

From: [Galford, Amy](#)
To: [Bristol Town Administrator](#)
Cc: [Monks, Padraic](#); [Shaffer, Nathan](#); "[Steven L. Palmer](#)"; [Bristol Clerk](#); [Jill Marsano](#); [Kamman, Neil](#); [Blatt, Eric](#)
Subject: RE: RF3-477-3.0, Bristol Town, Pine St, Loan Applications Received
Date: Wednesday, March 13, 2024 7:05:10 PM
Attachments: [image001.png](#)

Hi Valerie, see [comments](#) inserted below...

From: Bristol Town Administrator <townadmin@bristolvt.org>
Sent: Wednesday, March 13, 2024 5:08 PM
To: Galford, Amy <Amy.Galford@vermont.gov>
Cc: Monks, Padraic <Padraic.Monks@vermont.gov>; Shaffer, Nathan <Nathan.Shaffer@vermont.gov>; 'Steven L. Palmer,' <spalmer@vtmengineering.com>; Bristol Clerk <clerk@bristolvt.org>; Jill Marsano <jill@vtums.com>; Kamman, Neil <Neil.Kamman@vermont.gov>; Blatt, Eric <Eric.Blatt@vermont.gov>
Subject: RE: RF3-477-3.0, Bristol Town, Pine St, Loan Applications Received
Importance: High

Hi Amy,

Belated thank you for your note from last week. Attached is the signed useful life certification.

[Thank you, I will route the loan package for final DEC signatures tonight.](#)

We appreciate your efforts to maximize the expenses to the extent the formulas allow. According to the attached screenshot of the current calculations, Bristol is a mere \$2.78 away from meeting the \$628.40 threshold to qualify for the 50% subsidy. We probably would have qualified if the construction and the engineering services had not come in under budget. This was only the first phase in a multi-phased project to replace these 1905 waterlines that will cost hundreds of thousands more dollars going forward. Achieving this subsidy will be crucial to prevent huge and unsustainable increases in the water rates to cover the debt.

[The attached screenshot was what I sent Jill on 3/4, when the primary data question was still the ERU, 695 vs 633, which would have made a large difference in the user rate with the potential to trigger principal forgiveness. I reviewed the ERU math in my email below; that value is 695.](#)

[Padraic and I went over every line item in detail together earlier this week while going through the town's budget documents and our guidance documents 10 and 13.](#)

[The process for "subsidy" is not only principal forgiveness. The first step is to increase the loan repayment years from 30 to 40, provided the useful life allows that \(in this case it does\). That reduces the cash flow needed for the annual repayment but adds to the total loan cost across 40 years \(like choosing a 30 year mortgage over a 15 year one\). I adjust that number one year at a time, stopping if the user rate estimate hits 1% MHI. Then I can reduce the admin fee % down from the default of 2.0 toward 0.0 in 0.1% intervals, again until hitting 1% MHI. Then I can increase principal forgiveness up to 50% until hitting 1% MHI user rate.](#)

Below is the calculation with the entire loan application request rather than actual project cost, and the forecast rather than recent reserve contribution. You are eligible for construction subsidy, but even with the highest estimates on reserve and loan, the form of subsidy only goes to the point of increasing the loan repayment term from 30 to 34 years. That does not get into reducing the admin fee %, and so does not get into principal forgiveness either. As we discussed when we met on 3/1, the key difference versus what was estimated for the priority list, was that the priority list application had an annual O&M cost of \$339,500, because it was including the debt and reserve, and also listed the debt and reserve separately.

		Rate per unit es
O&M post project:	\$221,913	\$319 p
Existing Debt Payment:	\$70,000	\$101
Annual Reserve Contribution:	\$66,667	\$96 r
Other pending loan debt:	\$41,911	\$60 it
This Step 3 DWSRF Loan Amount:	\$885,000.00	a
Loan Term (yrs):	34	d
Interest Rate:	0.00%	0
Admin Fee:	2.00%	r
Percent DisSub (max 50%)	0%	\$0.00 d
Loan amount less Subsidy	\$885,000.00	ft
DWSRF Annual Pmt:	\$ 36,124.53	\$ 51.98
Post project rate estimate:	→	\$628.22

The better total loan repayment cost for the water system is to stay at 30 years of repayment and calculate loan principal forgiveness on the step 2 portion of the loan. Even though that is only 25% on a smaller part of the loan (Step 2 ESA + all legal/admin costs), it also reduces the admin fees incurred over the amortization of the loan. That is why I described that forgiveness in recent emails.

We were completely surprised to find that none of the time and expense Bristol’s Water Operator (VTUMS) spent on the project was an eligible project cost because it had not been included in the engineering services agreement (ESA). I don’t know how we would have known that. Attached is an invoice from VTUMS documenting their expenses from August through October directly related to the Pine Street construction project amounting to more than \$15,000. Examples of their efforts include locating water lines, responding to broken lines as a result of the excavation, exercising valves, dealing with hydrants, witnessing connections, arranging for a wet tap to replace a broken line, attending construction meetings, and much more. Because this was not a planned expense to the Water System and VTUMS is very conscientious about minimizing costs to the system, the Selectboard/Water Commission accepted their offer to split it 50/50. As a result, the Water System paid \$7,846.87 to VTUMS as an expense directly related to the Pine Street project and VTUMS “ate” the rest. Is there a way we can find to allow at least the \$7,846.87 expense (if not the whole thing) to be deemed eligible? Because the engineering and construction expenses did come in under budget, there would be capacity within the loan application amount to accommodate this expense. Can/should the ESA be amended to include it? Can it be deemed eligible another way? Without knowing what the formulas are behind eligibility calculations, it appears that inclusion of this legitimate project expense could put Bristol over the \$628.40 threshold to qualify for the 50% subsidy.

As much as possible, loan cost approvals should be determined in advance. This is why ESAs are

reviewed in advance. I don't approve engineering costs; that is done by DWGPD or WID engineers. I approve some legal and administrative costs.

DWSRF federal guidance, and training for state staff, emphasizes that DWSRF funding is not to be spent on operations and maintenance. That is detailed in section 3.7 Ineligible Project Costs of [Drinking Water State Revolving Fund Eligibility Handbook \(epa.gov\)](#) That document is from 2017, prior to the LCRR Service Line Inventory requirement and the new BIL/IIJA lead funding that added the eligibility for work for that new compliance requirement. That specific funding does not change all other DWSRF not covering expenses for ongoing compliance, operations, or maintenance.

That expense is also too small to change the subsidy math, since even using the loan request of \$885,000 rather than the actual project costs only got the loan into longer repayment years (screensnip above), not admin fee reduction or principal forgiveness.

Please let me know if you need any other information.

Thank you,

--Valerie

Valerie Capels, Town Administrator
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Please note this email message, along with any response or reply, may be considered a public record subject to disclosure under the Vermont Public Records Law (1 V.S.A. §§ 315-320).

From: Galford, Amy <Amy.Galford@vermont.gov>
Sent: Thursday, March 7, 2024 12:06 PM
To: Bristol Town Administrator <townadmin@bristolvt.org>
Cc: ken <ken@vtbondagency.org>; Eagan, Denise <Denise.Eagan@vermont.gov>; Monks, Padraic <Padraic.Monks@vermont.gov>; Shaffer, Nathan <Nathan.Shaffer@vermont.gov>; 'Steven L. Palmer,' <spalmer@vtengineering.com>; Bristol Clerk <clerk@bristolvt.org>; Jill Marsano <jill@vtums.com>; Treasurer <treasurer@bristolvt.org>
Subject: RE: RF3-477-3.0, Bristol Town, Pine St, Loan Applications Received

Valerie,

As a reminder, we need the [Useful Life Determination Worksheet](#) and [Useful Life Certification Form](#), showing the constructed assets are expected to last at least 30 years. I need this prior to DEC management approvals and routing to the Bond Bank.

This email also summarizes our further review of the terms for this loan.

The procedure for determining step 3 construction loan terms (repayment years, annual admin fee %, and principal forgiveness) is described near the end of [Guidance Document 10](#). It refers to [Guidance Document 13](#) for more detail of user rate calculations. Construction loan terms are based on the local Median Household Income (MHI), user rate calculations, and the number of Equivalent Residential Units (ERU).

User rate calculations are estimated for a priority list based on the priority list application. The loan principal forgiveness of 50% indicated on the 2023 Priority List was an estimate based on the Town's priority list application. That application included debt and reserves in the operation and maintenance (O&M) budget and also listed them separately, which resulted in an overestimate of user rates.

User rate calculations for a loan are based on the loan application data and more detailed review of the budget documents. Section 4 of GD 13 states the total ERU shall not be less than the data from SDWIS (the regulatory record), which for Bristol's water system is 695 residential connections. Section C1 describes how multi-unit residential buildings are counted, e.g., an 8-unit apartment counts as 8 in the total ERU. We reviewed the Town's billing data with 633 connections provided earlier this week and the Bristol grand list, and there are many multi-unit residential connections, which the SDWIS record of 695 appears to reflect. Based on that ERU, the project is not eligible for construction principal forgiveness.

The step 2 design loan application was submitted under the 2021 IUP cycle (2021-2022) which offered 50% principal forgiveness for planning and design loans. That forgiveness is a simple percentage and does not depend on user rate calculations. From some other approvals that have been updated via other email chains since my email below, the step 2 portion estimate is \$37,426, which would correspond to \$18,714 forgiveness.

For an estimated \$780,259 loan with \$761,545 to be repaid over 30 years with a 2% annual admin rate, the annual repayment will be approximately \$ 34,003. Terms and subsidy will not be final until the loan receives final approved by DEC and is underwritten by the Vermont Bond Bank. The actual repayment will be based on final reimbursed costs for design and construction, and final loan forgiveness.

If any costs are determined to be eligible under the LSLR funding as described below, 50% principal forgiveness will be applied to those line items prior to the loan going into repayment.

Amy

Amy Galford

Drinking Water State Revolving Fund (DWSRF)
VT Agency of Natural Resources, Dept. of Environmental Conservation, Water Investment Division
1 National Life Dr, Davis Bldg Montpelier VT 05620 802-585-4904 amy.galford@vermont.gov

General info about loan types & terms: [DWSRF Guidance Doc 10](#)
Annual funding cycle: [Annual Intended Use Plan including priority lists](#)

To apply for funding:

For DWSRF [Service Line Inventory](#) loans only see special forms & policies.

All other DWSRF loans:

Upload draft Engineering Services Agreements to [ANR Online site for draft ESA review](#)

Upload PDF loan application form + other attachments to [ANR Online site for loan application](#)

Written communications to and from state officials regarding state business are considered public records and may be subject to public scrutiny.

From: Galford, Amy

Sent: Monday, March 4, 2024 10:55 AM

To: 'Valerie Capels, Town Administrator' <townadmin@bristolvt.org>; Jill Marsano <jill@vtums.com>

Cc: 'Ken Linge (ken@vtbondagency.org)' <ken@vtbondagency.org>; Eagan, Denise <Denise.Eagan@vermont.gov>; Monks, Padraic <Padraic.Monks@vermont.gov>; Shaffer, Nathan <Nathan.Shaffer@vermont.gov>; 'Steven L. Palmer,' <spalmer@vtmengineering.com>; 'Sharon Lucia, Town Clerk,' <clerk@bristolvt.org>; 'Anthony Delmonaco, Town Treasurer,' <treasurer@bristolvt.org>

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Jill and I spoke about the forgiveness calculations and went over the budget line items again. She's going to send me some data related to the number of connections. If the forgiveness calculations change based on that, I'll update everyone.

Amy

From: Galford, Amy

Sent: Monday, March 4, 2024 9:30 AM

To: 'Valerie Capels, Town Administrator' <townadmin@bristolvt.org>

Cc: 'Ken Linge (ken@vtbondagency.org)' <ken@vtbondagency.org>; Eagan, Denise <Denise.Eagan@vermont.gov>; Monks, Padraic <Padraic.Monks@vermont.gov>; Shaffer, Nathan <Nathan.Shaffer@vermont.gov>; 'Steven L. Palmer,' <spalmer@vtmengineering.com>; 'Sharon Lucia, Town Clerk,' <clerk@bristolvt.org>; 'Anthony Delmonaco, Town Treasurer,' <treasurer@bristolvt.org>; Jill Marsano <jill@vtums.com>

Subject: RF3-477-3.0, Bristol Town, Pine St, Loan Applications Received

Resending this everyone copied rather than pasted in the top, my apologies...

Valerie Capels, Town of Bristol,

This email acknowledges receipt of the DWSRF [Loan Applications](#) and related documents submitted to ANRonline for the Pine Street waterline replacement on the Bristol water system. Separate step 2 and 3 loan applications were received. Due to delays in loan application processing, a single loan agreement will be developed for the entire project. Please include the loan number (RF3-477-3.0) on all future correspondence.

[Documents required for final loan approval](#)

Please work with your consultants to complete a [Useful Life Determination Worksheet](#) and [Expected Useful Life Certification Form](#) and send them to me by email. This is required to demonstrate the useful life of the project assets is longer than the loan repayment term being offered, which is an EPA DWSRF requirement. This should be the final document I need to put together the loan approval package.

Vermont Bond Bank staff are copied on this email so they can begin the loan application review. Please respond promptly to any questions or document requests. After DEC approval, they will receive the entire loan package including the financial records you already provided, and we will update you when that package is sent to VBB.

Estimated loan terms and forgiveness

The step 2 design loan application was submitted on 6/15/22, so falls under the terms of the 2021 Intended Use Plan. The sum of the approved VTM Step 2 ESA (\$19,731), construction permit fee (\$900), and legal & admin costs (\$2,278) is \$22,909. This portion of the loan is eligible for 50% principal forgiveness of final disbursements, applied at the start of repayment, estimated at \$11,455.

The step 3 construction loan application was received on 8/9/23; the project was ranked on the 2023 IUP general project priority list which was adopted on 9/20/23. Based on the total project cost and annual cost estimates as follows, the project did not qualify for construction Disadvantaged Subsidy as principal forgiveness, and will receive the loan terms of 30 year repayment and 2% interest & administrative fee. The step 2 forgiveness listed above will be maintained as that results in a lower total repayment cost than extending the construction loan term beyond 30 years.

This determination was based on annual O&M of \$211,913; existing annual debt of \$70,000; estimated annual debt from the pending West waterline replacements project design loan of \$41,911 (assuming 25% forgiveness); and annual reserve contribution of \$66,667. The user rate estimate was compared to 1% of the local MHI for the Bristol CDP (\$62,840, 2021 ACS) with 695 connections, using the process described in Guidance Document 10.

For an estimated \$768,553 to be repaid, the annual repayment will be approximately \$34,316, with repayment starting approximately 12 months after construction is completed. Terms and subsidy will not be final until the loan receives final approval by DEC and is underwritten by the Vermont Bond Bank. The actual repayment will be based on final reimbursed costs for design and construction, and final loan forgiveness.

Possible lead service line replacement loan forgiveness

The 2023 IUP cycle includes several sources of DWSRF funding from EPA. There is separate construction funding under the Lead Service Line Replacement priority list. Some project costs may be eligible under that funding source, specifically for the replacement of any lead service lines, lead goosenecks, or galvanized service lines that were downstream of lead goosenecks or with an unknown upstream history. I understand from our discussion on Friday there were a small number of galvanized service lines replaced, and some may be eligible. As described in the 2023 IUP, the forgiveness determination for LSLR construction loans is different and is based only on MHI. Since Bristol's MHI is below the state average, this project would qualify for 50% principal forgiveness on eligible LSLR line items. Nathan

Shaffer and I will be in touch about what is needed for that determination, such as an estimate of the cost of replacing the galvanized service lines. This will be more relevant for the next waterline distribution project where more eligible service lines are expected.

Other DWSRF loans

- A step 1 planning loan, WPL-341-1.0, was previously issued for a preliminary engineering report (PER) for multiple waterline replacement projects. That loan was eligible for 100% forgiveness of final disbursements, \$28,012. You will be contacted by our financial manager about the closure of that loan soon.

I will contact you about the pending step 2 design loan for the West waterline replacements soon. Its forgiveness estimate will be based on the 25% forgiveness currently offered. The loan forgiveness determination for the construction phase of that project will be based on future IUP terms and the future construction loan application.

Please contact me at amy.galford@vermont.gov or (802) 585-4904 with any questions.

Sincerely,
Amy Galford

Amy Galford
Drinking Water State Revolving Fund (DWSRF)
VT Agency of Natural Resources, Dept. of Environmental Conservation, Water Investment Division
1 National Life Dr, Davis Bldg Montpelier VT 05620 802-585-4904 amy.galford@vermont.gov

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