

*DRINKING WATER
STATE REVOLVING FUND*

*INTENDED USE PLAN
FOR USE IN AMERICAN RECOVERY AND REINVESTMENT ACT
CAPITALIZATION GRANT*



Submitted to the

U.S. Environmental Protection Agency

Region IV

by the

Florida Department of Environmental Protection

TABLE OF CONTENTS

I.	INTRODUCTION	1
	A. State of Florida’s Drinking Water Revolving Loan Fund	1
	B. Program Overview	1
	C. Public Input, Review and Comment Procedures	3
II.	DWSRF LONG-TERM AND SHORT-TERM GOALS	4
	A. Long-Term DWSRF Goals	4
	B. Short-Term DWSRF Goals	5
III.	STRUCTURE OF THE DWSRF	6
	A. DWSRF Loan Account	6
	B. DWSRF Set-Aside Account	7
	C. DWSRF Administrative Account	7
IV.	FINANCIAL STATUS OF THE DWSRF	8
	A. Sources and Uses of Funds	8
	B. Financial Terms of Loans	8
V.	SET-ASIDE Title V ACTIVITIES	8
VI.	CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS	9
	A. Distribution of Funds	9
	B. Disadvantaged Community Program	10
	C. Capacity Assessment 1452(a)(3)(A)	10
	D. Establishing Project Priority	11
	E. Small System Funding	13
	F. Tie Breaking Procedure	14
	G. Bypass Procedure/Readiness to Proceed	14
	H. Refinancing Existing Loans	14
	I. Additional Subsidization	14
	J. Green Infrastructure	14
	K. Priority for Projects Ready to Proceed to Construction in 12 Months / Preference for Expeditious Activities	14
	L. Avoidance of Reallotment/Relationship to Base Program	15
	M. Davis-Bacon Act	15
	N. American Iron, Steel, and Manufactured Goods	16
	O. Deadline for Contracts or Construction	16
VII.	CWSRF-DWSRF FUND TRANSFERS	16
	ATTACHMENT 1	17
	SOURCE AND USE OF FUNDS	17
	ATTACHMENT 2	21
	CRITERIA FOR DISADVANTAGED COMMUNITIES	21
	ATTACHMENT 3	25
	PROJECT LIST	25
	ATTACHMENT 4	27
	AUTOMATED CLEARING HOUSE PAYMENT SCHEDULE	27
	APPENDIX A	31

PUBLIC MEETING ANNOUNCEMENTS 31
MEETING MINUTES AND SUMMARY OF OUTSTANDING ISSUES 31
STATE RESPONSES TO OUTSTANDING ISSUES 31
APPENDIX B 35
WORK PLAN FOR PWSS SET-ASIDES 35
APPENDIX C 39
COMPLETE PRIORITY SYSTEM..... 39

I. INTRODUCTION

A. State of Florida's Drinking Water Revolving Loan Fund

In 1996, Congress passed federal amendments to the Safe Drinking Water Act (SDWA) establishing the Drinking Water State Revolving Fund (DWSRF) program. The program is administered by the Florida Department of Environmental Protection (FDEP) and uses federal capitalization grant funds from the U.S. Environmental Protection Agency (EPA). As part of the American Recovery and Reinvestment Act of 2009 (ARRA), Florida's DWSRF program is expected to receive approximately \$88.074 million as a capitalization grant to be used under section 1452 of the SDWA and in accordance with the ARRA. The funds from the ARRA shall not be subject to the State matching requirements of Section 1452(e) of the SDWA.

Florida's DWSRF program was established on July 1, 1997, under Chapter 97-236 of the Laws of Florida (codified as section 403.8532, Florida Statutes). The program complies with the provisions of the SDWA section 1452 as implemented through Chapter 62-552, Florida Administrative Code.

The SDWA requires that each state prepare an Intended Use Plan (IUP) to describe how it plans to use the DWSRF to meet the Act's objectives. The IUP must describe the use of a state's capitalization grant.

This IUP is the central component of our DWSRF grant application and communicates our plans to stakeholders who include public water systems, the public, EPA, and other state departments. This IUP provides specific details on key aspects of the program including our state's short- and long-term goals, the prioritization process we use to rank projects and the list of projects eligible to receive funding from available DWSRF funding.

B. Program Overview

This IUP provides details on our plans to effectively utilize the ARRA funds. Program funding is based on receiving an \$88.074 million capitalization grant award from EPA.

Through a comprehensive planning process that included participation of the public, we have established the following primary objectives for the DWSRF program:

1. Prioritize technical and financial assistance to eligible public water systems so that systems that face the most serious drinking water public health risks are assisted first.
2. Ensure that the assistance provided will help systems come into or maintain compliance with the SDWA.
3. Provide assistance to the public water systems that can least afford to build, maintain, and operate needed facilities.
4. Operate the DWSRF program as a permanent funding program to provide low-cost assistance to eligible systems in perpetuity.

In the spirit of the ARRA, we have established the following additional objectives to be used as

guidance for the allocation of the ARRA funds:

1. To preserve and create jobs and promote economic recovery.
2. To assist those most impacted by the recession.
3. To provide investments needed to increase economic efficiency.
4. To invest in infrastructure that will provide long-term economic benefits.
5. To stabilize State and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.

To meet these objectives we will offer low interest loans and principal forgiveness to public water systems for the construction of facilities that will provide affordable, safe drinking water to the public. We also intend to use part of the federal capitalization grant as “set-aside” funding, to address other non-infrastructure activities which have public health benefits and assist in compliance with the SDWA. The major facets of the DWSRF program are summarized below.

Low Interest Loans

We will provide low interest loans to public water systems in the order of priority determined by the DWSRF priority ranking system, and pursuant to the objectives listed above stemming from the ARRA. The total funding available for standard loans is \$36,076,780. Systems with a population of less than 10,000 will receive at least 15 percent of the total available for standard loans. The interest rate for each loan will be 60 percent of the weekly average yield reported in The Bond Buyer 20-Bond GO Index for the quarter preceding the execution of the loan agreement. Standard loan terms are limited to a maximum of 20 years.

Financially Disadvantaged Community Assistance

Public water systems serving low-income communities may be eligible to receive assistance through the Financially Disadvantaged Community Assistance (FDCA) program. Qualifying disadvantaged community water systems may receive a 65 or 85 percent subsidy in the form of principal forgiveness (grants). The grant percentage depends on affordability considerations such as median household income and debt service. Systems may also receive a longer-term loan, 30 years, than those provided through the standard loan program. The FDEP plans to use \$44.037 million for the FDCA program.

Set-Asides

The SDWA allows states to use part of the federal capitalization grant to support various drinking water programs commonly known as set-asides. The FDEP proposes to use \$7.96 million, or 9 percent of the capitalization grant, for set-aside purposes to help ensure compliance with the SDWA regulations and to address public health priorities.

Set-aside funded activities will include the following:

- DWSRF program administration
- Technical assistance to small systems
- Public Water System Supervision Program (PWSS) special program funding
- Source Water Protection Program

“Leveraging” the DWSRF

The SDWA allows states to issue bonds through the DWSRF program using the federal capitalization grant as security to provide for higher funding levels in the current year of the program. “Leveraging” of federal funds is a useful financial option available to states with a high demand for immediate DWSRF funding. Florida will not use this option at this time. However, as the demand for funding continues to increase, it is anticipated that the DWSRF program will seek the statutory authority to leverage the funds and provide immediate funding for the state’s public water systems.

C. Public Input, Review and Comment Procedures

Stakeholders Committee

Florida is committed to involving public stakeholders in the development and ongoing operation of the DWSRF program. A Technical Advisory Committee (TAC) consisting of interested citizens and representatives from local and regional governments, grass roots organizations and public water systems helped state officials during development of the DWSRF program and operating agreement. Many TAC meetings were held during the development of the DWSRF program to review:

1. the financial structure of the program including interest rates and terms, use of set-aside funding and long-term projected funding levels,
2. the eligibility criteria for projects and
3. the priority setting system used to determine the order in which projects are funded.

Public Meetings and Comment Activities

To ensure that the public has an opportunity to review our proposed plans for the DWSRF, the draft IUP was made available 7 days before the workshop held on March 4, 2009. To ensure that interested parties were made aware of the public meeting dates, FDEP published announcements in the Florida Administrative Weekly, on the FDEP website and conducted a direct mail out to all parties in our interested parties database. See appendix A for details.

We welcome input on all aspects of the IUP at the public meeting. The meeting provides a forum for discussing the overall purpose, format, and content of the IUP including the types of assistance being provided through the DWSRF project account and set-aside

account, the long- and short-term goals of the program, the priority system used to rank individual projects, and the proposed list of projects to receive funding from the ARRA funds.

II. DWSRF LONG-TERM AND SHORT-TERM GOALS

Florida is committed to using the capitalization grant for which it is applying to provide assistance to water systems for capital improvement projects which will proceed quickly to construction, creating jobs and furthering the public health protection objectives of the Safe Drinking Water Act. Florida's goal is to enter into binding commitments for projects which will proceed to construction or award of construction contracts by February 17, 2010. The State intends to award all assistance available under this capitalization grant in full conformance with the deadlines established under the ARRA and the terms and conditions of the capitalization grant award.

Florida recognizes that the goal of the ARRA is to expeditiously fund eligible projects that simultaneously will create jobs, promote economic recovery, and generate long-term benefits from infrastructure investment. In this grant, the State is being called upon to accomplish goals that may not previously have been priorities in its base SRF program. Some priorities and activities in the State's base program that may not practically be attainable within the timeframes associated with the ARRA and will be pursued using funds made available through the base DWSRF program. However, to the extent possible, in addition to pursuing the goals of the ARRA, Florida will pursue the long and short-term goals presented below. They provide a framework that will guide the decisions Florida makes in the DWSRF program while implementing the ARRA:

A. Long-Term DWSRF Goals

1. Provide assistance for projects, which will facilitate compliance with national primary drinking water regulations under section 1412 of the SDWA or otherwise significantly further the health protection objectives of the Act (section 1452(a)(2)).
2. Encourage systems to achieve compliance with the SDWA. The program also encourages projects that provide the greatest protection to public health, and projects which assist systems most in need on a per household basis.
3. Administer the program so that its revolving nature is assured in perpetuity. The long-term financial integrity of the DWSRF program will be maintained through the judicious use and management of its assets and by realizing an adequate rate of return. Also, the fiscal, technical and managerial integrity of the DWSRF program will be assured by preventing fraud, waste and abuse.
4. Use the DWSRF set-aside funds strategically and in coordination with the program loans to maximize the DWSRF loan account's impact on achieving

affordable compliance and public health protection.

5. Maximize the small community participation in the DWSRF program.
6. Facilitate allocation of program resources to address the most significant public health and compliance problems by actively working with these systems and the drinking water regulatory staff.
7. Promote the development of the technical, managerial, and financial capability of all public water systems to maintain or come into compliance with state drinking water and federal SDWA requirements.
8. Encourage the consolidation and/or regionalization of public water systems that lack the capability to operate and maintain systems in a cost-effective manner, thus allowing them to take advantage of the economics of scale available to larger water systems.
9. Provide drinking water assistance in an orderly and environmentally sound manner.
10. Assure that all new water systems funded by the program demonstrate technical, managerial, and financial capability with respect to each national primary drinking water regulation in effect.

B. Short-Term DWSRF Goals

1. Coordinate completion of set-aside work plans for each set-aside activity. (Target Completion: Annually)
2. Support the continuation of source water protection programs.
3. Coordinate implementation of capacity development strategy with PWSS staff. (Continuing)
4. Continue the outreach activities to ensure that systems are aware of and understand DWSRF assistance options and the application process by presenting an annual statewide workshop to publicize the DWSRF program. (Target Completion: Annually)
5. Complete a transition to a new database that integrates drinking water project data with program management data.
6. Manage the Drinking Water SRF portion of the ARRA funds.

7. Incorporate the use of the Federal Benefits Reporting System to track drinking water projects.
8. Pursue the objectives listed in the Program Overview Section above while allocating the recovery funds.

III. STRUCTURE OF THE DWSRF

The DWSRF consists of three accounts that are used to provide assistance to accomplish its goals. However, please note that recovery funds will be tracked separately. The separate tracking will include the use of the Federal Benefits Reporting System, a separate IUP and public workshop and hearing, separate loan agreements, and separate tracking of the disbursement of funds.

A. DWSRF Loan Account

This account provides assistance for the planning, design, and construction of improvements to publicly and privately owned community water systems (CWS). Federally owned facilities are not eligible for funding. This account consists of all federal funds used for infrastructure assistance, all state match funds, loan repayments, and interest earnings of the Fund. The types of projects that can be funded under the loan account include the following:

- Construction or upgrade of treatment facilities
- Replacement of contaminated sources with new ground water sources
- Installation or upgrade of disinfection facilities
- Restructuring or acquisition and interconnection of systems to address technical, financial, and managerial capacity issues
- Planning and engineering associated with projects meeting specific eligibility criteria
- Replacement of aging infrastructure
- Transmission lines and finished water storage
- Distribution system replacement/rehabilitation
- Acquisition of land that is integral to an DWSRF eligible project
- Other projects necessary to address compliance and enforcement issues

Limitations of the DWSRF Loan Account

The SDWA allows states to buy or refinance debt obligations for publicly owned DWSRF projects if the long-term debt was incurred after July 1, 1993. We will only consider these applications if the sponsor was authorized to incur the debt before construction was initiated. Funds in the loan account will be invested in interest bearing accounts; however, funds will not remain in the account primarily to earn interest.

The federal DWSRF Guidelines (EPA 816-R-97-005) specifically lists the following as projects that cannot be funded through the DWSRF:

- Dams, or rehabilitation of dams
- Water rights, except if the water rights are owned by a system that is being purchased through consolidation as a part of a capacity development strategy
- Reservoirs, except finished water reservoirs and those reservoirs that are part of the treatment process and are on the property where the treatment facility is located
- Laboratory fees for monitoring
- Operation and maintenance expenses
- Projects needed primarily for fire protection
- Projects for systems that lack adequate technical, financial, and managerial capability, unless assistance will ensure compliance
- Projects for systems in significant noncompliance, unless funding will ensure compliance
- Projects primarily intended to serve future growth

B. DWSRF Set-Aside Account

This account provides assistance for set-aside activities funded through the DWSRF. The activities to be funded by the DWSRF set-aside account include technical assistance to small systems, delineation and assessment of source waters (limited to FFY 1997 funds), source water protection programs, and the development and implementation of our capacity development strategy.

Each set-aside activity will have a separate sub-account that will be tracked separately in the state accounting and financial reporting system. Sub-account reports will provide budget levels and expenditures to date for tracking purposes and will be a source of reporting for the DWSRF biennial report required by the SDWA. Sub-accounts have been established for the following set-asides:

- Small system technical assistance - for assistance to small systems through the Florida Rural Water Association (FRWA)
- State program management - for source water protection program administration, PWSS program support, and capacity development strategy development and implementation
- Local assistance and other state programs - for delineation and assessment of all state public drinking water supplies

C. DWSRF Administrative Account

Funds from this account will be used to support the state operation and management of the DWSRF program. This account holds the 4 percent set-aside from the federal capitalization grant provided for in Section 1452 (g)(2) of the SDWA. Funds in this account are used to ensure the long-term operation and administration of the DWSRF program. In addition, a two percent service fee is collected by the FDEP from applicants and is held in a separate interest bearing account.

IV. FINANCIAL STATUS OF THE DWSRF

This section reports on all sources of funding available to the DWSRF program and indicates their intended uses. A description of the terms of the financial assistance available through the DWSRF program is also included in this section.

A. Sources and Uses of Funds

Program funding is based on receiving the ARRA capitalization grant, expected to be approximately \$88,074,000, from EPA. A state match will not be required by the ARRA.

The DWSRF program will provide approximately \$80,113,780 in assistance to public water systems and \$7,960,220 for set-aside program activities.

The state program management set-aside match requirement will be met by an overmatch in the Public Water System Supervision (PWSS) program. The total funds available in the DWSRF through the ARRA and the intended allocation to each activity are presented in Attachment 1.

B. Financial Terms of Loans

The SDWA allows states to charge interest rates ranging from 0 percent to the market rate for DWSRF loans. We have determined that the interest rate on a DWSRF loan should reflect current market conditions. Therefore, the interest rate for standard DWSRF loan is 60 percent of the weekly average yield reported in The Bond Buyer 20-Bond GO Index for the preceding quarter. Terms are 10 years for pre-construction assistance, 20 years for standard construction loans, and 30 years for sponsors qualifying as a financially disadvantaged community. Fees in the loan agreement include a 2 percent administrative fee on the loan that is assessed as part of the first two repayments. The administrative fee is intended to off-set the Department's program operating cost. On loans funded through the ARRA, this service fee may be waived by emergency order to offset the cost of the additional requirements.

Florida has also implemented the FDCA program for financially disadvantaged public water systems serving communities with weak financial and socioeconomic conditions. The criteria used to establish that a community is disadvantaged are described in Attachment 2 of this IUP. Disadvantaged communities receive 85 percent or 65 percent grants. The grant percentage is determined based on the percentage of the average annual residential user charge that is applied to the system's debt service (assuming the project was funded entirely through a loan) divided by the median household income of the system's customers. This ratio is known as the debt service burden.

V. SET-ASIDE Title V ACTIVITIES

The SDWA and ARRA allow each state to set-aside up to 16 percent of its federal grant to

support various drinking water programs including administration, technical assistance, state program management, and special activities. We plan to use a total of \$7.96 million of federal funding (9 percent of the federal funding) for set-aside purposes.

A. DWSRF Administration (SDWA reference 1452 (g)(2), Max Allowed: 4%, Taken from Federal Grant: 4% or \$3,522,960)

The DWSRF will be administered by the Drinking Water Funding Section with assistance from Program Management Section within the Bureau of Water Facilities Funding. The administration set-aside will be used to pay salaries and associated expenses of new and existing program personnel devoting time to the administration of the DWSRF loan account and loans and grants stemming from the ARRA. Administration set-aside funds will also be used to procure all equipment and training necessary for the adequate performance of the staff. Unused funds from this set-aside will be reserved for use in future years.

B. Small Systems Technical Assistance (SDWA reference 1452 (g)(2), Max Allowed: 2%, Taken from Federal Grant: 2% or \$1,761,480)

Funds will be used to assist small systems in meeting the technical, temporal and reporting requirements associated with funding under the ARRA. Forms of assistance may include permit tracking, identifying potential green projects, adherence to the Davis Bacon and buy American provisions, and the reporting requirements to be imposed as part of the ARRA implementation.

C. State Program Management (SDWA reference 1452 (g)(2), Max Allowed: 10%, Taken from Federal Grant: 3.04% or \$2,675,780)

(1) Source Water Protection Program (Federal Recovery Grant: \$0)

The State does not intend to use set-aside money for the Source Water Protection Program.

(2) PWSS Program (Federal Recovery Grant: \$2,675,780)

Please see workplan attached as Appendix B. The state program management set-aside match requirement will be met by an overmatch in the Public Water System Supervision (PWSS) program.

VI. CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS

A. Distribution of Funds

The SDWA provides each state with flexibility to determine how much of their capitalization grant should be used for infrastructure loans, assistance to financially disadvantaged communities, and set-aside activities. However, with this flexibility comes responsibility to determine how to best direct funds to address the problems in the state. We believe it is critical

to evaluate and understand the impact of our decisions in order to ensure that financial assistance will be available in the future.

B. Disadvantaged Community Program

FDEP will allocate more than \$44.037 million to provide loans and grants for projects that qualify for the FDCA program. We are committed to operating the DWSRF program at funding levels that ensure all communities with high priority projects will receive assistance. The goal of the FDCA program is to provide assistance to communities that have the greatest need and do not have the financial resources to fund essential projects. The specific requirements of the FDCA program are provided in Attachment 2.

C. Capacity Assessment 1452(a)(3)(A)

The SDWA requires that a public water system applying for a DWSRF loan must show that it has the technical, financial, and managerial capacity to ensure compliance. If a system does not have adequate capacity, assistance may only be provided if it will help the system to achieve capacity. The goal of this requirement is to ensure that DWSRF assistance is not used to create or support non-viable systems. A Business Plan is required as part of the DWSRF loan application process. No construction funds are provided to systems that lacked capacity or to systems that were in significant noncompliance.

In addition, the SDWA requires new systems to document capacity prior to the permitting of each system. It also requires states to develop a strategy to ensure capacity at existing systems.

Technical Capacity

To demonstrate technical capacity, DWSRF loan applicants must show that drinking water sources are adequate, that the system's source, treatment, distribution and storage infrastructure are adequate and that personnel have the technical knowledge to efficiently operate and maintain the system. As part of reviewing a loan applicant's facilities plan, FDEP will review the system's records to assure that the system is being properly operated and maintained. The water system must not have outstanding water compliance problems unless the DWSRF project is intended to correct those problems.

Technical capacity is also ensured through the interaction with the recently approved Operator Certification Program OCP and the PWSS program. The knowledge, skills, and abilities are assured through the licensing of operators. Licensing includes both experience and examination requirements. Once an individual becomes licensed and begins operating a drinking water facility, the PWSS Program ensures that the operator is competent and complying with all drinking water requirements through periodic inspections and sanitary surveys. If a permittee or an operator is found to be in violation of the requirements, or is negligent in any way, enforcement action is undertaken. Enforcement may include warning letters, administrative fines, probation, and suspension of the license for a period of time, or revocation of the license.

The engineering reports, plans, and specifications for the proposed DWSRF-funded project will all be evaluated prior to the application process.

Financial Capacity

To demonstrate financial capacity, the applicant must show that the system has sufficient revenues to cover necessary costs and demonstrate credit worthiness and adequate fiscal controls. The FDEP ensures financial capacity through a detailed review of the financial information required in the financial portion of the business plan and the loan application process. In addition, for loans, security measures are incorporated into the loan agreements.

Managerial Capacity

To demonstrate managerial capacity, the water system must have personnel with expertise to manage the entire water system operation. The FDEP ensures managerial capacity through a detailed review of the business plan and by the PWSS Program through their inspections and sanitary surveys. Plant records are reviewed to ensure that supervision at the plant is adequately documented and that management is involved in the day to day supervision of the water system, is responsive to all required regulations, is available to respond to emergencies, and is capable of identifying and addressing all necessary capital improvements and assuring financial viability. The water system must have a qualified water operator in accordance with Chapter 62-699, F.A.C.

Long-Term Capacity

Florida will assess whether each water system has a long-term plan to undertake feasible and appropriate changes in operations necessary to develop adequate capacity. In making these assessments, FDEP will consult with the district offices and local health departments, review Comprehensive Plans, and revisit the Drinking Water Needs Survey data in an effort to improve the overall capacity of systems requesting assistance. In the case of small communities, technical and managerial assistance will be provided by the Florida Rural Water Association through ongoing training programs.

FDEP will also actively encourage consolidation efforts when two or more systems can benefit. The priority-ranking criterion provides additional points to encourage this objective.

D. Establishing Project Priority

Federal and state laws require that we develop a project priority ranking system to determine the priority order of projects to be funded through the DWSRF program. As called for by section 1452(b) of the SDWA, our priority ranking system is designed so that the greatest priority is given to projects that:

1. Address the most serious risks to human health
2. Ensure compliance with federal and state drinking water regulations
3. Assist systems most in need on a per household basis (affordability)

Our priority system was developed under the guidance of the TAC. The TAC reviewed the major compliance issues affecting drinking water systems in our state to determine the most critical needs. The results indicated that an important compliance issue for water systems in the state was related to violations of drinking water quality health standards for microbiological contaminants, some of which could have an adverse impact on human health. It was also noticed that the sources for many systems were determined to be under the direct influence of surface water, and as such, were out of compliance with the surface water treatment rules. In addition, private wells with chemical and microbiological contamination were found to be a serious health risk and this issue was also addressed in the priority system.

The priority system FDEP developed in partnership with the TAC places a focus on projects to address these important public health and compliance problems. FDEP developed six baseline categories and three bonus categories for use in the ranking of projects. The complete priority system can be found in Appendix D and is summarized below:

Baseline Categories

Acute Public Health Risks. The highest number of baseline points is given to projects that address an acute public health risk problem. The problem may be microbiological contamination that directly affects public health, nitrate/nitrite, lead or copper contamination, or non-compliance with the surface water treatment rule.

Potential Acute Public Health Risks. The second highest number of points is given to systems that exceed 50 percent of the MCL for nitrate, nitrite, or total nitrogen. This priority is also given to projects that address disinfection violations, total coliform violations, and to those systems that do not meet the requirements of the Enhanced Surface Water Treatment Rule.

Chronic Public Health Risks. The next highest priority is given to projects that address a primary contaminant violation and to systems that exceed the standards for Radionuclides.

Potential Chronic Public Health Risks. Systems with primary contaminant levels that are within 50% of the MCL or trihalomethane levels within 80% of the MCL are given the next highest priority.

Compliance Issues. Violations of the secondary contaminant standards and compliance issues such as not having the minimum number of wells required or

not meeting the treatment, storage, power, or distribution requirements receive the next highest number of points. In addition, projects that address well setback and well construction requirements or cross-connection/backflow control requirements receive this score.

Other. All projects not meeting one of the above categories receive the minimum baseline score.

Bonus Categories

Affordability. Up to 100 bonus points are available to systems in financially disadvantaged areas. The actual number of points received is inversely proportional to the median household income.

Population served. Up to 50 bonus points are available to small systems based on the population served. The number of points received is inversely proportional to the population served, up to 50,000.

Consolidation. Projects involving consolidation of systems receive 15 bonus points for each system consolidated, up to 45 points. This is often the best solution for small systems with significant technical, financial, and managerial problems.

Projects are identified through a solicitation of all eligible water systems. Those systems that submit a Request for Inclusion (RFI) on the Drinking Water Priority List form are placed on a comprehensive list of projects. Project engineers in the FDEP assign points to projects based on the information provided by the project sponsor. All project sponsors submitting an RFI are contacted and the program requirements are discussed. Once the sponsor completes the facilities plan, information on a specific project(s) is submitted, again on the RFI. Sponsors that complete all readiness requirements for a project(s) request listing on the project list and are listed in order of priority score. Unreserved funds are assigned to projects in priority score order, within the segment cap, until the funds are exhausted. Projects for which funding is not available and projects that are incompletely funded are placed on the contingency list for consideration in future years. The project list for the recovery funds is included as Attachment 3.

E. Small System Funding

Following completion of the ranking process for unreserved funds, the funds reserved for small communities (15 percent of the available funds) are allocated. These funds are assigned to projects sponsored by small systems that do not make the project list based on the unreserved funds. This procedure assures that at least 15 percent of the projected funding amount will be available for public water systems that regularly serve fewer than 10,000 people, as required by the SDWA. Based on the project list, more than 15 percent of the \$88.074 million available for construction projects will be used by small water systems.

F. Tie Breaking Procedure

When two or more projects score equally under the project priority system a tie breaking procedure will be used. The project that completed the requirements for funding first will receive priority.

G. Bypass Procedure/Readiness to Proceed

A project must be ready-to-proceed prior to being placed on the fundable portion of the list. Bypassing may occur as a result of a sponsor failing to meet program requirements.

H. Refinancing Existing Loans

Refinancing is not permitted for projects that were not approved prior to construction. The approval is in the form of a letter authorizing the sponsor to incur costs.

I. Additional Subsidization

The ARRA requires that 50% of assistance provided be in the form of additional subsidies. The attached project list demonstrates that at least 50% of the available funding for projects will be provided via principal forgiveness. Any subsequent revision to this project list will likewise demonstrate that at least 50% of the available funding for projects will be provided via principal forgiveness.

J. Green Infrastructure

The ARRA requires that, to the extent there are sufficient eligible project applications, not less than 20% of the funds provided for projects be used for water efficiency, energy efficiency, green infrastructure, or other environmentally innovative activities. The projects listed in the attached project list include 8 projects with a total assistance amount of \$21.5 million (out of \$88.074 million requested in this IUP) that are designated on the List as meeting one or more of the specific objectives required by this provision. Where it is not clear that a project or component qualifies to be included as counting towards the 20% requirement, the files for such project will contain documentation of the business case on which the project was judged to qualify, as described in Attachment 8 to the USEPA guidance for the ARRA. Projects on the List meeting one or more objectives are designated as follows: Green Infrastructure = G; Energy Efficiency = E, Water Efficiency = W, Other Environmentally Innovative Activity = O.

K. Priority for Projects Ready to Proceed to Construction in 12 Months / Preference for Expeditious Activities

Florida has a priority system for its DWSRF program that ranks projects in accordance with criteria associated with public health, compliance and economic need. However, the ARRA requires that priority be given to projects that will be ready to proceed to actual construction within 12 months of the date of enactment.

To implement this new priority, Florida will review and will consult with potential assistance recipients with projects on its Fundable and Comprehensive Project Priority lists, to determine which projects are most likely to be able to proceed to actual construction within the next 12 months. Projects so determined will be given priority in receiving ARRA funding.

In addition, ARRA section 1602 requires that “recipients shall give preference to activities that can be started and completed expeditiously, including a goal of using at least 50 percent of the funds for activities that can be initiated not later than 120 days after ... enactment” of the ARRA. Florida intends to implement this preference requirement by selecting for first ARRA funding from among the projects with the priority determined above, those projects that, as far as it's possible to determine, appear most likely to be able to start construction by June 16.

L. Avoidance of Reallotment/Relationship to Base Program

In order to meet the requirements and deadlines of the ARRA for the expeditious and timely commitment and expenditure of funds, Florida will regularly review the data reported to USEPA on the progress of assistance recipients under the statutory deadlines specified in this IUP to identify any issues with the timeliness of this progress. If such issues are identified, Florida intends to work with USEPA to resolve such issues as may place the State at risk of reallotment if not timely resolved. The State will include conditions in its binding commitments to ensure that assistance recipients make timely progress with respect to entering into contracts and/or construction. If a recipient fails to maintain progress with these conditions, they will receive funding from other DWSRF monies so that ARRA funding can be provided for a project that is ready to proceed. The State understands that the USEPA may deobligate grant funds from States that fail to meet requirements on use of funds. Florida intends to avoid deobligation. If the State is eligible for additional funds made available from other States that fail to meet deadlines, the State will provide USEPA with a list of projects from its priority list that are ready to proceed to construction, and will also provide a certification through an amendment to this IUP that all funds received for these projects will be under contract for construction within 120 days of reallotment.

M. Davis-Bacon Act

Section 1606 of the ARRA contains the following language:

“Notwithstanding any other provision of law and in a manner consistent with other provisions in this Act, all laborers and mechanics employed by contractors and sub contractors on projects funded directly by or assisted in whole or in part by and through the Federal Government pursuant to this Act shall be paid wages at rates not less than those prevailing on projects of a character similar in the locality as determined by the Secretary of Labor in accordance with subchapter IV of chapter 31 of title 40, United States Code. With respect to the labor standards specified in this section, the Secretary of Labor shall have the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (64 Stat. 1267; 5 U.S.C.App.) and section 3145 of title 40, United States Code.”

The purpose of this language is to apply Davis-Bacon Act wage rules to all assistance agreements made in whole or in part by the State of Florida with funds appropriated under the ARRA.

N. American Iron, Steel, and Manufactured Goods

Section 1605 of the ARRA requires that none of the appropriated funds may be used for the construction, alteration, maintenance, or repair of a public building or public work unless all of the iron, steel, and manufactured goods used in the project is produced in the United States unless (a) a waiver is provided to the recipient by EPA or (b) compliance would be inconsistent with United States obligations under international agreements. In order to receive a waiver, the State of Florida must send a written request to the Administrator. A decision will be made based on the following criteria:

1. The requirement is inconsistent with the public interest for purposes of the project, for which a waiver has been requested,
2. Iron, steel, and necessary manufactured goods are not produced in the United States in sufficient and reasonably available quantities and of a satisfactory quality, or
3. Inclusion of iron, steel, and manufactured goods produced in the United States will increase the overall cost of the project by more than 25 percent. If a waiver is granted by the Administrator, EPA will publish such waiver, with a sufficient explanation, in the Federal Register.

O. Deadline for Contracts or Construction

The ARRA contains the following:

“Provided further, That the Administrator shall reallocate funds appropriated herein for the Clean and Drinking Water State Revolving Funds (Revolving Funds) that are not under contract or construction within 12 months of the date of enactment of this Act:”

The purpose of this language is to ensure that all funds appropriated under the ARRA are not only committed to projects through binding commitments or executed loan agreements, but are further committed to contracts for construction by the assistance recipient, or construction has commenced within 12 months of enactment. In order to meet the requirement, the State of Florida will provide a signed certification that contracts have been signed or projects are under construction in an amount equal to the full value of the ARRA assistance agreement by February 17, 2010.

The State of Florida will certify in writing, and forward to EPA, not later than March 1, 2010, that projects funded under the ARRA grant have met the above requirements. The State of Florida understands that if the State fails to meet the 12 month deadline in the ARRA, EPA must deobligate the funds from the State.

VII. CWSRF-DWSRF FUND TRANSFERS

We have no plans to transfer any funds at this time.

ATTACHMENT 1

SOURCE AND USE OF FUNDS

**ATTACHMENT 1: SOURCE AND USE OF FUNDS
(PROJECTIONS)**

RECOVERY APPROPRIATIONS

SOURCE OF FUNDS		Amount
FEDERAL FUNDS		
	Recovery Capitalization Grant	\$88,074,000
STATE FUNDS		
	Matching Funds Appropriated by the Florida Legislature	N/A
	Loan Repayments	N/A
	Interest on Idle SRF Funds	N/A
	Subtotal	\$0
PRIOR YEARS' BALANCE CARRIED FORWARD		
	Deobligated Construction Loan Funds	N/A
	Recaptured funds	N/A
	Subtotal	\$0
TOTAL AVAILABLE FUNDS		\$88,074,000
<hr/>		
USE OF FUNDS		
<hr/>		
TOTAL FEDERAL CAP GRANT		
Set Asides		
	Administration 4%	\$3,522,960
	Small Systems Technical Assistance (2% of Cap. Grant)	\$1,761,480
	State Programs	
	Capacity Development (1452(g)(2))	\$2,675,780
	Source Water Protection (1452(g)(2))	\$0
PROJECTS		
	Disadvantaged Community Assistance	\$44,037,000
	Small Systems (min of 15% of available funds)	\$6,605,550
	Unreserved Construction Loan Funds	<u>\$29,471,230</u>
	Total for Projects (available funds minus total federal set-asides)	\$80,113,780
TOTAL AVAILABLE FUNDS		\$88,074,000

ATTACHMENT 2

CRITERIA FOR DISADVANTAGED COMMUNITIES

**Funding of Pre-construction and Construction Grants
for
Financially Disadvantaged Communities**

Grants shall be available only after a listing on the fundable portion of the priority list has been obtained, a complete grant application has been submitted to the Department, and a grant agreement has been executed. Pre-construction grants shall be available before the completion of project planning; however, these grants are only available to small communities with a public health risk based component.

1. A project sponsor must qualify as a financially disadvantaged community. A "financially disadvantaged community" means a municipality, county, or agency (such as a county-wide department) thereof, franchised area, or other entity with a public water system service jurisdiction meeting the following requirements:
 - a. It must be served by a community water system;
 - b. It has a median household income of less than the statewide average as reported in the most recently available decennial census or as of a more recent verifiable determination and, for the purpose of qualifying for a grant to fund post-allowance project activities, it would have a debt service component, reflecting both existing indebtedness and that which would be required to implement the proposed project without financial assistance under this rule chapter, of the annual average residential drinking water user charge (or the equivalent thereof) to median household income financial burden ratio exceeding the following criterion:
 - i. When the median household income is at least 80 percent but less than the 100 percent of the statewide average, the financial burden ratio criterion shall be 1.0 percent;
 - ii. When the median household income is below 80 percent of the statewide average, the financial burden ratio criterion shall be 0.5 percent.
2. For pre-construction grants a project sponsor must qualify as a small community unless the project priority is based, in part, on consolidation or regionalization.
3. Construction grants must meet the user charge (or equivalent) financial burden, benefit limitation, and priority criteria as set forth in Chapter 62-552, F.A.C.
4. Grant funds shall be made available for projects in order of priority rank established under Chapter 62-552, Florida Administrative Code (F.A.C.).
5. Grants shall be awarded for projects that have a public health risk or compliance priority assigned. The Department may find that an emergency authorization for the authority to

provide grants to financially disadvantaged communities as defined by Chapter 62-552, F.A.C., for any DWSRF allowable cost, regardless of whether the project only addresses a public health risk, would enable the DWSRF program to use funds to expedite the construction of drinking water infrastructure thereby creating jobs and stimulating the economy

6. Construction grant funding is based on the median household income and the financial burden ratio.
 - a. The funding shall not exceed 85 percent of the estimated post-allowance costs when the medium household income is not more than and the financial burden ratio is at least that stated under Chapter 62-552, F.A.C.
 - b. The funding shall not exceed 65 percent of the estimated post-allowance project costs when the following conditions have been met:
 - i. The median household income is not more than and the financial burden is at least that stated as the criteria under Chapter 62-552, F.A.C.
 - ii. The median household income is not more than that stated as the criterion under Chapter 62-552, F.A.C., without regard to the financial burden ratio.
7. Funding for pre-construction grants is limited to 85 percent of the amount calculated using the percentage listed in Chapter 62-552, F.A.C., for each of the allowances.

ATTACHMENT 3

PROJECT LIST

ATTACHMENT 4

AUTOMATED CLEARING HOUSE PAYMENT SCHEDULE

ATTACHMENT 4: ACH PAYMENT SCHEDULE AND CASH DRAWS					
FY 2009 GRANT, AUTOMATED CLEARING HOUSE, PAYMENT SCHEDULE AND CASH DRAWS					
ACH PAYMENT SCHEDULE					
	Federal FY 2009				
	QTR 1	QTR 2	QTR 3	QTR 4	
	State FY 2009			State FY 2010	
	QTR 2	QTR 3	QTR 4	QTR 1	TOTAL
ACH PAYMENT				\$88,074,000	\$88,074,000
CASH DRAW SCHEDULE FOR PROJECTS					
	Federal FY 2009				
	QTR 1	QTR 2	QTR 3	QTR 4	
	State FY 2009			State FY 2010	
	QTR 2	QTR 3	QTR 4	QTR 1	TOTAL
CASH DRAW				\$88,074,000	\$88,074,000
Note: State Fiscal Year is July 1 through June 30					

APPENDIX A

PUBLIC MEETING ANNOUNCEMENTS

MEETING MINUTES AND SUMMARY OF OUTSTANDING ISSUES

STATE RESPONSES TO OUTSTANDING ISSUES

NOTICE OF PUBLIC WORKSHOP

The Department of Environmental Protection announces a public workshop to which all persons are invited.

DATE AND TIME: March 04, 2009 at 11:00 a.m.

PLACE: Room 611, Bob Martinez Center, 2600 Blair Stone Road, Tallahassee, Florida.

PURPOSE: To present the Department's recommendations and receive public comment on the intended use of funds that would possibly be appropriated by the Congress through American Recovery and Reinvestment Act of 2009 to assist economic recovery through construction of drinking water infrastructure. These potential funds are in addition to the annual capitalization grant received from EPA which will be accounted for in a separate Intended Use Plan. Workshop topics will include project eligibility, project prioritization, types of assistance available, source and use of funds, and a proposed priority list of projects. In addition, specific procedural changes from Chapter 62-552, F.A.C., may be discussed. A copy of the proposed FY 2009 Intended Use Plan may be obtained by contacting Paul Brandl, Bureau of Water Facilities Funding, 2600 Blair Stone Road, Mail Station #3505, Tallahassee, Florida 32399 2400; phone 850-245-8373 or e-mail paul.brandl@dep.state.fl.us.

Pursuant to the Americans with Disabilities Act, any person requiring special accommodations to participate in this workshop is asked to advise the agency at least 5 days before the workshop by calling Paul Brandl of the Bureau of Water Facilities Funding at (850) 245-8373. If you are hearing or speech impaired, please contact the Florida Relay Service by calling (800) 955 8771 (TDD) or (800) 955-8770 (Voice).

APPENDIX B
WORK PLAN FOR PWSS SET-ASIDES

**Intended Use Plan
Ground Water and Drinking Water Programs
Cost and Resource Summary**

- A. Vehicle Replacement: The PWS program will replace 16 of its aging vehicles in our District Offices and Approved County Offices.
- B. Oculus Program: The PWS program will develop program software, purchase equipment (scanners) and licenses, and hire OPS and a contract program manager to outfit and train HQ and 15 PWS field offices (DOH & DEP) with electronic filing capacity.
- C. iNOI Program: The PWS and Ground Water Programs will hire a program consultant and lead programmer, provide technical support, and develop this electronic permitting and submission program that enables utilities to apply electronically for small PWS and Ground Water (well) construction permits directly to our six district offices.
- D. Sanitary Survey (SS) Inspection Tablet Personal Computers (PCs): The PWS Program will incur a one-time development cost and purchase 43 tablet PCs for SS inspections in our six district and the nine DOH County field offices.
- E. Computer Modernization/Replacement: The PWS and Ground Water Programs will purchase 54 replacements for aging computers for HQ and DEP District staff and nine DOH County field offices.

	DEP FTEs	# Units	Cost Per Unit	Equipment Cost	Development Costs	Personnel Costs	Total Cost
A. Vehicle Replacement	0	16 vehicles	\$30,000	\$480,000	--	--	\$480,000
B. Oculus Program	16.25	16 scanners 44 licenses	\$6,000 \$720	\$96,000 \$31,680	\$70,000	\$359,100 (16 OPS)	\$556,780
C. iNOI Initiative	6.67	--	--	--	\$500,000 per Program	--	\$1,000,000
D. Sanitary Survey Tablet PCs	0	43 tablet PCs	\$6,000	\$258,000	\$300,000	--	\$558,000
E. Computer Modernization	0	54 PCs	\$1,500	\$81,000	--	--	\$81,000
Total IUP for GW and Drinking Water	22.92			\$946,680	\$1,370,000	\$359,100	\$2,675,780

* Total DOH Cost Portion **\$674,000**

APPENDIX C
COMPLETE PRIORITY SYSTEM

62-552.650 Priority Determination.

(1) The priority system for financial assistance is based on public health considerations, compliance with the Act or other enforceable requirements relating to drinking water systems, and affordability. Affordability includes the evaluation of median household income, population affected, and consolidation of very small public water systems, which serve a population of 500 people or fewer. The baseline priority score shall be determined as set forth in subsections (2), (3), and (4) below. The affordability score shall be determined as set forth in subsection (5) below and shall be added to the baseline score. Special consideration shall be given, in the form of the cost-effectiveness preference under rule 62-552.700(2), F.A.C., to projects in areas where salt-water intrusion jeopardizes adequate supplies of safe drinking water.

(2) Each project, or component of a project when a project has components qualifying for different baseline priority scores, shall be assigned a baseline priority score to indicate protection of public health, compliance with the Act or other enforceable requirements, or another lower priority need.

(a) When a construction loan project has components qualifying for different baseline priority scores, the score for the entire project shall be the highest number of points for which at least 50% of the estimated project costs qualify. When no single project component generates at least 50% of the estimated project costs, the cost of the highest priority component shall be combined with one or more lower priority component costs, at the lowest number of points associated with any of the combined components, to achieve the 50% threshold and thereby establish the overall project baseline priority score.

(b) When a construction grant project has components qualifying for different baseline priority scores, each component shall be assigned its own priority score. A project must have a public health risk assigned to it or to one of its components to qualify for a construction grant under rule 62-552.370(1)(h), F.A.C. The priority of any project component, regardless of the ratios of component costs to total project cost, shall not establish overall project baseline priority score.

(c) When a pre-construction project has components qualifying for different baseline priority scores, one of the project components must have a public health risk assigned to it to qualify for a loan under rule 62-552.350, F.A.C., or a grant under rule 62-552.360, F.A.C. Such a public health risk priority establishes the overall project baseline priority score. However, an overall pre-construction project baseline priority score shall not be carried over to any subsequent construction grant or construction loan project. Any prioritization of a construction project shall be subject to the applicable paragraph (a) or (b) above.

(3) Compliance monitoring results for public water systems or County Health Department sampling results for other supply, treatment, or distribution systems during the 48-month period immediately preceding the date upon which a request for inclusion is submitted under rule 62-552.600(1) or rule 62-552.680(1)(a)2., F.A.C., shall be used to justify public health and compliance baseline priority scores involving a comparison to a maximum contaminant level (MCL) or other numerical standard relating to drinking water quality. A certification by the State Health Officer of the existence of a public health risk during the referenced 48-month period also shall justify a public health baseline priority score.

(4) Baseline priority scores shall be assigned to projects that will eliminate any of the following conditions or satisfy the Florida Administrative Code requirements cited below:

(a) Acute public health risk sub-category projects shall be assigned a baseline priority

score of 800 points when the following is documented.

1. Exceedance of the fecal coliform or E. Coli MCL value as set forth in rule 62-550.310(3)(b), F.A.C.;
2. Failure to meet the surface water treatment or disinfection requirements of rules 62-550.560 and 62-555.600 through 62-555.630, F.A.C., commonly known as the Surface Water Treatment Rule;
3. Exceedance of a lead or copper action level as set forth in Title 40 of the Code of Federal Regulations, part 141, sections 80 through 91 (1995) for two (2) successive monitoring periods; or
4. Exceedance of a nitrate, nitrite or total nitrogen MCL value as set forth in rule 62-550.310(1), F.A.C. For public water systems, an exceedance shall be established according to the monitoring requirements of rule 62-550.512, F.A.C.

(b) Potential acute public health risk sub-category projects shall be assigned a baseline priority score of 700 points when the following is documented.

1. Exceedance of the total coliform MCL value as set forth in rule 62-550.310(3)(a), F.A.C.;
2. Violation of the disinfection requirements under rule 62-555.320(4), F.A.C.;
3. Exceedance of 50% of a nitrate, nitrite or total nitrogen MCL value as set forth in rule 62-550.310(1), F.A.C.;
4. Treatment or disinfection facilities are needed to enhance compliance with the Surface Water Treatment Rule; or
5. A certification is made by the State Health Officer that an acute public health risk exists as a result of contaminants for which the Department has no established standards for water supplies and the proposed project will eliminate the risk.

(c) Chronic public health risk sub-category projects shall be assigned a baseline priority score of 600 points when an exceedance of an MCL value for the following is documented.

1. Primary chemical contaminants (except nitrate, nitrite, and total nitrogen) identified in Tables 1, 2, and 3 of chapter 62-550, F.A.C.;
2. Trihalomethanes identified in rule 62-550.310(2)(a), F.A.C.; or
3. Radionuclides identified in rule 62-550.310(4), F.A.C.

(d) The potential chronic public health risk sub-category projects shall be assigned a baseline priority score of 500 points when the following is documented.

1. Exceedance of 50% of an MCL value for primary chemical contaminants (except nitrate, nitrite, and total nitrogen) identified in Tables 1, 2, and 3 of chapter 62-550, F.A.C.; or
2. Exceedance of 80% of an MCL value for trihalomethanes identified in rule 62-550.310(2)(a), F.A.C.; or
3. A certification is made by the State Health Officer that a chronic public health risk exists as a result of contaminants for which the Department has no established standards for water supplies and the proposed project will eliminate the risk.

(e) The compliance with the Act and other enforceable requirements category projects shall be assigned a baseline priority score of 300 points when any of the following is documented.

1. Violation of any secondary contaminant standard found in Table 4 of chapter 62-550, F.A.C.

2. Required facilities do not currently exist or must be provided to enable compliance with rules of the Department. The situations requiring compliance are listed below:
- a. Requirements for the minimum number of wells in rule 62-555.315(1), F.A.C.;
 - b. Well set-back and construction requirements of rules 62-555.312 and 62-555.315, F.A.C., respectively;
 - c. Treatment, storage, power, and distribution requirements of rule 62-555.320, F.A.C.; and
 - d. Cross connections and backflow control requirements of rule 62-555.360, F.A.C.
- (f) A separate category having a baseline priority score of 100 points shall be assigned to all other projects that cannot be categorized under paragraphs (a) through (e) above. Examples of such projects are water softening treatment and computer or laboratory facilities.

(5) In addition to the assignment of a baseline score, each project shall be awarded points based upon the three affordability criteria outlined below. These points shall be added to the baseline category score to determine the total priority score for the project.

(a) A median household income (MHI) score shall be derived based on the extent to which a community's MHI falls below the statewide average. Data used to determine the score shall be from the most recent decennial census or from verifiable estimates provided by the project sponsor. Household income data shall be representative of all areas to be served by the proposed project. The score is based on the following formula:

$$\text{MHI score} = 200 \times (1.00 - \text{MHI fraction})$$

Where the MHI fraction is the MHI estimate for the project service area divided by the statewide average MHI. This score shall not exceed a maximum of 100.0 points and shall be rounded to the nearest tenth of a point.

(b) Projects for small systems are generally less affordable than those for larger systems because of the limited rate base from which to recover costs. These systems also often have difficulty complying with the Act. Thus, special consideration will be given to such projects based on population. The population score is based on the following formula:

$$\text{Population score} = 50.0 - (P/1,000)$$

Where P is the population of the project's service area. The minimum score shall be 0.0 points and shall be rounded to the nearest 0.1 point.

(c) Because very small public water systems often experience difficulty complying with the regulatory requirements, a consolidation score will be used to reflect a project's consolidation or regionalization of such systems. For each project, which consolidates or regionalizes public water systems serving 500 or fewer persons, an additional 15 points for each such system will be awarded. However, the consolidation score shall not exceed 45 points regardless of the number or consolidated or regionalized systems.