6,686,101) | - |
| Other payments | (110,039) | (193,555) |
| Net cash provided by operating activities | <u>45,410,800</u> | <u>206,835,000</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Federal capitalization grants | <u>15,407,180</u> | <u>9,446,834</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Repayment of bonds payable | (46,019,999) | (90,283,800) |
| Interest paid on bonds payable | (37,510,497) | (41,578,598) |
| Operating transfers | 24,712 | (163,140) |
| Net cash used by noncapital financing activities | <u>(83,505,784)</u> | <u>(132,025,538)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received on investments | 3,212,040 | 3,694,364 |
| (Increase) decrease in revolving fund | 30,177,314 | (84,153,620) |
| Increase in restricted assets | (14,624,840) | (3,807,188) |
| Net cash provided (used) by investing activities | <u>18,764,514</u> | <u>(84,266,444)</u> |
| Net change in cash and cash equivalents | (3,923,290) | (10,148) |
| CASH AND CASH EQUIVALENTS, beginning | <u>5,290,077</u> | <u>5,300,225</u> |
| CASH AND CASH EQUIVALENTS, ending | <u><u>\$ 1,366,787</u></u> | <u><u>\$ 5,290,077</u></u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Operating income | \$ 14,264,232 | \$ 22,241,422 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Changes in assets and liabilities: | | |
| (Increase) decrease in interest receivable - loans | (1,639,371) | 932,942 |
| Decrease in loans receivable | <u>32,785,939</u> | <u>183,660,636</u> |
| Net cash provided by operating activities | <u><u>\$ 45,410,800</u></u> | <u><u>\$ 206,835,000</u></u> |

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

**STATE of CONNECTICUT CLEAN WATER FUND - WATER POLLUTION CONTROL
AUTHORITY FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
NOTES to FINANCIAL STATEMENTS
June 30, 2022 and 2021**

1 - NATURE OF ORGANIZATION

The State of Connecticut Clean Water Fund - Water Pollution Control Authority Federal Revolving Loan Account (State Revolving Fund or SRF), an enterprise fund of the State of Connecticut, established pursuant to Connecticut General Statutes Section 22a-475 to 22a-499, provides financial assistance to the municipalities of Connecticut for the planning, design and construction of water quality projects. The SRF is funded through revenue bonds, State contributions, and federal grants as established under Title VI of the Water Quality Act of 1987 (Act), 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 governmental units. The following is a summary of the SRF's significant accounting policies:

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting 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 municipalities in Connecticut. Operating revenue consists of interest earned on those loans. Operating expenses consist of personnel and other expenses, incurred in the initial approval, disbursement and ongoing servicing of these loans and project grants.

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 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, 2022 and 2021.

Loans, Allowance for Loan Losses and Credit Risk

The SRF makes loans to municipalities in the State of Connecticut for planning, design and construction of water quality projects. Interest on the loans is calculated at two percent of the outstanding balance and recognized as it is earned. The loans are secured by the full faith and credit or revenue pledges of the municipalities, 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 municipal 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 (STIF), 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 losses on early retirement of bonds (Note 8) are being amortized over the shorter of the life of the refunded or refunding debt.

Revenue Bonds

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

| Fund / Account | Description and Use |
|---|--|
| 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 expended 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 amounts 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 1, 2022, 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, 2022 and 2021 funds held by the State Comptroller were \$1,366,515 and \$5,289,806, 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, 2022 funds held by STIF were \$592,222,272, of which \$860 is included in the bond proceeds fund, \$425,284,299 is included in the revolving fund, \$166,936,841 is included in the debt service fund and \$272 is included in cash on the Statements of Net Position. As of June 30, 2021 funds held by STIF were \$622,061,269, of which \$858 is included in the bond proceeds fund, \$454,444,336 is included in the revolving fund, \$167,615,804 is included in the debt service fund and \$271 is included in cash on the Statements of Net Position.

STIF is a money market investment pool, rated AAAM as of June 30, 2022 and 2021 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, 2022 funds held in Fidelity Investments Money Market Government Portfolio (FCGXX) were \$38,460,967 in the debt service fund on the Statements of Net Position. As of June 30, 2021 funds held in FCGXX were \$8,769,156, of which \$37,357 is included in the revolving fund and \$8,731,799 is included in the debt service fund on the Statements of Net Position.

FCGXX is a money market investment pool, managed by Fidelity Investments, rated AAAM by Standard and Poor's, 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, 2022, 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 | \$ 2,647,725 | \$ - | \$ 1,560,754 | \$ 1,086,971 | \$ - | AA+ |
| Connecticut General Obligation Bonds | 999,360 | - | 999,360 | - | - | A+ |
| Guaranteed Investment Contracts | 32,316,553 | - | 4,437,529 | 27,879,024 | - | A- |
| Guaranteed Investment Contracts | 5,385,034 | - | 5,385,034 | - | - | NR |
| | <u>\$ 41,348,672</u> | <u>\$ -</u> | <u>\$ 12,382,677</u> | <u>\$ 28,965,995</u> | <u>\$ -</u> | |

As of June 30, 2021, 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 | \$ 3,305,561 | \$ - | \$ 2,218,590 | \$ 1,086,971 | \$ - | AA+ |
| Connecticut General Obligation Bonds | 1,979,280 | - | 1,979,280 | - | - | A+ |
| Guaranteed Investment Contracts | 33,807,878 | - | 6,173,484 | 27,634,394 | - | A- |
| Guaranteed Investment Contracts | 9,333,382 | 9,333,382 | - | - | - | BBB+ |
| Guaranteed Investment Contracts | 8,327,858 | - | 8,327,858 | - | - | NR |
| | <u>\$ 56,753,959</u> | <u>\$ 9,333,382</u> | <u>\$ 18,699,212</u> | <u>\$ 28,721,365</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 91.2% and 90.7%, at June 30, 2022 and 2021, respectively, in long-term investment agreements with AIG Matched Fund Corp., Trinity Plus Funding and Bank of America.

4 - LOANS RECEIVABLE

The SRF loans funds to qualified municipalities at an annual interest rate of two percent, secured by the full faith and credit or revenue pledges of the municipalities, or both. 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 or annual installments. Prepayments are not subject to any penalty.

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

| | <u>2022</u> | <u>2021</u> |
|-------------------------|-------------------------|-------------------------|
| Construction in process | \$ 151,634,213 | \$ 139,109,715 |
| Completed projects | <u>875,746,337</u> | <u>921,056,774</u> |
| | <u>\$ 1,027,380,550</u> | <u>\$ 1,060,166,489</u> |

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

| <u>Year ending June 30</u> | |
|----------------------------|-----------------------|
| 2023 | \$ 67,554,559 |
| 2024 | 66,448,704 |
| 2025 | 65,729,162 |
| 2026 | 64,566,078 |
| 2027 | 64,227,232 |
| Thereafter | <u>547,220,602</u> |
| | <u>\$ 875,746,337</u> |

5 - FEDERAL LETTER OF CREDIT

The following represents a summary of the cumulative amount 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>2022</u> | <u>2021</u> |
|------------------------------------|----------------------|----------------------|
| Awarded | \$ 602,155,148 | \$ 582,690,148 |
| Drawn | <u>578,467,938</u> | <u>563,060,757</u> |
| Available federal letter of credit | <u>\$ 23,687,210</u> | <u>\$ 19,629,391</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, 2022 and 2021, the required State match was \$120,431,030 and \$116,538,030, respectively. As of June 30, 2022 and 2021, the State match provided was \$117,539,408.

6 - RESTRICTED ASSETS

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

| | <u>2022</u> | <u>2021</u> |
|---|-----------------------|-----------------------|
| Cash equivalents: | | |
| Money market investment pool | \$ 205,398,668 | \$ 176,348,461 |
| Investments: | | |
| U.S. Treasury State & Local Governments | 2,647,725 | 3,305,561 |
| Guaranteed Investment Contracts | <u>37,701,587</u> | <u>51,469,118</u> |
| | <u>\$ 245,747,980</u> | <u>\$ 231,123,140</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 also 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, 2022 and 2021, the basic rates were 88.00% and 85.50%, respectively, of the SRF wages and the amounts charged aggregated \$214,547 and \$279,913 respectively.

8 - BONDS PAYABLE

A summary of changes in bonds payable during the year ended June 30, 2022 is as follows:

| | Balance June 30, 2021 | Issued | Principal Refunded | Principal Paydowns | Balance June 30, 2022 |
|-----------------|-----------------------------|-------------|-----------------------|-----------------------|-----------------------------|
| Revenue bonds | \$ 673,415,000 | \$ - | \$ - | \$ 22,380,000 | \$ 651,035,000 |
| Refunding bonds | 120,077,166 | - | - | 23,639,999 | 96,437,167 |
| | <u>\$ 793,492,166</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 46,019,999</u> | <u>\$ 747,472,167</u> |

A summary of changes in bonds payable during the year ended June 30, 2021 is as follows:

| | Balance June 30, 2020 | Issued | Principal Refunded | Principal Paydowns | Balance June 30, 2021 |
|-----------------|-----------------------------|-------------|-----------------------|-----------------------|-----------------------------|
| Revenue bonds | \$ 737,629,800 | \$ - | \$ 41,714,400 | \$ 22,500,400 | \$ 673,415,000 |
| Refunding bonds | 146,146,166 | - | - | 26,069,000 | 120,077,166 |
| | <u>\$ 883,775,966</u> | <u>\$ -</u> | <u>\$ 41,714,400</u> | <u>\$ 48,569,400</u> | <u>\$ 793,492,166</u> |

Revenue Bonds

The proceeds of the SRF's bonds are to be used to provide funds to make loans to Connecticut municipalities, for use in connection with the financing or refinancing of wastewater and drinking water treatment projects.

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

| Issue Date | Issue Name | Original Allocated Par Amount | Balance Outstanding June 30, 2022 |
|------------|---|-------------------------------|-----------------------------------|
| 2/21/2013 | State Revolving Fund General Revenue Bonds, 2013 Series A | \$ 124,935,000 | \$ 87,065,000 |
| 2/21/2013 | State Revolving Fund Refunding General Revenue Bonds, 2013 Series B | 35,993,833 | 19,657,167 |
| 5/6/2015 | State Revolving Fund General Revenue Bonds, 2015 Series A | 197,525,000 | 180,580,000 |
| 6/15/2017 | State Revolving Fund General Revenue Bonds, 2017 Series A | 200,000,000 | 196,230,000 |
| 6/15/2017 | State Revolving Fund Refunding General Revenue Bonds, 2017 Series B | 102,640,000 | 66,500,000 |
| 7/9/2019 | State Revolving Fund General Revenue Bonds, 2019 Series A | 200,000,000 | 187,160,000 |
| 7/9/2019 | State Revolving Fund Refunding General Revenue Bonds, 2019 Series B | 29,845,000 | 10,280,000 |
| | | <u>\$ 890,938,833</u> | <u>\$ 747,472,167</u> |

Debt service on the outstanding bonds will be paid solely from Available Moneys in the SRF and the Drinking Water Fund. Available Moneys include all funds in the SRF legally available therefore and 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 2013 Series A dated February 21, 2013. In accordance with the State Revolving Fund General Revenue Bonds, 2013 Series Plan of Finance, the State allocated 100% of the proceeds of 2013 Series Bonds 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 SRF and the Drinking Water Fund with \$197,525,000 allocated to the SRF and \$52,475,000 allocated to the Drinking Water Fund.

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 SRF and the Drinking Water Fund with \$200,000,000 allocated to the SRF and \$50,000,000 allocated to the Drinking Water Fund.

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 SRF and the Drinking Water Fund with \$200,000,000 allocated to the SRF and \$50,000,000 allocated to the Drinking Water Fund.

Revenue bonds payable consist of the following as of June 30:

| | <u>2022</u> | <u>2021</u> |
|--|-----------------------|-----------------------|
| Serial bonds, with interest rates from 1.00% to 5.00%, maturing through 2039 | <u>\$ 651,035,000</u> | <u>\$ 673,415,000</u> |

Refunding Bonds - 2013 Series B

On February 21, 2013 the State issued \$35,993,833 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, 2022 and 2021 was \$19,657,166 and \$21,397,166, respectively.

Refunding Bonds - 2017 Series B

On June 15, 2017 the State issued \$102,640,000 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, 2022 and 2021 was \$66,500,000 and \$78,400,000, respectively.

Amortization of the deferred loss on early retirement of bonds for the years ended June 30, 2022 and 2021 totaled \$773,579 for both years.

Refunding Bonds - 2019 Series B

On July 9, 2019 the State issued \$29,845,000 of State Revolving Fund Refunding General Revenue Bonds 2019, Series B with interest rates of 4.0% to 5.0% to refund on a current basis Clean Water Fund Refunding General Revenue Bonds, Series 2009 C (Refunded Bonds). The Refunded Bonds were scheduled to mature at various dates through October 1, 2022, but have been redeemed on October 1, 2019.

The outstanding principal balance of the Refunding Bonds as of June 30, 2022 and 2021 was \$10,280,000 and \$20,280,000, respectively.

Amortization of the deferred loss on early retirement of bonds for the years ended June 30, 2022 and 2021 totaled \$164,015 for both years.

Bond Maturities

Requirements at June 30, 2022 to retire the SRF's revenue and refunding bonds are as follows:

| <u>Year ending June 30,</u> | <u>Principal</u> | <u>Interest</u> |
|-----------------------------|-----------------------|-----------------------|
| 2023 | \$ 49,549,000 | \$ 35,390,461 |
| 2024 | 53,910,000 | 33,237,476 |
| 2025 | 60,304,167 | 30,497,913 |
| 2026 | 55,190,000 | 27,727,969 |
| 2027 | 55,042,500 | 24,856,503 |
| 2028-2032 | 253,606,500 | 85,894,894 |
| 2033-2037 | 181,555,000 | 33,239,075 |
| 2038-2039 | 38,315,000 | 2,451,500 |
| | <u>\$ 747,472,167</u> | <u>\$ 273,295,791</u> |

9 - ARBITRAGE LIABILITY

The Internal Revenue Code provides that interest on certain obligations issued by states, including SRF revenue bonds, is not taxable to the holder provided that bond proceeds are not invested in higher yielding investments, which is referred to as arbitrage. To mitigate arbitrage with respect to the SRF's 2013, 2015, 2017 and 2019 series revenue bonds, the SRF is required to remit excess investment income to the federal government. Based on calculations made by an independent arbitrage rebate agent, there was no arbitrage liability at June 30, 2022 and 2021.

10 - NET POSITION

The following represents an analysis of net position for the years ended June 30, 2022 and 2021:

| | <u>Unrestricted</u> | <u>Restricted for Loans</u> | <u>Total</u> |
|--------------------------|-----------------------|---------------------------------|-----------------------|
| Balance at June 30, 2020 | \$ 208,755,431 | \$ 623,328,089 | \$ 832,083,520 |
| Change in net position | <u>2,945,189</u> | <u>8,839,539</u> | <u>11,784,728</u> |
| Balance at June 30, 2021 | 211,700,620 | 632,167,628 | 843,868,248 |
| Change in net position | <u>(3,487,919)</u> | <u>8,262,717</u> | <u>4,774,798</u> |
| Balance at June 30, 2022 | <u>\$ 208,212,701</u> | <u>\$ 640,430,345</u> | <u>\$ 848,643,046</u> |

The net position restricted for loans represents amounts accumulated from federal drawdowns, less administrative expenses (not exceeding 4% of the federal grant) and subsidies, and the State's match of federal funds.

11 - OPERATING TRANSFERS

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

| | <u>2022</u> | <u>2021</u> |
|----------------------------------|-------------------|-------------------|
| State funded loan repayments | \$ 24,712 | \$ 296,546 |
| Operating expenses transfer | 458,363 | 607,295 |
| Operating expenses reimbursement | <u>(458,363)</u> | <u>(607,295)</u> |
| | <u>\$ 24,712</u> | <u>\$ 296,546</u> |

12 - 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>2022</u> | <u>2021</u> |
|---|-----------------------|-----------------------|
| Total funds committed to municipalities | \$ 1,682,472,738 | \$ 1,528,282,052 |
| Loan amount outstanding to municipalities | <u>1,027,380,550</u> | <u>1,060,166,489</u> |
| Loan commitments outstanding | <u>\$ 655,092,188</u> | <u>\$ 468,115,563</u> |

13 - RISK MANAGEMENT

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

14 - 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.

15 - SUBSEQUENT EVENT

On July 1, 2022, \$18,187,167 of State Revolving Fund General Revenue Bonds 2013 Series B were redeemed at 100% of the principal amount.

SEWARD AND MONDE

CERTIFIED PUBLIC ACCOUNTANTS
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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

Ms. Katie Dykes, Commissioner,
Department of Energy and Environmental Protection,
State of Connecticut

We have audited, in accordance with the 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 - Water Pollution Control Authority 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, 2022, and the related notes to the financial statements, and have issued our report thereon dated September 1, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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.

Report on 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 financial statements. 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 1, 2022

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

Ms. Katie Dykes, Commissioner,
Department of Energy and Environmental Protection,
State of Connecticut

Report on Compliance for Each Major Federal Program

Opinion of Each Major Federal Program

We have audited the State of Connecticut Clean Water Fund - Water Pollution Control Authority 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, 2022. The SRF's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the SRF and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the SRF's compliance with the compliance requirements referred to above.

Responsibility of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provision of contracts or grant agreements applicable to the SRF's federal programs.

Auditors' Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the SRF's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the SRF's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the SRF's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the SRF's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the SRF's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 1, 2022

**STATE OF CONNECTICUT CLEAN WATER FUND - WATER POLLUTION CONTROL
AUTHORITY FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2022**

| <u>Federal Grantor; Program Title</u> | <u>Federal Assistance Listing Number</u> | <u>Expenditures</u> | <u>Expenditures to Subrecipients</u> |
|--|--|----------------------|--|
| ENVIRONMENTAL PROTECTION AGENCY | | | |
| Direct: | | | |
| Capitalization Grants for State Revolving Fund | 66.458 | <u>\$ 15,407,180</u> | <u>\$ 14,948,817</u> |

See notes to schedule.

**STATE OF CONNECTICUT CLEAN WATER FUND - WATER POLLUTION CONTROL
AUTHORITY FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2022**

A - ACCOUNTING BASIS

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the State of Connecticut Clean Water Fund - Water Pollution Control Authority 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 municipalities 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, 2022 totaled \$8,262,716. Grants disbursed to subrecipients during year ended June 30, 2022 totaled \$6,686,101.

D - MUNICIPAL LOAN BALANCES

The balance of outstanding loans to municipalities totaled \$1,027,380,550 as of June 30, 2022.

**STATE OF CONNECTICUT CLEAN WATER FUND - WATER POLLUTION CONTROL
AUTHORITY FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2022**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:
Material weakness(es) identified? ____Yes X No
Significant deficiency(ies) identified that are not
considered to be material weaknesses? ____Yes X None reported

Noncompliance material to financial statements noted? ____Yes X No

Federal Awards

Internal control over major programs:
Material weakness(es) identified? ____Yes X No
Significant deficiency(ies) identified that are not
considered to be material weaknesses? ____Yes X None reported

Type of auditors' report issued on compliance for major
programs: 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>Federal Assistance Listing Number</u> | <u>Name of Federal Program</u> |
|--|--|
| 66.458 | 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 - WATER POLLUTION CONTROL
AUTHORITY FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2022
. . . 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.