Delaware Health and Social Services
Intended Use Plan
2016 Federal Allocation

Background
The Intended Use Plan (IUP) is a document that Delaware Health and Social Services (DHSS) submits annually as part of the grant application to US EPA to request the DWSRF capitalization grant under the Safe Drinking Water Act (SDWA).

DHSS is eligible for $8,312,000 in federal capitalization grant funds. DHSS will allocate $4,736,392 in federal funds plus $1,662,400 in state funds (20% required state match) for infrastructure improvement projects. $2,576,720 will be used for Set-Aside activities.

Long Term Goals
- Maintain the Drinking Water State Revolving Funds (DWSRF) in perpetuity by judicious use and management of the assets by utilizing an adequate rate of return
- Target resources and funds to address the most significant public health and compliance problems facing the State’s drinking water resources
- Assist public water systems with achieving affordable compliance and public health protection through DHSS personnel and Set-Aside contracts

Short Term Goals
- Provide funding to upgrade infrastructure for six public water systems in Delaware
- Decrease public health risks in drinking water in 2016-2017 for 51,919 Delaware residents
- Meet Program Activity Measure of 92% of fund utilization rate, as negotiated with EPA by continuing to encourage expeditious spending with loan recipients and sub-grantees
- Continue to contract with Delaware Rural Water Association (DRWA), to provide Asset Management training and strategies to small and mid-size municipalities.
- Continue to provide operator education through contracts with Delaware Technical and Community College
- Offer Cyber Security training and 1:1 assessments through a contract with Kash Group LLC
- Continue to hold quarterly meetings with Set-Aside recipients to monitor activity progress and evaluate expeditious spending
- Provide assistance to borrowers on difficult requirements such as Davis Bacon and DBE
- Track the Drinking Water to Clean Water Transfer with EPA assistance
- Utilize Set-Aside funds as outlined in the Work Plan
- Manage the Non-Fed Admin account judiciously
- Provide improved evaluation and assistance on DWSRF applications to ensure that applicants meet technical, managerial, and financial capabilities in accordance with the SDWA.
Project Selection and Loan Activities
In March 2016, Notice of Intent (NOIs) were ranked and placed in priority order, based on public health protection and SDWA compliance. All projects listed on the PPL are considered equivalency projects.

Listed below are projects that are ready to proceed as of May 2, 2016. The Comprehensive and Ready to Proceed Project Priority Lists (PPLs) are attached. *Note: small systems are defined as 10,000 in population or less.

1. Tidewater Utilities -- Holiday Pines MHP – upgrades and interconnection to return non-compliant system to compliance
   Total project cost: $933,300
   Population: 195
   Description: abandonment of current well house and storage, interconnection with Tidewater Utilities, replacement of undersized distribution system
   Source: ground water
   Subsidy: $933,300
   Small system status: Yes
   Disadvantaged system status: Yes

2. Town of Delmar
   Total project cost: $1,000,492
   Population: 4698
   Description: distribution upgrades
   Source: ground water
   Subsidy: $0
   Small system status: Yes
   Disadvantaged system status: No

3. Town of Selbyville
   Total project cost: $500,000
   Population: 2319
   Description: Supplemental loan for MTBE removal/plant upgrades
   Source: ground water
   Subsidy: $364,550
   Small system status: Yes
   Disadvantaged system status: Yes

4. Town of Georgetown
   Total project cost: $500,000
   Population: 6766
   Description: Supplemental loan for TCE removal/plant upgrades
   Source: ground water
   Subsidy: 364,300
   Small system status: Yes
   Disadvantaged system status: Yes
5. Tidewater Utilities – Whispering Pines/Sussex East—WITHDRAWN by applicant on 6/6/16
   Total project cost: $1,065,000
   Population: 1,575
   Description: install fire protection
   Source: ground water
   Subsidy: $0
   Small system status: Yes
   Disadvantaged system status: No

6. City of Dover
   Total project cost: $2,400,000
   Population: 36,366
   Description: treatment plant upgrades
   Source: ground water
   Subsidy: $0
   Small system status: No
   Disadvantaged system status: No

7. Town of Ellendale
   Total project cost: $4,994,965
   Population: +/- 300
   Description: installation of a municipal water system
   Source: ground water
   Subsidy: $0
   Small system status: Yes
   Disadvantaged system status: to be determined

Subsidy Requirements (20% of the grant allotment or $1,662,400)
DHSS will meet the minimum of 20% subsidy requirements by providing principal forgiveness to:
   • Communities identified as Disadvantaged
   • The next most ‘in need’ communities as identified by the financial review and affordability criteria mentioned herein
   • Holiday Pines, Selbyville, and Georgetown will receive principal forgiveness totaling $1,662,400 thus meeting the 20% requirement

State Match
As detailed on page 7, the DWSRF Non-Fed Admin account will be used for both the Clean Water and Drinking Water required state match.

Public Review of IUP/PPL
The Ready to Proceed PPL and IUP was presented to the Water Infrastructure Advisory Council, stakeholders, and members of the public on April 20, 2016. Documentation is enclosed.

Bypass Procedures
Upon written notice, DHSS can bypass a project on the fundable portion of the PPL based on the following:

- Project is withdrawn by the applicant
- Project is not ready to proceed
- System is unwilling to address any Significant Non-Compliance (SNC) issues
- System is lacking technical, managerial, or financial capacity
- System is out of compliance and demonstrates unwillingness to correct A133 Audit or Davis Bacon, or Buy American Iron and Steel issues
- System is not current on loan repayments from prior closed loans
- An emergency project is approved

DHSS will provide applicant written notice if their project(s) will be bypassed. DHSS will reinstate bypassed projects if funds become available and the project meets all criteria above. Funds that become available due to project bypass will be offered to the next project on the PPL.

**Emergency Project Requirements**
EPA allows States to establish procedures to identify and prioritize Emergency Projects under consideration for DWSRF funding. Projects necessary to alleviate emergency situations that result in an imminent threat to public health can be immediately elevated to the top of the PPL upon recommendation by DHSS and the concurrence of the Cabinet of State Planning Issues. As of May 2, 2016, DHSS has not received any emergency project applications.

**Loan Guidelines**
DHSS proposes to use a total of $6,398,792 of federal and state funds in addition to other sources to provide low interest loans to public water systems for infrastructure improvement projects.

*Please refer to the Sources and Uses Chart for more details*

Loan terms are:

**DWSRF Program Interest Rate Policy**
- All loans on the 2016 PPL will be offered an interest rate of 2%. This interest rate policy will sunset on December 31, 2016. DNREC/DHSS will negotiate interest rate policies for the Drinking Water Program thereafter and report the policy to EPA.
- Additional loan subsidies in the form of lower interest rates, principal loan forgiveness, and/or longer loan repayment terms up to 30 years may be provide if a proposed project will increase existing drinking water user rates above 1.0% of a community’s Median Household Income (MHI), or 2.0% of MHI for combined drinking water and wastewater user rates.

**Disadvantaged Community Program**
A community may be considered for the DWSRF Disadvantaged Community Program may receive additional loan subsidies as outlined above.

**Possible DWSRF Administrative Loan Fees**
DWSRF Administrative Loan Fees have been waived for the 2016 PPL/applicants.
Other Project Information

Tie-breaking procedures
The project with the greatest number of points under the Quality Deficiencies will receive the higher ranking. If there is still tie, the system with the greater population will receive the higher ranking.

Public Review
- The Public Workshop Review process developed and accepted by EPA as stated in the Operating Agreement establishes the process for soliciting funding applications, developing the project priority lists, and the public comment review process.
- Additionally, any amendments to the IUP will be posted to the DHSS/DWSRF website for public review and comment. Significant PPL or financial amendments will be presented to the Water Infrastructure Advisory Council for review, public comment, and approval.
- Changes will be noted in the Annual Report as well.

Leveraging
DHSS does not anticipate the need to reserve the right to transfer Capitalization Grant and loan repayments monies between the State’s Water Pollution Control Revolving Fund (WPCRF) and Safe Drinking Water Revolving Loan Fund programs as necessary to ensure the full utilization of the federal assistance during this grant year.

Cross Collateralization between SRF programs—Transfer Use
As of May 1, 2016, $31,161,802 is available for drinking water project loans and current loan disbursement. This ‘transfer back’ to the DWSRF may begin in calendar year 2016. DHSS will coordinate with DNREC to receive regular account summaries. Those summaries will be reported in the next corresponding Annual Report. **Please refer to the Sources and Uses attachment for details.**

Cross Collateralization between SRF programs
The DWSRF program transferred $27,050,178 in Federal funds and $5,410,035 in State funds to the CWSRF program. Of this, $1,298,408 was used for administrative costs (4% from both Federal and State). This leaves $31,161,802 available for project loans.

It is the understanding between both DNREC and DHSS that these funds will be made available back to DHSS for payments on existing loans and to make additional loans when needed by the DWSRF program on a cash flow basis.

Funds for both new and existing DWSRF loans will be used in the following order: first from the Federal capitalization grants, second from the DWSRF repayment & interest fund, then when these funds are exhausted, from the previously transferred funds to the CWSRF program.
An accounting of these funds will be included in the Sources and Uses table for both the IUP and Annual Report for both SRF programs.

To date, no funds have been transferred back to the DWSRF program.

**DWSRF Coordination of funding priorities with State Drinking Water Enforcement Agency**
The DWSRF program coordinates with the Office of Drinking Water by performing a five year compliance review for each loan applicant. In addition, offices collaborate throughout the year to offer technical assistance through DRWA systems that are on Public Notice.

**Davis Bacon Compliance**
DHSS agrees to comply with Davis Bacon requirements as outlined in guidance distributed by EPA. Additionally, DHSS performs site inspections during construction.

**Green Project Reserve**
DHSS is not participating in Green Project Reserve for 2016, as it is not in federal grant requirements.

**Sustainability Policy Description**

**Fix It First**
DHSS does not fund projects that are primarily for growth. Applicants are encouraged to study existing infrastructure to determine most critical needs, and then base their DWSRF applications on those needs.

**Capacity Development for Loan Applicants**
The DWSRF program requires the Capacity Development Program, housed in the Office of Drinking Water to review the Capacity Development portion of each full application, work with systems to increase technical, managerial, and financial capacity; and report any serious, outstanding problems to the DWSRF program so that they may be addressed before loan closing.

**Asset Management**
DHSS has been proactive in encouraging applicants to implement the Asset Management Grant program. To date 8 systems have started an Asset Management Plan or have applied for the Grant. In addition, DHSS contracts with DRWA for this activity. Please refer to the Work Plan for more information.

**Program Management**
DHSS designates all loans to requirements of Single Audits, DBE, Crosscutters, Davis Bacon, FFATA, and Buy American Iron and Steel.

**DBE Participation**
Loans using the capitalization grant and state match funds will conform to Disadvantaged Business Enterprise (DBE) steps as outlined by EPA. Borrowers must document and demonstrate good faith efforts consistent with federal regulations.

**Davis Bacon Act Participation**
Loans using the capitalization grant and state match funds will conform to Davis Bacon wage determinations, wages, and activities as outlined by EPA. Borrowers must document and demonstrate efforts consistent with federal regulations.

**Efficient Expenditure**

- Loans- the DWSRF program will use a “First in-First Out” approach when making loan payments
- Set-Asides- the DWSRF program will prepare one year set-aside budgets. During the second year of the grant, the program will review expenditures and re-budget set-aside funds for additional set-aside work or project loans per EPA approval. All funds will be expended by the end of the final year of the grant.

**Policy to Assure Competency of Organizations Generating Environmental Measurement Data (pertaining to the 10% Set-Aside budget item of $115,000 for laboratory analysis)**

- Use of the $104,621 for laboratory analysis is of similar nature of the scope of work for the use or generation of environmental data in previous grant awards.
- DHSS has a Quality Management Plan that has been approved by EPA through March 1, 2019.

**Reporting**

DHSS will make all efforts to report all applicable information to: FFATA, Projects Benefits, Report, and NIMs in accordance with applicable due dates set forth by EPA.

**Non-Fed Admin Account Projected Use**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>DW Asset Management Grants</td>
<td>$500,000</td>
</tr>
<tr>
<td>DW Matching Planning Grants</td>
<td>$300,000</td>
</tr>
<tr>
<td>Sustainability Assistance 1:1 Contract</td>
<td>$48,000</td>
</tr>
<tr>
<td>TMF Contact</td>
<td>$49,500</td>
</tr>
<tr>
<td>Cyber Security Program Contract</td>
<td>$48,000</td>
</tr>
<tr>
<td>DPHL Expenses</td>
<td>$200,000</td>
</tr>
<tr>
<td>DNREC Salaries</td>
<td>$196,695</td>
</tr>
<tr>
<td>DWSRF State Match</td>
<td>$1,662,400</td>
</tr>
</tbody>
</table>

**Total** $3,004,595

**Set-Aside Activities**

The SDWA allows states to use part of the Capitalization grant to support Set-Aside activities. DHSS proposes to use $2,576,720 from the grant to fund the following Set-Asides.

*Please refer to the Set-Aside Work Plan for more details.*
Small Systems Technical Assistance (2%) $166,240
Provide assistance to small systems through contractor personnel. Funds provide technical assistance to public water systems serving less than 10,000 people. Contracts with DRWA ($83,120) and DTCC ($83,120) continue to provide technical assistance and training.

DRWA contracts:
- Provide 75 on-site technical assistance visits to municipalities and Community Water Systems; visits can include technical and managerial assistance along with promotion of the DWSRF program and 1:1 application/process help
- Conduct 3 Elected Official Asset Management Workshops to recent or current municipalities and DWSRF applicants prior to their council meetings addressing the guidelines set by the DWSRF program
- Coordinate with ODW, OE, and DWSRF to identify systems in need of Priority Technical Assistance. Such as: community, non-transient non-community (NTNC), transient, and/or seasonal in need of assistance due to non-compliance or potential non-compliance
- Provide onsite training and assistance to 15 seasonal water systems such as campgrounds and resort areas to maintain compliance with Distribution Sampling Plans and Total Coliform Rule (TCR)
- Provide two workshops and on-site assistance for seasonal water systems focusing on TCR and Distribution Sampling Plans, onsite technical assistance
- Coordinate with ODW and the use of EPA’s Electronic Targeting Tool (ETT) to identify seasonal systems in need of technical assistance and operator training
- Deploy, upon request, the mobile training unit to demonstrate system specific needs to at least three DWSRF borrowers or applicants or NTNC systems such as school and daycares

DTCC contracts:
- Certify and provide continuing education for approximately 100 Operators-In-Training and licensed water operators
- Provide Base Level Water Operators Course to approximately 30 new operators
- Recruit students through advertisement in the local press to enter a drinking water training program
- Provide tuition assistance for up to three students to cover the cost of tuition for over a one-year period
- Administrative Support and Oversight - Administrative salary funding will be utilized for the following: to plan operations; recruit and interview prospective students; counsel students regarding course schedules; assist with tutoring needs; development of job building skills; and assist with employment opportunities. In addition, staff will assist with registering students, and will report and track the funding for students enrolled in this program.

Program Administration (4%) $332,480
Administration of DWSRF program
1.0 DNREC FAB positions will be funded and 2.0 DHSS positions will be funded using the 4% Set-Aside. A combination of 4% grant funds and for the second time, the Non-Fed Administrative account will be used to fund 1.4 DNREC positions.

State Program Management (10%) $831,200
The PWSS, Operator Certification, and UIC programs will be funded through this Set-Aside as follows:

- Operator Certification $3,000
- PWSS $480,789
- UIC $347,411

Operator Certification
Operator Certification expenses are absorbed by funding positions with the PWSS grant, with the exception of $3,000 to proctor two sets of Operator Base Level tests. Should Operator Certification expenses become burdensome on the PWSS grant, DHSS has the ability to use the DWSRF grant as a source of funding.

- Monitor, track, and report water operator licensures
- Report communication to operators
- Provide water operator licenses renewals
- Coordinate with DTCC to provide provisions and proctoring for Drinking Water Operator examinations
- Enhance communication actions such as participating in state-wide conferences and alerting operators about educational opportunities through the ODW newsletter
- Ensure public water systems that are required to have an operator do so either by directly employing an operator or by contracting with an operator
- Ensure all operators have the proper endorsements for the water systems they operate

Public Water Supply Supervision (PWSS)
- Monitor, track, and report compliance for approximately 500 Public Water Systems
- Work with EPA towards implementing lab-to-state
- Continue to utilize the new EPA reporting under Enforcement Response Policy and ETT
- Work with Bureau of Public Health Informatics to post all relevant lead and copper information and sample results per EPA guidance and Delaware law

Underground Injection Control
- Review at least 20 Large on-site wastewater treatment and disposal system permit applications
- Perform at least 250 inspections of large on-site wastewater treatment and disposal systems, and UIC facilities
- Perform at least 40 recon inspections to identify and close (if found) automotive floor drains, large capacity cesspools, and industrial discharges with direct discharges to ground water (if existing)
- Continue to identify water treatment facilities that discharge brine backwash to the subsurface to determine their impact to ground water
- Conduct workshops and public outreach to educate the Regulated community and public
on the revised Underground Injection Control regulations
• Revise and update Delaware’s Underground Injection Control regulations
• Complete database upgrades
• Finalize data base User Manual(s)
• Participate in public outreach and educational events
• Participated in the development of a pollution control strategy for the Chesapeake Basin Watershed

Local Assistance and Other State Programs (15%) $1,246,800
The Capacity Development and Source Water Protection Programs will be funded through this Set-Aside as follows:
• Capacity Development $764,350
• Source Water Protection $482,450

Capacity Development
• Provide assistance to all new drinking water systems to ensure that before water is available for consumption, the water system owner/operator has demonstrated technical, managerial, financial capacity, and that the water meets all applicable SDWA limits
• Monitor, assist, and track assistance to new public water systems in lead and copper rule compliance, schedules, and reporting
• Report the name of new water systems or applications evaluated for the Semi-Annual DWSRF Set-Aside reports
• Assist systems high on the ETT Tracker to compliance
• Provide assistance to public water systems that are in need
• Provide training for public water systems operators on Lead and copper Rule compliance
• Evaluate and report the technical, managerial, and financial capacities of at least one third of Delaware’s water systems
• Monitor and assist public water systems in lead and copper rule compliance, schedules, and reporting
• Track and report PWS appearing on ETT report with scores between 5 and 10 referred to DRWA for assistance to achieve compliance with SDWA
• Assess Technical, Financial, and Managerial capabilities of all DWSRF applicants, provide 1:1 assistance, and approve DWSRF loans

DRWA and DTCC Contracts through Capacity Development
• Provide two small municipalities (population under 500), five non-municipal communities, and at least 3 seasonal water systems with 1:1 GIS technical assistance
• Provide four scholarships to attend the Utility Management Certification Course
• Solicit all municipalities in Delaware to offer scholarships
• Provide information on the 10 key management areas as described in course outline. Also included is the workbook and applicable information to help address small water management disciplines and improve system operations
• Online Course Development – DTCC shall develop three 7-8 hour technical training online course that will be available for continuing education credits for water operators.
PILOT Online Certification Exam – DTCC shall make the Base Level Water Certification Examinations available in an online format. The pilot will be tested by ODW staff and the advisory board.

Assess and Purchase New Automated Training Devices – DTCC shall research, assess, and purchase training equipment, curriculum, and/or software pertaining to water quality control and processes to enhance classroom instruction and improve field skills

**Cybersecurity Contract**

- Provide baseline cyber security assessments, tools, training, and 1:1 assistance to municipal public water systems.
- The contractor will provide updates to the DWSRF program that will be incorporated into Set-Aside Reports as noted previously.

**Source Water Protection**

- Source Water Assessment, Characterization and Monitoring – This includes revising and updating source water assessments (e.g. delineation, contaminant sources, susceptibility assessment), providing assistance to solve source water problems, and resource characterization activities
- Prioritization of State SWP activities – This includes support of local efforts to develop SWP ordinances and comprehensive plans or other local approaches, support to SWP-related UIC activities, and related needs
- Integration of SWAPP with other state, federal, and local programs – This includes work with the federal, state agencies, private organizations, and local governments
- Motivating Local SWP activities – This includes technical assistance, committee representation, information dissemination; review of local development plans and comprehensive land use plans as part of the Preliminary Land Use Service (PLUS) process
- Managing Information – This includes data collection, data storage, and recovery; GIS development, web availability, state and federal data reporting capacity

**Combined CWSRF/DWSRF Public Workshop Information**

April 20, 2016