

Clean Water State Revolving Fund Loan Handbook



**State of Idaho
Department of Environmental Quality**

March 2017



Printed on recycled paper, DEQ March 2017,
PID 9302, CA 82041. Costs associated with this
publication are available from the State of Idaho
Department of Environmental Quality in accordance
with Section 60-202, Idaho Code.

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General Policy Statements

1. Loans from the Clean Water Loan Account may be offered for up to 100% of eligible project costs under state and federal regulations, subject to availability of loan funds. Technically, the Idaho Department of Environmental Quality (DEQ) purchases debt from funding recipients; however, the term “loan” is used for readability purposes.
2. The length of the repayment period may vary according to the expected life of the project being financed. However, all repayment obligations must be fully paid off (amortized) no later than 30 years from project completion. Interest will accrue from the date funds are disbursed.
3. Long-term commitments for future funding will not be made. When deemed necessary to meet state water quality and/or funding objectives, partial or phased funding may be offered for a project without guarantee of future funding.
4. Available resources will be committed to new projects in a timely manner.
5. Without formal written advance approval, costs incurred by an applicant before an assistance agreement is entered into will generally not be considered eligible. See “Allowable Costs” in section 4 for exceptions.
6. No disbursements will occur until application requirements are met.
7. The Idaho Department of Environmental Quality (DEQ) has established a policy for determining the rate of interest to be charged on loans from the wastewater loan accounts. The Policy for Determining Interest Rates on Loans from the Water Pollution Control and Drinking Water Loan Accounts is found on DEQ’s website at <http://www.deq.idaho.gov/laws-rules-etc/deq-policies/>.

Overview

Using funds provided by the United States Environmental Protection Agency (EPA), DEQ offers loans to qualified municipalities to improve their wastewater facilities. These loans come from the Clean Water State Revolving Fund (CWSRF).

The list below outlines the steps a municipality goes through to receive a CWSRF loan.

1. Submit letter of interest to get on fundable list
2. Receive confirmation that your entity is on fundable list
3. Pre-application meeting
4. Application received
5. Environmental review process initiated
6. Environmental determination issued and published
7. Engineering contract approved

8. Viability certified through technical, financial, and managerial capacity assessment
9. Operator licensure verified
10. Final environmental determination is approved
11. Facility plan approved
12. Offer made
13. Offer accepted
14. Plans and specifications approved
15. Sewer user ordinance approved
16. Pre-bid conference
17. Bid review checklist completed
18. Authorization to award bid
19. Pre-construction conference
20. Notice to proceed
21. Plan of operation approved
22. Design and construction
23. Operations and maintenance manual approved
24. Final inspection
25. Closeout package
26. Final project review
27. Repayment of loan

This handbook explains what needs to be accomplished at each step in the loan process. In addition, 42 forms accompany the handbook to assist DEQ representatives and the borrower. Some forms are sample letters in Microsoft Word format, which DEQ or the borrower may download and customize to fit their individual situations by inserting the appropriate content where indicated in the letter. The remaining forms are in PDF format, and most are interactive—users can fill out the form electronically by opening the form with the free Adobe Acrobat reader and print a hard copy to submit.

Note: These forms open best in Internet Explorer. For Mozilla Firefox users, you may get a “Please Wait” message and will need to click on the “Open with Different Viewer” prompt on the top right of the screen if the document does not display properly. The forms do not open in Chrome.

1 Pre-Application Conference

Form 1-A, the Pre-Application Conference Checklist, accompanies this section.

The purpose of a pre-application conference is to provide the potential applicant and the Idaho Department of Environmental Quality (DEQ) an opportunity for a face-to-face meeting to discuss the program and its requirements. Appropriate government representatives should attend the pre-application conference.

DEQ shall be represented by its regional office project officer. Other attendees may include DEQ legal, financial, administrative, and public works staff.

Topics of discussion at the pre-application conference should include the following:

- Wastewater grant and CWSRF programs
- Status of the proposed loan on the current priority list of projects approved by DEQ
- Probability of funding for the project
- Roles and responsibilities of all parties
- Necessity for compliance with federal requirements

If the potential applicant intends to submit an application, the requirements and a timetable should be discussed.

The project officer should complete Form 1-A, the Pre-Application Conference Checklist, which should be placed in TRIM (DEQ's document management system). A list of attendees at the pre-application conference should be attached to the checklist.

2 Application Review

Six forms accompany this section:

- Form 2-A, Application for State Revolving Fund Loan
- Form 2-B, Financial Application Form
- Form 2-C Section 1, Technical Capacity Assessment Indicators (in development)
- Form 2-C Section 2, Financial Capacity Assessment Indicators
- Form 2-C Section 3, Managerial Capacity Assessment Indicators
- Form 2-D, Application Review Checklist

Form 2-C: Capacity Assessment Indicators

Form 2-C presents an assessment tool that will yield a determination of public wastewater system capacity or capability. Use of the capacity assessment tool will enable a determination to be made as to whether or not a system applying for CWSRF assistance possesses necessary capability to repay a loan.

The technical, financial, and managerial analyses combine the work that has been done by EPA, the states, and public and private technical assistance providers regarding capacity measurement.

Application review includes the following actions:

1. Upon receipt of the completed Application for a State Revolving Loan (Form 2-A and Form 2-B) from an applicant, the project officer will review the application for accuracy and completeness.
2. The project officer should complete Sections 1 and 3 of Form 2-C, the Technical and Managerial Capacity Assessment Indicators (note: Section 1 is currently being developed).
3. The DEQ state office will complete Section 2 of Form 2-C.
4. The project officer should complete the Application Review Checklist (Form 2-D) and provide a recommendation for funding.
5. The project officer should submit the following to the state office, where the final loan determination will be made, and the loan offer will be prepared:
 - a. The completed Application for a State Revolving Loan (Forms 2-A and 2-B)
 - b. The completed Idaho DEQ Technical and Managerial Capacity Assessment Indicators form (Form 2-C, Sections 1 and 3)
 - c. The completed Application Review Checklist (Form 2-D)
 - d. A completed recommendation for funding
6. The state office will make the final loan determination and will prepare the loan offer in consultation with the regional office.

3 Offer

Three forms accompany this section:

- Form 3-A, Sample Offer, Acceptance, and Agreement
- Form 3-B, Sample Project Schedule
- Form 3-C, Sample Offer Transmittal

After review of the technical documents, the project officer in the DEQ regional office should submit a recommendation for funding to the state office.

If, after further review by the state office, the application is determined to be accurate and complete and the applicant is assessed to be a good credit risk, an offer (see Form 3-A for a sample) will be prepared. Once the state office makes an offer, the applicant will generally have 60 days to accept the offer, as evidenced by the signature of an authorized representative. A copy of the resolution authorizing the representative to sign the offer must be on file at the DEQ state office.

General Conditions for All Offers

The borrower shall agree to expeditiously initiate and complete the project work for which the loan is made, in accordance with applicable DEQ rules. For purposes of the agreement, DEQ

inspection, review, and approval are only for the purposes of compliance with applicable rules. DEQ approval is not a warranty or guarantee.

Approval of plans and design for the project means only that plans are complete. DEQ will bring to the borrower's attention any obvious defects in the project's design, materials, or workmanship, but all such defects and their correction shall be the responsibility of the borrower and its agents.

Any questions raised by DEQ should be resolved exclusively by the borrower and its agents, who shall remain responsible for the completion and success of the project. The borrower shall agree that it and its agents, employees, and representatives will comply with DEQ rules and other conditions set forth in the loan agreement or any amendment that may be made to the loan agreement.

The proceeds of the loan will be used only for the described wastewater project.

The borrower shall agree to comply with applicable state and federal requirements including, but not limited to, the *cross-cutting* authorities.

The borrower should provide evidence in the form of a fee simple title or long-term lease and right of access or easements for real property on which facilities are to be constructed. Clear title, long-term lease, easement, or access to all real property necessary for the successful operation of the facilities should be guaranteed by the borrower for the useful life of the facilities.

The borrower shall retain and use the services of an engineer currently licensed in Idaho for all project planning, design, and construction oversight, who has liability indemnification in accordance with the "Rules for Administration of Water Pollution Control Loans" (IDAPA 58.01.12).

The borrower shall permit DEQ, or its authorized agents, access to the project work. Additionally, the borrower will ensure that the contractor will provide adequate facilities for access and inspection.

The borrower shall agree to provide DEQ, or its authorized agents, access to all files, records, accounting, and books relating to the management and accountability of the project.

The borrower shall agree to indemnify and hold harmless DEQ, its agents, and its employees from any and all claims, actions, damages, liabilities, and expenses directly or indirectly connected to the borrower or its agents', employees', contractors', or assignees' actions related to the location, design, construction, operation, maintenance, repair, failure, or deactivation of the project or any part of the project.

Security

The offer will identify the type of security instrument (either a bond or promissory note) that will be issued by the borrower. Such bond or promissory note will be held as security for the loan until the loan has been fully paid. The borrower may negotiate with DEQ to issue multiple instruments. If complete financing for the project has not been secured at the time of the loan

request, a complete discussion of how the financing will be finalized (to include impact on user rates) should be included.

All debt instruments received by DEQ must be transmitted to the State Treasurer's Office for safekeeping. Upon receipt of the final repayment from the borrower, DEQ will issue instructions to the Treasurer's Office for the return of the debt instrument to the borrower.

Suspension or Termination of the Loan

Pursuant to IDAPA 58.01.12.080, the DEQ director may, for cause, suspend or terminate, as appropriate, any loan prior to final disbursement.

DUNS Registration

Loan recipient must renew this registration annually.

4 Disbursement Requests

Two forms accompany this section:

- Form 4-A, Outlay Report and Request for Reimbursement
- Form 4-B, Checklist for Reviewing Disbursement Requests

DEQ will supply borrowers with disbursement requests (Form 4-A). Disbursements will be made as costs are incurred.

Requests for disbursement will be processed as quickly as possible by DEQ. Requests must be reviewed to determine eligibility and to ensure that costs are adequately documented. Project officers should review each request in accordance with criteria on the Checklist for Reviewing Disbursement Requests (Form 4-B) and sign the request as indicated.

Upon receipt of the borrower's request, the DEQ regional office project officer will ensure appropriateness of the request and then transmit the request and appropriate supporting documents to the senior accountant in the DEQ fiscal office, with a copy to the loan officer in the state office. The documents will be reviewed for content and accuracy by the accounting staff and, upon approval, a payment will be prepared and issued. All related documents will become a permanent part of the project file.

Disbursement of the final 10% of the loan funds will not be made until a responsible charge operator (RCO) has been designated who is licensed at or above the classification level of the system. When the RCO is not available, a substitute RCO who is licensed at or above the classification level of the system shall be designated to replace the RCO. Additionally, the final 10% will not be disbursed until a User Charge System and Sewer Use Ordinance have been implemented and any "Special Conditions," detailed in Section V of the Loan Agreement, have been met.

Disbursement of the final 5% of loan funds will not be made until a final review is conducted by DEQ and the following documents are in the project files maintained by DEQ:

- Final construction inspection reports

- Approved final operations and maintenance (O&M) manual
- Engineer's certification that construction was completed in accordance with approved plans and specifications
- Borrower's acceptance of construction
- Project review by DEQ
- A final loan repayment schedule

Allowable Costs

In addition to IDAPA 58.01.22.041 "Determination of Eligibility of Costs," the following interpretations will help to make clear DEQ's position on cost eligibility.

- Some costs incurred prior to the loan being signed have been categorically accepted as allowable (appropriate supporting documentation will still be required):
 1. Costs necessary to prepare a loan application
 2. If delay would push construction into a new building season and incur inflationary increases to the overall project
 3. Borrower must move forward quickly in order to comply with a compliance order
 4. Borrower's match expense for a DEQ planning grant
 5. Cost for non-DEQ funded planning effort that was undertaken to meet a compliance order
 6. If costs were incurred to comply with draft or final NPDES permit requirements or with a draft 401 certification that is related to a compliance schedule
 7. If taking early action will result in cost savings (e.g., less mobilization/demobilization costs)
- Connection fees are an eligible expense
- Start-up costs for new systems are eligible expenses (e.g., permit costs)

5 Review/Approval of Planning Documents and Environmental Assessments

This section of the handbook (Section 5) provides firm direction for State Revolving Fund (SRF) personnel to follow when administering the State Environmental Review Process (SERP), particularly during the initial evaluation of a loan-funded project. The guidance specifically addresses the processes followed when funding types are identified and the conditions under which a project shall be categorically excluded from further environmental review. It also discusses when an Environmental Information Documentation (EID) may be necessary and considers the scope and detail expected in the EID.

The National Environmental Policy Act (NEPA) was passed in 1969 to strike a balance between promoting economic development while protecting environmental quality. However, since the act was passed, the NEPA mandate has become unbalanced toward expanding review procedures and information collecting without discretion as to project nature or magnitude, while concurrently ignoring or minimizing economic, social, and environmental benefits. This is especially applicable in the case of relatively small and essential infrastructure projects such as water and wastewater systems.

Seeking to correct this imbalance, on March 6, 2012, the Council on Environmental Quality (CEQ) released final guidance for agencies on improving the efficiency and timeliness of environmental reviews under NEPA. The guidance strives to reduce the NEPA burden by encouraging efficient environmental reviews and quicker NEPA decisions.

In Idaho, the overwhelming majority of projects funded by the SRF Loan Program are small wastewater projects and drinking water projects.¹ These projects are crucial to protecting human health and the environment through direct improvements in water quality, source water protection, stream enhancements, energy and water efficiency, and the introduction of innovative environmental technologies. These infrastructure improvements are also essential to the economic well-being of our small communities.

To balance any inefficiency in the application of the SERP, and reduce the reporting burden placed on applicants, the DEQ SRF staff shall implement the guidance presented in this section of the SRF handbook.

SERP—A Consultative Process

In accordance with the CEQ findings and recommendations (i.e., “to provide a sufficient and effective SERP process that is tailored to avoid excessive burden”²), the DEQ SERP implementation process shall incorporate and implement the following general items:

- The SRF Program shall recognize that SERP is primarily a consultative and public disclosure process to assist decision-makers, involving grant recipients as well as consulting agencies. An adversarial posture with grant recipients shall be avoided. The grant recipient—or their professional representative—shall be given due respect and equal consideration at all times. The process shall be considered as a “partnership” effort.
- Grant recipients shall be encouraged to submit draft documents for which there are questions. This will enable early DEQ input and direction, thereby avoiding lengthy and labor intensive alterations to “final” documents. This shall be similar to the review process for project plans and specifications.
- The SERP reviewer will consider opinions on potential project impacts offered by the recipient’s professional representatives, other stakeholders, and the public.
- The SERP exists to ensure the protection of human health and the environment.

SERP—Lessons Learned and Minor Projects

1. The 240 small drinking water and wastewater projects constructed by the SRF from program inception through 2014 show overwhelmingly positive human health and environmental results, with little or no negative environmental impacts of note experienced in that time.
2. The existing rules allow for sufficient discretion in interpretation of key terms to give states adequate flexibility when implementing SERP.

1 92% of the 238 SRF Loan projects funded through 2014 are less than \$10M, while 80% are less than \$5M.

2 CEQ, “Memorandum for Heads of Federal Departments and Agencies” (March 6, 2012), *available at* https://www.whitehouse.gov/sites/default/files/microsites/ceq/improving_nepa_efficiencies_06mar2012.pdf.

3. The DEQ SRF has accumulated sufficient experience and data fulfilling SERP requirements to apply reasoned discretion to cost-effectively implement the SERP rules for SRF projects.
4. For any and all of the potential “Complicating Factors” (e.g., wetlands, floodplains, stream discharges, etc.) associated with our SRF projects through 2014, there were independent processes and permits to ensure these factors are addressed (e.g., Idaho Department of Water Resources well permits, Section 404 permits). These processes/permits control the potential impacts due to the small size of SRF projects.
5. The FONSI/EID procedure—relative to the SRF funding of small drinking water and wastewater systems in Idaho—has resulted in very little value added, while adding significant cost to the projects.
6. Accordingly, the definition of the term “minor” will encompass projects for which agency consultations and mitigation will be addressed by independent regulatory efforts.

Forms

These forms accompany this section:

- Form 5-A, Outline and Checklist for Planning Document
- Form 5-B, DEQ Environmental Review Procedure
- Form 5-C, SERP Scoping Meeting
- Form 5-D, Categorical Exclusion Checklist
- Form 5-E, Outline and Checklist for Environmental Information Documents

Responsibilities

DEQ—DEQ will review and approve planning documents and associated documents. The major objective of this review is to ensure that compliance with the requirements of the following are achieved: the Clean Water Act, as amended; “Rules for Administration of Wastewater Treatment Facility Grants” (IDAPA 58.01.04); and “Rules for Administration of Water Pollution Control Loans” (IDAPA 58.01.12). DEQ will strive to ensure that the end product of the planning effort complies with the requirements of the applicable law.

In addition, DEQ will take the following actions:

1. Determine the funding mechanism that will guide the process as early as possible.
2. Review and take action on any state-funded planning grant or SRF loan application-related planning work.
3. Encourage use of an effective public participation program throughout the planning document process, including a full, early public disclosure of sensitive environmental issues. This should include a public process whereby the applicant informs the affected community about the alternatives and provides the opportunity for the community to submit comments prior to selection of a preferred alternative by the governing authority.
4. Monitor progress on preparation of the planning document and hold meetings with the engineer and system owners to identify and resolve problems at an early point in the process (Scoping Meeting). As work on the planning document progresses, DEQ

- should encourage the applicant to identify important environmental issues, should any exist, and to take whatever steps are necessary to resolve them.
5. Review documents for conformance with environmental requirements. The Outline and Checklist for Planning Document (Form 5-A) and the Outline and Checklist for Environmental Information Documents (Form 5-E) should be used during review to ensure completeness of information.
 6. Transmit written comments to the applicant. Review responses to such comments to determine final compliance with state requirements. Meet with the system representatives, if necessary, to resolve outstanding issues.
 7. Direct the environmental review process using the DEQ Environmental Review Procedure (Form 5-B), and if applicable, the EID checklist (Form 5-E).

Loan Recipient—As the wastewater system representatives work to complete their planning document, it is their responsibility to:

1. Consult with DEQ on the planning document requirements, including environmental review responsibilities. The applicant should participate in a scoping meeting to identify environmental requirements and use the DEQ-approved Outline and Checklist for Planning Document (Form 5-A), the DEQ Environmental Review Procedure (Form 5-B), the Outline and Checklist for Environmental Information Documents (Form 5-E), and any other applicable guidance materials.
2. Include a discussion of alternatives and recommend a cost-effective and environmentally sound alternative.
3. Ensure that as project alternatives are developed, environmental impacts and associated mitigation costs are considered and become part of the public participation process leading to selection of an alternative.
4. Fulfill the environmental review requirement (following consultation described in item 1 of this list) by either completing documentation for a categorical exclusion or an EID.

6 Plans and Specifications

Four forms accompany this section:

- Form 6-A, Certification of Compliance with WRRDA
- Form 6-B, CWSRF Specification Insert
- Form 6-C, Checklist for Plans and Specifications Review
- Form 6-D, Plans and Specifications Approval Letter

Contractors shall provide copies of all documentation required in Chapter 6 of this handbook to the recipient, who shall maintain the records until 3 years of repayments have occurred.

Form 6-A: Compliance with WRRDA

Section 602(b)(13) of the Water Resources Reform and Development Act of 2014 (WRRDA) requires recipients to certify that they have evaluated and selected the most efficient alternative with respect to the criteria defined in the certification outlined in Form 6-A.

To comply with this requirement, the recipient's professional engineer shall complete, sign, stamp, and submit to DEQ Form 6-A as part of the plans and specifications submittal.

Form 6-B: Idaho CWSRF Specifications Insert

This is the standard source document for DEQ engineers in each DEQ regional office to inform prospective DEQ loan recipients of the range of legal requirements. To maintain eligibility for the CWSRF, the project specifications shall contain the CWSRF Specifications Insert.

Documents Submitted

The recipient may, at their discretion, require all bidders to submit certain specification inserts from which DEQ only requires final submission from the successful bidder.

Davis-Bacon Administration

A number of loan recipients have found it advantageous to utilize the services of grant administrators who are familiar with Davis-Bacon requirements. These specialists can provide assistance from the initial plans and specifications through contract administration during the course of the project. The costs for retaining grant administrators are loan-eligible (i.e., can be disbursed from the CWSRF loan).

American Iron and Steel (AIS)

1. **General:** In accordance with the current CWSRF Assistance AIS requirements, all of the iron and steel products used in this project shall be produced in the United States, except those iron and steel products for which a waiver has been issued. For any AIS related questions, contact Eliot Sherman of EPA at (202) 564-7381 or sherman.eliot@epa.gov.
2. **Waivers:** The statute permits EPA to issue waivers where EPA finds (1) that applying these requirements would be inconsistent with the public interest; (2) iron and steel products are not produced in the US in sufficient and reasonably available quantities and of a satisfactory quality; or (3) inclusion of iron and steel products produced in the US will increase the cost of the overall project by more than 25%.
For more information on obtaining a waiver, access the EPA AIS Guidance, starting on page 11, at: www.epa.gov/sites/production/files/2015-09/documents/ais-final-guidance-3-20-14.pdf. SRF assistance recipients may apply for a waiver by emailing the completed documentation listed in Appendix 1 of the EPA AIS Guidance to the DEQ project engineer. Once the DEQ engineer determines the application is complete, he or she will forward the application to cwsrfwaiver@epa.gov with a copy to the SRF AIS Coordinator Kevin.McNeill@deq.idaho.gov and a copy to the applicant.
3. **De Minimis Waiver:** Products would be considered eligible for a de minimis waiver if: (1) the sum total of the combined products does not exceed 5% of the total cost of materials for the project; (2) the products are not described in the project specification; and (3) any single product does not exceed one 1% of the total materials cost of the project.
4. **Required AIS Construction Contract Language:** To ensure compliance with the AIS requirement, specific AIS contract language must be included in each contract, starting with the assistance agreement, all the way down to the purchase agreements.

5. **On-site Inspections:** The owner’s representative shall periodically conduct on-site inspections to review the materials compliance logs being maintained by the contractor to ascertain the completeness of information being recorded. In addition, the owner’s representative shall spot-check stored iron and steel products against the logged information to ensure the consistency and accuracy of the documentation.
6. **Pay Applications:** CWSRF loan fund reimbursement shall only occur when manufacturer’s Letters Certifying Product Compliance with AIS requirements have been received and approved by the owner or owner’s representative and submitted as supporting documentation for requests for payment for iron and steel products. A sample acceptable manufacturer’s letter is included in the SRF spec insert (Form AIS-2). For assistance with reviewing manufacturer product certification letters, contact SRF_AIS@epa.gov with “cert letter review” as the subject.

DEQ P&S Review Responsibilities

DEQ will review and approve construction plans, specifications, and addenda for completeness, adequacy, and ease of maintenance and operability of the facility:

1. Conduct design reviews at the 90% level, when deemed appropriate by the DEQ project engineer. In addition, DEQ may conduct in-progress design reviews at 10% and 50% levels, thereby ensuring that preparation of the plan and specifications is in accordance with the approved facility plan and applicable federal and state requirements.
2. Review the plans and specifications to ensure facilitation of project construction and compliance with applicable procurement requirements. Purchasing and bidding must comply with Idaho Code for municipalities and political subdivisions of the state. DEQ engineers may document the review using the Checklist for Plans and Specifications Review (Form 6-C). This process ensures that the comments resulting from the review are considered and that loan recipients incorporate appropriate changes into the documents.
3. Retain deficient or incomplete plans and specifications and addenda until applicants correct the documents.
4. Notify the applicant, by letter, of plans and specifications approval (Form 6-D) and advise of any additional procurement requirements for project construction.
5. Provide information and participation requirements regarding disadvantaged business enterprises (DBE) for inclusion in specifications.

Form 6-C: Checklist for Plans and Specifications Review

Form 6-C is a standard checklist provided to guide DEQ engineers in each DEQ regional office in their review of SRF-related plans and specifications. Consulting engineers will find this helpful, as it is a good indication of DEQ’s expectations.

Form 6-D: Plans and Specifications Review Approval Letter

This is the template for the letter of approval that DEQ will send out after reviewing the project plans and specifications.

Project Sign

A sign may be produced and erected in a prominent location to adequately mark the project. (Signage costs are eligible.) The sign indicates that DEQ is providing funds for the project.

Sign Specifications:

- A sign for identification of the project may be installed prior to commencement of construction at a location near the project site and accessible for public viewing.
- The sign should be constructed of 4 feet by 8 feet exterior type high-density overlaid plywood or other sign material of equivalent quality and framed with 2 inch by 4 inch wood of suitable grade.
- The DEQ logo should be painted on the sign in a manner similar to the attached detail drawing. The logo should be about 11 inches in diameter.
- The sign should be painted with black or other visible dark lettering on a white background.
- Information specified on the attached detail drawing should be displayed on the sign.
- Lettering should be of professional quality and in accordance with the attached detail drawing; all lettering should be in proportion to the sizes shown.
- Any additional information displayed on the sign should not detract from or displace the information required in the drawing.
- The contractor should provide adequate support for the sign with regard to site conditions and it should be an adequate distance above the prevailing grade to permit public viewing.
- When the construction is complete and accepted by DEQ, the contractor should remove and appropriately dispose of the sign.
- The cost of preparing and erecting the sign is an eligible cost.

8' - 0"

4'

Provide adequate supports for sign as site conditions may require and keep sign a proper distance above prevailing grade to permit public viewing.

Exterior-type high density overlaid plywood or other approved material suitable for signs.

NOTE:
Background and all other sign components not designated are painted white.

7 User Charge System and Sewer Use Ordinance

Two forms accompany this section:

- Form 7-A, Checklist for Review of User Charge System (UCS) and Sewer Use Ordinance (SUO)
- Form 7-B, Sample Approval Letter for User Charge System and Sewer Use Ordinance

The UCS should be designed to distribute costs equitably among all users and produce sufficient revenue to fund costs of operation, maintenance, replacement, and debt retirement. If bonds are issued to finance construction of the facilities, a covenant for an adequate user charge must be included in the bond documents. The DEQ engineer will review the community's UCS and SUO. The UCS may be combined into the SUO.

8 Bid Reviews

Three forms accompany this section:

- Form 8-A, Checklist for Reviewing Bid Documents
- Form 8-B, Sample Letter Authorizing Bid Award
- Form 8-C, Checklist for Data Due after Bid Award

DEQ will review bid solicitations and contract documents prior to awarding the construction contract. Bid documents will be reviewed to determine conformance with state and federal requirements. Form 8-A, Checklist for Reviewing Bid Documents, should be completed during

each review. Notification should be provided for deficiencies, and inadequate or incomplete documents may be retained until all deficiencies are corrected.

After reviewing the bids, DEQ may authorize award of the contracts. The authorization may be in the form of a letter, which should contain instructions for arranging a pre-construction conference (Form 8-B). Verbal authorization may be given; however, in all cases, written authorization will be provided prior to the specified last day to award.

Items of Concern Prior to Issuance of the Notice to Proceed

The items listed below have historically been sources of concern in the bidding and awarding process of construction contracts. The explanations below are included clarify the policies and to ensure AIS and Davis-Bacon model clauses are included in the contract(s).

American Iron and Steel

The loan recipient must include the AIS clause specified in the CWSRF Specification Insert (Form 6-B) Section I.12 in the signed contracts with the successful bidder(s) for the project.

Davis-Bacon (DB) Wage Provision Requirement

The loan recipient must include the following documents in the signed contracts between the loan recipient and the successful bidder(s) for the project:

- a. Either DB model clause I or model clause II from the DEQ website <http://www.deq.idaho.gov/media/60179667/srf-davis-bacon-conditions.pdf> (depending on the type of loan recipient) *must* be included in the signed contracts.
- b. Latest wage determinations.
(For further information refer to www.gpo.gov/fdsys/granule/USCODE-2010-title31/USCODE-2010-title31-subtitleII-chap13-subchapIII-sec1352/content-detail).

9 Construction Management

Six forms accompany this section:

- Form 9-A, Checklist for Pre-Construction Conference
- Form 9-B, Wastewater Loan Account Suggested Agenda and Points of Discussion for Pre-Construction Meeting with Contractor
- Form 9-C, Checklist for Construction Dispute Review
- Form 9-D, Evaluation of Change Orders
- Form 9-E, Checklist for Change Order Review
- Form 9-F, Sample Letter Explaining DEQ Involvement with Acquisition of Professional Services and Need for Certificate of Negotiation

To plan, direct, and track the progress of construction, DEQ will be involved in various construction management activities. These may include pre-construction conferences, construction claims, in-process construction inspections, disputes, and change order reviews.

Pre-Construction Conferences

The borrower may schedule a pre-construction conference as soon as possible after the borrower awards the construction contract. The pre-construction conference should be conducted in two sessions:

1. DEQ may conduct the first session, using the Checklist for Pre-Construction Conference (Form 9-A) to ensure that the borrower is aware of the requirements that govern construction activity.
2. The borrower may conduct the second session to ensure that the contractor is aware of the state and federal requirements that govern the project. The borrower, consulting engineer and/or inspectors, contractors, and DEQ staff may attend the second session.

The borrower should notify all appropriate parties regarding time, date, and location of the pre-construction conferences. In addition, a suggested agenda (Form 9-B) should be sent to all parties.

The borrower, using the suggested agenda, should provide to all appropriate parties a written report of the conference sessions, including a list of persons attending, items discussed, and conclusions reached.

Disputes

To prevent disputes regarding the construction of the project, DEQ will assist borrowers by helping to facilitate clear communication on the project, providing inspections, and offering assistance with the items listed in the Checklist for Construction Dispute Review (Form 9-C).

DEQ will closely monitor the resolution of disputes, consult with the borrower concerning the eligibility of settlements and resulting fees, and promptly review documentation regarding the disputed issues. DEQ, in fulfilling its fiduciary-related responsibility in the effective use of CWSRF funds, is an interested participant in dispute resolution.

Change Orders

DEQ will review change orders to determine technical and administrative adequacy pursuant to all applicable state and federal requirements as outlined in Form 9-D. Incomplete or deficient change orders will be returned to the borrower for correction, and notification of change order approval will be provided to the borrower in writing. The Checklist for Change Order Review (Form 9-E) may be completed to document change order review.

10 Operations and Maintenance Manual

Two forms accompany this section:

- Form 10-A, Checklist for Review of Operations and Maintenance (O&M) Manual
- Form 10-B, Sample Operations and Maintenance Manual Review Transmittal Letter

DEQ will review O&M manuals to ensure compliance with applicable state and federal requirements. Review activities include, but are not limited to, the following:

1. Review the draft and final versions of the O&M manual, using the Checklist for Review of O&M Manual (Form 10-A), and provide review comments to the borrower.
2. Ensure that disbursements will not exceed 95% until the O&M manual has been approved by DEQ.
3. Upon final approval, stamp three copies of the O&M manual as “approved” and take the following steps:
 - a. Provide one stamped copy to the borrower with an approval letter (Form 10-B).
 - b. Provide one stamped copy to the DEQ state office’s SRF group.
 - c. Retain one copy for the official project file.

11 Construction Inspections

Five forms accompany this section:

- Form 11-A, Interim Construction Inspection Report
- Form 11-B, Request for Final Construction Inspection and Disbursement
- Form 11-C, Submittals Required Prior to Final Inspection
- Form 11-D, Documents to Have Available at the Time of Final Inspection
- Form 11-E, Final Construction Inspection Report

DEQ may conduct interim inspections of the construction of the project at the discretion of the DEQ project engineer. The frequency of interim inspections will be determined by the size and complexity of the project. The DEQ project engineer will complete an interim inspection report, using Form 11-A. DEQ will issue copies of the report to the borrower, the borrower’s project engineer, and the resident inspector, and retain a copy in the project file.

A final inspection will be conducted upon completion of construction. The final inspection is meant to determine that the project has been satisfactorily constructed in accordance with the loan authorization, approved plans and specifications, and applicable federal and state requirements.

When approximately 80% of the loan funds have been disbursed, the DEQ project officer may send Form 11-B to the borrower with instructions for completion and distribution.

Within 60 days of notification from the borrower of project completion, the final construction inspection should be conducted. Form 11-E, the Final Construction Inspection Report, may be completed and a copy provided to the borrower. The final inspection should include a review of the following items:

- The facility is complete, operating, and meets effluent limitations.
- The facility conforms to the approved construction drawings, specifications, and change orders.
- Construction and accounting records are adequate and available.
- Construction impact mitigation measures and all special conditions of the loan authorization have been met.

Any deficiencies discovered during the final inspection will be discussed with the borrower, and provisions will be made for correction of problems.

12 Project Files and Accounting

Three forms accompany this section:

- Form 12-A, Checklist for Major Milestone Dates
- Form 12-B, Change Order Summary
- Form 12-C, Miscellaneous Provisions and Specimen Documents

Project Files

DEQ will be responsible for maintaining and storing the official loan project file in the TRIM system. The DEQ state office maintains general project files and fiscal records, while the DEQ regional offices maintain complementary project oversight-specific files. The State Treasurer's Office maintains any negotiable instruments used to secure loans. DEQ will not be required to send copies of documents to EPA except as specifically covered by separate agreement.

DEQ may maintain a summary of major project milestone dates (Form 12-A) in each project file.

DEQ may maintain a summary sheet in each project file for change order information (Form 12-B). The information may include change order number, amount, amended contract time, and amended contract amount.

DEQ is subject to the Idaho Public Records Law (Idaho Code §9-337 through 9-350), which requires DEQ to provide the public access to all public records maintained by the agency. Generally, all project files are available to the public upon request, unless the file or document is exempt from release under the Idaho Public Records Law.

Exceptions to public records disclosure are described in Idaho Code §9-340 through 9-348, and requests for public records are evaluated according to the Idaho Public Records Law and DEQ's Policy for Handling Public Records Requests (PM12-03), available at <http://www.deq.idaho.gov/media/72047-pm12-03.pdf>.

Each project file will contain documentation to explain any changes to the original amortization schedule. Generally, prepayments and late payments will be netted over time, and the adjustment to the original schedule will be made at the very end of the payment term. This approach is similar to a standard home mortgage, with the exception that payments will be applied based upon when they are received rather than when they are due. Should the loan recipient request an amended amortization schedule and DEQ agrees to the change, the project officer and loan officer will provide in the project file the supporting documentation to explain DEQ action.

Accounting

Accounting practices for borrowers will follow generally accepted accounting practice guidelines. The project officer and loan officer will document generally accepted accounting practice activities in the project file.

Policy for Determining Annual Clean Water State Revolving Fund Loan Fee

Under the “Rules for Administration of Water Pollution Control Loans” (IDAPA 58.01.12.032), DEQ may elect to impose a loan fee to offset administrative costs. DEQ considers the imposition of such a fee on new loans prudent if it is expected at the beginning of the year that loan fee reserves will be less than 100% of expected annual fee-related costs.

The maintenance of a 100% floor is to provide for continued funding of the loan program in the event that loan fees are unable to meet administrative costs and capitalization funds have been exhausted and to meet other costs associated with fees in the Intended Use Plan. To the extent that loan fee reserves and expected fee revenues on existing loans exceed the 100% floor, excess fees may be transferred to the Loan Fund.

Policy Memo for Annual Interest Rate Setting

The method for determining the annual interest rate to be charged on loans and extended term financing from the Water Pollution Control and Drinking Water Loan Account is established in a DEQ policy memo available at <http://www.deq.idaho.gov/laws-rules-etc/deq-policies/>.

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Glossary

100-Year Flood—A flood event that has a 1% chance of occurring or being exceeded in any given year. The 100-year flood is also referred to as the 1% flood, since its annual exceedance probability is 1%. The 100-year flood is based upon a statistical analysis of stream flow records available for the watershed or an analysis of rainfall and runoff characteristics in the watershed.

Amortization Schedule—A table showing the remaining payments on a loan, including principal and interest.

As-Built Drawings/Record Drawings—Drawings of the completed wastewater system by an engineer after construction is complete.

Bidding—See Procurement Requirements.

Capital Budget—A financial statement of estimated capital expenses for a period of time, usually including proposed methods for financing those expenses. Capital includes accumulated assets and resources used to accomplish a goal.

Capital Improvements Plan—A long-range plan that identifies capital projects and equipment purchases, provides a planning schedule and capital replacement schedule, and identifies options for financing the plan. For a wastewater system, the capital improvements plan provides a link between the wastewater system, its comprehensive and strategic plans, and its annual budget.

Categorical Exclusion—A category of actions that do not individually or cumulatively have a significant effect on the human environment and for which neither an environmental information document (EID) nor an environmental impact statement (EIS) is required.

Change Order—A document that authorizes changes to the original construction contract. Some causes for construction change orders include, but are not limited to, changed site conditions; requests by the borrower, engineer, or contractor; omissions in the plans and specifications; differences between contract amounts and installed quantities; and regulatory changes.

Clean Water Act (CWA)—The main federal law that protects the quality of surface water in the United States. Under the CWA, EPA uses a variety of regulatory and non-regulatory tools to reduce direct pollutant discharges into surface waters, finance municipal wastewater treatment facilities, and manage polluted runoff.

Clean Water State Revolving Fund (CWSRF)—Many wastewater systems find it difficult to obtain affordable financing for infrastructure improvements that would enable them to comply with water quality standards and protect public health. Recognizing this fact, Congress established the CWSRF as part of the Amendments to the Clean Water Act in 1987. The CWSRF program combines federal and state capitalization funds with other resources to provide low-interest loans for eligible projects, such as secondary and advanced treatment works, sewage collection systems, sanitary and combined sewer overflow correction, and stormwater management.

Loans made under the program can have interest rates between 0% and market rate and repayment terms of up to 20 years. Loan repayments to the state will provide a continuing source of infrastructure financing into the future.

Cross-Cutting Authorities—The requirements of federal laws and executive orders that apply to all federal financial assistance programs.

Disadvantaged Business Enterprise (DBE)—An entity owned, controlled, or both, by an individual who is socially and economically disadvantaged under either EPA’s 8% or 10% statutes, as well as a small business enterprise, a labor surplus area firm, or a small business in a rural area.

Disbursement—The paying out of loan funds from DEQ to the borrower.

Effluent—Treated wastewater discharged from a wastewater treatment facility.

Environmental Information Document (EID)—During the environmental review process, if a proposed wastewater construction project is determined to be ineligible for a categorical exclusion, an EID shall be prepared. The EID is a written environmental assessment prepared by an applicant or consultant describing the environmental impacts of the proposed project. The EID must be of sufficient scope to enable the responsible official to assess the environmental impacts of the proposed project and ultimately determine if an environmental impact statement (EIS) is warranted.

Environmental Review—For each potential state revolving fund (SRF) loan project, “environmental review” means the overall process undertaken by DEQ on each potential grant project and potential CWSRF loan project to determine whether the project may have a significant impact on the environment, requiring implementation of mitigation measures and possible preparation of an EIS.

Equal Employment Opportunity (EEO)—EEO refers to six federal laws that prohibit job discrimination: (1) Title VII of the Civil Rights Act of 1964, (2) the Equal Pay Act of 1963, (3) the Age Discrimination in Employment Act of 1967, (4) Title I and Title V of the Americans with Disabilities Act of 1990, (5) Sections 501 and 505 of the Rehabilitation Act of 1973, and (6) the Civil Rights Act of 1991. The United States Equal Employment Opportunity Commission enforces these laws.

Equivalent Dwelling Unit (EDU)—Used to provide a common measurement basis for communities that have a variety of customers.

Fee Simple Title—Full and unrestricted ownership of real estate.

Finding of No Significant Impact (FONSI)—A document prepared by DEQ briefly presenting the reasons why an action not otherwise categorically excluded will not have a significant effect on the human environment and for which an environmental impact statement (EIS) is not prepared. The FONSI shall include the environmental assessment or a summary of it, will generally detail mitigation measures, and shall note any other environmental documents related to it. If the environmental assessment is included, the finding need not repeat any of the discussion in the assessment but may incorporate it by reference.

Flood Insurance Rate Map (FIRM)—The official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated both the special hazard areas and the risk premium zones applicable to the community. Lending institutions and federal agencies use FIRM to locate properties and buildings in relation to mapped flood hazards and to determine whether flood insurance is required when making loans or providing grants following a disaster for the purchase or construction of a building.

Force Account—Labor directly employed by the borrower (e.g., a city’s public works department staff).

IDAPA—A numbering designation for all administrative rules in Idaho promulgated in accordance with the Idaho Administrative Procedures act.

Idaho Department of Environmental Quality (DEQ)—The state agency responsible for administering wastewater loans from the Clean Water State Revolving Fund.

Indemnification—The act of restoring a victim of a loss, in whole or in part, by payment, repair, or replacement.

Infiltration/Inflow (I/I)—Refers to storm water (infiltration) or ground water (inflow) that enters a wastewater collection system designed for sewage. By increasing the total amount of waste a wastewater system must treat, I/I can increase treatment costs and cause sewer overflows.

Minority Business Enterprise (MBE)—A business that is owned and controlled by at least 51% minority member(s). Minority group members are citizens of the United States who are African Americans, Hispanic Americans, Native Americans, Asian Pacific Americans, and Subcontinent Asian Americans. EPA carries out the MBE/WBE program to ensure that MBEs and women’s business enterprises (WBEs) are given the opportunity to participate in contract and procurement for supplies, construction, equipment, and services under any EPA grant or cooperative agreement.

Mitigation Measures—Actions taken to avoid, minimize, remedy, reduce, eliminate, or compensate for the impact of a wastewater construction project.

No-Action Alternative—The option of not undertaking the proposed construction project.

National Pollutant Discharge Elimination System (NPDES) permit—Permits granted by the US Environmental Protection Agency to control water pollution by regulating point sources that discharge pollutants into US waters. (Point sources are discrete conveyances such as pipes or human-made ditches.)

Operations and Maintenance (O&M) Manual—Provides technical guidance on how a wastewater system is operated, including guidance for monitoring and reporting of samples and testing results. The O&M manual is likely to be a system’s most detailed guidance document and helps to ensure continuity of quality service in the event of staff turnover.

Outlay—A payment or expenditure.

Plan of Operations—A planning document developed by the owner or operator of a wastewater facility detailing the facility’s life cycle, in other words, how it is to be operated during its active life and during closure.

Plans and Specifications—The engineering description of a project, including engineering drawings, maps, technical specifications, design reports, and construction contract documents in sufficient detail to allow contractors to bid on and construct the work.

Priority List—A list prepared by DEQ that ranks the Clean Water projects interested in receiving loans. Loans are offered to eligible communities based on their ranking on the priority list. Priority is given to those eligible projects that (1) address the most serious risk to human health and (2) are necessary to ensure compliance with the requirements of the Clean Water Act.

Procurement Requirements—The legal requirements (commonly referred to as *bidding*) under which borrowers acquire goods and services.

Request for Proposals (RFP)—A document that solicits competitive proposals from prospective contractors for particular work or services. A contract is typically awarded to the winning bid.

Responsible Charge Operator (RCO)—A person designated by a wastewater system owner to supervise and take responsibility for operating the wastewater system. The RCO must be licensed at the type and class equal to or greater than the classification of the wastewater system and have an active daily on-site or on-call presence at the system.

Sewer Use Ordinance (SUO)—A regulatory tool implemented by local jurisdictions (such as city or county governments) to define the uses of a wastewater treatment facility and how those uses are enforced.

Substitute Responsible Charge Operator (SRCO)—A person designated by a wastewater system owner to operate the wastewater system when the responsible charge operator (RCO) is unavailable. The SRCO must be licensed at the type and class equal to or greater than the classification of the wastewater system.

US Environmental Protection Agency (EPA)—The federal agency responsible for distributing wastewater state revolving fund funds allocated by Congress as part of the amendments to the Clean Water Act. These funds are used by each to state to provide loans to wastewater systems.

User Charge System (UCS)—A written description of the methodology by which a municipality will recover the costs of building, operating, and maintaining the wastewater system. A UCS should be designed to distribute costs equitably among all users and produce sufficient revenue to fund costs of operation, maintenance, replacement, and debt retirement.

Wastewater Information Management System (WWIMS)—A computer application that tracks statewide information about wastewater collection and treatment systems and operators.

Wastewater Rules (IDAPA 58.01.16)—State of Idaho rules that govern wastewater systems in Idaho. The rules are available online at <http://adminrules.idaho.gov/rules/current/58/0116.pdf>.

Women’s Business Enterprise (WBE)—A business that is at least 51% owned and controlled by a woman or women who are citizens of the United States. EPA carries out the MBE/WBE program to ensure that MBEs and women’s business enterprises (WBEs) are given the opportunity to participate in contract and procurement for supplies, construction, equipment, and services under any EPA grant or cooperative agreement.