



**MARYLAND DEPARTMENT OF THE ENVIRONMENT
DRINKING WATER REVOLVING LOAN FUND PROGRAM**

**FINAL
FEDERAL FISCAL YEAR 2011
INTENDED USE PLAN**

July 8, 2011



Prepared By

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

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**MARYLAND DEPARTMENT OF THE ENVIRONMENT
MARYLAND WATER QUALITY FINANCING ADMINISTRATION
FINAL
Federal Fiscal Year 2011 Intended Use Plan
Maryland Drinking Water Revolving Loan Fund**

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MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**FINAL
Federal Fiscal Year 2011 Intended Use Plan
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EXECUTIVE SUMMARY

The Intended Use Plan (IUP) is the document that the Maryland Water Quality Financing Administration (MWQFA) will submit to the United States Environmental Protection Agency (EPA) to request the Federal Fiscal Year (FFY) 2011 Capitalization Grant under the Safe Drinking Water Act (SDWA), to be matched with 20% of State bond/general funds, for financing of capital projects from the Maryland Drinking Water Revolving Loan Fund (DWRLF or DWSRF) program. The Maryland DWSRF was established by amendments to the Maryland Water Quality Financing Administration Act, Title 9, Subtitle 16 of the Environment Article, Annotated Code of Maryland to provide below market interest rate loans and other financial assistance to local governments and eligible private entities for certain eligible drinking water capital improvement projects.

During FFY 2011, Maryland is eligible to receive ~\$14,380,000 in Federal Capitalization Grant, which may be used for Capital Projects (Project Funds) and for Set-Asides (Non-Project Funds). Under this IUP, Federal Capitalization Grant funds for \$9,922,200 or 69% is being allocated towards Drinking Water capital projects and the balance of \$4,457,800 or 31% is being allocated for set-aside activities (summary chart below). The Federal Project Funds combined with a 20% State general fund match will be used to provide low interest loans and other financial subsidies to certain applicants for eligible DWSRF capital improvements.

Figure 1, shows that Maryland's submission to secure the Federal 2011 Capitalization Grant for all activities totals \$46,457,800 of which \$42,000,000 may be used for drinking water capital projects. The \$42,000,000 comprises of \$9,922,200 of federal funds, state match of \$2,876,000 and \$29,201,800 of DWSRF repayment funds for loans and additional subsidies (grants or loan forgiveness) for drinking water and "green" capital projects.

The Water Management Administration will also make the grant award request to EPA for the remaining programmatic set-asides in July 2011 supported by a separate detailed Set-asides Work Plan. The budget summary of the FFY 2011 Intended Use Plan is as follows:

Figure 1

Sources:		Uses: FFY 2011 Appropriation	
		Set-Asides (Non Project Funds)	
Federal Cap Grant	\$ 14,380,000	Technical Assistance (up to 2%)	\$ 287,600
		DWSRF Admin. Expenses (up to 4%)	\$ 575,200
		Drinking Water Prog. Suprt (up to 10%)	\$ 1,438,000
		Local Assist/State Activities (up to 15%)	\$ 2,157,000
		Subtotal	\$ 4,457,800
State Match (@ 20%)	\$ 2,876,000	DWSRF Capital Projects Loans and Grants	\$ 42,000,000
Est. Repayments	\$ 29,201,800	Other	\$ -
Subtotal	\$ 46,457,800	Subtotal	\$ 42,000,000
Total	\$ 46,457,800	Total	\$ 46,457,800

Capital Project Selection

To provide applicants an opportunity to seek DWSRF funding, Financial Assistance Applications for drinking water (drinking water, source, treatment, storage and distribution, green infrastructure, water or energy efficiency and environmental innovation) capital projects were accepted by MWQFA from December 1, 2010 through January, 2011: Table 1 shows the proposed list of capital projects including "green" projects for inclusion on the FFY 2011 IUP for DWSRF financial assistance. These projects were selected from the Project Priority List (PPL) based on their: (1) public health, compliance, sustainability benefits, reliability and affordability benefits per the project priority ranking/scoring criteria, (2) compliance with technical, managerial, and preliminary financial capacity, and (3) readiness to proceed to construction by December 1, 2012. Projects that are not consistent with Maryland's Smart Growth/Priority Funding Area legislation will need a PFA exception approval prior to loan execution. Projects identified in the IUP will undergo a detailed financial capacity/credit analysis by the MWQFA.

Capital Projects (Project Funds): A total of \$42,000,000 is available for Drinking Water capital projects identified in Table 1. The DWSRF loan terms are outlined below:

Current Interest Rate*	Standard Rate = 50% of Market Rate Disadvantaged Community (DAC) Rate = 25% of Market (Market Interest Rate is defined as the average of the Bond Buyer 11-Bond Index for the month preceding the loan closing). * MDE, by policy, can change the SRF loan interest rate at any time. Interest rates are posted on the MWQFA web site.
Loan Term	Up to 20 Years (up to 30 years for Disadvantaged Communities)
Loan Origination Fee	None
Administrative Fee	5% of the aggregate debt service divided by the number of administrative fee payments over the life of the loan, and is collected annually. This amounts to approximately 0.50% (or 50 basis points) increase in the interest rate for a 20-year loan. The administrative fee is to help meet program operating expenses. This is in addition to the any funds provided for DWSRF program expenses from the Federal Capitalization Grant (4% set-aside).

Set-Asides (Non-Project Funds): A total of up to \$4,457,800 is available for set-aside activities. The use of set-aside funds is specifically identified in Section 1452 of the SDWA. The set-aside funds are targeted for the use by the State for implementation of the primacy and administrative related activities as outlined below:

1. Technical Assistance to Small Systems (up to 2%)

The funds allotted for Technical Assistance for Small Systems (water systems serving 10,000 population or fewer) are up to 2% of the FFY 2011 Capitalization Grant totals \$287,600. These funds will be used for the Maryland Department of Environment (MDE) Water Supply Program activities (on-site technical assistance) and for contracts with organizations with expertise in dealing with small systems such as Maryland Rural Water Association and the Maryland Center for Environmental Training (MCET) for continuation of the Circuit Rider program.

2. DWSRF Program Administration (up to 4%).

The funds allotted for Program Administration are up to 4% of the Capitalization Grant. These funds totaling \$575,200 will be sought for administrative purposes with the FFY 2011 application.

3. Drinking Water Program Funds (up to 10%)

The funds allotted for the Drinking Water Program Funds are up to 10% of the FFY 2011 Capitalization totaling \$1,438,000. These funds will be used to fund additional program requirements under the SDWA, such as reporting, monitoring and enforcement. The funds will also be used to administer/provide technical assistance for source water protection, develop/implement the capacity development strategy and the operator certification program. In addition, the funds will be used to continue executing Delegation Agreements with 20 counties in Maryland for the regulation of SDWA activities of transient non-community water systems within their jurisdiction. This fund requires a 1:1 State match outside of the 20% State match to the Capitalization Grant (Details to be provided with the Set-asides Work Plan).

4. Local Assistance and Other State Projects (up to 15%)

The funds allotted for the Local Assistance and Other State Projects are up to 15% of the Capitalization Grant or \$2,157,000. These funds will be used to provide technical and financial assistance to water systems for capacity development and wellhead protection, and if applicable, to provide loans for land acquisition/conservation easements for source water protection (see below). The funding details will be provided in a separate set-aside work plan, which will be submitted to EPA along with the federal grant application for set-asides. The loan terms for SDWA Section 1452(k) loans for land acquisition and conservation easements for source water protection under the 15% set-aside are as follows:

Interest Rate: 0%	Loan Term: Up to 20 years	Loan Origination/Admin. Fee: None
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For additional information, please contact MDE’s Water Supply Program at (410) 537-3702.

The prior 1452(k) loan repayments and interest earnings currently being received will be transferred into the DWSRF capital fund and made available for DWSRF capital activities, starting FFY 2011, unless these funds are needed to make new 1452 (k) loans.

5. Green Infrastructure, Water or Energy Efficiency and Environmental Innovation Projects

The State of Maryland has made a concerted effort to actively solicit water efficiency projects that may be able to use DWSRF resources for “green reserve” projects to improve green infrastructure, water conservation, water efficiency and innovative water projects in Maryland. Water efficiency projects may include water meters installation, water fixtures, fittings and equipment retrofit, and system leak detection equipment.

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A. Sources and Uses of Funds

DW SOURCES AND USES				
Sources:	Thru 2010 IUP		2011 IUP (\$ Million)	
Federal Capitalization Grants	\$ 151,766,289	a	\$ 14,380,000	
State Match	\$ 30,398,800	b	\$ 2,876,000	d
Federal Stimulus Grant 08 IUP	\$ 26,832,000			
Funds Transferred from Water Quality SRF (1)	\$ 10,634,580	c	\$ -	
Investment Earnings	\$ 7,198,175			
Loan Interest Repayments	\$ 9,805,009			
Loan Principal Repayments	\$ 25,772,590			
Subtotal	\$ 262,407,443		\$ 17,256,000	
Estimated Loan Principal Repayments (11)			\$ 6,281,750	
Estimated Loan Interest Repayments (11)	\$ 277,000		\$ 1,000,000	
Investment Earnings (11)	\$ 500,000		\$ 560,050	
Investment Earnings (12)			\$ 560,000	
Estimated Loan Principal (12)			\$ 7,500,000	
Estimated Loan Interest & Carryover (12)			\$ 1,300,000	
Funds from Previous IUPs			\$ 12,000,000	
Subtotal	\$ 263,184,443		\$ 46,457,800	
Uses:				
Loan/Grants Agreements Entered (6.30.11)	\$ 191,258,849			
Carryover from Previous Year	\$ -			
Projects on IUPs with loans pending	\$ 31,355,406		\$ 42,000,000	
FY 11 Loan Agreements Entered (5.15.11)	\$ -			
Stimulus Administrative Expenses	\$ 400,000			
Federal Funds awarded for Set asides	\$ 33,641,898			
Federal Set aside Awards (FY 11)	\$ 6,528,290		\$ 4,457,800	e
Total	\$ 263,184,443		\$ 46,457,800	

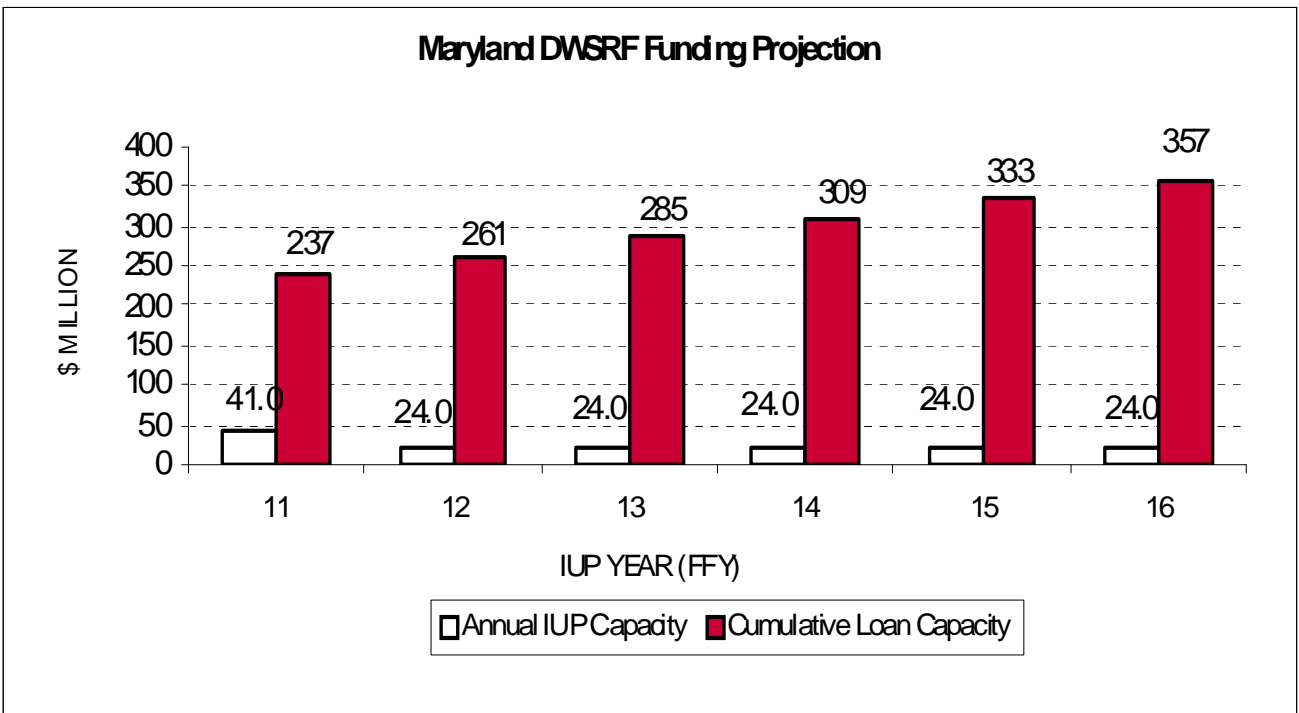
A comprehensive summary of DWSRF Sources and Uses of funds are as follows:

- ^a Total federal appropriation through FFY 2010 Capitalization Grant
- ^b State General Fund Match thru FFY 2010 IUP
- ^c Funds Transferred from Water Quality SRF to DWSRF (prior years)
- ^d State General Fund Match to the FFY 2011 Capitalization Grant will be available July 1, 2012
- ^e FY 2011 award pending (4 set-asides)

B. Goals of the Maryland Drinking Water Revolving Loan Fund

1. Long-Term Goals

- Achieve and/or Maintain Compliance with Safe Drinking Water Standards - Using the DWSRF project priority rating and ranking system, target financial assistance that will help water systems to comply, maintain, or meet safe drinking water standards, and address public health issues.
- Coordination of Capital & Set-aside Priorities - Coordinate State priorities under the set-aside work plan (technical assistance, source water protection, and technical, managerial & financial capacity development) to target DWSRF funding to high priority capital projects to achieve objectives consistent with the Safe Drinking Water Act.
- Fund Perpetuity and Utilization - To provide low interest rate financing and other subsidies to high priority eligible projects that are ready to proceed within a reasonable time while maintaining a perpetual source of capital funds for future projects. The goal is to achieve a fund utilization rate (loans executed/total funds) of 90% or greater. This is one Program Activity Measure (PAM) under EPA's strategic plan for the DWSRF. For FFY 2011, MWQFA is projecting a DWSRF fund utilization rate of 90%. The DWSRF could finance approximately \$161 million in additional loans (excluding revenue bond leveraging from capitalization grants (not including 31% allocated towards set-asides annually), State match, repayments, and investment earnings between FFY 2011 and FFY 2016 IUPs (see graph below). This is in addition to the \$214 million capacity on existing IUPs (1997 – 2010) of which ~\$191 million in loans have already been executed. This analysis takes into account stimulus funds, existing and anticipated investment earnings, and loan repayments and assumes Maryland's annual Federal Capitalization Grant of \$14 million per year or more (based on federal appropriation of \$1 billion/yr.). The cumulative loan capacity of the DWSRF is projected to reach \$357 million by FFY 2016.



2. Short-term/FFY 2011 IUP Operating Goals

Capital Projects

- Reasonable User Cost - Ensure drinking water projects are constructed and maintained at a reasonable cost for the users of the system. To this end, DWSRF Disadvantaged Community Criteria (DAC) provides additional subsidies, including grants and loan principal forgiveness, while ensuring reasonable water user rates and financial capacity. As of May 12, 2011 (excluding reversions), the DWSRF has provided \$24,694,534 (14% of federal grant awards) in loan principal forgiveness. In addition, MDE will continue to coordinate with other Federal and State financial assistance programs (e.g., USDA Rural Utilities Service, Community Development Block Grant, Federal Special Appropriation grants) that provide approximately \$15 million/year for water/sewerage system improvements in Maryland.
- Financial Capacity & Disadvantaged Community Assistance (DAC) - As part of the credit/financial analysis of potential borrowers, the MWQFA will continue to provide financial advisory services to system owners on the feasibility of their user rate structure and financial capacity to pay back a loan. The MWQFA financial model forecasts future operating cash flows based on existing/proposed user rates using audited financial statements. The model has been an effective tool to assist communities in developing affordable user rate structures and in determining additional subsidies to disadvantaged communities.
- Additional Subsidization and Eligible Recipients: Table 1 highlights a total of \$6,183,419 or 42% of the FFY 2011 Capitalization grant allocated to comply with the additional subsidization requirements related to the federal 2011 Appropriation Act, which authorizes the federal 2011 Capitalization Grant. Disadvantaged Community (DAC) applicants (both green and non-green) may receive up to 87.5% of the project cost as grant or loan forgiveness not to exceed \$1.5 million (no cap for Green Reserve) based upon the DAC criteria below:
 1. Water (or sewer, as applicable) user rate/year per Equivalent Dwelling Unit (EDU) > 1% of Community Median Household Income (MHI); or
 2. Project is physically located and benefits an MDE approved Environmental Benefit District; or
 3. Project is physically located and benefits a community with MHI less than 70% of State MHI

In addition to above,

- a. Where the water (or sewer, as applicable) user rate would increase by more than 20% to achieve financial capacity (as determined by MDE), the Owner may qualify for up to 25% of the loan amount as loan-forgiveness, not to exceed \$1.5 million
- b. Any non-DAC applicant undertaking an eligible "green reserve project" that does not have a dedicated source of revenue, such as a user charge system to repay a loan is eligible to receive up to 50% of the project costs as grant.

Visit the following link below for MDE's funding eligibility (Appendix C):

http://www.mde.state.md.us/assets/document/Grant_Funding_Grid.pdf

- Green and Other Grant or Loan Forgiveness Projects
All green projects that qualify for funding will be offered loans and additional subsidy (grant or loan forgiveness). Additional subsidy is based on MDE's funding eligibility (Appendix C) at http://www.mde.state.md.us/assets/document/Grant_Funding_Grid.pdf. The total allocation of loan, grant or loan forgiveness for "green" projects is \$4,870,088 (33% of the capitalization grant). Seven green projects are targeted for funding in the FFY2011 IUP.

Set Asides

The set-asides (Non Project Funds) are uses of DWSRF funds for activities other than capital projects,

specifically identified in Section 1452 of the SDWA. Detailed goals will be provided to EPA under a separate set-asides work plan when MDE makes an application for the Federal set-aside grant funds. MDE's set-aside goals are broadly summarized below:

- Technical Assistance to Small Systems (2% Set-aside) - The program will continue to enter into contractual arrangements with organizations that have expertise in dealing with small systems such as Maryland Rural Water Association with the emphasis on providing on-site technical assistance to small water systems throughout the State of Maryland. In addition, the funds will be used to train system personnel in new rules and along with technical assistance, aid small water systems as necessary in meeting new and current regulations.
- DWSRF Program Administration (4% Set-aside) – These funds will be used for administrative costs associated with the management of the DWSRF Capital program. Key activities include, preparation of priority list, capital project management, loan execution, procurement reviews and fund disbursements, accounting, audit, and special reports pertaining to the DWSRF program.
- Drinking Water Program Funds (10% Set-aside) -These funds will be used to support the water supply regulatory program and its reporting, monitoring, and enforcement work to maintain Primacy for federal drinking water standards and to fund additional program requirements under the SDWA. In addition, the program will continue executing Delegation Agreements with counties in Maryland for the regulation of SDWA activities of transient non-community water systems within their jurisdiction.
- Local Assistance, Source Water Protection and Other State Projects (15% Set-aside) - The program will continue the development and implementation of a streamlined statewide capability/capacity development strategy to improve the technical, managerial, and financial capabilities of public water systems. Additionally, the program will continue to implement the findings of its Source Water Assessment Program (SWAP) for ground water systems and assist in establishing Wellhead Protection Programs for the systems. Also, when eligible applicants request assistance, the funds will be used to provide loans for land acquisition/conservation easements for source water protection.

C. Project Selection and Fund Activities under the FFY 2011 IUP

Financial Assistance Applications for drinking water projects were solicited in December 2010 January 2011 from local governments and private water systems owners by MDE. These applications were rated and ranked based on Drinking Water Project Priority Rating/Ranking Criteria and identified in the Maryland Final PPL for Federal FFY 2011 and State FY 2013 Drinking Water Funds (Appendix A). The PPL was used to select projects for the FFY 2011 IUP, based on their priority ranking, applicant's interest in DWSRF loan, and readiness to proceed to construction by December 1, 2012 (unless specifically requesting a planning/design phase loan). Projects that are not consistent with the State's smart growth/priority funding area legislation or have technical/managerial/financial capacity concerns will be funded only after any outstanding issues have been resolved, unless DWSRF funding will address the capacity issue. Table 1 shows the proposed project list, priority ranking, and the total sources/uses of funds in final DWSRF FFY 2011 IUP, as briefly summarized below:

Capital Projects (Project Funds)

Table 1 shows 18 DWSRF projects totaling \$42,000,000 using \$9,922,200 of Federal capitalization grant funds, \$2,876,000 of State general fund match and \$29,201,800 of other funds (loan repayments and investment earnings).

Funding for Small Systems - The SDWA specifies that a minimum of 15% of all dollars (capitalization grant, State match, repayments, bond proceeds, investment earnings, transferred funds from WQSRF to DWSRF) credited to the DWSRF project fund, shall be used to provide assistance to small systems. The project list includes 15 projects totaling \$12,768,792 for small systems on the FFY 2011 IUP.

Funding by Type of Project: The primary objective of the SDWA is to protect public health by providing adequate drinking water through source water protection, treatment, storage and distribution. Accordingly, the final FFY 2011 IUP identifies 66% for treatment, and 12% for distribution, and 5 % for source water protection.

Subsidies for Disadvantaged Communities - The SDWA specifies that up to 30% of the annual Federal Capitalization Grant may be used to provide additional subsidies in the form of principal forgiveness to benefit communities meeting the State’s Disadvantaged Community Criteria. Table 1 identifies borrowers that may potentially qualify as Disadvantaged; however, the extent of subsidy provided (e.g., lower interest rate, up to 30-year loan term, principal forgiveness) under the Disadvantaged Community Criteria will be determined per the funding eligibility (Appendix C).

DWSRF Loan Guarantees - MWQFA will consider providing loan guarantees as security for payment of debt service on locally issued debt, if this provides the applicant material financing costs savings.

Program Income (Non Federal Funds)

The MWQFA charges loan fees equal to 5% of annual debt service, which are used for administrative expenses in addition to the 4% set-asides. The details related to the program income and use is provided each year in the annual report (table 4). In SFY 2010 & 2011, the fee revenue was \$337,227 and \$342,973 and the programmatic expenses were \$404,134 and \$384,200 (projected), respectively. In SFY 2012, the expected program income is \$345,000.

Administrative Expenses

Figure 2 shows a total of \$575,200 or 4% of the Capitalization grant is being reserved for DWRLF administrative expenses. This revenue supports staff salaries for program implementation and contractors for design review, compliance with federal requirements in contracts, construction inspection monitoring and other eligible expenses the DWRLF program, as summarized below:

Indirect Costs			
Item	Est. \$ Amount	% of Total	Notes
Salary and Fringe	\$ 378,500	66%	-
Indirect Overhead (25.74%)	\$ 97,426	17%	
Contractor Fees	\$ 84,320	15%	
Travel/Training	\$ 10,000	2%	
Office Supplies	\$ 4,954	1%	
Total	\$ 575,200	100.00%	

Up to a total of \$575,200 may be used for DWSRF program administration (4% set-aside). Additional breakdown of the 4% costs noted above include:

- Contractual expenses of \$84,320 will be used to support consulting services, auditors’ reports, financial advisors, bond counsel services and project contractors for design review, compliance monitoring, etc.
- Travel and training costs of \$10,000 will be broken down in the following areas;
 - 2 staff @ \$1,500 each for a total of \$3,000 to attend annual CIFA conference (Out of state Travel)
 - 6 staff @ \$500 each for a total of \$3,000 to attend professional training courses & EPA training
 - 2 staff @\$1,000 each for a total of \$2,000 to attend annual SRF Region 3 All States meeting
 - 4 staff @ \$500 each for a total of \$2,000 to attend other required meetings (need surveys, PBR, etc,)
- Office supplies costs of \$4,954 will be used to purchase computers, peripherals, and paper supply, etc.

D. Project Scope and Public Health Benefits – FFY 2011 IUP Projects

The following are examples of the type of projects selected for financial assistance in the FFY2011 IUP.

- Allegany County Westernport Water Distribution System project (Rank 3/120) involves the repair and replacement of the entire water distribution system. The Town has experienced excessive water loss due to aging deteriorated water pipes with an estimated unaccounted for water of 20% to 40% of the total treated water, which is 400,000 to 500,000 gallons per day. The project will provide water service to the 1,286 homes within the Westernport water system. The project will eliminate acute public health problems and falls under the compliance category to “comply” with safe drinking water standards.
- Prince George’s Potomac Vista Community Water System (Rank 11/115) involves the construction of 3,420 LF of 8” and 12” water mains, seven fire hydrants to connect to the Washington Suburban Sanitary Commission (WSSC) public water system. The project will eliminate the current wells and storage tank. The project is needed to address critical problems within the existing deteriorating distribution system, storage facility and diminishing well capacity due to the declining aquifers. The system has experienced multiple system failures due to pipe breaks, pump failures and multi-day outages due to power failures. The project will eliminate acute public health problems and falls under the compliance category to “comply” with safe drinking water standards and will provide safe drinking water to 44 homes.
- Talbot County St. Michaels Arsenic Removal System Repairs (Rank 18/90) involves the upgrade of the arsenic removal system media. The Town’s current arsenic removal system has had multiple media failures, which have caused the Town to be in violation of the maximum arsenic contaminant level twice in the last year. The project falls under the compliance category and will provide safe drinking water to 1,383 homes.
- Washington County R. C. Willson Water Plant Compliance Phase IV (Rank 14/98) involves upgrades to the existing disinfection facilities to sodium hypochlorite, upgrade sedimentation basins, and distribution system. The current piping and treatment systems do not allow for separation or elimination of process water (backwash recycle) from being re-introduced into the treatment process. Sedimentation basin(s) vacuum system does not allow for consistent removal of solids and create the potential for the formation of Total Trihalomethanes (TTHM). The project falls under the compliance category to “comply” with the Stage 2 Disinfectants and Disinfection Byproducts Rule (DBPR) requirements and provides safe drinking water to 56,500 homes.
- Anne Arundel County Annapolis Water Treatment Plant Upgrade (Rank 23/81) involves the construction of a new water treatment plant to include new well pump, lift pumps, sludge disposal pumps, flocculators, and rapid mixers. The current aging water treatment plant was built in 1929 provides inadequate water supply and fire protection to 16,360 homes. The project falls under the category to “comply” with safe drinking water standards.
- Carroll County Taneytown Well 10 Project (Rank 26/75) involves the construction of a new water treatment building to house chlorine disinfection equipment, PCE and radionuclide treatment units. The largest production well #10, located in the southern sub-basin of the Piney Creek Aquifer, was shut down in March 2010 due to radionuclide levels approaching Maximum Contaminant Level (MCL). The capacity of this aquifer is fully allocated and utilized; therefore, the city had to replace the source with another within the sub-watershed to maintain existing appropriations. The new well was drilled in October 2010 and anticipated rate of the new source is 250 gpm. The project falls under the category to “comply” with safe drinking water standards and will provide safe drinking water to 2,476 homes.
- Cecil County Chesapeake City Meter Replacement Project (Rank 60/35) involves the replacement of the existing water meters with new water meters, equipped with automatic meters reading technology and radio read devices. Installation of computer equipment necessary to gather, store and analyze data from the meters. The current manually read meters are old, failing, located within the structure, and are inaccessible at many locations. The Town is currently unable to monitor, bill or institute water conservation policies. The project serves 474 homes.

E. Minority Business Enterprises/Women's Business Enterprises (M/WBE) Participation

On October 30, 2009, EPA advised MDE of the M/WBE "fair share" utilization requirements for FFY 2009 through 2012. EPA approved MDE's previously existing goals for another three years (until September 30, 2012) since the study used for those numbers was less than ten years old. The M/WBE goals for the SRF programs are a total of 22% and by category as: "construction" (11% MBE and 11% WBE), "services" (12% MBE and 10% WBE), "supplies" (11% MBE and 11% WBE), and "equipment" (11% MBE and 11% WBE). These goals will be applicable to loans using Federal Capitalization Grant and State matching funds. The MDE's Office of Budget provides borrowers an "Insert" for inclusion in procurement/bid documents, which outlines the M/WBE (%) goals and the affirmative/positive steps necessary to show a good faith effort consistent with federal regulations under 40 CFR Part 31.36(e). Failure to meet the M/WBE goals does not preclude the use of the SRF, as long as the good faith effort can be demonstrated and documented. It is important that the loan recipients and their prime contractors undertake the necessary affirmative/positive steps to assure that M/WBE firms are afforded opportunity to participate in SRF projects. M/WBE Program details and forms are available on MDE's web site at www.mde.state.md.us.

F. Assurances

The Department agrees to comply with the Federal program requirements as outlined in the Operating Agreement between EPA and MDE dated November 5, 1997 with Amendments dated August 21, 1998 and March 18, 2008.

G. Binding Commitments and Cash Draw Projections

The projected binding commitments/federal payments schedule and project cash draws are shown on Table 1 (four pages).

H. Public Review of the Final FFY 2011 IUP

Applicants that submitted Financial Assistance Applications were sent an e-mail providing the Draft FFY 2011 IUP project list and informing them on the availability of the Draft IUP/PPL on MDE's website on Tuesday, May 17, 2011. This Final FFY 2011 IUP was the subject of a public hearing on Tuesday June 21, 2011 at 10:00 AM at the Maryland Department of Environment (Aqua Conference Room, 1st Floor Lobby), 1800 Washington Boulevard, Baltimore, Maryland, 21230. The public hearing record was closed on June 28, 2011. Comments on the FFY 2011 IUP were submitted via e-mail, fax, and mail and/or in person at the public hearing. Please contact Elaine Dietz at 410 537 3908 or at edietz@mde.state.md.us if you have any questions. All comments will be included in the responsiveness summary (Appendix D). MDE will respond to those who submitted comments at the public hearing requesting certain actions.