Drinking Water State Revolving Fund 2005 Funding Cycle Application Guidelines

January 2005

Washington State Department of Health
Division of Environmental Health
Office of Drinking Water

Washington State
Public Works Board

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INTRODUCTION

The Drinking Water State Revolving Fund (DWSRF) guidelines define the requirements and process for applying for financial assistance by the DWSRF in accordance with chapter 246-296 WAC. The application package includes the Application Guidelines and the Application Form.

Publicly owned (municipal) and privately owned water systems may be eligible to apply. This low-interest loan program is for reimbursement of capital construction projects intended to improve drinking water systems and protect public health.

In 1996, Congress established the DWSRF through the reauthorization of the Safe Drinking Water Act (SDWA). Washington State is expected to have approximately $20 million available for the 2005 funding cycle. Applications are due May 9, 2005. Funds will become available in the spring of 2006. Loans may be executed at that time.

The Department of Health's Office of Drinking Water (DOH) and the Public Works Board (Board) along with its administrative agent, the Department of Community, Trade and Economic Development (CTED), manage the DWSRF.

DOH reviews applications for eligibility and prioritizes the eligible applications. The Board's staff conducts a financial review, evaluates project readiness to proceed, conducts the State Environmental Review Process (SERP), and oversees contract administration.

Costs associated with obtaining a DWSRF loan are generally standard operating practices for publicly owned systems. Privately owned water systems whose projects are estimated at $50,000 or less are encouraged to discuss the project with the Board prior to submitting an application.

Loan draws are reimbursement only for eligible project costs made after loan agreement execution. Please note that in most cases, applicants must have DOH-approved project report(s) and construction document(s), if applicable, for the entire project before any reimbursements can be made for construction activities. See Appendix G for important details on loan repayments and disbursements.

IMPORTANT NOTES

The project must be included in a current DOH-approved Water System Plan or Small Water System Management Program. The deadline for submitting a Water System Plan to DOH is September 30, 2005. The deadline for submitting a Water System Plan Amendment or Small Water System Management Program to DOH is November 30, 2005. Systems that fail to meet these deadlines will become ineligible for funding. Submittal by the deadline does not guarantee DOH approval. The required plan must be approved by January 31, 2006. Applicants are encouraged to contact their DOH regional office to find out their planning requirements.

The DWSRF environmental review includes the State Environmental Review Process (SERP), whose purpose is to identify and analyze potential environmental impacts resulting from a DWSRF funded project. The review must be done in compliance with NEPA and SEPA. The DWSRF environmental review has been enhanced to include compliance with Section 106 of the National Historic Preservation Act, whose process seeks to reconcile historic preservation concerns with the needs of Federal undertakings through consultation among interested parties at the early stages of project planning.

For cities, counties, and towns required to plan under RCW 36.70A.040 (relative to the Growth Management Act) that have not adopted a comprehensive plan and development regulations, the project score will be reduced by one point.

Funding will be offered starting with the highest ranking projects until all funds are allocated. Funding is not guaranteed for each project submitted. If there are insufficient funds to fund all eligible projects, the nonfundable projects must be resubmitted in a future funding cycle.

OVERVIEW

What kinds of projects receive DWSRF loans?

Publicly owned (municipal) and privately owned water systems with projects that improve drinking water infrastructure and increase public health protection may be eligible for DWSRF loans.

Who is an eligible applicant?

All community and nonprofit noncommunity water systems may be eligible to apply, as long as they have no outstanding debt with DOH.

Examples of eligible community water systems include housing subdivisions, manufactured home parks, apartment complexes, and incorporated homeowners associations. Incorporated homeowners associations must have current articles of incorporation filed with the State of Washington, or a master business license.

Examples of noncommunity water systems include day schools and campgrounds. Nonprofit noncommunity water systems may be eligible to apply if the owner provides documentation of federal nonprofit status as part of the application. An organization becomes tax-exempt by applying for recognition of exemption from the Internal Revenue Service (IRS). Special purpose districts, such as schools, require state nonprofit documentation as part of the application.

Publicly owned (municipal) water systems serving either residential communities or nonresidential communities are eligible applicants. Eligible publicly owned water systems include those owned by:

- City governments
- County governments
- Public Utility Districts
- Special Purpose Districts (such as school districts, port districts, water & sewer districts, fire districts)

Federal and state-owned water systems are not eligible for DWSRF assistance.

Systems that are under an active state or federal enforcement action, are in significant noncompliance with a national primary drinking water regulation or variance, or have a red, yellow or blue operating permit related to infrastructure are not eligible for DWSRF assistance, unless:

- the purpose of the assistance is to address the cause of the enforcement action or significant noncompliance and will ensure that the system returns to compliance, or
- the problem is already being addressed by another project

Water systems owned by tribal governments are not eligible for a DWSRF loan for projects already receiving assistance from the national set-aside for Indian Tribes.

Systems must have source meters on all existing and proposed new sources of supply or must include source metering as part of the proposed project. In most cases, systems must also have service meters on all existing service connections or must include service meters as part of the proposed project.

What are eligible projects and activities?

DWSRF loan funds may be used for projects that:

- Address existing water system problems that may cause a drinking water system to exceed health standards;
- Prevent future violations of the SDWA or state rules;
- Replace aging infrastructure to maintain compliance or to further public health protection goals of the SDWA;
- Are categorized as treatment, transmission, distribution, source, or storage projects;
- Finance purchase costs incurred by publicly owned systems associated with restructuring of systems;
- Main extensions to connect to safe and reliable sources of drinking water;
- Retroactively finance eligible publicly owned (municipal) projects that were constructed after July 1, 1993. Eligible projects may include

those that address surface water, primary chemical contaminants, and capital construction projects to address a compliance order. Projects constructed after January 1, 2004 receive a higher value. Systems must demonstrate they have met all federal and state requirements, retroactively. Applicants are advised that projects are not guaranteed funding, and failure to execute a loan contract will result in no DWSRF assistance being provided;

- Acquire real property from a willing seller if it is an integral part of a capital construction project being funded;
- Planning and design costs directly related to an eligible project;
- Include installation of source meters;
- Include installation of service meters as part of a capital construction project;
- Include reservoirs (clear wells) that are part of the treatment process and are co-located with the treatment facility;
- Include distribution reservoirs (finished water);
- *Create new Group A systems;
- **Include security measures.

*Group B systems and/or individual water supply systems may apply for DWSRF loan assistance provided they meet all of the following conditions:

1. Upon completion of the project, the system will be a Group A community water system;
2. The project must address existing public health problems that pose serious risks;
3. The project must be limited in scope to the specific geographic area affected by the contamination;
4. The project must be a cost-effective solution to solving the public health problem;
5. The applicant must have given sufficient public notice to potentially affected parties and considered alternative solutions to address the problem;
6. The project can only be sized to accommodate a reasonable amount of growth expected over the life of the facility; growth cannot be a substantial portion of the project.

   Note: Applicants should contact DOH for further guidance on meeting these conditions.

**If the security measures are directly related to the primary project, they may be included as a part of the project, in which case the project would score according to the primary project's risk category. Security measures can also be submitted as a stand-alone project, in which case the project would score as a category 5. Examples of security projects:

- Enhanced filtration/disinfection (for biological agents);
- Enhanced treatment (for chemical agents);
- Cover finished water reservoirs;
- Fencing facility area;
- Security cameras/lighting/motion detectors;
- Redundancy (systems and power);
- Secure chemical and fuel storage;
- Lab equipment;
- Backflow prevention devices in distribution systems (must be owned/maintained by system);
- Installing security hatches on reservoir/tank access panels and vents;
- Protective measures identified as necessary through a cross-connection control program;

It is important to note that, in most cases, the loan repayment period is 20 years or the life expectancy of the project, whichever is less. Projects may require life expectancy certification.

Eligible projects may be designed to accommodate reasonable growth. This is generally the 20-year projection included in the system's water system plan or small water system management program.

What are ineligible projects and activities?

- Restructuring (purchasing) costs incurred by privately owned systems;
- Point of use treatment devices for community systems and most noncommunity systems;
- Conservation projects that are not part of a larger, eligible project;
- Dams, or rehabilitation of dams;
- Raw water reservoirs;
- Water rights, except if the water rights are owned by a public water system that is being purchased through consolidation;
- Laboratory fees for monitoring;
- Operation and maintenance expenses (for example: reservoir cleaning, coating, painting);
- Projects needed mainly for fire protection;

- Projects primarily intended to serve future growth;
- Projects for a Group B system or individual water supply systems, unless the systems are being consolidated into a Group A system;
- Studies or assessments not part of a capital construction project.
- Projects solely for preconstruction activities.

THE PROCESS

DOH reviews the applications for eligibility and system capacity. A draft prioritized project list is developed and the applications are forwarded to the Board's staff.

The draft prioritized project list is included in the draft *Intended Use Plan* and posted for a thirty-day public review. After considering the public comments, the *Intended Use Plan* is finalized and submitted as part of the state's DWSRF grant application package to EPA for review and approval.

The Board's staff evaluates the applications for the ability to repay loans and readiness to proceed with the project. Additionally, the Board's staff, in cooperation with CTED, conducts an environmental review of each proposed project. A list of the loan applications is forwarded to the Board for approval.

Once EPA awards the grant, loan agreements will be negotiated and executed. Loan funds can then be disbursed.

Step 1: Eligibility Review

General (DOH)

Applications are reviewed by DOH's criteria:

- Applicants must be an eligible entity to receive a loan;
- The proposed project(s) must be eligible;
- The proposed project(s) is in compliance with state land use planning (e.g. Growth Management Act);
- Systems that are under an active state or federal enforcement action, or are in significant noncompliance with any national primary drinking water regulation or variance are not eligible for DWSRF assistance, unless:
  - the purpose of the assistance is to address the cause of the enforcement action, significant noncompliance, or red, yellow or blue operating permit (related to infrastructure) and will ensure that the system returns to compliance, or
  - the problem is already being addressed by another project
- Applicants must have a source meter on all sources;
- In most cases, proposed projects must include service meters on all unmetered services. See "Service Meter Exemptions" below;
- Applicants must demonstrate that its system meets system capacity requirements. See "System Capacity Requirements", page 6.

Service Meter Exemptions will be given to:

- Transient, noncommunity systems;
- Mobile home parks or apartment complexes with master meters;
- On a case-by-case basis, if DOH determines that the cost of the meters is prohibitive for the DWSRF project as a whole and waiving the meter requirement is necessary to move the project forward and promote priority public health issues. *Note: Bonus points will be awarded to projects that include installing service meters on unmetered services. Waivers must be requested in the application on page 3, and service meter related costs must be entered in the application on page 9, Section III, Estimated Project Costs. If DOH exempts the project from installing service meters, the loan request will be reduced by the estimated cost shown in Section III. Applicants requesting waivers must answer "Yes" to either (1) OR (2)* ***AND*** *(3) OR (4) below:*

(1) The project is a high public health priority problem and addresses either a microbial risk (category 1), primary inorganic chemical risk (category 2), or other primary chemical risk (category 3);

OR

(2) The water system is under an active enforcement order and the project will address either a secondary chemical/sea water intrusion risk (category 4) or is considered an infrastructure/distribution project (category 5);

AND

(3) The cost of installing the meters is one-third or more of the total project cost (total project cost includes service meters). Enter estimated meter installation costs in the application. Examples of meter installation costs include locating, labor, excavating, disinfection/flushing of connections, replacement of damaged mains as a result of installing the meters;

OR

(4) An income survey conducted by the Board's staff demonstrates that at least 51% of the customers are at or below 50% of the county median household income as defined annually by the United States Department of Housing and Urban Development (HUD).

System Capacity Requirements:

Applicants must meet system capacity requirements. For DWSRF, DOH considers the system to be in compliance with this requirement if:

1. The proposed project is listed in the system's current DOH-approved Water System Plan; or the system has a current DOH-approved Small Water System Management Program and a project report justifying the need for and feasibility of the proposed project;

2. The system has a satisfactory operating permit status. If the system has a red, yellow or blue operating permit related to infrastructure, the project must address the cause; and

3. The system is in compliance with any active enforcement actions related to infrastructure, if applicable (DOH-issued departmental orders, penalties, bilateral compliance agreements or federally issued administrative orders or stipulated penalties).

Projects considered eligible for funding, yet not currently meeting the system capacity requirements may still qualify for a loan if the applicant documents compliance as part of the proposed project.

NOTE: *The project must be included in a current DOH-approved Water System Plan or Small Water System Management Program. The deadline for submitting a Water System Plan to DOH is September 30, 2005. The deadline for submitting a Water System Plan Amendment or Small Water System Management Program to DOH is November 30, 2005. Systems that fail to meet these deadlines will become ineligible for funding. Submittal by the deadline does not guarantee DOH approval. The required plan must be approved by January 31, 2006. Potential applicants are strongly encouraged to contact their DOH regional office immediately to find out their planning requirements.*

Appeal Process:

When a proposed project does not meet all of the eligibility criteria, applicants will be disqualified. Applicants have ten working days from the date of notification of disqualification to submit a letter along with supporting documentation to DOH asking for reconsideration. This letter should explain how the proposed project meets the eligibility criteria listed here.

Step 2: Priority Ranking (DOH)

A critical element in the priority ranking is the applicant's definition of the risk or problem that the proposed project is designed to eliminate. This information must be clearly presented in order for the proposed project to be accurately ranked.

DOH staff develops a prioritized project list by ranking each application using the score sheet contained in Appendix E.

The types of public health risk that will be addressed by the proposed projects are categorized as follows and listed in priority order:

Risk Category 1: Microbial
Risk Category 2: Primary inorganic chemical
Risk Category 3: Other primary chemical
Risk Category 4: Secondary chemical/sea water intrusion
Risk Category 5: Infrastructure replacement, or other distribution improvements

Within each of those categories, scoring is based on the type of project proposed. The basic scores for each risk category are listed in Appendix E.

Bonus points may be awarded after consideration of the following:

a) Compliance
b) Restructuring benefit
c) Regional benefit
d) Multiple benefit
e) Affordability
f) Service meters

For cities, counties, towns required to plan under RCW 36.70A.040 (relative to the Growth Management Act) that have not adopted a comprehensive plan and development regulations, the project score will be reduced by one point.

After project scoring, DOH develops a draft priority funding list. For those projects receiving identical scores, the populations benefiting from the proposed projects are used as a tiebreaker. DOH forwards the draft priority funding list and applications to the Board's staff for financial review.

Step 3: Financial Review (Public Works Board)

Upon receiving the draft priority funding list, the Board's staff proceeds with its financial review. All non-municipal applicants will be required to submit additional financial information:

- Copies of the borrower's tax returns for 2002, 2003, 2004
- Balance sheet statement for 2002, 2003, 2004
- Three business references
- Financial capacity worksheets

Each application is reviewed for:

1. Ability to repay the loan
2. Readiness to proceed with the project
3. Ability to complete the project

Once an application passes this review, a final loan list is presented to the Board for approval. If an applicant does not agree with the Board's staff recommendation regarding a particular project, the applicant may request a review by the Board. Written requests for a review must be received two weeks in advance of a Board meeting. (A schedule of meeting dates is located in the State Register or at www.pwb.wa.gov, or by contacting the Board's staff.) The Board's decision is a final determination of the applications' status prior to its submittal to EPA for its approval.

Following this review, applicants unable to demonstrate ability to repay a loan, or applicants with insufficient security, or projects that are not ready to proceed will be bypassed on the loan list. DOH and the Board's staff will offer technical assistance to these applicants so they can meet program requirements and reapply for funding in a future loan cycle, or to help them identify restructuring options.

Step 4: Environmental Review (Public Works Board)

Section 106 of the National Historic Preservation Act requires Federal agencies to take into account the effects of their undertakings on historic properties and provide the Advisory Council on Historic Preservation with a reasonable opportunity to comment on such undertakings. The Section 106 process seeks to reconcile historic preservation concerns with the needs of Federal undertakings through consultation among interested parties at the early stages of project planning. The goal of such consultation is to identify historic properties potentially affected by the undertaking, assess possible adverse effects on historic properties, and seek ways to avoid, minimize or mitigate these effects. As part of that process, each agency must consult with the Office of Archaeology and Historic Preservation to assure that cultural resources are identified, and to obtain the formal opinion of the Office on each site's significance and the impact of its action upon the site.

Besides the steps shown in the State Environmental Review Process (SERP) Instructions below, further steps are required for projects that require an archaeological survey. It is important to note that surveys and project adjustments resulting from surveys may cause project delays and cost increases. Procedures are currently being developed to outline the Section 106 process.

The SERP analyzes and identifies potential environmental impacts that could result from a DWSRF funded project. This review is done in compliance with the National Environmental Policy Act (NEPA) and the State Environmental Policy Act (SEPA).

The Board's staff reviews the environmental documents associated with the project. A site visit may occur, and the assistance of the state's Office of Archaeology and Historic Preservation and other agencies dealing with historic or environmental impacts may be required.

If the proposed project appears to be environmentally acceptable or the plan to mitigate environmental impacts is acceptable, CTED will issue an Environmental Review Concurrence letter. This notifies the borrower that the proposed project is environmentally acceptable.

Any proposed DWSRF projects using other federal funding that requires NEPA review (e.g., Community Development Block Grant or USDA/Rural Development) may use the most stringent environmental review process to comply with DWSRF requirements.

Step 5: Intended Use Plan (EPA)

The *Intended Use Plan* is a federally required document that forms the basis of the public review process. It provides public notice and outlines the state's intent to loan funds for specific projects. It is part of the capitalization grant application package used by EPA to award DWSRF dollars to Washington State.

The draft *Intended Use Plan* includes a draft priority funding list of eligible projects that have been evaluated by DOH. This draft intended use plan is posted for public review and comment for 30 days. Comments received on the draft may result in changes in project scoring / priority ranking that will be reflected in the final intended use plan.

After the 30-day public review and comment period, the *Intended Use Plan* is finalized and submitted to EPA as part of the grant application package.

It is the capitalization grant application package, containing the final *Intended Use Plan* that is submitted to EPA enabling DOH to receive the federal dollars which, when combined with state match dollars, become DWSRF loans.

Step 6: Loan Offers (Public Works Board)

Once EPA has awarded the capitalization grant, the Board's staff begins negotiating and offering loans. The applicant has 90 days from the date the loan agreement is mailed to complete and return the loan agreement or request a time extension.

Loan draws are reimbursement only. Board staff will notify applicants when they can start incurring costs for their projects. Please note that in most cases, applicants must have DOH-approved project report(s) and construction document(s), if applicable, for the entire project before any reimbursements can be made for construction activities.

All applicants should review:

Appendix G: The Loan Agreement

Appendix H: Guidelines for Preparing the Scope of Work

Appendix I: Attachments to a DWSRF loan Agreement

Appendix J: Competitive Bid Procedures for DWSRF Borrowers

Appendix K: Small and Disadvantaged Business Utilization Requirements

Appendix O: Frequently Used Acronyms

Appendix P: Glossary of Terms

APPENDIX A

Loan Terms for 2005

Income Level of Households	Interest Rate	Loan Fee	Loan Repayment Period
Water system is not located in an economically distressed county (see page 35).	1.5%	1%	Twenty (20) years or life of the project, whichever is less
Water system is located in an economically distressed county (see page 35).	1%	1%	Twenty (20) years or life of the project, whichever is less
51% of the water system households are at or below 80% of the county's median income.	0.5%	1%	Twenty (20) years or life of the project, whichever is less
51% of the water system households are at or below 50% of the county's median income.	0%	1%	Thirty (30) years or life of the project, whichever is less

Maximum Award

A maximum of $4,000,000 may be awarded to each water system applying this loan cycle. Multiple systems participating in one project (shared facilities) or satellite management agencies that are restructuring systems may combine loans up to a maximum of $8,000,000.

Local Match Requirement

No local match is required.

Loan Fee

The loan fee is not subject to the loan limit, e.g. for a project budgeted at $4 million, the applicant may apply for a $4,040,000 loan -- $4 million for the project plus the $40,000 loan fee. The loan fee is incorporated into the loan and is retained by the state when the first loan draw is made. The loan fee is non-refundable. Incorporating the loan fee into the loan increases the project cost by approximately 1%.

Potential Costs:

Other potential costs associated with the project can include, but are not limited to:

- Environmental review
- Competitive bidding
- Audit costs
- Insurance costs
- Prevailing wage
- Attorney fees
- Archaeological Advanced Inventory on project sites which have been placed on the list of Historic/Cultural Preservation

APPENDIX B

Available Technical Assistance

Department of Health,
Drinking Water Headquarters

Chris Gagnon
Post Office Box 47822
Olympia, Washington 98504-7822

360/236-3095
FAX: 360/236-2252

email: chris.gagnon@doh.wa.gov
http://www.doh.wa.gov/ehp/dw/Our_Main_Pages/dwsrf.htm

Department of Health,
Drinking Water Regional Offices

Eastern Regional Office
1500 West 4th Ave, Suite 305
Spokane, Washington 99204
509/456-3115

Counties served: Adams, Asotin, Benton, Chelan, Columbia, Douglas, Ferry, Franklin, Garfield, Grant, Kittitas, Klickitat, Lincoln, Okanogan, Pend Oreille, Spokane, Stevens, Walla Walla, Whitman and Yakima

Southwest Regional Office
Post Office Box 47823
Olympia, Washington 98504-7823
360/664-0768

Counties served: Clallam, Clark, Cowlitz, Grays Harbor, Jefferson, Kitsap, Lewis, Mason, Pacific, Skamania, Thurston and Wahkiakum

Northwest Regional Office
20435 72nd Avenue South, Suite 200
Kent, Washington 98032
253/395-6750

Counties served: Island, King, Pierce, San Juan, Skagit, Snohomish and Whatcom

Public Works Board
Client Services Representatives

Client Services Representatives (CSRs) are your primary contacts for all matters dealing with DWSRF loan services, including the development of your DWSRF loan application. They are supported by the Contracts and Information Workgroup, which handles routine contract matters, fund transfers to clients, and loan billings.

Leslie Hafford 360/586-4128 leslie.hafford@pwb.wa.gov Clallam, Jefferson, Mason, Okanogan, Skagit, Whatcom	Isaac Huang 360/586-4129 isaac.huang@pwb.wa.gov Chelan, Grays Harbor, King, Pierce
Bruce Lund 360/586-4134 bruce.lund@pwb.wa.gov Adams, Cowlitz, Douglas, Ferry, Grant, Kitsap, Kittitas, Lewis, Lincoln, Pacific, Pend Oreille, Spokane, Stevens, Wahkiakum, Thurston	Terry Dale 360/586-4126 terry.dale@pwb.wa.gov Asotin, Benton, Clark, Columbia, Franklin, Garfield, Island, Klickitat, San Juan, Skamania, Snohomish, Walla Walla, Whitman, Yakima

Enid Z. Melendez
360/586-4131
enid.melendez@pwb.wa.gov

All privately-owned systems statewide
DWSRF environmental review

For more information, contact your Client Services Representative or call 360/586-4120. The Public Works Board website is located at www.pwb.wa.gov. You may also write to: Public Works Board, Post Office Box 48319, Olympia, Washington 98504-8319.

OTHER USEFUL TELEPHONE NUMBERS AND ADDRESSES	
If you have questions about…	**…then contact:**
Water Rights	Department of Ecology, Water Resources, Headquarters: 360/407-6000 Northwest: 425/649-7000 Southwest: 360/407-6300 Central: 509/575-2490 Eastern: 509/329-3400 www.ecy.wa.gov/programs/wr/rights/water-right-home.html
Growth Management Act	Office of Community Development Growth Management Services P.O. Box 48350, Olympia, Washington 98504-8350 Telephone: 360/725-3000 www.cted.wa.gov/growth
State Drinking Water Program	Chris Gagnon Department of Health, Office of Drinking Water P.O. Box 47822, Olympia, Washington 98504-7822 email address: chris.gagnon@doh.wa.gov Telephone: 360/236-3095 www.doh.wa.gov/ehp/dw/Our_Main_Pages/dwsrf.htm
Environmental Review Process for the DWSRF Program	Enid Melendez Public Works Board/Drinking Water Program P.O. Box 48319, Olympia, Washington 98504-8319 email address: enid.melendez@pwb.wa.gov Telephone: 360/586-4131
Investor-Owned Water Systems	Gene Eckhardt Utilities and Transportation Commission, Regulatory Services P.O. Box 47250, Olympia, Washington 98504-7250 Telephone: 360/664-1249 www.wutc.wa.gov
The Infrastructure Assistance Coordinating Council's (IACC) infrastructure funding database is your resource for locating infrastructure funding or technical assistance in Washington State	www.infrafunding.wa.gov

APPENDIX C

ELIGIBLE AND INELIGIBLE APPLICANTS

Eligible Applicants:

1. Publicly and privately owned water systems in Washington State may apply for a DWSRF loan to assist in financing water system projects that address public health risk and systems that are out of compliance with the standards of the Safe Drinking Water Act.

   Eligible systems include all community Group A water systems, either privately or publicly owned, or nonprofit noncommunity Group A water systems. Nonprofit noncommunity systems must provide documentation of federal nonprofit status as part of their application. Homeowner associations must be incorporated and have current articles of incorporation filed with the state of Washington or a master business license.

2. Group A water systems are defined in Chapter 246-290 WAC, and in Appendix P, Glossary.
3. Group B systems or individual water supply systems may be eligible to apply for a loan only if they meet all of the following conditions:
   a. Upon completion of the project, the system will be a Group A community water system.
   b. The project must address existing public health problems that pose serious risks.
   c. The project must be limited in scope to the specific geographic area affected by the contamination.
   d. The project must be a cost-effective solution to solving the public health problem.
   e. The applicant must have given sufficient public notice to potentially affected parties and considered alternative solution to address the problem.
   f. The project can only be sized to accommodate a reasonable amount of growth expected over the life of the facility. Growth cannot be a substantial portion of the project.

   Note: Applicants should contact DOH for further guidance on meeting these conditions.

Water systems owned by tribal governments are not eligible for a DWSRF loan for projects already receiving assistance from the national set-aside for Indian Tribes.

Ineligible Applicants:

1. Federally owned water systems.
2. Water systems owned by Washington State.
3. Individual Water Systems and Group B water systems, unless they meet the criteria for creating a new Group A water system.
4. Systems that are under an active state or federal enforcement action, or are in significant noncompliance with any national primary drinking water regulation or variance or have a red, yellow or blue operating permit related to infrastructure are not eligible for DWSRF assistance, unless:
   - the purpose of the assistance is to address the cause of the enforcement action/significant noncompliance and will ensure that the system returns to compliance, or
   - the problem is already being addressed by another project

APPENDIX D

Eligible Project Costs (Must be directly attributable to the project)

1. Acquisition of real property from a willing seller as an integral part of a capital construction project being funded:
   a. Purchase of land and easements acquired for and devoted to the project from a willing seller;
   b. Purchase of improvements;
   c. Adjustment or re-establishment of improvements;
   d. Salaries, expenses or fees of appraisers, negotiators or attorneys;
   e. Removal or demolition of improvement; and
   f. Other direct costs in connection with acquisition. Amounts received from the sale of excess real property or improvements and from any rental will be reduced from the direct costs.
2. The costs for complying with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970.
3. DWSRF loan fees.
4. The purchase of a portion of another system's capacity, if it is the most cost effective solution (limited to publicly owned (municipal) systems).
5. Construction of reservoirs (clear wells) that are part of the treatment process and are co-located with the treatment facility.
6. Construction of distribution reservoirs (finished water).
7. Cost associated with restructuring or consolidation of existing water systems by publicly owned water systems.
8. Main extensions to connect to safe and reliable sources of drinking water.
9. Refinancing of debts for projects (that address surface water, volatile organic chemicals (VOCs), inorganic chemicals (IOCs), and projects for systems under a compliance order to construct a project) when they have been incurred by publicly owned (municipal) water systems after July 1, 1993. Projects constructed after January 1, 2004 score higher.
10. Cost associated with collecting and preparing environmental assessment documents to obtain local permits.
11. Direct labor including related employee benefits:
    a. Salaries and wages (at actual or average rates) covering productive labor hours of employees of the borrower (excluding the administrative organization of the operating unit involved) for periods of time actively or incidentally engaged in pre-design engineering, design engineering, construction engineering, acquisition of rights of way, and the cleaning, sterilization or bacteriological testing of water system components prior to public use. The costs of services rendered by employees generally classified as administration/project management of the loan are considered a direct cost only when such employees are assigned the types of services described above and shall be limited to 3% or less of the project loan amount.
    b. Employee benefits relating to labor are considered a direct cost of construction projects. The following items may be included as employee benefits:
       - F.I.C.A. (Social Security) – employer's share;
       - Retirement benefits;
       - Hospital, health, dental, and other welfare insurance;
       - Life insurance;
       - Industrial and medical insurance;
       - Vacation;
       - Holiday;
       - Sick leave; and
       - Military leave and jury duty.

       Employee benefits must be calculated as a percentage of direct labor dollars. The

computation of predetermined percentage rates to be applied to current labor costs must be based on the average of total employee benefits and total labor costs for the prior fiscal year and adjusted by known current year variations.

c. Other than work identified in Number 11.a, no costs associated with labor performed by the borrower's employees, including force account work, are eligible for financing assistance.

12. Contract engineering, planning, design, legal, and financial planning services. The Board reserves the right to declare ineligible legal costs that are unreasonable and disproportionate to the project.

13. Contract construction work.

14. Direct vehicle and equipment charges at the actual rental cost paid for the equipment or, in the case of city or county-owned equipment, at the rental rates established by the local government's "equipment rental and revolving fund" following the methods prescribed by the division of municipal corporations. However, such costs must be charged on a uniform basis to equipment used for all projects regardless of the source of funding. Cities with a population of eight thousand or less not using this type of fund are allowed the same rates as used by the State Department of Transportation.

15. Direct materials and supplies.

16. Other direct costs incurred for materials or services acquired for a specific project are eligible costs and may include, but are not limited to such items as:

    a. Telephone charges;
    b. Reproduction and photogrammetry costs;
    c. Video and photography for project documentation;
    d. Computer usage; and
    e. Printing and advertising.

17. Other project related costs include:
    - Environmental Review;
    - Competitive Bidding;
    - Audit;
    - Insurance;
    - Prevailing wages;
    - Attorney fees;
    - Archaeological Advanced Inventory

It is important to note that the repayment period for all loans is 20 years or the life expectancy of the project, whichever is less.

Projects may be designed to accommodate reasonable growth. This is generally the 20-year projection included in the system's water system plan or small water system management program.

APPENDIX E

Project Prioritization Ranking Criteria

All eligible applications will be scored based on the following criteria. An application will receive points in only one of the sections.

RISK CATEGORY 1. The proposed project will eliminate **Microbial Risk** by:

TYPE OF PROJECT	POINTS*
New Source	85
Source Reconstruction	80
Disinfection Improvements	75
Filtration	75
Reservoir Improvements	65
Other	65 – 85
BONUS POINTS	
Compliance Status	0 / 20 / 35
Restructuring	unlimited
Regional Benefit	0 – 5
Multiple Benefit	0 – 4
Affordability	0 – 10
Service Meter Installation	0 / 2
COMPREHENSIVE PLANNING	
Compliance with GMA	- 1 / 0

Note: For risk category 1, retroactive financing is available for municipal surface water projects only

Examples of Microbial Risk:

- Disinfection projects
- Source projects, including source reconstruction and new sources that replace existing sources
- Covering, repair, replacement or other improvements to existing distribution reservoirs

* *Publicly owned (municipal) projects constructed after July 1, 1993 may be eligible for retroactive reimbursement. Eligible projects include those that address surface water, primary chemical contaminants, and capital construction projects to address a compliance order. Projects constructed after January 1, 2004 receive a higher score, as shown on pages 16-18. Projects constructed between July 1, 1993 and January 1, 2004 receive a lower score, as shown on page 21.*

RISK CATEGORY 2. The proposed project will eliminate **Primary Inorganic Chemical Risk** by:

TYPE OF PROJECT	POINTS*
New Source	80
Source Reconstruction	75
Treatment	70
Other	70 - 80
BONUS POINTS	
Compliance Status	0 / 20 / 35
Restructuring	unlimited
Regional Benefit	0 – 5
Multiple Benefit	0 – 4
Affordability	0 – 10
Service Meter Installation	0 / 2
COMPREHENSIVE PLANNING	
Compliance with GMA	- 1 / 0

Examples of Primary Inorganic Chemical Risk:

- Antimony (Sb)
- Arsenic (As)
- Asbestos
- Barium (Ba)
- Beryllium (Be)
- Cadmium (Cd)
- Chromium (Cr)
- Copper (Cu)
- Cyanide (HCN)
- Fluoride (F) (exceedance of 4.0 MCL)
- Lead (Pb)
- Mercury (Hg)
- Nickel (Ni)
- Nitrate (as N)
- Nitrite (as N)
- Selenium (Se)
- Thallium (Tl)

***** *Publicly owned (municipal) projects constructed after July 1, 1993 may be eligible for retroactive reimbursement. Eligible projects include those that address surface water, primary chemical contaminants, and capital construction projects to address a compliance order. Projects constructed after January 1, 2004 receive a higher score, as shown on pages 16-18. Projects constructed between July 1, 1993 and January 1, 2004 receive a lower score, as shown on page 21.*

RISK CATEGORY 3. The proposed project will eliminate **Other Primary Chemical Risk** by:

TYPE OF PROJECT	POINTS*
New Source	70
Treatment	65
Other	65 - 70
BONUS POINTS	
Compliance Status	0 / 20 / 35
Restructuring	unlimited
Regional Benefit	0 – 5
Multiple Benefit	0 – 4
Affordability	0 – 10
Service Meter Installation	0 / 2
COMPREHENSIVE PLANNING	
Compliance with GMA	- 1 / 0

Examples of Other Primary Chemical Risk:

- Trihalomethanes
- Radionuclides
- Organic chemicals

* *Publicly owned (municipal) projects constructed after July 1, 1993 may be eligible for retroactive reimbursement. Eligible projects include those that address surface water, primary chemical contaminants, and capital construction projects to address a compliance order. Projects constructed after January 1, 2004 receive a higher score, as shown on pages 16-18. Projects constructed between July 1, 1993 and January 1, 2004 receive a lower score, as shown on page 21.*

RISK CATEGORY 4. The proposed project will eliminate **Secondary Chemical / Sea Water Intrusion Risk** by:

TYPE OF PROJECT	POINTS*
New Source	50
Treatment	45
Other	45 - 50
BONUS POINTS	
Compliance Status	0 / 10 / 35
Restructuring	unlimited
Regional Benefit	0 – 5
Multiple Benefit	0 – 4
Affordability	0 – 10
Service Meter Installation	0 / 2
COMPREHENSIVE PLANNING	
Compliance with GMA	- 1 / 0

Examples of Secondary Chemical / Sea Water Intrusion Risk:

- Chloride (Cl)
- Fluoride (F) (exceedance of 2.0 MCL)
- Iron (Fe)
- Manganese (Mn)
- Silver (Ag)
- Sodium (Na)
- Sulfate (SO_4)
- Zinc (Zn)

* *Publicly owned (municipal) projects constructed after July 1, 1993 may be eligible for retroactive reimbursement. Eligible projects include those that address surface water, primary chemical contaminants, and capital construction projects to address a compliance order. Projects constructed after January 1, 2004 receive a higher score, as shown on pages 16-18. Projects constructed between July 1, 1993 and January 1, 2004 receive a lower score, as shown on page 21.*

RISK CATEGORY 5. The proposed project will provide **Infrastructure Replacement or Other Distribution Improvements** by:

TYPE OF PROJECT	POINTS*
Distribution Reservoir (new / add'l)	30
Main / Distribution Improvements / Booster Pump / Seismic Improvements	25
Installation of Pressure Reduction Device (stand-alone project)	20
Installation of Backflow Prevention Device (stand-alone project)	15
Security Measures (stand-alone project)	10
Treatment Plant Discharge Improvements	5
Other (such as telemetry, additional source)	1 - 30
BONUS POINTS	
Compliance Status	0 / 10 / 35
Restructuring	unlimited
Regional Benefit	0 – 5
Multiple Benefit	0 – 4
Affordability	0 – 10
Service Meter Installation	0 / 2
COMPREHENSIVE PLANNING	
Compliance with GMA	- 1 / 0

Examples:

- Installation of source meters
- Installation of additional distribution reservoir
- Installation of treatment plant discharge improvements
- Installation of pressure reduction device(s)
- Installation of backflow prevention device(s)
- Security measures (cameras, fencing, lighting, lab equipment, chemical storage) not included as part of a category 1-4 project
- Replacement of infrastructure
- Other distribution improvements

* *Publicly owned (municipal) projects constructed after July 1, 1993 may be eligible for retroactive reimbursement. Eligible projects include those that address surface water, primary chemical contaminants, and capital construction projects to address a compliance order. Projects constructed after January 1, 2004 receive a higher score, as shown on pages 16-18. Projects constructed between July 1, 1993 and January 1, 2004 receive a lower score, as shown on page 21.*

RETROACTIVE FINANCING (MUNICIPALLY-OWNED PROJECTS ONLY):

TYPES OF PROJECTS ELIGIBLE FOR RETROACTIVE FINANCING	POINTS* FOR PROJECTS CONSTRUCTED BETWEEN JULY 1, 1993 & JANUARY 1, 2004
Risk Category 1: • Surface Water Remediation (only)	7
Risk Category 2: • Antimony (Sb) • Arsenic (As) • Asbestos • Barium (Ba) • Beryllium (Be) • Cadmium (Cd) • Chromium (Cr) • Copper (Cu) • Cyanide (HCN) • Fluoride (F) (exceedance of 4.0 MCL) • Lead (Pb) • Mercury (Hg) • Nickel (Ni) • Nitrate (as N) • Nitrite (as N) • Selenium (Se) • Thallium (Tl)	6
Risk Category 3: • Trihalomethanes • Radionuclides • Organic chemicals	5
Projects that address an enforcement order (any risk category)	

* *Publicly owned (municipal) projects constructed after July 1, 1993 may be eligible for retroactive reimbursement. Eligible projects include those that address surface water, primary chemical contaminants, and capital construction projects to address a compliance order. Projects constructed after January 1, 2004 receive a higher score, as shown on pages 16-18. Projects constructed between July 1, 1993 and January 1, 2004 receive a lower score, as shown on page 21.*

More Scoring Information:
Projects that eliminate a public health risk rate the highest in each category on the score sheet. DOH considers the elimination of microbial public health risks by acquiring a new source, replacing or reconstructing an existing source, purchasing supply from another system's source, or other restructuring options to be the highest priority. Scoring is generally from highest to lowest with microbial risk (risk category 1) rated high and infrastructure replacement (risk category 5) rated low. The risk category will be based upon the primary risk being addressed by the proposed project. If a proposed project is not included on the list of solutions, DOH will assign a score based on the solution's equivalent level of value compared to those solutions contained in the list.

*****Publicly owned (municipal) projects constructed after July 1, 1993 may be eligible for retroactive reimbursement. Eligible projects may include those that address surface water, primary chemical contaminants, and capital construction projects to address a compliance order. Systems must demonstrate they have met all federal and state requirements, retroactively, and should contact the Board's staff for assistance with this determination. Projects constructed after January 1, 2004 receive a higher value. Applicants are advised that projects are not guaranteed funding, and failure to execute a loan contract will result in no DWSRF assistance being provided.

- **Compliance:** A project that will eliminate a compliance problem(s) will score more points than a similar project for an applicant without a compliance problem. Highest value in each category will be awarded to projects where the system is subject to an active enforcement action (including DOH issuance of a departmental order, penalty, or bilateral compliance agreement or federal issuance of an administrative order or stipulated penalty). The middle value will be awarded to projects intended to eliminate an existing or potential problem, which would place the system out of compliance with the SDWA or to eliminate a red, yellow or blue operating permit (related to infrastructure), but the system is not under an active enforcement action. DOH will review its records to determine whether a system is under an active enforcement action. The applicant must submit documentation of the existing or potential compliance problem, as part of the application package, to receive the middle value bonus points. Without documentation, no bonus points will be awarded.
- **Restructuring benefit:** A project that will result in physically restructuring Group A water systems will receive three bonus points for each system being eliminated by the project, no maximum points.
- **Regional benefit:** A project that will benefit more than one Group A water system will receive one bonus point for each additional system benefiting, up to five points.
- **Multiple benefit:** A project with a benefit in more than one of the risk categories will receive one bonus point for each additional category, up to four points.
- **Affordability:** A project for a community water system with less "affordable" water will receive more points than a similar project for an applicant with more "affordable" water rates, up to ten points. Points are calculated during DOH review. Factors taken into consideration include whether the system is located in a distressed county, the county's median household income, and the system's water rates. <u>Applicants applying for bonus points must submit documentation of either the system's current average annual water rates or water rates to be implemented after project construction</u>. Rates identified in a water system plan, plan amendment, small water system management program, project report, or rates formally approved by the water system may be used as documentation.
- **Service Meters**: If a system is not fully metered and the project includes metering all services, two bonus points will be awarded.
- **Comprehensive Planning:** For cities, counties, towns required to plan under RCW 36.70A.040 (relative to the Growth Management Act) that have not adopted a comprehensive plan and development regulations, the project score will be reduced by one point.

APPENDIX F

DWSRF Environmental Review

OVERVIEW

Section 106 of the National Historic Preservation Act requires Federal agencies to take into account the effects of their undertakings on historic properties and provide the Advisory Council on Historic Preservation with a reasonable opportunity to comment on such undertakings. The Section 106 process seeks to reconcile historic preservation concerns with the needs of Federal undertakings through consultation among interested parties at the early stages of project planning. The goal of such consultation is to identify historic properties potentially affected by the undertaking, assess possible adverse effects on historic properties, and seek ways to avoid, minimize or mitigate these effects. As part of that process, each agency must consult with the Office of Archaeology and Historic Preservation to assure that cultural resources are identified, and to obtain the formal opinion of the Office on each site's significance and the impact of its action upon the site.

Besides the steps shown in the SERP Instructions below, further steps are required for projects that require an archaeological survey. It is important to note that surveys and project adjustments resulting from surveys may cause project delays and cost increases. Procedures are currently being developed to outline the Section 106 process.

State Environmental Review Process (SERP)
The SERP is an integral part of the DWSRF program. Its purpose is to identify and analyze potential environmental impacts resulting from a DWSRF funded project. The review must be done in compliance with NEPA and SEPA. Before a borrower can make draws for construction activities, it must complete SERP and gain environmental concurrence from CTED.

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Environmental Review Concurrence
CTED will review the environmental documents associated with the project. A site visit may occur, and the assistance of the state's Office of Archaeology and Historic Preservation and other agencies dealing with historic or environmental impacts may be required. If the proposed project appears to be environmentally acceptable or the plan to mitigate environmental impacts is acceptable, CTED will issue an Environmental Review Concurrence letter. This letter will notify borrowers of SERP acceptance and approval to release DWSRF funds.

Projects With Multiple Funding Sources
Any proposed DWSRF projects with other federal funding sources requiring NEPA review, including Community Development Block Grant (CDBG) or USDA/Rural Development, may use the most stringent environmental review process to comply with DWSRF requirements.

INSTRUCTIONS

These SERP instructions offer a step-by-step process to be followed by each DWSRF borrower. The instructions describe how to proceed if the SEPA and NEPA review findings are similar at each stage of the review. However, if the borrower experiences a situation where the SEPA and NEPA reviews do not end with similar findings, the borrower must follow the stricter environmental finding.

Step One: Submit an application and environmental information

The SERP coordinator at CTED is available to answer questions and to provide assistance. Telephone: 360/586-4131. The material required for the environmental review includes but may not be limited to the following items:

- Project identification (e.g., name of the project and jurisdiction, street address, map, legal description, etc.).
- Environmental checklists (if used) with data sources and explanations.
- Descriptions of actions or modifications that could be undertaken to minimize the identified adverse environmental impacts.
- Identification of project alternatives considered, including conducting the work in a different location or not undertaking the project. Each alternative should be analyzed, including the feasibility of each alternative and reasons why each should be adopted or rejected.
- Copies of all paperwork associated with the environmental review of the projects, including the following when applicable:

  - All environmental checklists completed for this project.
  - Finding and Determination Documentation.
  - Written identification of project alternatives and assessment of alternative impacts, including the no-action alternative.
  - Notification and responses from affected agencies.
  - Affidavits of publication, if necessary.
  - All public comments and agency responses to them.
  - Environmental Concurrence letter from CTED.
  - All correspondence relating to the Environmental Review Process.

Step Two: Determination of Eligibility for *Categorical Exemption* or *Categorical Exclusion*

Projects consisting of minor repair or rehabilitation may be eligible for an exclusion/exemption status. Work with the DWSRF Program Coordinator at CTED to determine, based on project related information, if the project is *categorically excluded* under NEPA [40 CFR Ch. 1 (7-1-97 Edition) 6.107] and *categorically exempt* under SEPA WAC 197.11.800. If the project is not *Categorically Excluded/Exempt*, the borrower must complete the environmental assessment described in Step Three.

If CTED determines the project is *excluded/exempt*, CTED will issue/sign a Finding of *Categorical Exclusion* and a Finding of *Categorical Exemption* to the borrower.

Upon receipt of this finding from CTED, the borrower shall:

- Publish a Finding of *Categorical Exclusion* and a Finding of *Categorical Exemption* and Notice to the Public of Intent to Request Release of Funds in the legal section of a local newspaper. The local newspaper must be of general circulation located in the "project" area.
- Submit an Affidavit of Publication of the Finding of *Categorical Exclusion* and a Finding of *Categorical Exemption* and Notice to the Public of Intent to Request Release of Funds to the CTED DWSRF Program Coordinator.
- Send a letter to CTED DWSRF Program Coordinator requesting the release of DWSRF funds.

Upon receipt of the request to release construction funds and the newspaper affidavit, CTED will notify the borrower by letter of CTED's environmental concurrence and approval to begin drawing funds to pay for eligible costs.

Note: If the project is determined to be excluded/exempt do not proceed to Step Three.

Step Three: Complete the Environmental Assessment

For projects that are not categorically excluded/exempt, the borrower contacts the SEPA lead agency to proceed with the environmental assessment. The SEPA lead agency may be the city, county, public utility district, or water district. If no local licenses are required for the project, a state agency with a license to issue will be the lead agency.

Most large jurisdictions have a Responsible Environmental Review Officer, usually the Planning Director, City Supervisor, or County Administrator. If possible, work with the Responsible Environmental Review Officer to complete the SEPA checklist.

If the SEPA checklist indicates that there may be significant impact on the environment that cannot be

mitigated, the lead SEPA agency makes a formal Determination of Significance/Scoping Notice. The borrower must submit this finding to the CTED DWSRF Program Coordinator for more information on how to proceed. It may be necessary to prepare a more thorough study called an "Environmental Impact Statement."

If there are no significant environmental impacts as a result of the project and the lead SEPA agency issues a Determination of Non-Significance (DNS), the borrower shall:

a) Provide a copy of the DNS and completed SEPA Environmental Checklist to the DWSRF SERP Coordinator.
b) Work with the DWSRF SERP Coordinator to supplement the completed SEPA environmental checklist as necessary, to include the following:

    - Identify and analyze feasible alternatives to the proposed project including the no-action alternative;
    - Evaluate the environmental consequences of the proposed action and the alternatives, and assess the adverse consequences on the existing environment and the future environment; and
    - Describe how to minimize adverse effects of the proposed action, including mitigating measures.

Together, the SEPA Environmental Checklist, and the above supplemental assessments will comprise an "Environmental Assessment" (EA). If the EA determines that there are no significant environmental impacts as a result of the project, CTED will issue a Finding of No Significant Impact (FONSI).

The borrower will publish, in the legal section of a local newspaper of general circulation, located in the "project" area, the FONSI and Notice to the Public of Intent to Request Release of Funds. CTED will distribute the FONSI to any interested agencies, groups or persons.

CTED must wait a minimum of 15 days after the date of publication of the FONSI before releasing any funds. This allows the public to review and comment to CTED. CTED will take these comments into consideration prior to the release of loan funds.

Any mitigation measures determined by CTED to be necessary to make the project environmentally acceptable will be cited in the FONSI, and/or included as conditions of the release of loan funds.

If no significant issues were raised during the fifteen (15) day FONSI public review period, CTED will notify the borrower by letter of the completion of the environmental review and release of funds to cover eligible project costs. However, if issues are raised and objections found to be legitimate, CTED will not release funds to the borrower until the objections are resolved.

If the EA indicates that a significant impact may occur as a result of the project and the impact cannot be mitigated, proceed to Step Four.

Step Four: Environmental Impact Statement (EIS)

If after working through the SEPA checklist, a Determination of Significance/Scoping Notice is issued by the lead SEPA agency, an Environmental Impact Statement (EIS) will be required.

An EIS will also be required if, based on the EA, impacts are determined to be significant and a FONSI cannot be issued.

The borrower will work with the lead SEPA agency to complete the EIS process. A SEPA EIS may require a public hearing to provide comment on the draft EIS. CTED will co-lead with the SEPA agency to complete the EIS. CTED will work with the SEPA lead agency to ensure the SEPA EIS meets all requirements for the NEPA EA or NEPA EIS. If the requirements for a NEPA EA are met, CTED will issue a FONSI, with necessary mitigation measures as described above under Step Three. If the requirements for a NEPA EIS are met, the SEPA EIS will be adopted by CTED, and a Record of Decision (ROD) will be issued, in conformance with NEPA, including required mitigation measures.

ENVIRONMENTAL COMPLIANCE MONITORING PROCESS

CTED DWSRF staff may monitor projects after the release of funds to determine if mitigation requirements have been satisfied.

PROCEDURES FOR OBJECTIONS TO ENVIRONMENTAL REVIEW DETERMINATIONS

Objections submitted to CTED regarding environmental determinations (categorical exclusion/exemptions, Finding of Non Significant impact, Environmental Impact Statement/Record of Decision) must:

1) Be submitted in writing to CTED/DWSRF during the applicable public review period;
2) Include name, address, and telephone number of the objecting party or organization;
3) Be dated and signed by the person or authorized official of the agency objecting;
4) Describe the basis for objections and the facts or legal authority supporting the objection.

CTED ACTIONS

When CTED receives an objection in conformance with the above, CTED will consider the objection(s) prior to taking further administrative action or authorizing the release of loan funds, until a satisfactory resolution is achieved.

APPENDIX G

The Loan Agreement

Signing The Loan Agreement

Once a loan has been negotiated, the Board's staff will draw up a loan agreement. This loan agreement will include the contract and all the pertinent attachments, e.g.:

- Attorney's Certification
- Commercial Security Agreement
- Corporate Authority to Borrow Funds
- Federal and State Requirements
- Promissory Note
- Scope of Work Statement
- Small and Disadvantaged Business Utilization Steps
- Uniform Commercial Code –1 Financing Statement
- Certification Regarding Debarment, Suspension and Other Responsibility Matter

Three copies of the loan agreement will be sent to the applicant for signature. The applicant has 90 days from the date the agreement was mailed to sign and return the agreement to the Board for execution.

Failure to sign the loan agreement or request a time extension in the allotted time may disqualify the proposed project from funding in the 2005 cycle. Additionally, if an extension is granted but the loan agreement is not signed by the extension date identified in the Board's approval letter, the loan offer may be voided.

Disbursement of Funds

DWSRF loan draws are on a reimbursement basis. Accompanying the loan agreement are voucher forms and instructions for requesting expenditure reimbursement once the loan agreement has been executed. In most cases, disbursements cannot be made until DOH has approved applicable project reports and construction documents for the entire project pursuant to Chapter 246-290 WAC.

Loan Repayment

First year repayment is an interest-only payment on monies borrowed to date and is due in October 2007. There is no payment towards the principal in the first year. Payments in subsequent years cover a portion of the principal plus interest on the balance. The first loan draw initiates the accrual of interest. Recipients may repay their loans at a faster rate than indicated in the loan agreement without penalty.

Project Bids

Both municipal and non-municipal (private) borrowers are required to use a competitive bid process when choosing contractors for projects.

Municipal borrowers are required to comply with the provisions of Chapters 39.80 RCW, and Chapters 39.04 RCW. For assistance in understanding the competitive bid rules, municipal borrowers may visit the Municipal Research and Services Center website at http://www.mrsc.org/Subjects/PubWorks/pb/pb.aspx.

Time Allowed for Project Completion

Construction of the proposed project must be completed within 36 months of loan execution.

Quarterly Reports

The Board's staff will provide borrowers with quarterly progress report forms. Borrowers will be asked to provide a brief narrative on project activities undertaken the previous quarter and asked to identify any changes to the project. Information on Minority and Women-owned Business compliance will also be requested.

Project Closeout

The Board's staff provides the closeout documents to be completed by the borrower once the project is completed. Additionally, DOH requires a Construction Completion Report for the project(s) per Chapter 246-290 WAC.

Changes to the Loan Agreement

Examples of when an amendment to the loan agreement is required include:

- Change(s) to the project's Scope of Work. DOH, the Board, and the borrower must agree to such a change before the loan agreement can be modified.
- Need for a time extension in order to complete project activities that are going beyond the time cited in the original loan agreement. DOH, the Board, and the borrower must agree to this type of change.
- Need for additional funds, if available, provided the project's scope of work remains consistent with the scope outlined in the application. DOH, the Board, and the borrower must agree to this type of change.

Note: In the event there are excess carry-over funds from previous loan cycles, DOH and the Board, at their discretion, reserve the right to increase an applicant's maximum loan limits.

Things That Can Get In The Way Of Progress…

The project must be included in a current DOH-approved Water System Plan or Small Water System Management Program. The deadline for submitting a Water System Plan to DOH is September 30, 2005. The deadline for submitting a Water System Plan Amendment or Small Water System Management Program to DOH is November 30, 2005. Systems that fail to meet these deadlines will become ineligible for funding. Submittal by the deadline does not guarantee DOH approval. The required plan must be approved by January 31, 2006. Potential applicants are strongly encouraged to contact their DOH regional office immediately to find out their planning requirements.

DWSRF loan dollars cannot be disbursed unless:

- A loan agreement has been executed.
- An Archaeological Advanced Inventory has been completed on a project site which has been placed on the Historic/Cultural Preservation List. Please contact the Office of Archaeology and Historic Preservation at 360/586-3064.
- Other special conditions have been met, if applicable.

Construction dollars cannot be released unless:

- The water system's proposed project has undergone a complete State Environmental Review Process.
- In most cases, DOH has approved applicable project reports and construction documents for the entire project pursuant to Chapter 246-290 WAC.

The following are generally considered construction activities:

- ❖ Physical construction
- ❖ Construction inspection costs
- ❖ Construction administration costs
- ❖ Utility relocation costs
- ❖ Installation of source and service meters
- ❖ Acquisition of real property from a willing seller as an integral part of a capital construction project being funded

The following are generally considered pre-construction activities:

- ❖ Engineering
- ❖ Costs associated with collecting and preparing environmental assessment documents to obtain local permits
- ❖ Cost associated with complying with SERP and National Historic Preservation Act Section 106 requirements
- ❖ Drilling test wells

Once the proposed project has been constructed, final closeout cannot occur:

- Without verification that the project was constructed in accordance with the project's Scope of Work.
- Until closeout forms have been completed properly and submitted to PWB.
- Until an audit/financial review has been completed and submitted to PWB.
- Until DOH receives the completed Construction Completion Report(s) as required by WAC 246-

290-120(5), WAC 246-290-125(2)(b), or WAC 246-290-125(3)(f).

- DOH has received appropriate documentation for any projects that may qualify for submittal exception, per WAC 246-290-125(2) or WAC 246-290-125(3).

APPENDIX H

Guidelines for Preparing the Scope of Work

The Scope of Work provides a brief description of the proposed project. Once it is completed and signed, the Scope of Work becomes part of the formal loan agreement. The loan recipient has an obligation to ensure that the activities and elements described in the Scope of Work are included in the final, completed project.

Projects not directly tied together must be submitted under separate applications. The first step is for the loan recipient to determine whether the project is considered one project or two or more unrelated projects. The loan recipient may need to contact their DOH regional office for technical assistance with this determination. Examples of when projects can be submitted under one application include:

- A system is out of compliance with SDWA or state rules and multiple components must be constructed to bring the system back into compliance with drinking water regulations.

- A system is installing chlorination facilities. A reservoir for contact time is directly associated with this project.

- A system is replacing water main in various parts of the system or is installing multiple storage reservoirs in different locations throughout the system. These may be submitted under one application because the projects are likely to receive identical scores.

Here are some guidelines to help you in preparing the Scope of Work:

1. Provide a concise, quantified description of the project. In addition to describing activities, include information about types of materials to be used. Also describe in approximate terms, how much of each material will be used. (This information helps the person reviewing the loan application understand the magnitude of the project.) For example: "Replace existing water mains with approximately 5,000 feet of 12 inch PVC water main."

2. At the same time, avoid making the Scope of Work too detailed or precise. Too much detail can unnecessarily limit flexibility once the project is under construction or when new information is brought to light.

   For example, describe the proposed project as "…installing **approximately** 37,000 feet of 16 inch concrete pipe" instead of "the project consists of installing 36,959 feet of 16 inch concrete pipe."

   Another example is "the project will install the **most appropriate** protective liner to cover the floor and side-walls of the reservoir" instead of "the project will install a 40 MIL protective liner to cover the floor and side-walls of the reservoir."

3. Write the Scope of Work in a manner that is more inclusive rather than less. Provide more information about the project, rather than less.

4. Finally, you may choose to write a "basic" Scope of Work with additional work elements to be added should low bids be received. Here is an example of how this is done using a proposed project that replaces water lines:

Basic Scope of Work
Replace approximately 8,000 feet of 8 inch water line and approximately 4,350 feet of 6 inch water line.

Phase II

If sufficient funds are available, an additional 1,200 feet of line will be replaced.

APPENDIX I

Attachments to a DWSRF Loan Agreement

ATTACHMENT	DESCRIPTION
Attorney's Certification	For water systems owned by local governments only, this certifies that the borrower can legally accept the loan and the loan amount does not cause the borrower to exceed legal debt limits.
Commercial Security Agreement	For privately owned water systems, this grants the lender an interest in the borrower's property. It details the terms under which the lender has a legal right to designated possessions of the borrower. This security interest is normally perfected by the lender filing financing statements in the proper public records (e.g., UCC filings).
Corporate Authority to Borrow Funds	A privately owned water system's certification that it has the authority to obligate its system and members to long-term debt. Examples include articles of incorporation filed with the state of Washington or a master business license.
Federal and State Requirements	Federal and state laws that apply to projects receiving federal and state funding. Sometimes these are referred to as "cross-cutters."
Promissory Note	For privately owned water systems, this is the written promise identifying the loan amount, its term and interest rate.
Scope of Work	Narrative describing project work and budget. Public Works Board staff provides the form for completing the Scope of Work narrative. The narrative is supplied by the loan applicant.
Small and Disadvantaged Business Utilization Steps	Describes process that the borrower (and sub-recipients) must undertake to ensure compliance with federal loan requirements.
Uniform Commercial Code (UCC)-1 Financing Statement	Filing a UCC-1 Financing Statement secures loan collateral, (e.g., accounts receivable, debt service reserve account) for privately owned water systems.
Certification regarding Debarments, Suspensions, and other Responsibility Matters	This document, required by EPA, certifies that the borrower has not been prohibited from receiving federal funds, and is not in violation of any state, federal or local laws pertaining to a public transaction or contract.

APPENDIX J

Competitive Bid Procedures for DWSRF Borrowers

Drinking Water State Revolving Loan Fund borrowers are required to use a competitive bid process when choosing contractors for drinking water projects. The following is a guideline for choosing the lowest responsible bidder for contracting services. A brief description of choosing architectural and engineering services is included.

Advertising And Opening Bids

1. Advertise the request for bids in the official newspaper for the area, or a newspaper of general circulation most likely to bring responsive bids in or as near as possible to that part of the county in which the work is to be done. How long the bid should be advertised depends on the complexity of the bid—contractors must be given time to submit responsible proposals and adequate time to research the specifications.
2. If no bids are received from a local advertisement, advertise the bid request in a wider area.
3. Follow the six steps listed below to ensure maximum participation among small and disadvantaged businesses (this list is included in every contract, as Attachment IV).
   a. Solicit qualified women's and minority business enterprises. Find out who they are in your area by contacting the Washington State Office of Minority and Women's Business Enterprises at 360/704-1181, or visit their website at www.omwbe.wa.gov;
   b. Assure that small businesses are solicited whenever they are potential sources;
   c. Divide total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority business, and women's business enterprises;
   d. Establish work schedules, when possible, which encourage participation by small and minority business and women's business enterprises;
   e. Use the services and assistance of the Small Business Administration, and the Minority Business Development Agency of the Department of Commerce; and
   f. Require the prime contractor, if subcontracts are to be let, to take the affirmative steps listed above.
4. Advertisements for bids should contain definite specifications and procedures for bidders to use in estimating their bids. At a minimum, a bid notice should include the following items:
   a. Title of project;
   b. Nature and scope of work;
   c. Where contract documents (plans and specifications) may be reviewed or obtained;
   d. Cost, if any, to obtain a set of contract documents;
   e. The place, date and time that bids are due; and
   f. Statement that the borrower retains the right to reject any and all bids.

If you believe that a field visit is necessary for the bidders to make a responsible bid, your bid advertisement may "strongly urge" all bidders to attend a pre-bid meeting. However, that is the contractors' choice. They may still bid on the project without making the field visit. You might lose a potentially low bidder because the bidder could not attend the pre-bid meeting.

Bids must be opened in public at the time and place given in the advertisement. The bid opening can be delayed, but the bidders must all be notified. If a bid opening is delayed, all bidders should have the opportunity to withdraw their bids, or if they wish, withdraw and resubmit the bid (the cost of some equipment and services might have changed) just before the new bid

opening date and time. For long delays, the borrowers should probably return all bids.

Determining The Lowest Responsible Bidder

The bids received should show in detail the estimated total cost of the work, a description of and estimated cost of each component of the project, and the estimated dates of commencement and completion.

Below is a guideline for determining the lowest responsible bidder. In addition to offering the lowest price, the bidder must:

1. Have the ability, capacity, and skill to perform the contract or provide the service;
2. Have good character, integrity, reputation, judgment, experience and efficiency;
3. Be able to perform the contract within the time specified;
4. Demonstrate successful performance of previous contracts or services, and compliance by the bidder with laws relating to the contract or services;
5. "Social criteria" may also be taken into account in determining responsibility (see the six affirmative steps a-f).

It might be helpful to include a "statement of bidder's qualifications" as part of the bid documents given to each bidder. This statement requests both financial and technical experience summaries and a bank reference.

[Borrowers must require that contractors obtain performance/payment bonds, to ensure that the job will be completed and that all workers, subcontractors, and suppliers will be paid. (A performance bond is a non-cancelable commitment issued by the surety bond underwriter to the owner of the project guaranteeing that the contractor will complete the referenced contract within its set terms and conditions. A payment bond guarantees that all sub-contractors, laborers and material suppliers will be paid, leaving the project lien free.)]

Negotiations of bid price, based upon agreed changes to the contract plans and specifications, are allowed with a low responsible bidder under the following conditions:

1. All bids exceed the available funds, as certified by the appropriate fiscal officer;
2. The apparent low responsive bid does not exceed the available funds by: five percent (5%) on projects valued under $1 million, the greater of $50,000 or two-and-one-half percent (2 1/2 %) for projects valued between $1 million and $5 million; and
3. The negotiated adjustment will bring the bid price within the amount of available funds.

Engineering And Architectural Services

In-house staff for engineering may be used if desired. If engineering or architectural consultants must be hired, you are required to follow these guidelines:

1. Publish in advance the requirement for professional services. The announcement should state concisely the general scope and nature of the project or work and the address of a representative of the agency who can provide further details. The chosen firm should be the one deemed to be the most highly qualified to provide the services required. Minority and women-owned firms should be afforded the maximum practicable opportunity to compete for and obtain public contracts for services. The level of participation by minority and women-owned firms shall be consistent with their general availability within the professional communities involved.
2. The borrower should negotiate a contract with the most qualified firm for architectural and engineering services at a price which the borrower determines is fair and reasonable to the organization. In making its determination, the borrower should take into account the estimated value of the services to be rendered, as well as the scope, complexity, and professional nature thereof.

APPENDIX K

Small and Disadvantaged Business Utilization Requirements

Borrowers and sub-recipients are required to follow these six affirmative steps:

1. Placing qualified small and minority businesses and women's business enterprises on solicitation lists;

2. Assuring that small and minority businesses and women's business enterprises are solicited whenever they are potential sources;

3. Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority business and women's business enterprises;

4. Establishing delivery schedules, where the requirement permits, which encourage participation by small and minority business and women's business enterprises;

5. Using the services and assistance of the Small Business Administration, and the Minority Business Development Agency of the Department of Commerce; and

6. Requiring the prime contractor, if subcontracts are to be let, to take the affirmative steps listed above.

APPENDIX L

Economically Distressed Counties

Washington State Employment Security Department Labor Market and Economic Analysis, April, 2004.
"Distressed Area: Unemployment Rate Greater than or equal to 8.5%"

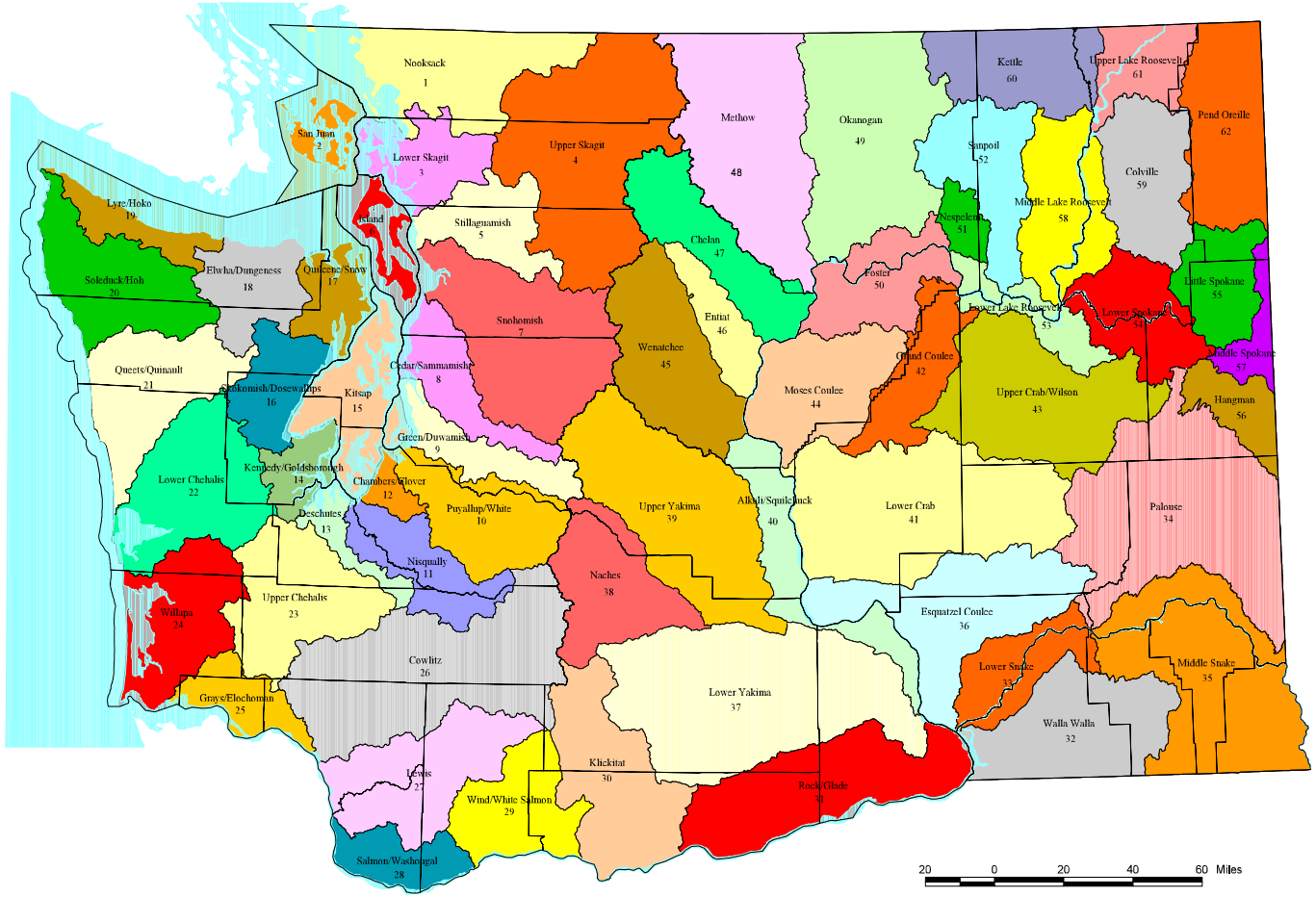
Adams	Franklin	Pacific
Chelan	Grant	Pend Oreille
Clark	Grays Harbor	Skamania
Columbia	Klickitat	Stevens
Cowlitz	Lewis	Yakima
Ferry	Okanogan	

APPENDIX M

Water Resource Inventory Area (WRIA)

1. Nooksack
2. San Juan
3. Lower Skagit-Samish
4. Upper Skagit
5. Stillaguamish
6. Island
7. Snohomish
8. Cedar-Sammamish
9. Duwamish-Green
10. Puyallup-White
11. Nisqually
12. Chambers-Clover
13. Deschutes
14. Kennedy-Goldborough
15. Kitsap
16. Skokomish-Dosewallips
17. Quilcene-Snow
18. Elwah-Dungenness
19. Lyre-Hoko
20. Soleduck-Hoh
21. Queets-Quinault
22. Lower Chehalis
23. Upper Chehalis/Black River
24. Willipa
25. Grays-Elokoman
26. Cowlitz
27. Lewis
28. Salmon-Washougal
29. Wind-White Salmon
30. Klickitat
31. Rock-Glade
32. Walla Walla
33. Lower Snake
34. Palouse
35. Middle Snake
36. Esquatzel Coulee
37. Lower Yakima
38. Naches
39. Upper Yakima
40. Alkali-Squilchuck
41. Lower Crab
42. Grand Coulee
43. Upper Crab-Wilson
44. Moses Coulee
45. Wenatchee
46. Entiat
47. Chelan
48. Methow
49. Okanogan
50. Foster
51. Nesplelem
52. Sanpoil
53. Lower Lake Roosevelt
54. Lower Spokane
55. Little Spokane
56. Hangman
57. Middle Spokane
58. Middle Lake Roosevelt
59. Colville
60. Kettle
61. Upper Lake Roosevelt
62. Pend Oreille

Watershed Resource Inventory Areas
of
Washington State



**County and WRIA Boundaries

**Note: Island and San Juan watersheds are based on county boundaries. Other watershed boundary names may be based on county names.

Washington State
Public Works Board

APPENDIX N

Federal & State Requirements

Environmental Authorities

1. Archaeological & Historic Preservation Act of 1974, Pub. L. 86-523, as amended
2. Clean Air Act, Pub. L. 84-159, as amended
3. Coastal Barrier Resources Act, Pub. L. 92-583, as amended
4. Endangered Species Act, Pub. L. 93-205, as amended
5. Environmental Justice, Executive Order 12898
6. Floodplain Management Executive Order 11934, as amended by Executive Order 12148
7. Protection of Wetland, Executive Order 11990
8. Farmland Protection Policy Act, Pub. L. 97-98
9. Fish & Wildlife Coordination Act, Pub. L. 85-624, as amended
10. National Historic Preservation Act of 1966, Pub L. 89-665, as amended
11. Safe Drinking Water Act, Pub. L. 93-523, as amended
12. Wild & Scenic Rivers Act, Pub. L. 90-542, as amended

Social Policy Authorities

1. Age Discrimination Act of 1975, Pub. L. 94-135
2. Title VI of Civil Rights Act of 1964, Pub. L. 88-135
3. Section 13 of the Federal Water Pollution Control Act Amendments of 1972, Pub. L. 92-500 (the Clean Water Act)
4. Section 504 of the Rehabilitation Act of 1973, Pub. L. 93-112 (including executive Orders 11914 and 11250)
5. Equal Employment Opportunity, Executive Order 11246
6. Women's & Minority Business Enterprise, Executive Orders 11625, 12138 and 12432
7. Section 129 of the Small Business Administration Reauthorization & Amendment Act of 1988, Pub. L. 100-590
8. Anti-Lobbying Provision (40 CFR Part 30)[applies only to capitalization grant recipients]

Economic & Miscellaneous Authorities

1. Demonstration Cities & Metropolitan Development Act of 1966, Pub. L. 89-754, as amended, Executive Order 12372
2. Procurement Prohibitions under Section 306 of the Clean Air Act and Section 508 of the Clean Water Act, including Executive Order 11738, Administration of the Clean Air Act and the Federal Water Pollution Control Act with Respect to Federal Contracts, Grants, or Loans
3. Uniform Relocation & real Property Acquisition Policies Act, Pub. L. 91-646, as amended
4. Debarment & Suspension, Executive Order 12549

State Laws

1. Chapter 36.70A RCW, GMA
2. Chapter 39.80 RCW, Contracts for Architectural & Engineering Services
3. Chapter 39.12 RCW, Prevailing Wages on Public Works
4. Chapter 43.20 RCW, State Board of Health
5. Chapter 43.70 RCW, Department of Health
6. Chapter 70.116 RCW, Public Water Systems Coordination Act of 1977
7. Chapter 70.119 RCW, Public Water Supply Systems Certification & Regulation of Operations
8. Chapter 70-119A RCW, Public Water Systems, Penalties & Compliance
9. Chapter 246-290 WAC, Group A Public Water Systems
10. Federal CFR Title 40 Part 131, [Federal National Primary Drinking Water Regulations]-Section Adopted by Reference
11. Chapter 246-291 WAC, Group B Public Water Systems
12. Chapter 246-292 WAC, Waterworks Operator Certification Regulations
13. Chapter 246-293 WAC, Water System Coordination Act
14. Chapter 246-294 WAC, Drinking Water Operating Permits
15. Chapter 246-295 WAC, Satellite System Management Agencies
16. Chapter 246-296 WAC, Drinking Water State Revolving Fund
17. Chapter 173-160 WAC, Minimum Standards for Construction & Maintenance of Wells
18. Title 173, Department of Ecology Rules

APPENDIX O

Frequently Used Acronyms

CDBG	Community Development Block Grant
CFR	Code of Federal Register
CSR	Client Services Representative
CTED	Department of Community, Trade and Economic Development
CWSP	Coordinated Water System Plan
CWSSA	Critical Water Supply Service Area
DCP	Disadvantaged Community Program
DNS	Determination of Non-Significance
DOH	Department of Health
DWSRF	Drinking Water State Revolving Fund
EA	Environmental Assessment
EIS	Environmental Impact Statement
EPA	Environmental Protection Agency
ERR	Environmental Review Record
ERU	Equivalent Residential Unit
FONSI	Finding of No Significant Impact
GMA	Growth Management Act
HQ	Headquarters
HUD	Department of Housing and Urban Development
IUP	Intended Use Plan
LID	Local Improvement District
MHI	Median Household Income
NEPA	National Environmental Policy Act
NHPA	National Historic Preservation Act of 1966
ODW	Office of Drinking Water (Department of Health)
PWB	Public Works Board
RCW	Revised Code of Washington
ROD	Record of Decision
ROW	Right of Way
SDWA	Safe Drinking Water Act
SEPA	State Environmental Policy Act
SERP	State Environmental Review Process
SMA	Satellite Management Agency
SNC	Significant Non-Complier
SWSMP	Small Water System Management Program
UCC	Uniform Commercial Code
ULID	Utility Local Improvement District
USDA	United States Department of Agriculture
UTC	Utility and Transportation Commission
WAC	Washington Administrative Code
WFI	Water Facilities Inventory Form
WRIA	Watershed Resource Inventory Area
WSP	Water System Plan

APPENDIX P

Glossary of Terms

Archaeological Advanced Inventory: If any portion of the project is near a scientific, pre-historical, historical or archaeological site, it will require a survey of the affected site prior to construction. Contact the Office of Archaeology and Historic Preservation 360/586-3064 for further information.

Capitalization Grant: The grant awarded to Washington by EPA to capitalize the state's revolving loan fund and to finance related activities authorized in Section 1452 of the Safe Drinking Water Act (SDWA).

Certified Operator: A water system operator certified in accordance with Chapter 246-292 WAC.

Change Order: A formal document that alters some conditions of the original construction contract document. A change order must be executed any time there is a variation in the original construction contract. Variations may include: change in the scope of work, contract price, construction methods, construction schedule, and change in location, size capacity, or quality of major equipment.

Client Services Representatives (CSR): An applicant or borrower's primary contact for all matters dealing with Public Works Board programs including DWSRF. CSRs can help with outlining options for funding, development of your application, contract monitoring and compliance, and project closeout.

Community Water System: A public water system providing water on a routine basis to a residential group of customers.

Construction Completion Report: A form provided by DOH for each specific construction project document:

1. Project construction in accordance with general standards of engineering practice;
2. Physical capacity changes; and
3. Satisfactory test results.

The completed form must be stamped with an engineer's seal, signed, and dated by a professional engineer.

Coordinated Water System Plan (CWSP): A plan for public water systems within a critical water supply service area which identifies the present and future needs of a water system and sets forth means for meeting those needs in the most efficient manner possible. Coordinated water system planning is regulated under Chapter 246-293 WAC.

Cross-Cutting Authorities (Cross-Cutters): Federal laws and authorities that apply to projects or activities receiving federal assistance (e.g., DWSRF).

Disadvantaged Community: The service area of a public water system where at least 51 percent (51%) of the customers are at or below 80 percent (80%) of the County Median Household Income as defined annually by the United States Department of Housing and Urban Development (HUD).

Distribution Reservoir: A water storage structure that is integrated with a water system's distribution network to provide for variable system demands, including but not limited to: daily equalizing storage, standby storage, or fire reserves, or to provide for disinfectant contact times.

Distribution System: All piping components of a public water system that serve to convey water from transmission mains linked to source, storage and treatment facilities to the consumer, excluding individual services.

Economically Distressed County: A county that has an unemployment rate that is twenty percent (20%) above the statewide average for the previous three (3) years. The unemployment statistical data is determined annually by the

Washington State Employment Security Department. Economically distressed counties are listed in Appendix L, page 35.

Equivalent Residential Unit (ERU): Either the amount of water consumed by a typical full-time family residence or the number of residential units on a specific system.

- In calculating the ERU for affordability in the DWSRF project ranking criteria, the number of ERUs is determined by the total number of RESIDENTIAL units on the system. For example, each single-family dwelling equals 1 ERU. Each multifamily dwelling (i.e., condominium, duplex, etc.) equals the number of apartments. For example, a 100-unit apartment complex equals 100 ERUs. Each part-time residential unit is counted as if it were a full-time residence (i.e., equals 1 ERU). Nonresidential connections (commercial, industrial, schools, etc.) are NOT to be included in determining ERUs for the affordability rate calculations.

Expanding Public Water System: A public water system installing additions, extensions, changes or alterations to their source, transmission, storage, or distribution facilities that will enable the system to increase the size of its existing service area and/or its number of approved service connections. Exceptions:

- A system that connects new approved individual retail or direct service connections onto an existing distribution system within an existing service area; or
- A distribution system extension in an existing service area identified in a current and approved water system plan or project report.

Finished Water: Water that is safe for human consumption, either with or without treatment, and is ready for distribution by a system to its customers.

Fire Flow: The maximum rate and duration of water flow needed to suppress a fire under WAC 246-293-640 or local fire protection standards.

Ground Water Under the Direct Influence of Surface Water (GWI): Any water beneath the surface of the ground, which DOH determines has the following characteristics:

- Significant occurrence of insects or other microorganisms, algae, or large-diameter pathogens such as Giardia Lamblia, or
- Significant and relatively rapid shifts in water characteristics such as turbidity, temperature, conductivity, or pH closely correlating to climatological or surface water conditions where natural conditions cannot prevent the introduction of surface water pathogens into the source at the system's point of withdrawal.

Group A System: A water system:

- With fifteen or more service connections used by year-round residents for 180 days or more in a calendar year, regardless of the number of people, or
- Serving at least twenty-five or more people year round or more than 180 days within the calendar year, regardless of the number of service connections.

Note: Group A Systems are subject to the requirements of the SDWA and Chapter 246-290 WAC.

Group B System: A water system:

- Constructed to serve less than 15 residential services regardless of the number of people; or
- Constructed to serve an average non-residential population of less than 25 per day for 60 or more days within a calendar year; or
- Constructed to serve any number of people for less than sixty days within a calendar year.

Note: Group B Systems are subject to the requirements of Chapter 246-291 WAC.

Guidelines: A DOH document assisting a purveyor in meeting a state or federal requirement.

Individual Water System: A system that serves one single family residence or not more than four residences on the same farm and is not subject to Chapter 246-290 WAC or Chapter 246-291 WAC.

Intended Use Plan: A document prepared each year by DOH, which identifies the intended uses of the funds in the DWSRF and describes how those uses support the goals of the DWSRF.

Jurisdiction: The owner of one or more public water systems.

Loan Execution: Loans are executed when signed by the PWB. Loan agreements require three signatures in the following order:

CTED's Assistant Attorney General
The Borrower
PWB Executive Director or Designee

The parties to the agreement are not bound by the conditions of the agreement until it is executed.

Maximum Contaminant Level (MCL): The maximum permissible level of a contaminant in water the purveyor delivers to any public water system user.

Noncommunity System: A public water system that is not a community system.

Nontransient Noncommunity System: A Group A noncommunity system which serves 25 or more of the same nonresidents per day for 180 or more days per year.

Operating Permit: An annual drinking water operating permit issued by DOH under Chapter 246-294 WAC.

Owner: Any agency or subdivision of the state, or any municipal corporation, firm, company, mutual or cooperative association, institution, partnership, or person or any other entity that holds as property, a public water system.

Public Water System: Any system providing water for human consumption through pipes or other constricted conveyances, excluding a system serving only one single-family residence and a system with four or fewer connections all of which serve residences on the same farm.

Purveyor: An agency, subdivision of the state, municipal corporation, firm, company, mutual or cooperative association, institution, partnership, person or other entity owning or operating a public water system. Purveyor also means the authorized agents of such entities.

Red Operating Permit: Placement in this category results in permit issuance with conditions and a determination that the system is inadequate. Chapter 246-294 WAC.

Regional Benefit: When project improvements affect more than one public water system.

Restructuring: Changing system operation and/or ownership in one or more of the following ways:

Sharing facilities, equipment, and/or operation and maintenance staff; or
Mergers; or
Voluntary transfer of ownership; or
Satellite management; or
Receivership (involuntary transfer of operation and/or ownership).

Same Farm: A parcel of land or series of parcels that are connected by covenants and devoted to the production of livestock or agricultural commodities for commercial purposes and does not qualify as a Group A public water system.

Satellite Management Agency (SMA): A person or entity that is approved by DOH to own or operate public water systems on a regional or county-wide basis without the necessity for a physical connection between such systems. SMAs are approved pursuant to Chapter 246-295-RCW.

Set-aside: Use of federally-allotted state funds for a range of specific SDWA related activities.

Significant Noncomplier (SNC): A water system that is violating or has violated DOH rules and the violations may create or have created an imminent or significant risk to human health.

Small Water System Management Program: Existing water systems not intending to expand either their service area or approved number of connections are required to develop a small water system management program (SWSMP). The SWSMP is intended to help small non-expanding Community Group A water systems meet the requirements of state and federal drinking water laws.

Surface Water: A body of water open to the atmosphere and subject to surface runoff.

System Capacity: A system's operational, technical, managerial and financial capability to achieve and maintain compliance with all relevant local, state, and federal plans and regulations.

Transient Noncommunity System: A Group A noncommunity system which serves:

> 25 or more different nonresidents for 60 or more days within a calendar year; or
> 25 or more of the same nonresidents for between 60 and 180 days per year; or
> One thousand (1,000) or more people for two (2) or more consecutive days within a calendar year.

Water Facilities Inventory Form (WFI): DOH's form summarizing each public water system's characteristics.

Water Right: A permit, claim or other authorization on record with or accepted by the Department of Ecology, authorizing the beneficial use of water in accordance with all applicable state laws.

Water System Plan: Systems with over 1,000 connections and systems that are experiencing growth are required to develop a water system plan (WSP). DOH uses the WSP as a means of verifying that water systems comply with the system capacity requirements of the 1996 amendments to the Federal Safe Drinking Water Act (SDWA).

Watershed: The region or area that:

> Ultimately drains into a surface water source diverted for drinking water supply; and
> Affects the physical, chemical, microbiological, and radiological quality of the source.

Wellhead Protection Area (WHPA): The portion of a well's, wellfield's or spring's zone of contribution defined as such using WHPA criteria established by DOH, for which the water system is expected to develop a program to prevent contamination of such a source of supply.

APPENDIX Q

Sample Loan Repayment Amounts

Schedule is based on a $1,000,000 loan with a 1% loan fee. Total loan amount is $1,010,000.

Payments are due on the 1st of October of the years shown.

20 YRS	INTEREST 1.50%	PRINCIPAL	PAYMENT	BALANCE
2007	$15,781.25	$0.00	$15,781.25	$0.00
2008	$15,150.00	$53,157.88	$68,307.88	$1,010,000.00
2009	$14,352.64	$53,157.88	$67,510.52	$956,842.12
2010	$13,555.28	$53,157.88	$66,713.16	$903,684.20
2011	$12,757.88	$53,157.88	$65,915.76	$850,526.32
2012	$11,960.52	$53,157.88	$65,118.40	$797,368.44
2013	$11,163.16	$53,157.88	$64,321.04	$744,210.52
2014	$10,365.80	$53,157.88	$63,523.68	$691,052.64
2015	$9,568.44	$53,157.88	$62,726.32	$637,894.72
2016	$8,771.04	$53,157.88	$61,928.92	$584,736.84
2017	$7,973.68	$53,157.88	$61,131.56	$531,578.96
2018	$7,176.32	$53,157.88	$60,334.20	$478,421.04
2019	$6,378.96	$53,157.88	$59,536.84	$425,263.16
2020	$5,581.56	$53,157.88	$58,739.44	$372,105.28
2021	$4,784.20	$53,157.88	$57,942.08	$318,947.36
2022	$3,986.84	$53,157.88	$57,144.72	$265,789.48
2023	$3,189.48	$53,157.88	$56,347.36	$212,631.56
2024	$2,392.12	$53,157.88	$55,550.00	$159,473.68
2025	$1,594.72	$53,157.88	$54,752.60	$106,315.80
2026	$797.36	$53,158.16	$53,955.52	$53,157.88
	$167,281.25	$1,010,000.00	$1,177,281.25	

DRAW	$252,500.00	6/1/2006
DRAW	$252,500.00	9/1/2006
DRAW	$252,500.00	11/1/2006
DRAW	$252,500.00	12/1/2006
TOTAL	$1,010,000.00	

Loan calculations are based on a 360-day year of twelve 30-day months.