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## Small System Capacity and Resiliency Program (SCRP) Tier I Application Now Open

The Vermont Bond Bank (VBB) is now accepting applications for the Small System Capacity and Resiliency Program (SCRP). The program consists of a Tier I subsidized financing round for wastewater and water systems originally impacted by Super Storm 2023 and a Tier II grant round for small water systems at risk of failure. SCRCP was created through a State of Vermont ARPA grant in collaboration with the Vermont Department of Environmental Conservation (DEC).

The Tier II announcement is expected in late summer 2024. Below is the description of the Tier I program. The Bond Bank anticipates approximately \$4.7 million of Tier I loans under this program. Loan repayments from Tier II will be used to fund grants under Tier II.

Applications for the Tier I round are due on *Friday, August 23, 2024, by the end of the day.*

### Tier I Overview

Tier I financing is designed to support water and wastewater systems recovering from Severe Storm 2023 and related flooding events through no-interest loans. *Eligibility for the program is limited to systems in recovery from the 2023 storm but financed projects can include needs from the 2024 Beryl related storm, which will impair on-going recovery and rebuilding efforts.*

The intent of the financing is to accelerate recovery by either bridging FEMA reimbursements at no cost and/or financing recovery projects not eligible for FEMA reimbursement at low costs.

In the case of the latter category, the speed of the financing is intended to reduce recovery costs by mitigating construction inflation and/or preserving rate-payer revenue. Partial forgiveness of loans may be available under the terms described below.

Eligible Activities	Requirements
<ul style="list-style-type: none"><li>▪ Preliminary engineering</li><li>▪ Engineering design and bid specification</li><li>▪ Construction for flood-impacted water and wastewater systems</li><li>▪ All projects must comport with the EPA's DWSRF and CWSRF Eligibility Handbook</li></ul>	<ul style="list-style-type: none"><li>▪ Link project to 2023 flood recovery</li><li>▪ The recipient must be a Vermont governmental unit</li><li>▪ Requirement for all construction employees working on the project to receive prevailing wage unless otherwise required to comply with Davis-Bacon Act through other funding/financing sources used</li><li>▪ Preference but not a requirement for domestic content under 2 CFR Part 200; borrower may have requirements under other funding/financing sources</li><li>▪ Own and operate projects throughout their useful life</li></ul>

SCRP Tier I Terms		
	FEMA Endorsed Recovery Project	Non-FEMA Recovery Project
<b>Amount</b>	Up to 100% of FEMA Public Assistance grant request for project	Maximum amount of \$2 million
<b>Eligible Uses</b>	Planning and initial rebuilding of flood-impacted infrastructure; must comply with the EPA's <a href="#">DWSRF</a> and <a href="#">CWSRF</a> Eligibility handbooks	
<b>Term*</b>	7 years	Up to 15 years depending on the useful life of the project
<b>Amortization</b>	Beginning at the earlier of 3 years or the end of construction	Beginning at the earlier of 2 years or the end of construction
<b>Interest Rate</b>	0%	0%
<b>Closing Costs</b>	None	
<b>Forgiveness</b>	Proportionate local unreimbursed costs after federal and state contributions	None
<b>Security</b>	General obligation	
<b>Prepayment</b>	Continuous	
<b>Approval / Review</b>	Subject to Bond Bank credit review and approval; Bond Bank consulting engineer verified conformity with SRF handbooks	
<b>Flow of Funds</b>	Periodic draws reviewed and approved by consulting engineer prior to release	
<b>Legal</b>	Local bond counsel's opinion of authorization and legality prior to closing	
<b>Covenants</b>	<ul style="list-style-type: none"> <li>▪ Quarterly reporting on FEMA reimbursements</li> <li>▪ Annual financial audit or third party compiled statement for term of the loan</li> <li>▪ Semi-annual financial reports on the enterprise benefiting from the loan</li> <li>▪ Related FEMA and/or other source reimbursement must be used to pay off loan within 45 days of receipt</li> </ul>	

*\* Loans can be flexibly structured as a current expense note initially and then refinanced through the program into long term debt; subject to review by local bond counsel*

**Prioritization of Available Funding**

The Bond Bank anticipates oversubscription for the available funds but will make every effort to provide meaningful financing commitments to the greatest number of communities. Whenever possible, the Bond Bank will prioritize the whole funding of projects, or components of projects, and applications should similarly prioritize requests.

The following criteria will be used to inform the prioritization process, although the Bond Bank reserves the right to modify these criteria to advance the above objective.

Criteria	Description	Weight
Project Timeline	Estimated time until use of the financing	10%
Complete Financing of Project or Project Component	Ability of financing to wholly fund a project or project component (e.g., full A&E costs or mechanical building within larger plant)	10%
FEMA Reimbursement	Expectation that FEMA reimbursement will occur is preferred to accelerate Tier II grants	10%
Disaster Impact Analysis for Related Enterprise or System	<i>Disaster Impact Ratio = (Documented losses – expected insurance payouts + own source revenue loss) / (Prior year operating expenses or grand list)*</i>	45%
Ranking on Vermont Communities Index	<a href="https://finance.vermont.gov/content/municipal-technical-assistance">https://finance.vermont.gov/content/municipal-technical-assistance</a>	25%

\* Denominator will be evaluated after receipt of applications to ensure uniformity of review

### Application Process & Timeline

Application Webinar	Tuesday, July 30 <sup>th</sup> at noon ET	<a href="#">Register here</a>
Application Due Date	Friday, August 23 <sup>rd</sup> by EOD	<a href="#">Apply here</a>
Estimated Board Approval Date*	Thursday, September 26, 2024	
Loan Closings TBD		

\* Subject to change