



**FY 2003**  
**Funding Guidelines**  
**Volume One**

*Centennial Clean Water Fund*

*Clean Water Act Section 319*  
*Nonpoint Source Fund*

*Washington State Water Pollution*  
*Control Revolving Fund*

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**Note: The *Fiscal Year 2003 Funding Guidelines* comes in three volumes:**

***Volume One* contains the main body of the *Guidelines*.**

***Volume Two* of the *Guidelines* contains the *Appendices*.**

***Volume Three*, contains most pertinent *Statutes and Regulations*.**

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## How to Use These Guidelines

### General Information

These guidelines describe how to apply for water quality financial assistance from the Washington State Department of Ecology (Ecology). The funding programs included in these guidelines are the Centennial Clean Water Fund (Centennial), which may provide loans or grants, the Washington State Water Pollution Control Revolving Fund (SRF), a loan-only program, and the Clean Water Act Section 319 Nonpoint Source Fund (Section 319), a grant-only program. The guidelines also explain what will be required of an applicant if a loan or grant is awarded. The Table of Contents lists the topics covered in each section to make this document easy to use. Ecology does not intend these guidelines to be a comprehensive listing and explanation of all laws, statutes, and policies that may apply to Centennial, SRF, or Section 319 funding. Rather, they facilitate the application process and initial steps of administering a funded project. Applicants should request additional information and consultation whenever they feel they need it.

The *Appendices*, bound separately as “Volume Two” of the Guidelines, contain additional information that will be useful to most applicants. Please review the list of appendices and use them as a resource.

The first two volumes of the guidelines draw on applicable federal and State laws, other regulations, and policies. “Volume Three” of the Guidelines containing some of the more important statutes and regulations related to these funding programs, is also provided. Other documents referenced in these guidelines may be obtained from the Ecology Publications Office. The State’s Internet Home Page at <http://www.ecy.wa.gov/> includes links to the Revised Code of Washington (RCW) and the Washington Administrative Code (WAC). The appendices to the guidelines include a list of State and federal laws and other regulatory documents that apply to different types of projects.

### Definitions of Key Terms

You will find a glossary at the end of the Guidelines (Volume One). It contains definitions of many of the important terms and concepts used in the guidelines as well as explanations of abbreviations and acronyms. Abbreviations and acronyms are spelled out and defined, where appropriate, the first time they are used, but most are also provided in the glossary.

There are a few terms which are used repeatedly in a special sense and are important enough to stress at this point:

- **Facility or facilities:** A water pollution control **facility** or **facilities** is any facility or system for the control, collection, storage, treatment, disposal, or reuse of domestic wastewater and stormwater, aerators in lakes, Facilities planning, design, and construction are all considered to be elements of facilities projects. Projects may address sanitary sewage, stormwater, residential, commercial, industrial, and agricultural wastes (including nonpoint pollution) that are causing water quality degradation due to concentrations of conventional, non-conventional, or toxic pollutants. Water

pollution control facilities include all equipment, utilities, structures, real property, and interests in and improvements on real property necessary for or incidental to such purpose. If a professional Engineer is needed to approve any aspect of the project, it is considered a facility.

- **Activity or activities:** A water pollution control **activity** is an action taken by a public body to prevent or mitigate water pollution. An activity does not ordinarily involve site-specific engineered construction, although an activity may involve a facilities component. Some examples of activities are comprehensive planning, research, streambank restoration, water quality monitoring, technical assistance, and public information and education. An example of a facilities component of an activity project is a mechanical aerator that is part of a lake restoration project.
- **Grant and loan blends:** Due to the complexity of the funding programs and Ecology's desire to maximize the use of available funds, the project scope of work proposed by some local government applicants may involve a combination of grant and loan eligible components. For these projects, Ecology will consider offering funding and signing agreements for both a grant and loan in order to address the respective grant eligible or loan eligible components. While separate agreements will be developed and signed, each agreement is administered and managed separately.

For more information on anticipated eligibility, please review Appendix A, "Part One - Eligibility of Project Types" and Appendix A, "Part Two – Eligibility of Project Components," found at the beginning of Volume Two of the FY 2003 Guidelines. Ecology Water Quality Program staff identified on the inside cover of the FY 2003 Funding Guidelines, Volumes 1 and 2, can also be contacted and consulted with eligibility inquiries.

- **Project Manager:** Ecology assigns a Project Manager to each loan or grant project which has been offered funding. The Project Manager provides technical assistance, helps negotiate a funding agreement with the funding recipient, and manages most of the communication related to the project. A Project Manager works closely with the loan or grant recipient and coordinates project issues with the Financial Manager.
- **Financial Manager:** Ecology assigns a Financial Manager to each loan or grant project which has been offered funding. The Financial Manager is the main contact for payment information, and processes all payment requests. A Financial Manager will work closely with the recipient and coordinates project issues with the Project Manager.

### **Contacting Ecology for more information**

Additional copies of the guidelines, application forms, and further information about the Centennial, SRF and Section 319 programs can be obtained from the Water Quality Program and on the Internet at:

<http://www.ecy.wa.gov/programs/wq/links/funding.html>

For your convenience, a list of the variety of ways to contact Ecology is on the inside of the front cover of this document. A list more information on specific contacts for regions of the State, specific topics, etc. in Guidelines Volume Two, Appendix P, Water Quality Loan and Grant Contact List, January 2002.

## **Chapter 1: Introduction**

### **Combined Funding Cycle**

The Department of Ecology's Water Quality Program administers three major funding programs that provide low-interest loans, grants, or loan and grant combinations for projects that protect and improve water quality in Washington State:

- The Centennial Clean Water Fund Program,
- The Washington State Water Pollution Control Revolving Fund Program, and the
- Clean Water Act Section 319 Nonpoint Source Program

Ecology acts in partnership with State agencies, local governments, and Indian Tribes by providing financial and administrative support for their water quality efforts. As much as possible, Ecology manages the three programs as one; there is one combined funding cycle, application form, and offer list. These guidelines address the three programs and their combined funding cycle.

When you apply for funding, it is not necessary to specify a funding source. The application will be reviewed and prioritized on the merits of the proposed project. Once the projects have all been reviewed and prioritized, Ecology staff place them on a priority-ordered offer list. If your project is in the fundable portion of the offer list, Ecology will identify the most appropriate funding source for the project.

### **Who Can Apply for Financial Assistance?**

Applications for loans and grants are accepted from any local public body, as well as certain other groups in Washington State. Eligible public bodies include any Washington State county, city, town, conservation district, or other political subdivision, municipal or quasi-municipal corporation, or any Tribe recognized by the federal government. All applicants may submit as many proposals as they wish. Washington State institutions of higher education are eligible to apply for limited types of projects (see below). Applications from not-for-profit organizations that are recognized as not-for-profit organizations, and recognized as tax exempt by the Internal Revenue Service as an organization described in IRC Section 501 (c) 3 are accepted but are only eligible to receive Section 319 grants.

Washington State institutions of higher education may only apply for projects beyond the scope of the school's statutory responsibilities. Other State agencies are not eligible to apply. The Legislature did not intend for funds appropriated to Ecology to be used by State agencies to circumvent the State's capital and operating budget process.

## What's New for Fiscal Year 2003?

Most of the changes between FY 2002 and FY 2003 are:

- “Environmental Results,” “Project Results,” success measures, and continued monitoring and maintenance commitment, are enhanced concepts that augment this year’s application and evaluation process. Incorporation of these concepts were required by House Bill 1785 signed into law in 2001; or were recommended by the related Joint Legislative Audit and Review Committee (JLARC) and are assigned points and are defined below with details and examples in the Application Part 2 Instructions. These more “global” approaches applicants need to take are envisioned in subsequent funding cycles.
- Assessed Levels of Oversight are a means by which Ecology will determine what level of oversight is appropriate (usually during the evaluation process) throughout the progress of the project. Projects that require additional Ecology oversight may receive additional site visits, special tracking procedures, etc. to ensure productive investments. This process resulted as a recommendation by the State of Washington Auditors Office.
- The shift from grants to loans for facilities construction projects and the heightened importance of being ready to proceed were put into effect last year (both made through regulation in 2000). They are critical to the Water Quality Program and are retained this year.

### Overview and Definitions of Environmental Results and Project Results

Environmental Results and Project Results are reflected in the FY 2003 Water Quality Financial Assistance Application, because Ecology and the Legislature believe that planning and implementation by applicants must have a more global perspective in terms of what the applicant and Ecology can eventually expect to be achieved from the investment of time and money by both entities. The “Ultimate Environmental Result” is achieving the designated beneficial uses on all State of Washington waters and all projects should help aim for that goal.

**Environmental Results** are tangible environmental changes for the better, to be achieved or directly addressed by the project proposed. Specifically, they are:

- a. **Designated beneficial uses restored or protected** -- i.e. Water Quality Standards met. Provide clear documentation (data) showing surface or ground water quality standard violations or seriously threatened (e.g., 303 (d) listing or data showing probable listing) or
- b. **“Severe Public Health Hazard” or “Public Health Emergency” eliminated** (see Glossary in Program Guidelines), or
- c. **Regulatory compliance achieved** to address a compliance order, consent decree, etc. (please attach copy), or action taken to avert a probable threat to compliance. Please provide clear documentation (data) of an imminent threat to violations of effluent standards.

The emphasis on Environmental Results is attributable to both the Legislature's and Ecology's interest in making sure that money invested through loans and grants leads to the greatest possible environmental benefit. As a result, applicants will have to measure and report on the relationship between project activities and measurable improvements in the environment. In addition, applicants will have to be able to evaluate the effectiveness of your project, including written materials and outreach." The Water Quality Financial Assistance Application Part 2 Instructions, Question III has much more detailed guidance.

**Project Results** are quantitative results realistically anticipated that will directly lead to the Environmental Results. For example:

- Meeting water quality standards along a 10 mile targeted segment (where Environmental Results are to restore beneficial uses along the entire 50 mile stream).
- Establishment and maintenance of a healthy self sustaining riparian corridor by planting and maintaining at least 15,000 trees to provide shade to the stream and exclude all cattle from the corridor for a period of at least four years along 12 miles of stream.

The Water Quality Financial Assistance Application Part 2 Section III and the instructions have several more examples.

**Success measures** likewise are being highlighted this year. Success should be measured against progress towards attaining Environmental Results, Project Results, and other measurable objectives and targets. Accordingly, the applicant is asked to determine and explain measurable objectives and targets and to measure its success by gauging the progress made towards reaching these objectives and targets.

**Continued monitoring and maintenance commitment** is also highlighted, because there is a clear need to better track results achieved and better ensure a successful investment. The Water Quality Financial Assistance Application Part 2 Section III and instructions have much more detailed guidance.

**Assessed levels of oversight** are a means by which Ecology will determine what level of oversight is appropriate (usually during the evaluation process) throughout the progress of the project. Projects that require additional Ecology oversight may receive additional site visits, special tracking procedures, etc. to ensure productive investments. Such a designation will be identified in the Funding Offer Letter (if possible) and special provisions will be negotiated and be included in the financial assistance agreement. The following matrix of "Projects That Require Additional Ecology Oversight During Project Management" is divided into two columns based on complexity and performance, and it will be used as the project is reviewed by Ecology and the financial assistance agreement is negotiated:

Projects That Require Additional Ecology Oversight During Project Management

<b>Environmental Complexity</b>	<b>Performance/Management/Administration</b>
Statewide or regional significance (e.g. unusually controversial or problematic projects).	First time recipient (includes new lead staff or new consultant).
<ul style="list-style-type: none"> <li>• Innovative/alternative/unusual/pilot.</li> <li>• Innovative projects are those with unproven technologies (at least in the Ecology region proposed for implementation).</li> <li>• Alternative projects are those processes or technologies that are considerably different from the conventional processes, but may less costly, or provide land use or energy efficiencies, etc.</li> </ul>	Significant challenges with latest State or federal audit findings.
<p>Projects with challenging or underdeveloped deliverables or would be helped with extra technical assistance. For example:</p> <ul style="list-style-type: none"> <li>• Projects with an environmental window</li> <li>• High ratio of staff/defined deliverables, etc.</li> </ul>	Poor performance or lack of performance in past with proposed recipient.
Complex coordination or multi-agency effort.	Complex coordination or multi agency effort.

Ecology may conduct periodic administrative reviews of funded projects to evaluate a recipient's records and accounting systems. These reviews verify that eligible and ineligible project costs are documented for audit and that recipients comply with the applicable State statutes, regulations, and requirements (including special loan or grant conditions).

## Overview of Funding Programs

### The Centennial Clean Water Fund Program (Centennial Fund)

In 1986 the Washington State Legislature established the Water Quality Account, which funds a variety of programs related to water quality. This account is financed primarily from tobacco tax revenues and may also be supplemented from the State General Fund and other funds, subject to legislative appropriation. The Centennial fund is one of the programs funded by the account, and is authorized by Chapter 70.146 of the Revised Code of Washington (RCW). The Centennial fund provides low-interest loans and grants to local governments and Indian Tribes for water pollution control facilities and water pollution control activities designed to prevent and control water pollution to our state's surface and ground water. Ecology's Water Quality Program has administered the Centennial fund since its inception.

Ecology uses an administrative rule, Chapter 173-95A WAC (*Uses and Limitations of the Centennial Clean Water Fund*), to help manage the program. This rule was substantially updated in December, 2000.

The Legislature directed that the Centennial fund shall be used to finance the planning, implementation, design, acquisition, construction, and improvement of water pollution control facilities and water pollution control related activities. Ecology's goal is to ensure that the fund is distributed among those projects that address the state's highest priority water quality protection and water pollution control needs.

**Funding Allocation.** Ecology anticipates the Washington State legislative appropriation for the Centennial Clean Water Fund for Fiscal Year 2003 (FY 2003) to be similar to that of FY 2002, with approximately \$12.3 million available Statewide for competitive facilities and activity projects. The final amount available will be subject to legislative appropriation.

**Ceiling Amounts.** Ceiling amounts have been set for Centennial loan and grant participation per project:

- For facilities projects where financial hardship has been demonstrated, the total Centennial grant amount cannot exceed \$5 million for the life of the project.
- For combination design/construct ("Step 4") facilities projects, special loan and grant ceiling amounts apply - see Chapter 4, "Planning Requirements and the Step Process."
- For activity projects, the total amount of Centennial grant assistance cannot exceed:
  1. \$500,000 per annual funding cycle if all match is cash or interlocal costs, or
  2. \$250,000 per annual funding cycle, if any part of the match will be "in-kind."



**Match.** For water pollution control **facilities** grants where financial hardship has been demonstrated, the funding applicant must provide a minimum local match of 50 percent of total eligible costs (TEC) in the form of a low interest loan from the Washington State Water Pollution Control Revolving Fund Program (SRF) program (see below). An exception may be made in some cases where a higher grant percentage (hence a lower match percentage) would be allowed using a factor based on three-year average unemployment rate for the county where the project is located (see Chapter 5, Guidance for Facilities Projects - Financial Hardship Assistance For Facilities Construction, for more on how hardship is determined).

For water pollution control **activity** grants, the applicant must provide a local match of 25 percent of the TEC. See the Chapter 3, “General Guidance,” for more information on local matching requirements.

### **The Washington State Water Pollution Control Revolving Fund Program (SRF)**

The SRF provides low interest loans to local governments for projects that improve and protect the State's water quality. The United States Congress established the SRF program as part of the Clean Water Act (CWA) Amendments of 1987. The amendments authorized the U.S. Environmental Protection Agency (EPA) to offer yearly capitalization grants to states for establishing self-sustaining loan programs. In response, our State Legislature passed a statute in 1988, Chapter 90.50A, RCW (*Water Pollution Control Facilities – Federal Capitalization Grants*) which created Washington State's SRF program.

Funding for Washington's SRF program includes federal grants, a 20 percent State match composed of Water Quality Account funds, monies from loan principal and interest repayment, and interest earned by the State Treasurer's Office on investments of the loan principal and interest repayments. Ecology uses an administrative rule, Chapter 173-98 WAC (*Uses and Limitations of the Water Pollution Control Revolving Fund*), to help manage the program. The State of Washington regulation governing SRF (Chapter 173-98 WAC, *Uses and Limitations of the Water Pollution Control Revolving Fund*), was substantially updated in December, 2000.

The SRF provides low-cost financing or refinancing of eligible costs for projects including publicly owned wastewater treatment facilities, nonpoint source pollution control projects, and comprehensive estuary conservation and management programs.

**Funding Allocation.** Ecology expects to have about **\$80 million** of available SRF funding for low-interest loans during the FY 2003 funding cycle. The exact amount will vary depending on principal and interest payments as well as deobligated (returned) funds between the time these guidelines are being written and the time Ecology issues the Final Offer List and Final Intended Use Plan (IUP).

**Ceiling and Limitations.** Chapter 173-98 WAC, *Uses and Limitations of the Water Pollution Control Revolving Fund*, requires Ecology to distribute money according to the following category allocations: Eighty percent of the fund is to be used for water pollution control facilities, while 20 percent

of the fund is reserved for nonpoint source pollution control planning and implementation projects and comprehensive estuary conservation and management projects. Unless the demand for funds is limited, not more than 50 percent of each funding category allocation can be awarded to any one public body. In addition, if requests for SRF assistance in one category do not result in the offer of all available funds, any remaining funds are transferred to the other category. Loans may be provided for up to 100 percent of the total eligible costs (TEC). See Chapter 5, Guidance for Facilities Projects - Financial Hardship Assistance For Facilities Construction for more information on financial hardship.

For combination design/construct (“Step 4”) facilities projects, special loan and grant ceiling amounts apply. The total project cost for Step 4 projects may not exceed \$1,000,000. See Chapter 4, “Planning Requirements and the Step Process,” for more details about Step 4.

**Match:** Ecology does not require any match for loan projects.

### **Clean Water Act Section 319 Nonpoint Source Program**

The Clean Water Act (CWA) Section 319 Nonpoint Source Program (Section 319) provides grant funding to local governments for the management of nonpoint source pollution and to improve and protect water quality. The United States Congress established the Section 319 program as part of the CWA Amendments of 1987. The Environmental Protection Agency (EPA) offers Section 319 funds to states subject to an annual appropriation by the United States Congress. Funding for Washington's Section 319 program includes federal grants and a State match.

While Ecology has no specific State of Washington rule to guide the management of the Section 319 program, much of the program is steered by federal regulations and guidelines, and Ecology uses the provisions of the Centennial Rule (Chapter 173-95A WAC) to control the management of the Section 319 program.

However, Section 319 projects must implement specific nonpoint source pollution control strategies that are specifically identified in Washington’s *Water Quality Management Plan to Control Nonpoint Source Pollution, April 2000* (State Nonpoint Plan). For a more detailed overview and WEB links, see Appendix S, Washington’s Water Quality Management Plan to Control Nonpoint Source Water Pollution - Appendix A (of the State Nonpoint Plan).

As with other financial assistance programs, project proposals must demonstrate direct or indirect water quality benefits to be attained through preventing or controlling nonpoint sources of pollution. Examples of projects that are funded include implementation of stream and habitat restoration, use of best management practices, stormwater pollution control, water quality monitoring, and lake restoration efforts that focus on pollution prevention.

**Funding Allocations.** During the FY 2003 funding cycle, Ecology expects to make available approximately \$2 million in Section 319 funds to local and tribal agencies. Local governments, Tribes,

and not-for-profit groups are eligible for Section 319 grants for eligible nonpoint source water pollution control projects.

**Ceiling amounts.** As with Centennial grants for activities, Section 319 ceiling amounts are:

1. \$500,000 per annual funding cycle if all match is cash or interlocal costs, or
2. \$250,000 per annual funding cycle, if any part of the match will be in-kind.

**Match.** The applicant must provide a local match of 25 percent of total eligible costs (TEC). See the Chapter 3, "General Guidance," for more information on local matching requirements.

## Chapter 2: Types of Projects the Programs Can and Cannot Fund

### Eligible Projects

The Legislature and Congress specifically earmarked Centennial, SRF, and Section 319 funds for projects that will improve or protect water quality through water pollution control and prevention. Many types of projects are eligible for loans, grants, or loan and grant combinations. Appendix A, Volume Two of the Guidelines contains a matrix of project and project component eligibility covering many potential situations. That matrix contains much more detail than this chapter does. If you are unsure whether your proposed project or a component of it is eligible for funding, you should contact Ecology headquarters or regional staff prior to completing an application.

### Tangible Water Quality Results Needed

Ecology is supportive of those water quality projects that result in identifiable and quantifiable environmental and project results. For example, projects proposed to continue and maintain staff, continue efforts initiated under previous Ecology grants, or those which are limited in their environmental scope are not as highly endorsed nor supported. Project proposals must have methodologies with a sound technical and scientific basis and may (if they are ranked in the fundable portion of the lists), be offered funds contingent on proven scientific methods proposed.

### Major Categories of Ineligible Projects

Certain types of projects are specifically excluded and some project elements may be ineligible even though the main part of a project is eligible. Some examples follow:

**Excess Flows from Commercial, Industrial, or Institutional Sites:** The Centennial and SRF programs provide financial assistance for treatment of residential wastewater and stormwater. Ecology provides loan and grant funding primarily for the treatment of residential wastewater and stormwater.

Wastewater or stormwater from commercial, industrial, or institutional sites is ineligible for funding when:

- The cumulative amount comprises more than 30 percent of the total flows; or
- An individual flow comprises more than five percent of the total flows

See Chapter 5, “Guidance for Facilities Projects,” for a discussion of eligibility determinations and small flows.

**Excess Capacity:** Centennial and SRF funds are intended to be used for existing residential need and reasonable amounts of growth (loans only for growth), and they cannot be used for excess capacity. However, the legal definition of excess capacity for the Centennial program differs from that of the SRF program. See Chapter 5, “Guidance for Facilities Projects,” for details on capacity limits. Briefly, the Centennial program allows loans for the portion of the project up to 110 percent of existing need, with

the portion above 110 percent being considered excess capacity. A percentage of existing need may be grant eligible in cases of demonstrated financial hardship. The SRF program allows loans for existing need plus capacity for an estimated 20 years of growth (based on Growth Management Act-compliant comprehensive plans), with the capacity beyond 20 years being considered excess capacity.

**Projects or Project Elements Designed for Flood Control (including storm drainage):** Flood control structures and stormwater conveyance facilities are typically intended to reduce flooding and have minimal benefit to water quality. Therefore, Ecology generally will not fund these facilities. **Note:** In some cases, stormwater conveyance and other facilities may serve to prevent pollution, for example, by reducing flooding of a contaminated area or by reducing stream erosion. Ecology may fund these portions of a proposed flood control/storm drainage project. We will determine eligibility for these projects on a case by case basis. Ecology staff will provide additional guidance on eligibility of stormwater facilities if needed.

**Solid and Hazardous Wastes:** Ecology's Solid Waste and Financial Assistance Program provides funding for projects that address solid and hazardous wastes. Water pollution control projects that deal primarily with water quality, but also affect the control of solid and hazardous substances (such as projects related to biosolids from sewage sludge or septage) may be eligible for funding consideration. However, loan and grant funds were not intended to fund projects that are primarily related to solid and hazardous substances as defined in RCW 70.105(C), *Hazardous Waste Cleanup*.

**Water Supply:** The Legislature and EPA established the Centennial and SRF programs to fund projects that will improve or protect water quality through the control and prevention of water pollution. Projects intended to provide or enhance a water supply are ineligible for funding, as they ordinarily do not address a specific water pollution problem. However, Ecology may fund all or part of projects intended to protect a water supply source through water pollution control or prevention. Water conservation or water reclamation and reuse projects may also be eligible if they can be shown to be the affordable cost-effective alternative to correct or prevent a water pollution problem.

Projects primarily designed to provide, treat, or transport domestic drinking water or water for agricultural uses are not eligible for loan or grant funding. There are other programs, including a new State Revolving Fund for drinking water (administered by the Department of Health) and the Public Works Trust Fund (administered by the Department of Community, Trade, and Economic Development) that may be available for funding these types of projects.

**State Agencies and State and Local Educational Institutions:** State agencies may receive direct appropriations from the Legislature. For this reason, Ecology does not fund State agency and school district projects. State-run institutions of higher education may apply for loan or grant funds for activities projects not related to the school's mission, goals, or statutory responsibilities.

**Acts of Nature:** Projects are ineligible if they address acts of nature that alter the natural environment, thereby causing water quality problems (for example, a volcano erupting and filling a river with mud).

However, projects may be eligible if they address an act of nature that altered the human environment (for example, flood event damage to a sewer outfall).

**Certain Lake Projects:** Ecology will only distribute loan or grant funds for lake restoration projects that address water quality problems throughout the entire watershed, and include a significant source control component. Funds are not available for projects that propose only to control conditions in the lake itself. A proposed Phase II implementation lake project on any lake without public access will not be eligible for funding.

**Engineering Reports:** Engineering Reports are ineligible for funding if they do not meet the requirements for facilities plans.

**Growth:** Projects designed to assist private developers or promote growth are ineligible for funding. The GMA (see Chapter 5, “Growth Management Act Compliance”) requires that infrastructure improvements related to development must be funded by development-related fees. However, Ecology may assist in projects designed to help local governments comply with GMA comprehensive plan requirements through sewer comprehensive plans and stormwater comprehensive plans.

**Confined Animal Feeding Operations:** Local loan funds for best management practices (BMPs) funded through the SRF may not provide assistance for waste management systems which are considered to be confined animal feeding operations (CAFOs). An exception is made for projects proposed in areas covered by federally designated “National Estuaries” (only Puget Sound and Lower Columbia River, currently). Ecology will provide CAFO guidance on request.

**Best Management Practices Implementation on Private Property:** Only loans may be used for BMP implementation on private property. There are two exceptions, explained below.

1. Stream bank revegetation or fence construction are eligible for grants and loans under the Centennial program and grants under the Section 319 program if a public easement is given by the landowner.
2. New innovative/alternative technology are eligible for loans and grants under the Centennial program and grants under the Section 319 program if they have not yet been demonstrated in the Ecology region in which the project is located, if a public easement is given by the landowner.

**Side Sewer Laterals or Individual Pump Stations on Private Property:** Side sewer laterals or individual pump stations, or other appurtenances where the facilities are not owned and maintained by a public body; and there is not a public easement, are eligible for loans only. Such proposed projects may only be funded under the Centennial program. If there is a public easement, such projects are also eligible for loans under the SRF program.

## **Special Limitations - Previously Funded Projects**

If a public body has received full funding for a project, activity or objective from any Ecology-administered State and/or federal funding program, that project is considered to have been previously funded and therefore ineligible for Centennial funding. Funds from the Centennial, SRF, and Section 319 programs are “seed money,” helping to pay for the initial project costs and eventually enabling local agencies to proceed with their own resources.

For example, Ecology or another State or federal agency may have provided funds to comply with a specific requirement to remove pollutants from the effluent of a particular sewer system by expanding, improving, or replacing its wastewater treatment plant. If a public body used the funds and complied with the requirement, the public body is ineligible for grants to meet these same effluent or other water quality requirements, even in cases of hardship. The project may, however, be eligible for a loan.

Note: If a regulatory agency mandated additional requirements (such as advanced treatment), the public body may be eligible to apply for funds to comply with those additional requirements even though the plant has been paid for with State and/or federal funds.

While this applies most often to facilities projects, applicants proposing activity projects must also be able to show that a project is different from ones funded before. Applicants may show that an activity is a different phase of a project that was funded before, or that it targets a different audience, or that it occurs in a different geographic area. If applicants do not adequately document that a proposed project differs materially from one that has been funded before, Ecology will consider the project to be ineligible for grants due to being previously funded, in fairness to other applicants.

## **Major Categories of Eligible Projects**

Certain types of projects are eligible and may be offered funds if they are above the funding cutoff line in the Final Offer List or SRF Final Intended Use Plan. However, some projects are eligible only for loans, while others are eligible for loans or grants. Some examples of eligible projects follow:

**Planning:** Facilities planning and comprehensive sewer and stormwater planning projects are eligible for loan funding only. Most facilities projects include a site-specific planning component, and require facilities planning. A comprehensive plan examining water quality issues from a broader perspective than does a site-specific facilities plan may address all the potential sources of pollution in a watershed, or examine all the ways of protecting an aquatic resource. Examples of comprehensive planning are: watershed planning, lake restoration planning, wellhead protection planning, etc. (see Chapter 6: Guidance for Activities Projects, for a more complete list). Comprehensive planning does not necessarily result in the construction of facilities, while site-specific facilities planning usually does. Comprehensive planning is eligible for loans or grants.

**Design:** The preparation of plans and specifications for use in construction is an eligible project. These must be based on the preferred cost-effective alternative identified in the facilities plan. Design projects are eligible for loans only.

**Construction:** The actual building of a water pollution control facility based on the approved design is an eligible cost. Facilities construction projects are eligible for loans only unless Ecology has determined that a financial hardship to residential ratepayers exists (see Chapter 5, Guidance for Facilities Projects, Financial Hardship Assistance for Facilities Construction).

**Projects Eligible for Loans Only:** The Legislature instructed Ecology to work toward making the Centennial fund more self-sustaining. They also directed Ecology to identify the types of projects (and project elements) that are more suited to loans than grants. Accordingly, as noted above, Ecology limits some projects or project elements to loans. For more information about loan and grant eligibility for specific project types or project elements, see Guidelines, Volume Two, Appendix A, “Comparison of Eligibility of Costs in the Funding Programs.”



## Chapter 3: General Guidance

### Ecology's Overall Position on Project Costs

Ecology is supportive of those water quality projects that result in identifiable and quantifiable environmental changes. Projects designed to continue and maintain staff, continue efforts initiated under previous Ecology grants, or those which are limited in their environmental scope are not as highly endorsed or supported. As funding for environmental projects becomes more limited, legislative and public support will be directed to those projects where the direct environmental and project results, along with success measures, are well developed and established.

### Approved Documents

Those documents where, prior to the time of application, Ecology has given written approval, and all needed signatures have been received.

### Vehicle Purchase and Lease

Vehicle purchase and lease can be covered by mileage, which may be charged to the financial assistance agreement or considered as overhead. The applicant with a signed financial assistance agreement may charge an overhead rate up to 25 percent of salaries and benefits for such needs as maintenance, office needs, heating and air conditioning, vehicle purchase, etc.

**General Purchase Vehicles:** Vehicles such as cars, pickup trucks, and vans are not eligible for purchase or lease.

**Specialized Vehicles:** Vehicles for the transportation of liquid or dewatered sludge or septage (e.g. from septic tank effluent pumping systems) are eligible for purchase or lease with loan funds. If a financial hardship is determined according to Chapter 5, Guidance for Facilities Projects, Financial Hardship Assistance for Facilities Construction, grant funds may be used under the hardship provisions.

**Mileage:** Mileage may be charged to the project at the current State mileage rate incurred while conducting project related work. This mileage charge would include all travel related needs (gas, tires, insurance, maintenance, etc.). To find the current State of Washington mileage rate, go to:

<http://www.ofm.wa.gov/> Then click in the following order:

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## Prior Authorization

Ecology recognizes that under exceptional circumstances, an applicant whose proposed project is offered funding may need to commence work on a project in advance of a signed and executed loan or grant agreement. This can only occur after the Final Offer List or the SRF Final Intended Use Plan and the applicant has been offered funding. Reasons for granting prior authorization to incur expenses include:

- Circumstances associated with a public health or environmental emergency requiring immediate action.
- Circumstances associated with a permit schedule requiring immediate action or binding permit requirements to proceed.
- Environmental conditions requiring a funding recipient to meet certain schedules. For example, the times of year for in-stream work or tidal considerations.

Under such circumstances, and by written request of the applicant, Ecology may provide the recipient written authority to incur expenses that could be loan or grant eligible. The applicant offered financial assistance should remember that:

- The applicant must write a letter to Ecology's Water Quality Program Manager requesting and justifying prior authorization.
- Ecology cannot release funds until a loan or grant agreement is signed.
- Costs incurred before the *prior authorization date* are the sole responsibility of the public body
- The applicant assumes responsibility for costs incurred before a loan or grant agreement has been signed, as Ecology cannot guarantee that a loan or grant will be awarded
- Any work performed by the public body that is not consistent with the conditions specified in Ecology's prior authorization letter, financial assistance agreement, and applicable criteria, will not be eligible for loan or grant funds.

## Procuring Goods and Services

The loan or grant recipient is responsible for the procurement of goods and professional, personal, and other services in a manner consistent with all applicable federal, State, and local laws, orders, regulations, and permits, including those related to discrimination, labor, job safety, and the State regulation for Minority and Women's Business Participation (MBE/WBE). Ecology requirements for procurement are contained in the publication entitled *Administrative Requirements for Ecology Grants and Loans*.

Recipients may use their own procurement policies and procedures if those policies comply with State and local laws and regulations and if this is specified in the funding agreement negotiated by Ecology and the recipient. However, they will need to certify by signing the financial assistance agreement that consulting and personal services were procured in accordance with Chapter 39.80 RCW, *Contracts*

for *Architectural and Engineering Services*, and other applicable State and local laws and regulations. Recipients must submit copies of the final signed consultant/engineering contract to Ecology's Financial Manager and Project Manager. It must include the signed MBE/WBE form and a letter stating the recipient has complied with the applicable procurement requirements and that eligible and ineligible costs are separate and identified. Ecology's Project Manager will review the contract for eligibility and consistency with grant/loan requirements. The recipient must also certify that the scope of work, level of effort, and costs (including profit) were negotiated in good faith and comply with applicable State and local laws and regulations.

### **Equipment Purchase/Equipment Fees**

Equipment for use on the project may be eligible if it is agreed to by the Project Manager and is included in the financial assistance agreement. If equipment is owned by the recipient, appropriate fees acceptable to the Project Manager and Financial Manager may be charged as an eligible cost. The recipient must complete Form I: Valuation of Donated Property, in the *Administrative Requirements for Ecology Grants and Loans*, for any equipment donated to complete the project.

### **Permit Costs**

Work in the preparation and negotiation of permits is eligible, but the permit fees are considered a normal operating expense and therefore, are ineligible.

### **Local Match Requirements for Grants**

All **water pollution control activity** grants must be matched by local funds or other eligible grant or loan funds. Local funds are often in the form of cash, but may be in the form of a loan or grant(s) from another funding source, or through in-kind contributions such as local volunteer time or donated materials (see *In-Kind Contributions* below). The cost of goods and services provided to a recipient by another eligible local government under the terms of an interlocal agreement may also be eligible for local match. For more information, please refer to *Interlocal Costs*, in the *Appendices*, and to the document *Administrative Requirements for Ecology Grants and Loans* (Ecology publication No. 91-18, which is available from Ecology's Publications Office, P.O. Box 47600, Olympia, WA 98504-7600).

For **water pollution control activity projects** funded through the Centennial or Section 319 programs, the basic grant share is 75 percent of the TEC. For projects where the Ecology share is less than \$250,000, the match may be composed of any combination of cash, interlocal contributions, and in-kind contributions, and may include funds from loans or from other grants that are not administered by Ecology. For projects where the Ecology share is more than \$250,000 to the activities ceiling amount of \$500,000, the match must be all cash.

For **water pollution control facilities projects**, grants are only available when a project has been determined to cause a financial hardship on the residential ratepayer. The maximum grant share for construction of facilities under the Centennial program when hardship has been determined is 50 percent

of the total eligible cost (TEC) (plus an unemployment differential percentage in some cases) or \$5,000,000, whichever is less. The unemployment differential is only available when the three-year average county unemployment rate exceeds the three-year average Statewide unemployment rate by at least one full percentage point. In these cases, the differential is the entire three-year average county unemployment rate. For example, if the three-year average Statewide unemployment rate was 5 percent and the three-year average county unemployment rate was 12 percent, the applicant might be eligible for a grant of up to 62 percent of eligible project cost. For more detail on financial hardship see Chapter 5, "Guidance for Facilities Projects, Financial Hardship Assistance for Facilities Construction." Applicants offered a grant for a water pollution control facilities project under the financial hardship provisions are required to accept an SRF low interest loan as match for the grant.

Applicants may not use in-kind contributions as a percentage of the local share for any facilities projects except where the project is part of an Ecology-designated Small Towns Environment Program (STEP) effort. However, the local share may come from any combination of cash, other grants, or loans. Under certain circumstances Centennial grants may be used as matching funds for other State and federal grants and loans.

### **Cash Expenditures**

Any funds paid in cash or check by the recipient for project work is considered to be a cash expenditure.

### **In-Kind Contributions**

All in-kind contributions must meet the requirements explained in *Administrative Requirements for Ecology Grants and Loans*. In addition, in-kind contributions are subject to the following limits:

- In-kind contributions must relate directly to the specific funded water pollution control activity.
- In-kind contributions are limited to time, material, or real or personal property donated for the use of the applicant to fulfill project requirements. Donations that become the long-term property of the applicant may be considered cash.
- Volunteer time may be donated at a rate not to exceed \$12.50 per hour.
- Contributed time from individuals receiving compensation through the grant may not be counted as an in-kind contribution.
- Time spent at advisory groups or meetings is not eligible.
- Donations of overhead costs, per diem, and travel and subsistence expenses are not allowable.
- Studies conducted by other State or federal agencies are not allowable.
- In-kind contributions must be fully documented and reported separately when requesting reimbursement.
- In-kind contributions performed prior to the execution of the grant agreement or funded under another grant or under a loan are not eligible.

## **Interlocal Agreements**

Costs associated with contributions from another public body may be eligible for grant participation; provided the work is eligible in accordance with the grant agreement, there is a signed interlocal agreement between the recipient and the public body providing the service, and no payment for these services will be made to the public body. All costs provided through the interlocal agreement must be fully documented and verification provided to Ecology's Financial Manager upon request. Interlocal costs must be specified as match in the budget of the grant agreement and all interlocal costs cannot exceed the amount identified.

By signing the financial assistance agreement, the recipient certifies that all interlocal agreements are consistent with Chapter 39.24 RCW, Interlocal Cooperation Act and the Ecology grant agreement and conditions.(See Guidelines Volume 3).

For activities projects, salaries and benefits paid by the contributing public body may be used. If they are identified in the interlocal agreement, overhead costs associated with the contributed salaries and benefits can be an eligible grant cost.

## **Contracts**

Contracts the applicant intends to develop should be noted in the budget of the financial assistance agreement. Copies of contracts must be sent to Ecology's Project Manager and Financial Manager.

## **Force Account/Staffing Plans**

“Force account work” is defined as a recipient using its own staff to complete a facilities project (for the purpose of this program). For activity projects it is referred to as a “staffing plan.” Costs associated with force account/staffing plans may be eligible project expenses if:

- The work is performed by qualified employees of the public body
- The work is accomplished more economically than if procured competitively
- The work is consistent with local requirements

Force account/staffing plans do not include administrative services applied to the construction project. As with other forms of direct labor, recipients must comply with all State laws pertaining to discrimination, wages, job safety, insurance, licenses and certifications, etc. Eligibility determination on the scope of services will be made by Ecology's Project Manager. Recipients must maintain separate and identifiable records for force account work, and will be responsible for ensuring that only eligible costs are charged to the projects. The Recipient must maintain separate and identifiable time cards. Overtime differential is not allowed.

## **Overhead**

Costs that benefit more than one activity of the recipient (including the grant or loan project) and that cannot be directly assigned to an objective of the project are considered to be overhead. Overhead may be charged to the loan or grant at the rate of up to 25 percent of salaries and benefits.

## **Light Refreshments**

Coffee (and any other non-alcoholic beverage such as tea, soft drinks, juice or milk) and other small edible items that may be served between meals (such as donuts, sweet rolls, fruit, and cheese), which may be served at meetings or conferences are considered to be “light refreshments,” and are eligible when specifically provided by the conditions of the advisory group and when permitted by Ecology travel policies.

## **Advisory Committee Time**

When provided for in a loan or grant agreement, time spent by advisory councils, including costs incurred by advisory councils or committees established according to federal or State requirements to carry out projects, may be conditionally allowable costs.

## **Water Quality Monitoring**

Loan or grant funding may be provided for water quality monitoring projects. Typically, a loan or grant recipient undertakes monitoring to characterize the existing conditions of ground and surface waters, to identify or quantify pollutant sources or loads, and to establish the effectiveness of Best Management Practices (BMPs). Monitoring may be the entire project, or a component of a larger project.

## **Loan Considerations, Terms and Interest Rates**

**Loan Flexibility:** Loans are available for up to 100 percent of the eligible project costs provided that this amount does not exceed the ceiling amount per project. Centennial or SRF loans may be used to match grants. Loans may also be used to match grants and loans provided by other State or federal agencies for eligible water quality projects where eligible under the other program.

**Loan Terms and Interest Rates:** Ecology bases interest rates for projects on the average market interest rate for tax exempt municipal bonds (as published in the *Bond Buyer's Index*). According to Chapter 173-95A WAC and Chapter 173-98 WAC, Ecology calculates the average market rate before the funding cycle begins, based on the daily market interest rate for the period from sixty days before the start of application cycle to thirty days before the start of application cycle. The rates are determined based on repayment time. For a repayment period of up to five years, the rate is determined to be thirty percent of market rate for tax exempt municipal bonds. For a repayment period of more than five years but no more than 20 years, the rate is determined to be sixty percent of market rate for tax exempt municipal bonds.

Statutes and regulations also allow Ecology to set interest rates lower than this in certain situations. For FY 2003, Ecology has set lower rates. Those rates are shown below:

<b>Repayment Period</b>	<b>Interest Rate</b>
Up to five years:	0.5 percent
More than 5 but no more than 20 years:	1.5 percent

If financial hardship is established during the loan negotiation, Ecology may provide lower interest rates, longer loan terms, or both (see the Chapter 5, Guidance for Facilities Projects, Financial Hardship Assistance For Facilities Construction).

Loan interest accrues at the time any funds are disbursed to the recipient.

### **Loan Repayment**

Semi annual loan repayment begins one year after the project completion date, initiation of operation date, or five years after the first disbursement, whichever comes first.

### **Delegation of Authority**

For **facilities projects**, Ecology may allow recipients with adequate resources and expertise to self-certify compliance with selected program requirements for wastewater and stormwater treatment facilities. Contact Ecology for the list of requirements that may be delegated and for the procedures to request delegation authority.

For **activity projects**, Ecology may delegate authority to recipients to certify compliance with selected program requirements. The recipient must submit a written request for delegation authority and include supporting documentation at the time of application. Documentation should consist of a demonstration by the recipient that it has the capability and resources to undertake delegation, that it is in the best interest of the State, and the request is consistent with applicable local, State, and federal laws and regulations. If the recipient has received approval for delegation authority in past funding cycles, documentation of previous approval must also be provided.

**Specific Interlocal Costs:** Costs associated with contributions from another public body may be eligible for loan or grant participation, provided there is a negotiated and signed interlocal agreement. For an activities project, salaries and benefits paid by the contributing public body may be used towards the recipient’s cash match. All overhead rates associated with the contributed salaries and benefits and other costs are ineligible for loan or grant participation. By signing the agreement, the recipient certifies that all negotiated interlocal cost agreements and interlocal agreements are consistent with the loan or grant agreement terms and conditions and Chapter 39.24 RCW, Interlocal Cooperation Act (see Volume Three).

**Public Awareness:** Ecology requires recipients of loans and grants to inform the public about their project and about the participation of Ecology and the EPA in the project through project signs, acknowledgment in published materials, the news media, or other public announcements.

This is an eligible activity for funding in all the programs.

- Under all the funding programs, any site-specific project, such as a facilities project or a BMP implementation project must have signs acknowledging State and/or federal participation. Logos are available from Ecology for use on the signs.
- Under all the funding programs, all publications (brochures, reports, etc.) using Ecology funding must include acknowledgment of State and/or federal participation.
- Under Section 319 grants, the funding recipient is required to notify the public about the project. Requirements for the notification usually include the goals of the project, total cost, and the involvement of Ecology and the federal government the EPA grant number, which is provided to the recipient, etc.

### **Time Limits for Starting and Ending Projects**

Time limits for starting and ending projects are based on the date of the Final Offer List on which the project was identified for funding. Time limits apply to whichever list the offer is from.

- The **funding agreement for the project must be signed** no later than 12 months after the date of the Final Offer List or SRF Final IUP.
- **Actual work on the project must begin** no later than 16 months after the date of the Final Offer List or SRF Final IUP.
- **The project must be completed** no later than five years after the date of the Final Offer List. A single time extension (totaling no more than one year) may be allowed if approved by the Water Quality Program Manager in accordance with the provisions in Chapter 9, Project Management Considerations, Timeframe for Project Completion and Provisions for an Extension.

### **Important Dates in Agreements**

The *effective date* of a loan or grant agreement is the date the agreement is signed by Ecology's Water Quality Program Manager, unless otherwise stated in the agreement or the date provided in the letter from the Water Quality Program Manager approving prior authorization. All costs incurred before the effective date of the agreement in the absence of written prior authorization are ineligible for reimbursement.

The *project completion date* is the last date that a funding recipient may incur loan or grant eligible costs. All items identified in the scope of work must be completed by this date. Costs incurred after the completion date will not be considered eligible.

The *initiation of operation date* (facilities construction projects only) is the actual date the facility initiates operation and begins being used for its intended purpose. This date may occur prior to final inspection. Ecology will determine the initiation of operation date after consultation with the recipient.



This date may be the same as the date of project completion, or it may be earlier. For facilities loan projects with an *initiation of operation date* which differs from the *project completion date* loan repayment begins one year after the *initiation of operation date*.

The *expiration date* is the date the loan or grant is no longer in effect. This date is negotiated as part of the loan or grant agreement. All required work must be completed before this date. Costs incurred after the expiration date are not eligible for reimbursement.

The *prior authorization date* is the effective date specified in the letter of prior authorization from Ecology's Water Quality Program Manager. It is the date applicants may begin incurring eligible project costs.

## **Chapter 4: Planning Requirements and the Step Process**

### **Planning Process**

Project applications should be consistent with any pertinent water quality plans or other policy statements adopted by regional agencies and approved by Ecology. These include (but are not limited to) those prepared under the Federal Clean Water Act Sections 208 (Area Wide Waste Treatment Management Plans), 319 (Nonpoint Source Management Strategy), and 320 (National Estuary Program), as well as the Puget Sound Water Quality Management Plan, shoreline master programs, ground water management area programs, comprehensive or general sewer plans, stormwater plans, watershed plans, and the Governor's Executive Orders.

Ecology has additional planning requirements for implementation projects. The applicable planning requirements often depend on whether the project is a facilities or activities project. Refer to Chapter 5 and 6 of these guidelines for further assistance and see the glossary for detailed definitions of facilities and activities.

Applicants should understand and explain the difference in their application between facilities planning and comprehensive planning. Most facilities projects include a site-specific planning component. A comprehensive plan examines water quality issues from a broader perspective than does a site-specific facilities plan. A comprehensive plan may address all the potential sources of pollution in a watershed or it may examine all the ways of protecting an aquatic resource. Comprehensive planning does not necessarily result in the construction of facilities, while site-specific facilities planning usually does.

Some examples of grant eligible comprehensive planning projects are:

- Watershed planning
- Basin planning
- Lake restoration planning
- Wellhead protection
- Ground water management area planning
- Aquifer protection planning
- Sole source aquifer planning
- General water quality studies and plans

Comprehensive or general sewer planning and stormwater planning is loan eligible only.

### **The Step Process for Facilities**

To be eligible for funding, facilities projects must proceed according to a systematic method known as the Step Process. Before a local government with a facilities project is eligible to apply for funds, all previous "Steps" must be approved by Ecology in order to help ensure that funds are well spent on projects proceeding toward a successful completion in a timely manner. All documents, such as site-

specific “facilities planning,” design plans, and specifications design, must be approved by March 6, 2002, and a copy of Ecology’s signed approval letter must be appended to the application.

Funding for planning (Step 1) or design (Step 2) does not guarantee the awarding of future funding for construction (Step 3). For additional technical requirements related to each step, see Chapter 5, “Guidance for Facilities Projects.”

**Planning (Step 1):** Step 1 involves the preparation of a site-specific facilities plan that identifies and prioritizes the cost-effective alternatives for addressing a water pollution control problem. Even when an engineering report has been prepared and approved by Ecology, the applicant must upgrade the report to meet facilities planning requirements for SRF and Centennial eligibility. Facilities planning projects are eligible for loans only.

**Design (Step 2):** Step 2 includes the preparation of plans and specifications for use in construction. These must be based on the preferred cost-effective alternative identified in the facilities plan that has been approved by Ecology. Design projects are eligible for loans only.

**Construction (Step 3):** Step 3 includes the actual building of a facility based on the approved design. Facilities construction projects are eligible for loans only, unless Ecology has determined that a financial hardship to residential ratepayers exists.

**Construction (Step 4):** Applicants may combine requests for funding of design and construction into one application, which is called Step 4. Ecology accepts applications for Step 4 loans if the applicant can demonstrate that Step 2 design can be completed and approved by Ecology within one year of the date the Final Offer List or Final Intended Use Plan. Facilities planning (Step 1) must be complete and approved by the application deadline.

The total project cost (not the TEC) under Step 4 cannot exceed \$1,000,000. The design portion of the project is eligible for loan funding only, even in cases of hardship.

**Step Deviations for Facilities Projects:** Ecology can allow deviation from the step process in one situation. Such a situation is where the Washington State Department of Health has declared a public health emergency, and the proposed project would remedy the situation causing that emergency. In this situation, Ecology will accept applications for funding consideration that do not follow the Step Process. Project eligibility remains the same; however, no loan or grant agreement will be signed (nor funds released) until all previous steps have been completed and approved by Ecology. This deviation from the Step Process will only allow an application to be *considered* for funding, it does not guarantee funding.

An applicant may deviate by only one step. For instance, Ecology could accept an application for design if planning was not complete, or an application for construction if design was not complete. However, Ecology could not accept an application for construction if planning was not complete.

## **The Step Process for Activities:**

In most cases, Ecology does not require the Step Process for activities projects. However, we give additional consideration in the evaluation process to those applications proposing to implement a specific project identified in a completed comprehensive plan.

In two areas, however, Ecology requires the Step Process to be followed for activities projects. These areas are:

1. Best management practices (BMPs) that involve improvements on private property, under the provisions for BMPs (see Chapter 6, "Guidance for Activities Projects")
2. Lake restoration projects

**Step 1 for activities (planning)** involves the identification of problems and evaluation of cost-effective alternatives based on environmental and economic considerations for correcting and preventing water quality problems. Specific activities may include planning for watershed management, ground water management areas (GWMA), lake restoration, and water quality assessment and other related activities.

**Step 2 for activities (implementation)** includes the actual implementation of the project based on the planning document formally accepted by the applicant, and approved by other agencies, if approval is ultimately required.

## **Chapter 5: Guidance for Facilities Projects**

### **Engineering Reports and Facilities Plans**

Ecology reviews and approves engineering reports or facilities plans and design documents (plans and specifications). The review is intended to ensure that applicants meet the requirements of Chapter 173-240 WAC, *Submission of Plans and Reports for Construction of Wastewater Facilities*, and that the most appropriate, cost-effective technology is being proposed.

Ecology encourages applicants to prepare facilities plans because engineering reports do not satisfy all of the eligibility requirements for loan and grant programs administered by Ecology or other State and federal agencies. Applications to prepare engineering reports are not eligible for funding. Facilities plans are loan eligible only.

Facilities plans approved by Ecology for purposes other than the securing of a loan or grant from Ecology will not be accepted for design purposes due to specific loan and grant review criteria. Also, engineering reports and facilities plans approved by Ecology more than two years prior to the close of the application deadline must be resubmitted to determine if it is necessary to update the document to reflect any changed conditions.

The facilities plan must address the requirements of Chapter 173-240 WAC, as well as the State Environmental Review Process (SERP), and generally recognized engineering standards and good practices.

### **Facilities Design**

The design document (plans and specifications) should represent the latest information on current and projected future conditions as well as treatment options and costs in the proposed service area. The plans and specifications must be consistent with Chapter 173-240 WAC, *Submission of Plans and Reports for Construction of Wastewater Facilities*, the approved engineering report or facilities plan, and other specified requirements.

### **Overview of the State Environmental Review Process**

The State Environmental Review Process (SERP) helps to ensure that SRF recipients with a facilities project select environmentally sound and cost-effective alternatives. All recipients must comply with State Environmental Policy Act (SEPA) and other applicable State and federal environmental statutes, regulations, and executive orders. SERP requirements must be complied with prior to the approval of the facilities plan. Guidelines Volume Two, Appendix O, contains much more detail needed to fully comply with SERP.

To complete SERP, the applicant must receive Ecology's concurrence on all SEPA documents and the *Washington State Water Pollution Control Revolving Fund (SRF) Environmental Information*

*Document (EID)*. For further information on SERP and on completing the EID, the applicant should contact the engineering staff of the applicable Ecology Regional Office or Ecology's Project Manager. Please also see Appendix O.

## **Planning and Design Document Reviews**

The following are general requirements for review of planning and design documents:

- All environmental reviews must be completed.
- Normally, one copy of draft documents and two copies of final documents should be submitted to the appropriate regional office of Ecology. Additional copies of a document may be requested by the Ecology Project Manager.
- Any documents (draft or final) submitted to Ecology for review and approval must be submitted by the public body, not by the consultant working for the public body.
- Applicants need to allow adequate time for review and approval of technical documents. Chapters 173-240 WAC, 173-98 WAC, and 173-95A WAC all require that an applicant allow 60 days for the review and approval process.
- Before design can be approved, the eligibility determination must be completed by the staff of the applicant's Ecology regional office.

Anyone planning to submit planning and design documents to Ecology for review and approval should discuss details and timelines with Ecology regional engineering staff very early in the preparation process.

## **Growth Management Act Compliance**

To be eligible for Centennial and SRF funding, applicants must be in compliance with the Growth Management Act (GMA). The GMA prohibits the distribution of Centennial funds for certain facilities projects. The prohibition applies to counties, cities, and towns that have failed to comply with their GMA requirements. For Ecology's purposes, applicants must comply with the requirements for comprehensive planning and development regulations (see RCW 36.70A, Growth Management-Planning by Selected Counties and Cities, and RCW 70.146.070, Water Pollution Control Facilities Financing). Ecology may make exceptions in situations involving a public health need or a significant environmental degradation.

Ecology includes the SRF in this prohibition because:

- the State's match for the federal funds comes from the Water Quality Account (source of the Centennial fund);
- there is a need for consistency between the funding programs;
- Ecology should and must comply with legislative intent, and the statutory requirements of the GMA.

Any public body required to comply with the GMA, or any public body that has opted to comply with the GMA, must certify its compliance with the applicable GMA requirements at the time a loan or grant agreement is signed, unless a determination has been made that one of the exceptional situations exists. The public body certifies its compliance by signing the funding agreement, which includes standard language to this effect.

The prohibition applies only to facilities projects proposed by public bodies that are required to comply with the GMA. It does not affect activity project applications such as watershed planning, water quality monitoring, public information and education, etc. Facilities projects proposed by local governments not planning under the GMA and facilities projects proposed by special districts (such as sewer districts or public utility districts) are also unaffected.

Ecology implements GMA compliance in several ways:

1. GMA compliance status may have an impact on the priority evaluation of proposed facilities projects, because facilities projects in areas out of compliance with the GMA may be less ready to proceed.
2. Ecology will coordinate with the office of Community Development to help ensure that the applicants are in compliance when they sign the financial assistance agreement. Centennial loan and grant offers and SRF loan offers are effective for one year from the date of the Final Offer List and the SRF Final Intended Use Plan. If GMA compliance is achieved during that time period, the agreement may be signed.
3. Ecology will make exceptions to the GMA compliance requirement, only as it relates to proposed projects addressing a “serious public health need” or a “significant environmental degradation,” on a case-by-case basis in these situations. Such designations proposed by applicants are scrutinized very carefully. For details on the processes for determining these situations, see Chapter 173-95A WAC, *Uses and Limitations of Centennial Clean Water Funds*, and Chapter 173.98 WAC, *Uses and Limitations of the Water Pollution Control Fund*.

Please note that no Ecology action contradicts the responsibilities of applicants to comply with GMA requirements.

## **Excess Capacity**

The definition of excess capacity and the eligibility for capacity for growth differs between the Centennial and SRF programs.

Under the Centennial program, the eligibility of capacity of a water pollution control facility will be based on the following:

- One hundred (100) percent of residential flows (existing at the time that a Step 3 or Step 4 application is submitted to Ecology) is eligible for loans, or, if financial hardship has been determined, loan/grant combinations.
- An additional 10 percent of residential flows (capacity for growth) will be eligible for a 100 percent Centennial loan.
- The capacity above 110 percent of existing residential flows is excess capacity under the Centennial program and is ineligible for funding under the Centennial program (though it may be eligible under the SRF).
- The capacity of the facility to treat infiltration/inflow (I/I) after cost-effective removal of I/I flows is eligible for loans, or, if financial hardship has been determined, loan/grant combinations.

Under the SRF program, reserve capacity to accommodate flows associated with 20-year projected growth within defined service areas is SRF loan eligible. Excess capacity under the SRF program, which is ineligible for funding, is the flow above the 20-year capacity for growth.

Ecology establishes capacity limits and funding eligibility of a stormwater control facility consistent with the limits for other water pollution control facilities. Ecology will not participate in the cost of reserve capacity of a stormwater control facility to accommodate development or to mitigate flood control problems.

### **Commercial, Industrial, or Institutional Flows**

The Centennial and SRF programs provide financial assistance for collection and treatment of residential wastewater and associated stormwater flows. The programs also may provide financial assistance for limited amounts of flow from commercial, industrial, or institutional sources that contribute to the total flow for a public body's water pollution control facility. These limited amounts of flow are called "small flows."

Specifically, small flows are defined as "flows from commercial, industrial, or institutional sources that individually comprise five percent or less, or collectively comprise 30 percent or less, of the total flow of wastewater."

If a water pollution control facility has no flows from commercial, industrial, or institutional sources, loan or grant funding eligibility for construction costs will not be affected. If a proposed project would include flows from commercial, industrial, or institutional sources, the portion of the project that meets the definition of "small flows" would be eligible for loan only. If a project includes flows that exceed the "small flows" definition, none of the commercial, industrial, or institutional flows are eligible for funding. However, only for the purposes of determining eligibility for funding, the portion of the flow that comes from K-12 educational facilities may be considered as part of the residential flow.

### **Meeting Construction Needs**

In order to make money available to other high priority projects, Ecology will, if necessary, reduce a facilities construction loan or grant by amendment, to meet the low, responsive, responsible bid. The



loan or grant amount may not be increased to meet the low, responsive, responsible bid or bids; however, Ecology may meet the actual bid if it falls within the budget. The recipient and Ecology should initiate the amendment process as soon as possible after the completion of the bid process in order to make the funding available to other public bodies whenever possible.

## **Change Orders**

A change order is a formal document that alters some condition of the original construction contract document. Ecology reviews all construction change orders and approves or disapproves them. The reviews cover technical merit, impact on the construction schedule, and compliance with other regulatory program requirements. The funding recipient must execute a change order any time there is a variation in an original construction contract document. Variations typically include changes in scope of work, contract price, construction methods, times to complete the work, and major design or process changes (such as changes in location, size, capacity, or quality of major equipment). Ecology may require a final quantity adjustment change order at the end of each contract to reconcile the originally contracted quantities with the quantities actually used.

The SRF program may provide a five- percent contingency for change orders. Centennial and Section 319 funds may **NOT** be used for cost increases due to change orders.

## **Refinancing Existing Debt**

Ecology allows applicants to apply for SRF loans to refinance existing debt for water quality facilities projects **that have met federal SRF requirements**. The recent adoption of rules guiding the funding programs has led to some changes in the way refinance is handled. Here are the highlights of the changes:

- There are two kinds of refinance - “standard” (or traditional) refinance and “interim refinance”
- Standard refinance uses a separate application process
- Standard refinance projects will not be offered funding unless there is insufficient demand for funding for new projects and interim refinance projects to use all the SRF funds
- Interim refinance is evaluated and managed like any other application

## **Standard Refinance**

Standard refinance is for those projects that are successfully completed and were accomplished using non-Ecology funding sources. Applicants must specifically explain where funds for the project were originally obtained (e.g. internal funds, other specific agencies, bond issuance, etc). Ecology cannot refinance prior SRF debt. Applicants must also explain their specific provisions for repayment. The debt for the project must still be outstanding, bonds must be callable, and the refinance application must be intended to entirely or partially retire the debt, presumably with more beneficial terms for the applicant public body. Ecology will not advance refund a prior debt. Applicants for standard refinance projects use a simpler process and form. A special Part 3 application form is used for these refinance projects, and the longer, more detailed Part 2 is not needed (though Part 1, mainly requesting applicant

information, is still required). The new Part 3 asks for financial capability information about the applicant and the project.

Standard refinance projects will not be offered SRF funding unless there is insufficient demand for funding for new projects and interim refinance projects to use all the SRF funds. Therefore, there may be no money available for such projects. When funds are available for standard refinance projects, they will be ranked by financial need (using the information on the special Part 3 of the application), with the standard refinance projects causing the greatest financial burden on ratepayers receiving the highest priority for funding.

### **Interim Refinance**

Interim refinance is for projects which are still in progress and for which the applicant went forward on their own accord, and use funding from a source other than Ecology (Ecology cannot refinance prior SRF debt). For projects in this category, applicants for funding need to apply in the same manner as any new project, making certain to clearly state that the project is underway. Applicants should also note that the loan request is to retire an existing debt as well as fund all or part of the rest of the project, and should make sure that all prerequisite documents have been secured. Applicants for these projects need to fill out and submit Part 1 and Part 2 of the application.

### **Financial Hardship Assistance for Facilities Construction**

Applicants may only apply for loans for facilities planning, design, and construction projects. However, for facilities construction projects that are offered loan funding, Ecology may offer grants in cases where the applicant is able to demonstrate that the project causes excessive financial burden to the residential ratepayer. Before grant money would be offered, Ecology will attempt to use other methods to relieve the financial hardship on the ratepayer, including longer loan terms and lower interest rates. Ecology will attempt to minimize the financial burden, but cannot guarantee specific results.

Applicants proposing construction projects must apply for loan funding, but certain projects may be eligible for grants when financial hardship is demonstrated. If grant funds are offered to offset financial hardship, the project cannot exceed ceiling amounts for facilities grants. Where financial hardship is determined by Ecology, the total eligible costs (TEC) for facilities construction using Centennial funds cannot exceed \$10,000,000 and the grant amount cannot exceed 50 percent of the TEC (plus an unemployment differential percentage in some cases), or \$5,000,000, whichever is smaller. When funded with an SRF loan, the TEC cannot exceed 50 percent of the amount available in the Water Pollution Control Facilities category and the loan may be for up to 100 percent of TECs. See Chapter 3, "General Guidance," and Chapter 7, "The Application Process," for more detail on ceiling amounts and match for Centennial grants.

When Ecology has determined that financial hardship exists and agrees to award grant funds for a facilities project, the match must come from a loan from Ecology. This loan must be for at least an amount equal to the amount of grant funds offered. An exception will be made if the grant is for more

than 50 percent of the total eligible costs that included an unemployment differential, in which case the match from an SRF loan must be for the remaining amount of the total eligible costs.

The unemployment differential is only available when the three-year average local unemployment rate exceeds the three-year average Statewide unemployment rate. In these cases, the differential is the entire three-year average local unemployment rate. For example, if the three-year average Statewide unemployment rate was 5 percent and the three-year average county unemployment rate was 12 percent, the applicant might be eligible for a grant of up to 62 percent the of eligible project cost.

Ecology calculates the need for hardship assistance based on water pollution control facilities construction costs associated with existing residential need at the time an application for funding is received by Ecology. Hardship is demonstrated if the project will cause a residential sewer user charge in excess of 1.5 percent of the median household income. Existing residential need is the work required on the recipient's water pollution control facilities for the existing residential population in order to meet the recipient's National Pollutant Discharge Elimination System (NPDES) or State waste discharge permit. The analysis does not include costs for growth. A simplified example is: an applicant applies for \$10 million to finance facilities construction costs, where \$6 million is for existing residential need and the remaining \$4 million is for growth. Ecology bases the hardship analysis on the \$6 million for existing residential need.

If Ecology staff determine that financial hardship exists, the following methods for lowering the financial burden on the ratepayer will be used in this order:

- Longer loan terms (to a maximum of 20 years)
- Lower interest rates (as low as zero percent interest)
- Partial grants (for the existing residential need portion of the project)

Usually, some combination of the above is used. Applicants offered a grant for a water pollution control facilities project under the financial hardship provisions are required to accept an SRF low interest loan as match for the grant.

In rare circumstances, financial hardship for facilities projects cannot be established using residential user fees as a percent of median household income. In these situations, Ecology determines financial hardship on a case-by-case basis.

Financial hardship assistance can only be used for water pollution control facilities construction projects.

An applicant requesting financial hardship assistance should submit a completed Financial Hardship Analysis Form with its financial assistance application. See Volume Two, Appendix L, Financial Hardship Analysis Form.

## **Chapter 6: Guidance for Activities Projects**

Water pollution control activities include a wide variety of projects that are not involved with constructing or preparing to construct any type of facilities. The review and approval processes for these kinds of projects may be less extensive than for projects involving facilities planning, design, or construction. However, other specific review and approval requirements may be specified by Ecology in the individual loan or grant agreements. Examples of activities projects are:

- Watershed planning
- Watershed management implementation
- Non-point stormwater management
- Lake restoration planning and implementation
- Wellhead protection
- Water quality monitoring
- Public information and education
- Technical assistance to farmers to prevent agricultural water pollution

Please note that the projects specifically listed here are not the only activities that may be funded. To discuss a particular project that is not covered here, please look at Guidelines Volume Two, Appendix A, “Comparison of Eligibility of Costs in the Funding Programs”, or call Ecology staff for clarification.

### **Watershed Planning Projects**

Watershed planning projects are eligible for loan or grant funding. If the project is located in the 12 counties that border Puget Sound, it must comply with planning criteria contained in Chapter 400-12 WAC, “Local Planning and Management of Nonpoint Source Pollution.” Ecology provides guidance for other jurisdictions. All watershed plans must comply with the State (of Washington) Environmental Policy (SEPA), and must be submitted to Ecology for review and approval.

### **Best Management Practices (BMP) Projects**

Implementation of BMPs on private property, public property, public easements, or public rights-of-way through private property are eligible for loan funding. Some BMP implementation projects may be eligible for grant funding. Before a BMP implementation project may be approved, the local conservation district must have completed a farm plan that identifies the site-specific requirements for the implementation.

In addition, the BMPs must provide public benefits through improved water quality. Confined animal feeding operations (CAFOs) are eligible only for loans for BMP implementation, and only under the Centennial program, except that projects proposed in areas covered by federally designated National Estuaries may be eligible for SRF loans. See the Guidelines Volume Two Appendix N, Financial Assistance for Agricultural Best Management Practices for specific information on the planning

requirements for best management practices on private property. A public body must administer all funds and contracts.

In some cases, Ecology may provide loans or grants to local governments for the following types of BMP projects only:

- Stream bank revegetation or fence construction if the landowner provides a public easement.
- New innovative/alternative technology if the technology has not yet been demonstrated in the Ecology region in which the project is proposed. Ecology regions are Northwest, Southwest, Central, and Eastern. The exact boundaries of the regions are available on request or may be viewed on the internet at: <http://www.ecy.wa.gov/ecyreg.html>

### **Ground Water Management Area Programs**

Ground Water Management Area (GWMA) programs are eligible for loan or grant funding. A public body applying for funds to develop GWMA programs must be a lead agency for an Ecology-designated GWMA as defined in Chapter 173-100 WAC, *Guidelines for Development of Ground Water Management Areas and Programs*. A GWMA must be developed cooperatively by a local agency and Ecology and must be structured to address local needs. A guidance document, *Guidelines for Development of Ground Water Management Areas and Programs* (Ecology Publication 86-2, August 1988), is available from Ecology's Publications Office, P.O. Box 47600, Olympia, WA 98504-7600.

### **Comprehensive Sewer Planning**

Comprehensive sewer plans, also known as general sewer plans, are eligible for loan funding. These plans must comply with Chapter 173-240 WAC, *Submission of Plans and Reports for Construction of Wastewater Facilities*.

### **Stormwater Planning Projects**

Stormwater planning projects are eligible for loan funding if they directly address water quality improvements. Projects located in the Puget Sound basin must comply with the Puget Sound Water Quality Management Plan (Chapters 90.70 and 90.71 RCW), including meeting the requirements of the Basic Program and the Comprehensive Program by the appropriate deadlines.

### **Lake Restoration Projects**

Lake restoration projects are eligible for loan or grant funding. These fall into three categories, discussed below.

**Phase I - Lake Restoration Planning Projects:** Lake restoration planning projects must identify the relationships between existing lake water quality and nutrients from internal (in-lake) and external (watershed) sources. Funding recipients must perform a minimum of twelve continuous months of

monitoring and investigations and must address physical, chemical, and biological relationships. The plan must evaluate potential lake restoration techniques for applicability and cost-effectiveness. The lake restoration plan must include a comprehensive approach for implementing both internal and external nutrient controls. If planning calls for methods that include structural or mechanical alternatives applicants must plan to follow the Step Process for facilities. See Chapter 4, Planning Requirements and the Step Process.

**Phase II - Lake Restoration Implementation Projects:** Phase II lake restoration implementation projects must implement elements of an approved (Phase 1) lake restoration plan. Funding recipients should implement and sequence restoration efforts in a manner that effects maximum nutrient reduction from both watershed and in-lake sources. The project should include water quality monitoring to determine whether the implementation efforts are meeting their stated goals and objectives.

Phase II funding recipients which include structural or mechanical alternatives must follow the Step Process for facilities. All lakes involved in Phase II lakes restoration projects must have public access. For low-cost projects, a boat launch is sufficient to qualify; for high cost projects, a multi-purpose park is required.

**Phase III – Post-Restoration Lake Monitoring Projects:** Post-restoration lake monitoring projects are conducted at least three and preferably five years after the completion of a Phase II lake restoration project. These projects are intended to evaluate the effectiveness and longevity of an implemented project and may include water quality monitoring, a comparison of water quality indicators, evaluations of the effectiveness of the restoration techniques, implementation programs, operation and maintenance of structures, and new developments. All completion reports for lake water quality projects must be submitted to Ecology for review and approval.

## **Water Quality Monitoring**

Water quality monitoring before, during, and after implementation and project completion is very critical, because there is a clear need to better track “Environmental and Project Results” achieved by the project and longer term results.

Loan or grant funding may be provided for water quality monitoring projects. Typically, a loan or grant recipient undertakes monitoring to characterize the existing conditions of ground and surface waters, to identify or quantify pollutant sources or loads, and to establish the effectiveness of BMPs. Monitoring may be the entire project or a component of a larger project.

## **Public Communication and Education (C&E) Projects**

Projects with public communication (including information) and education (C&E) components are eligible for loan or grant funding. The loan or grant agreement must identify the specific activities the applicant intends to accomplish. Please refer to Guidelines Volume Two, Appendix Q, “Ways of Developing Project Proposals,” for further guidance on how to develop C&E project proposals. Applicants with other project proposals will find this very useful guidance as well.

Please note that this information is provided as a resource or checklist and is not to be submitted. Applicants for such projects must complete the FY 2003 Water Quality Financial Assistance Application (Parts 1 and 2).

Much evidence appears to prove that information alone is insufficient in changing behavior - the very cornerstone of numerous problems these loan/grant problems seek to address and improve. Therefore, the guidance provided in Guidelines Volume Two recommends such considerations as:

- focus of the project; target population; geographic area; socio-economic status of targeted population; predominate land uses; and the behavioral change you seek to achieve for each target identified;
- knowledge, attitude and skills you desire in the targeted population;
- target population; geographic area; socio-economic status of targeted population; predominate land uses; and the behavioral change you seek to achieve for each target identified;
- knowledge, attitude and skills do you desire in the targeted population;
- identification of conflicting needs (associated with barriers analysis);
- community leaders, decision makers, and trusted peers and leaders;
- resources you will use including training materials, facilities, media;
- measurable objectives and goals of the project;
- performance measures you will use to assess how effective your project was. Success is defined as progress towards meeting your goals and objectives;
- assessment and evaluation tools will you use to evaluate the effectiveness of your program;
- kind of assessment and evaluation tools will you use to evaluate the effectiveness of your program - examples include: customer feedback surveys (telephone tends to work better), interviews, focus groups, observations, and (before and at least after 6 months) “records” that can demonstrate change;
- measurement of the participant’s knowledge, skill, attitudes and actions, the evaluation strategy’s link to the stated goals and objectives, and many other recommendations and considerations.

For many other examples and useful guidance, please see Guidelines Volume Two, Appendix Q, “Ways of Developing Project Proposals.”

The recipient is encouraged to submit an information and education plan to Ecology’s Project Manager for staff review preferably early during the progress of the project, so Ecology’s staff can adequately review plans and recommend any enhancements you may find useful. All information noted above (including and all Guidelines Volumes One, Two, and Three and the application) are also available at:

<http://www.ecy.wa.gov/programs/wq/funding/2003>

## **Local Loan Funds**

Ecology may provide loans to local governments to establish local loan funds. These loan programs should assist private citizens and small commercial enterprises by providing loans for water quality improvement projects. Local governments may lend money to rehabilitate on-site septic systems, to implement some BMPs, to rehabilitate community stormwater systems, and to alleviate other local water quality problems. Side sewer repair or replacement is eligible for loan funding under the Centennial program only (as a local loan fund or as a direct loan for an entire project). Under the SRF program, federal law precludes funding side sewer repair or replacement. Before signing a loan agreement, the Water Quality Program must review and approve:

- The priority system used by a local government to identify and fund projects with the most critical water quality and public health problems;
- The local government's dedicated source of revenue to repay the loan to Ecology;
- Procedures to ensure that the citizens repay their loans to the local governments;
- Procedures to ensure adequate inspection of the project by the local governments during implementation;
- Assurances that citizens receiving local loan funds will properly operate and maintain the systems that are constructed.

If you use local loan funds for on-site sewage system repair and replacement, side-sewer connections, or any other facilities projects, the public body administering the loan must be in compliance with the GMA at the time of the loan award to the public body (see Chapter 5, "Guidance for Facilities Projects, Growth Management Act Compliance").

The following guidelines must be used when local governments consider providing loans from local loan funds to small commercial enterprises for on-site septic tank rehabilitation or replacement:

- No more than one-third of the local loan fund may be used by small commercial enterprises for on-site wastewater treatment corrections.
- No more than half of this one-third amount (one-sixth) may be loaned to any single individual or business, up to a maximum of \$50,000.
- The average daily flows for any one single individual or business cannot exceed 3500 gallons per day.
- These enterprises may include public lodging (including motels, hotels and bed and breakfast establishments), rentals (apartments, duplexes or houses), small restaurants, stores, or taverns.

## **Wellhead Protection Projects**

Wellhead protection implementation projects are eligible for loan or grant funding. These are projects undertaken to protect the water quality of ground water used as a public drinking water supply.



## Quality Assurance Project Plan (QAPP)

Prior to initiating any water quality monitoring activities, the applicant needs to prepare a Quality Assurance Project Plan (QAPP). Development of the QAPP may be a component of the full project and is eligible for funding. The QAPP must follow Ecology's *Guidelines and Specifications for Preparing Quality Assurance Project Plans for Environmental Studies*, February 2001, (Ecology Publication No. 01-03-003). The applicant may also reference *Technical Guidance for Assessing the Quality of Aquatic Environments*, revised, February 1994, (Ecology Publication No. 91-78) in developing the QAPP.

The QAPP must:

- Describe in detail the monitoring and data quality objectives, procedures, and methodologies which will be used to ensure that all environmental data generated will meet the QAPP requirements.
- Describe in detail the water quality monitoring approach and laboratory protocols, including types of data and samples to be collected, sample location, sampling frequency, sampling procedures, analytical methods, quality control procedures, and data handling protocols.
- Describe data assessment procedures.
- Explain how the project will yield sufficient information to achieve the purpose and intent of monitoring.
- Discuss data accuracy and statistical requirements.

The loan or grant recipient must submit the QAPP to Ecology for review, comment, and approval before starting their environmental monitoring activities.

The loan or grant recipient must use an environmental laboratory accredited by Ecology to analyze water samples that require bench testing. Fulfilling this requirement may place a hardship upon the applicant due to the fact that an accredited laboratory is not locally available. In this situation, the recipient must submit a laboratory quality assurance plan for review and approval by Ecology. This plan must include laboratory operations, data quality objectives, analytical procedures, internal quality control checks, data assessment procedures, performance audits, and quality assurance reports.

The loan or grant recipient should manage all monitoring data collected or acquired under this agreement in order to be available to secondary users and meet the "ten-year rule." The ten-year rule means that data documentation is sufficient to allow an individual not directly familiar with the specific monitoring effort to understand the purpose of the data set, methods used, results obtained, and quality assurance measures taken ten years after the data are collected.

The recipient must submit all monitoring data to Ecology, including meta-data (data about the data) and a complete data-dictionary. You must employ common standards for infrastructure details, such as geographic names, Geographic Information System coverage, list of methods, and reference tables. To facilitate data exchange, Ecology has a *Data Submittal Guide* available via the Internet, which assists with the necessary formats and requirements for tabular data.

If you choose to collect GIS data, Ecology encourages you to use our data standards. An Ecology Focus Sheet entitled *GIS Data and Ecology Grants* (Publication No. 98-1812-SEA) outlines the standards. The information is also available on the Internet at this address:

<http://www.ecy.wa.gov/services/gis/index.html#data>

## Chapter 7: The Application Process

### How the Funding Cycle Works

Ecology conducts combined Centennial, SRF and Section 319 funding cycles each year. The Fiscal Year (FY) 2003 application period begins January 2, 2002, and ends March 6, 2002. Ecology made a public announcement about the funding cycle and workshops before the application period opened. Ecology will hold the public workshops in early January at various locations Statewide to explain the application process and general program requirements, as well as introduce the changes resulting from the rule amendments.

Staff at Ecology's headquarters office in Lacey will complete a cursory review of all applications for eligibility after the application period. Next, staff in the agency's four regional offices will evaluate and prioritize all of the eligible projects. The regional evaluators also are assisted by recommendations from other staff, both inside Ecology and with other State agencies. When this process is complete, headquarters office staff prepare a combined document consisting of a Centennial, SRF, and Section 319 Draft Offer List and SRF Draft Intended Use Plan, listing projects proposed to receive financial assistance. Ecology sends this document to applicants and other interested parties. When it is sent, a 30-day public review and comment period commences. During the public review and comment period Ecology staff hold one or more public meetings to present the lists, discuss their development, and allow applicants and the public a chance to discuss the Draft Offer List and/or the SRF Draft IUP or any other aspects of the funding programs. After the comment period Ecology will publish another combined document: the *Final Offer List* and *Final Washington State Water Pollution Control Revolving Fund Program Intended Use Plan*. If needed, a responsiveness summary (responding to any written comments Ecology has received on the Draft Offer List and SRF Draft IUP), will also be published.

### How to Apply

Eligible applicants should obtain an application packet from Ecology. It is available at the workshops, by request to Ecology staff, or from the FY 2003 WEB site (see the information on the inside front cover of these guidelines). The application form contained in the packet is used to apply for all three programs (Centennial, SRF, and Section 319). Applicants do not need to specify a funding program on the application. After determining funding priority Ecology will determine for which program a proposed project is best suited based on eligibility, the type of project, the applicant's financial assistance request, and Ecology's need to maximize the use of the funding available. Applicants should be knowledgeable about the basic eligibility of the project and project components.

The application has three parts. Part 1 asks the applicant to provide general information, including funds requested and project location. Part 2 asks the applicant to provide detailed information about the project and the water quality results that they envision. Ecology staff use Part 2 for the evaluation process. Part 3 is needed and used only for refinance applications.

Each applicant must submit a signed original of the completed application plus four (4) copies. The signature must be that of a person who is authorized to sign on behalf of the applicant organization. Ecology must receive these applications by the application deadline. The deadline, which is clearly stated in the application packet is:

**Wednesday March 6, 2002, no later than 5:00 p.m. (close of business)**

The applications must be delivered (by hand, mail, or package delivery service) to Ecology's Headquarters building in Lacey (see application packet for address).

Ecology cannot accept applications by fax or through the Internet, because valid original signatures are required. Please refer to the application Part 1 for submittal information. If you plan to hand deliver your application you may want to consult the map in the Guidelines, Volume 2, Appendix R, "Map and Directions to the Ecology Building," showing the location of the Ecology Building in Lacey.

### **General Application Recommendations**

**Part 1** of the application is the "name, rank, and serial number" part of the application. This is mostly information Ecology needs to track the application, to report on the programs, and in some cases, to determine eligibility.

**Part 2** of the application will contain the information which will be used by Ecology staff (and staff from other State agencies) to evaluate the new and interim refinance projects (i.e. projects that are presently being completed with other sources of funds). General recommendations that will help make a clearer application and will facilitate the evaluation process:

- Make answers specific and concise.
- Pay close attention to the "Application Tips" and any "Special Notes" for each question.
- Label answers to correspond with the questions.
- Number the pages for easier reference.
- Letters of support for the proposed project are considered only if they demonstrate tangible local commitment (such as identification of local resolutions or ordinances, documentation of cash contributions, and donated volunteer in-kind match).
- Be sure to check for double-sided documents, etc. as you make photocopies.

**Part 3** is used only for applications for standard refinance of facilities projects that are complete, have met federal requirements for SRF (e.g. State Environmental Review Process), and were accomplished using non-Ecology funding sources. Applicants for standard refinance use this form in place of Part 2.

### **Evaluation Considerations**

In evaluating your application for funding consideration, water quality specialists from within Ecology and other State agencies will review and prioritize all submittals. You will find evaluation criteria for the

major question areas in Part 2 of the application. Along with each question we list some specific areas that the applicant should address. In addition, the applicant may provide other information to further support the project in the priority consideration.

Here are the six main categories used on the application (Part 2) and the total number of points (out of 1000) assigned to questions in that category according to Chapter 173.95A WAC. For specific questions in each of these categories, see the application and instructions.

- I: “What is the overall water quality problem and how will the problem be solved or addressed by the project?” This question is intended for general background purposes and to give evaluators an overview of the proposed project; no points are assigned.\*
- II: “What are the specific public health and water quality impairments caused by the problem and what are the pollution prevention aspects?” This question area is worth a maximum of 340 points.
- III: “How will your proposed project address the water quality problem, and what are your measures of success?” This question area is worth a maximum of 340 points (Question III should explain the proposed project in sufficient detail that the language in the application may be used to develop the scope of work of the project, should you be successful in your funding request).\*
- IV: “What are some of the local initiatives you have taken that will help make your project a success?” This question area is worth a maximum 120 points.
- V: “Are there any State of Washington or federal mandates that this proposed project addresses?” This question area is worth a maximum of 100 points.
- VI: Local Priority Points. This question area is worth a maximum of 100 points. These points are related to a separate submittal outlined below and described in Appendix G. “Local Priority-Setting Process.” Though optional, applicants are strongly encouraged to participate in the process, so points can be assigned.

\* Guidelines Volume Two, Appendix Q, Ways of Developing Project Proposals, has some excellent ways to plan and scope your project proposal. Also please note that there have been substantial changes to question area III this year.

### **Local Priority-Setting Process**

The local priority-setting process allows applicants for funding to receive up to 100 “local priority points” based upon locally derived priorities, which would be added to the project evaluation points assigned by Ecology. Local priority setting is elective and applicants do not need to complete this process to be eligible for funding consideration. However, projects will not be awarded local priority points if the process described in Appendix G is not followed.

These points are awarded to recognize that local agencies and other groups may have water quality priorities that differ from the Statewide water quality priorities, and that regions of the State where local

governments, Tribes, and special districts are working cooperatively to prioritize water quality funding needs deserve to be rewarded.

The local priorities, submitted as a “Statement of Agreed Priority,” (see Guidelines Volume Two, Appendix G, Local Priority Setting Process).are due to:

**Ecology Headquarters in Lacey, WA on or before  
April 25, 2002, no later than 5:00 p.m.  
(close of business)**

**Project Selection Process**

**Eligibility Review.** Ecology will not accept any unsolicited additional or revised project information after the application deadline (except the Statement of Agreed Priority for the local priority-setting process). After the deadline, headquarters staff complete a cursory review the applications to determine if the proposed projects meet general eligibility criteria. Staff may contact applicants or other federal, State, or local agencies to clarify or verify application information. If a proposed project does not appear to meet eligibility criteria, Ecology will notify applicants of their potential disqualification, and applicants will then have two weeks to submit a request for reconsideration. The request for reconsideration should demonstrate that their project meets the eligibility criteria.

**Evaluation Review.** Water quality specialists in Ecology’s regional offices in the area where the project is located evaluate each project and give it a numerical score. In addition to the regional water quality specialist, at least one other Ecology staff person located in a different part of the State evaluates each project. This person also gives it a numerical score.

Ecology requests that staff with water quality expertise from other State agencies review certain types of projects. If they do, they make comments and recommendations to the regional water quality specialists who will be conducting the actual project evaluation, but do not give the projects numerical scores. The potential outside review groups are shown below:

<b>Project Type:</b>	<b>Potential additional review by:</b>
Applicant is Conservation District	State Conservation Commission
Applicant is located within the designated Puget Sound National Estuary	Puget Sound Water Quality Action Team
Proposed project is related to ground water or shellfish	State Department of Health

The basis for project review and rating is the information contained in the application. That information is also the basis for the scope of work that will be specified in the loan or grant agreement you will sign if funding is approved for your project. If the applicant is offered funding and later proposes major changes to the scope of work during the negotiation process the offer may be withdrawn.

Staff review each project proposal based on the likelihood that the proposed project will meet its stated objective, and whether the proposed outcome will result in a high priority water quality and public health benefit. For this reason the most important part of the application is the explanation of the overall water pollution control problem which will be solved or addressed by the project. Section I of the *FY 2003 Financial Assistance Application, Part 2* addresses the problem and proposed solution. Although staff do not assign points to this section, they use the information in Section I to assess all the other sections. The work involved in writing answers to this section also helps applicants clearly organize their own thinking about the project. Clearly state project objectives and water quality improvement expectations.

In addition to the information contained in the application, regional evaluators draw on their detailed knowledge of water quality to assess the proposed project's potential for water quality protection and improvement. However, evaluators may or may not be familiar with your project proposal.

Regional staff evaluate every eligible project proposal and assign priority points according to the allocations noted in the Application Part 2. Headquarters staff analyze the single combined list (composed of the lists from the four regions) to decide how to allocate the various funds (Centennial, SRF, Section 319) to the priority list. This process reflects the many factors that influence what type of funding goes to an applicant. The major driver is the priority of the project but other factors also have influences, including:

- The objectives of the project (in relation to funding program objectives)
- Whether a loan or grant is offered for a project
- Legislative budget provisos
- The available funding in the different programs
- The ceiling amounts for a funding category
- Financial hardship determinations

The final result of the process is the published offer lists.

## **Funding Announcements**

Ecology develops the Draft Offer List and the SRF Draft Intended Use Plan (IUP) after all eligible applications have been reviewed and evaluated. The lists will be issued no later than mid-July (earlier if the Legislature develops a budget before the end of June) and will be available for public review and comment for 30 days.

The Final Offer List and the SRF Final IUP will be published about two weeks after the end of the 30-day public review and comment period. These documents will also include a summary of any comments on the draft documents and responses to the comments. Ecology submits the Final IUP to EPA for review and acceptance at the same time the Final Offer List is published. The Final IUP is a formal document required by federal law. Applicants with the highest priority projects receive funding offers based on appropriated levels of funds, and any additional directives or priorities established by the

Legislature and the EPA. Unsuccessful applicants are encouraged to reapply during the next funding application cycle.

### **Fund Availability for All Three Programs**

- Ecology cannot release funds to the recipient until Ecology and the recipient sign a financial assistance agreement.
- All agreements must be signed within one year from the date of the Final Offer List or SRF Final Intended Use Plan (from whichever list applicants are offered funds).
- Ecology may redirect withdrawn or declined funds to other projects in priority order.

The following information shows specific schedules and funding offer periods for the three funding programs:

**Centennial loan and grant funds** are offered upon the release of the Final Offer List. Ecology will send a loan or grant offer letter to the applicant within 15 days of the effective date of the Final Offer List.

**SRF loan funds** are offered upon the release of the SRF Final Intended Use Plan (usually released the same day as the Final Offer List). Ecology will send a loan offer letter to the applicant within 15 days of the effective date of the Final Intended Use Plan.

**Section 319 grant funds** are offered after Ecology receives the federal grant for the Section 319 program. Ecology now receives this grant before the development of the Final Offer List. Ecology will send a grant offer letter to the applicant within 15 days of the effective date of the Final Offer List.

### **Emergency Funding**

Local governments and other eligible entities may submit applications at any time for financial assistance to address emergency situations. Ecology defines an emergency as either a public health emergency (as designated by the Washington State Department of Health) or an environmental emergency (as designated by Ecology) that requires immediate corrective action and is not based on a pre-existing condition.

The State Legislature has not set aside dedicated funding for emergency requests. In the absence of a set-aside, Ecology handles emergencies in the following manner:

- If Ecology agrees that an emergency request should be funded, Ecology staff will write the Office of Financial Management, staff from the Senate Ways and Means Committee, and House of Representatives Capital Budget Committee. In these letters Ecology makes a formal request to use other funds, such as monies deobligated from other loans or grants, or monies originally earmarked for a loan or grant that was not accepted.
- The emergency request may only be funded if representatives of these three groups agree to allow the expenditure of the deobligated or unused funds.



Certain other conditions apply to emergency funding requests:

- A public body requesting emergency funding should immediately communicate directly with the appropriate Ecology regional office by telephone or letter, then complete a formal funding application with supporting documentation.
- Except for being outside the normal funding cycle, emergency projects must follow all other loan and grant guidelines.
- Projects funded as emergencies should start immediately and be completed quickly.
- Prior authorization to incur costs may be granted by Ecology (see the chapter on developing a loan or grant agreement).

## **Chapter 8: Developing a Loan or Grant Agreement**

### **Loan or Grant Offers**

Ecology prepares and distributes the Final Offer List when funding priorities have been set. Once a project is listed on the fundable portion of the Final Offer List or the fundable portion of Final SRF Intended Use Plan, Ecology management will assign an Ecology Project Manager and a Financial Manager and, if necessary, a project engineer to work with the applicant to develop a financial assistance agreement. The Project Manager will contact the applicant to discuss the development of a preliminary scope of work, as identified in the application, and any conditions of the offer, the procedures and timeline of the agreement negotiations, the time frame of the project, any special conditions, and any additional information needed to begin developing the agreement. Loan agreements also contain the interest rate, repayment period, and an estimated repayment schedule.

### **Developing and Signing Agreements**

An Ecology Regional Project Manager will contact applicants whose projects have been offered funding from the Final Offer List or Final SRF Intended Use Plan. Following the initial contact, the Project Manager and applicant will confer by phone or in a work session to resolve concerns and to refine the scope of work, loan and grant requirements, and budget for the draft agreement. After the recipient and Ecology concur on the appropriate scope of work, schedule, eligible costs, and other details, Ecology's Project Manager will draft a loan or grant agreement. Question III from the funding application should have explained the proposed project in sufficient detail that the language in the application may be used to develop the scope of work for the project.

The financial assistance agreement must be signed within 12 months of the date of the Final Offer List. Work on the project must begin within 16 months of the date of the Final Offer List or Final SRF Intended Use Plan (from whichever list funds are offered). The project must be completed within five years of the date of the Final Offer List or Final SRF Intended Use Plan. While there are narrow exceptions, most projects will be required to meet all timelines.

After negotiating the loan or grant agreement, the applicant receives three originals for review and approval. If the document is satisfactory, the applicant's authorized representative or representatives sign all three originals and returns them to the Ecology's Financial Manager at Ecology's Lacey Headquarters Office. The agreement is effective only after Ecology's Water Quality Program Manager signs the agreement. Ecology's Financial Manager returns one signed original to the recipient.

Until the Water Quality Program Manager signs an agreement, the applicant must assume all responsibility for costs incurred, as there is no guarantee on behalf of Ecology that assistance will be issued until the financial assistance is signed by the Water Quality Program Manager.

## **Financial Assistance Agreements Overview**

The Loan or Grant Agreement (referred to as the financial assistance agreement or agreement) is the formal written contractual arrangement, signed by authorized representatives of the recipient and Ecology, which details the terms of the loan or grant. It includes, at a minimum, an approved scope of work, total project costs, funding percentages, eligibility criteria, budget and performance schedule.

### **Scope of Work**

The agreement must contain a detailed scope of work describing the project and measurable objectives to be used to determine satisfactory achievement. The scope of work will generally contain a performance schedule with specific milestones, outcomes and/or deliverables related to project objectives, and regular reporting dates.

### **Project Budget**

The agreement must include a project budget that establishes eligible costs for tasks and/or budget objects. The budget will also detail funding sources and amounts, any limitations on in-kind or overhead, and other financial matters.

### **General Terms and Conditions**

General Terms and Conditions are general requirements contained in all Ecology grant and loan agreements and are not negotiable. Some of those terms and conditions are explained more fully in these Administrative Requirements, and a copy of the current General Terms and Conditions is included in the Guidelines Volume Two Appendix I, "General Terms and Conditions Pertaining to Grant and Loan Agreements of the Department of Ecology."

### **Special Terms and Conditions**

Special Terms and Conditions are written into an agreement to detail restrictions or conditions specific to the project or to program guidelines. Special Terms and Conditions are consistent with the General Terms and Conditions, but may provide additional restrictions or limit the applicability of certain provisions of the General Terms and Conditions. The Special Terms and Conditions take precedence over the General Terms and Conditions and will be controlling.

### **Required Performance and Monitoring Project Progress**

The agreement contains "Required Performance" milestones derived from the recipient's application and negotiated between the Ecology's Project Manager and the applicant contact that will ensure measurable progress toward objectives and project/environmental results are being made, and that timely completion of an effective project is achieved.

## **Project Reviews**

Ecology will monitor projects to assure timely progress toward meeting goals, project results and environmental results as well as compliance with applicable regulations and all terms of the agreement, and may make site visits according to program needs (see Chapter 10, Financial Management Considerations, Projects Requiring Additional Ecology Oversight During Project Management).

## **Progress Reports**

Recipients must submit a progress report according to the schedule in the Special Conditions of the agreement. Progress reports are to cover the periods specified in the agreement or in the Program Guidelines. Progress reports must contain at least:

- A comparison of actual accomplishments to the objectives established for the period
- The reasons for the delay if established objectives were not met
- Analysis and explanation of any cost overruns by element or task
- Any additional pertinent information

## **Signature Process**

Once a scope of work has been negotiated between the applicant contact and Ecology's Project Manager, the Project Manager provides the scope and any other information needed to draft a financial assistance agreement. The Financial Manager drafts a financial assistance agreement, and routes it to the Project Manager and other Ecology staff needed to check legality, cost coding, etc. Once it is returned to the Financial Manager, it is prepared as final and three "originals" are forwarded to the applicant for signature.

The applicant is requested to review the agreement, including the project scope of work, budget, special conditions, and general terms and conditions. All three copies need to be signed and dated by the signatory of the original application or his/her replacement, as appropriate, before returning them to the Financial Manager for final signature by the Water Quality Program Manager. The agreement becomes effective on the date of signature by the Water Quality Program Manager. Once the agreement is effective, reimbursable costs can be incurred to the project. One copy of the completed agreement is returned for the applicant's files.

## **Important Dates in Agreements**

The *effective date* of a loan or grant agreement is the date it is signed by Ecology's Water Quality Program Manager, unless otherwise stated in the agreement or the date provided in the letter from the Water Quality Program Manager approving prior authorization. All costs incurred before the effective date of the agreement in the absence of written prior authorization are ineligible for reimbursement.

The *project completion date* is the last date that a funding recipient may incur loan or grant eligible costs. All items identified in the Scope of Work must be completed by this date. Costs incurred after

the completion date will not be considered eligible. For loan projects that don't include an *initiation of operation date* (which includes all activities projects) loan repayment begins one year after the *project completion date* or five years, whichever is earlier.

The *initiation of operation date* (facilities construction projects only) is the actual date the facility initiates operation and begins being used for its intended purpose. This date may occur prior to final inspection. Ecology will determine the initiation of operation date after consultation with the recipient. This date may be the same as the date of project completion, or it may be earlier. For facilities loan projects with an *initiation of operation date* which differs from the *project completion date*, loan repayment begins one year after the *initiation of operation date*.

The *expiration date* is the date the loan or grant is no longer in effect. This date is negotiated as part of the loan or grant agreement. All required work must be completed before this date. Costs incurred after the expiration date are not eligible for reimbursement.

The *prior authorization date* is the effective date noted in the letter of prior authorization issued by the Water Quality Program Manager.

## **Special Provisions for Loan Agreements**

### **Authorizing Ordinance Or Resolution**

Loan applicants must provide an authorizing ordinance or resolution regarding the final draft of the loan agreement that is signed by the governing board or council to the effect that the respective public body accepts its responsibilities to repay the loan and abide by other provisions of the agreement.

### **Opinion of Recipient's Legal Counsel**

Loan applicants must provide the following statement regarding the final draft of the Loan Agreements:

I am an attorney at law admitted to practice in the state of Washington and the duly appointed attorney of \_\_\_\_\_ (the "RECIPIENT") and I have examined any and all documents and records pertinent to the AGREEMENT.

Based on the foregoing, it is my opinion that:

A. The RECIPIENT is a duly organized and legally existing municipal corporation or political subdivision under the laws of the state of Washington or a federally recognized Indian Tribe;

B. The RECIPIENT has the power and authority to execute and deliver, and to perform its obligations under, the AGREEMENT;

C. The AGREEMENT has been duly authorized and executed by RECIPIENT's authorized representatives and, to my best knowledge and after reasonable investigation, all other necessary actions have been taken to make the AGREEMENT valid, binding, and enforceable against the RECIPIENT in accordance with its terms, except as such enforcement is affected by bankruptcy,

insolvency, moratorium, or other laws affecting creditors' rights and principles of equity if equitable remedies are sought;

D. To my best knowledge and after reasonable investigation, the AGREEMENT does not violate any other agreement, statute, court order, or law to which the RECIPIENT is a party or by which it or its properties are bound; and

E. There is currently no litigation seeking to enjoin the commencement or completion of the PROJECT or to enjoin the RECIPIENT from entering into the AGREEMENT or from accepting or repaying the LOAN. The RECIPIENT is not a party to litigation which will materially affect its ability to repay such loan on the terms contained in the AGREEMENT.

[F. The AGREEMENT constitutes a valid general obligation of the RECIPIENT payable from annual ad valorem taxes to be levied within the constitutional and statutory tax limitations provided by law without a vote of the electors of the RECIPIENT on all of the taxable property within the boundaries of the RECIPIENT.] or

[F. The AGREEMENT constitutes a valid obligation of the RECIPIENT payable from the Net Revenues of the Utility[ and Utility Local Improvement District (ULID) Assessments in the ULID].

Capitalized terms used herein shall have the meanings ascribed thereto in the AGREEMENT between the RECIPIENT and the DEPARTMENT.

---

RECIPIENT's Legal Counsel

Date

## **Repayment of Loans**

Loan repayment for both SRF and Centennial fund loans are to be made according to the following semiannual schedule:

The first semiannual payment of principal and interest on the loan shall be paid not later than the earlier of:

One (1) year after the Project Completion Date or Initiation of Operation Date, or  
five (5) years from the first payment by the Ecology (whichever date is earlier).

Equal payments shall be due every six months thereafter. However, there is no restriction nor penalty for repaying the loan in part or in full anytime.

## **Pledge of Net Revenue (and if appropriate, Utility Local Improvement District (ULID) Assessments in the ULID).**

Applicants need to agree that for as long as the loan is outstanding, the recipient must irrevocably pledge the net Revenue of the Utility (and, if applicable, ULID Assessments in the ULID) to pay when due the principal of and interest on the loan

## **Maintenance and Operation of Utility.**

Applicants need to agree to at all times maintain and keep the utility in good repair, working order and condition and also will at all times operate the utility and the business in connection therewith in an efficient manner and at a reasonable cost.

## **Reserve Requirement.**

The applicant becomes a “recipient,” when the loan agreement is signed by Ecology. For loans that are revenue-secured debt with terms greater than five (5) years, the recipient needs to commit to accumulating a reserve equivalent to at least the average annual debt service on the loan during the first five (5) years of the repayment period of the loan. This amount is to be deposited in a reserve account in the loan fund in approximately equal annual payments beginning within one year after the initiation of operation or the project completion date, whichever comes first. The “reserve account” for a loan that constitutes revenue-secured debt is an account created to secure the payment of the principal of and interest on the loan. If it is not used as reserve the amount on deposit in the reserve account may be applied by the recipient to:

- make, in part or in full, the final repayment to the department of the loan amount or,
- be used for any other lawful purpose of the recipient once the loan amount, plus interest, has been paid in full.

## **Chapter 9 – Project Management Considerations**

The purpose of this chapter is to identify those areas of grant project management which must be performed by recipients and to identify those areas where Ecology can assist.

Project management is a very important part of a successful environmental project. With a strong commitment by the recipient, loan or grant projects should progress smoothly and in a coordinated fashion. Performance objectives will be met, progress reports and payment requests will be submitted, and the environmental project outcomes will coincide with those identified for the project during loan or grant agreement negotiations. Without it, physical and financial efforts may be expended and little or no water quality results may be realized. The recipient of any loan or grant has the full responsibility for performance.

Project management refers to the day to day decisions which are made on loan or grant projects and which are needed to ensure completion of the project according to the terms of the signed agreement. Project management responsibilities range from making staff assignments, monitoring progress, coordinating the development of payment requests for reimbursement, preparation and submittal of progress reports, organizing and facilitating necessary public meetings/involvement process, and submittal of any required project products to Ecology. Projects will not meet their stated objectives by chance, and considerable effort must be focused on management activities.

### **General Considerations**

Loan or grant recipients must complete the project in accordance to the project scope of work identified in the loan or grant agreement. Required performance must be met and any necessary submittals to Ecology or others must be made.

Loan or grant recipients must comply with all applicable statutes and regulations. These include federal, State, and local statutes, ordinances, orders, regulations, and permits, including those related to discrimination, labor, job safety, and applicable provisions of the State or federal regulations for minority and women-owned businesses. Recipients must also secure any necessary permits required by authorities having jurisdiction over the project and must provide documentation to Ecology upon request.

### **Recipient Project Management Responsibilities**

Through completion of a formal loan or grant agreement, recipients assume all responsibility for the successful completion or the required performance requirements set out in the final signed loan or grant agreement. Recipients must comply with required performance requirements or risk repayment of loan or grant funds for non-compliance.



## **Quality Assurance Project Plan (QAPP) and Environmental Information Management (EIM) Submittals**

For loan or grant agreements requiring water quality monitoring, a Quality Assurance Project Plan (QAPP) must be developed and submitted to Ecology for review and approval. All elements of the QAPP must be approved prior to initiation of monitoring activities. Only those monitoring parameters following protocols and procedures identified in the approved QAPP can be submitted for reimbursement of project costs.

Ecology requires that any data collected as part of a water quality monitoring effort be entered into the EIM system as part of the water quality monitoring requirements included in the loan or grant agreement. Ecology has identified the reporting requirements in a Data Submittal Guide, available on the Internet at:

<http://www.ecy.wa.gov/services/as/iip/eim/eimdsg.html>

(If not accessed as a hyperlink, applicants may need to copy or type the entire WEB location).

In order to be useful and acceptable, all data must be provided to Ecology in the format specified.

### **Ecology Responsibilities**

Ecology's Project Managers are available for consultation and to provide needed technical assistance. For every funded project, an Ecology Project Manager will be identified in the regional office in the area where the project takes place. Recipients are encouraged to contact and communicate with the Project Manager at any time for help with problems, issues, eligibility determinations, etc.

The names and telephone numbers of all Ecology staff assisting with the project are identified in the loan or grant agreement and recipients will be notified of any Ecology staff changes.

### **Loan and Grant Eligibility Determinations**

Prior to a loan or grant agreement being signed for a facilities project, Ecology staff will make an eligibility determination for the project based on applicable State and federal statutes, regulations, and/or funding program guidelines. An initial eligibility determination for the project will be made at the facilities plan approval stage and a revised eligibility determination will be made at the time design approval is given. The basis for eligibility determinations and percentage of eligible cost for the project will be determined. In the absence of eligibility determinations and percentage of eligible project cost, potential applicants should contact the Project Manager or regional engineering staff.

When an applicant submits a construction proposal for funding consideration, all correspondence associated with project eligibility determinations and percentage of eligible costs information must be included with any funding application. The eligibility determinations and percentage information will be

applied to all project elements (i.e., administration, construction cost, and construction management) and will be included in the basis of any funding offer and subsequent loan or grant agreement.

### **Performance Monitoring**

Ecology Project Managers have the responsibility of monitoring recipient performance on the loan or grant projects. Performance monitoring can be aided through the submittal of progress reports following the schedule outlined in the loan or grant agreement. Ecology staff can be contacted by the recipient in the event project progress does not comply with agreement requirements in order to identify an acceptable substitute for performance.

### **Technical Assistance**

Ecology Project Managers have a wide range of expertise, experience, and formal training. Staff are available throughout the project to assist the recipient as needed.

### **Amendment Process**

For some loan and grant projects, modifications and changes to the loan and grant scope of work may become necessary because of climatic impacts, changes in site conditions, a loss of staff expertise, or a variety of other reasons. When changes become necessary, an amendment to the loan or grant agreements become necessary. Changes must be negotiated and established in writing as amendments to the agreement. This can be done only through a formal or letter amendment as described in *Administrative Requirements for Ecology Grants and Loans*.

### **Timeframe for Project Completion and Provisions for an Extension**

The project must be completed as soon as possible and the timeframe must be substantially consistent with the application (on which your proposal is evaluated), and according to State Law, no later than five years after the Final Offer List (or, for SRF projects, the Final Intended Use Plan) is published. Negotiated timeframes must be appropriate for the project. Only one time extension for up to twelve months is allowed if adequately justified in writing to and approved by the Water Quality Program Manager. The extension must be requested no less than three months before the funding agreement is due to expire. Valid reasons for a time extension are limited to:

- schedules included in water quality permits, consent decrees, or enforcement orders, or
- the recipient and the department agree that there is a need to do work during an environmental window in a specific season of the year.

Letter amendments are used only to realign task or object amounts in the project budget of the agreement. The recipient initiates the amendment process through a written request to Ecology's Project Manager. If the Project Manager concurs with the request, the financial manager is notified and a letter amendment is prepared. The Financial Manager signs and dates the letter amendment and the amendment becomes effective. A copy of the signed amendment is sent to the recipient's contact for project files.

Formal amendments are used to account for increases or decreases to the loan or grant amount, to provide additional time for performance, to make scope of work changes, or to revise required performance requirements. The recipient initiates the amendment process through a written request to Ecology's Project Manager. If the Project Manager concurs with the request, the financial manager is notified and a formal amendment is prepared. The formal amendment identifies all necessary changes. The formal amendment is sent to the recipient for signature and returned to Ecology. The Ecology Water Quality Program Manager signs the formal amendment, at which time the amendment becomes effective. A copy of the signed amendment is sent to the recipient's contact for project files.

### **Final Loan Amendment and Repayment**

Loan agreements contain a provision for repayment at project completion. When the loan scope of work is completed for an activity project or initiation of operation has begun for a facility project, the recipient has one year to begin payment. An exception to this schedule would be if five years has transpired from the first loan disbursement. If so, the first loan repayment is due no later than 5 years after the first disbursement. Loan repayments are due every six months thereafter until the loan is fully repaid.

### **Progress Reporting**

Loan and grant recipients are required to submit progress reports following the schedule outlined in the loan or grant agreement. With the exception of Section 319-funded projects, progress reports must be prepared and submitted quarterly: January – March; April – June; July – September; October – December. The recipient shall report in writing to Ecology any problems, delays or adverse conditions that will materially affect their ability to meet project objectives or time schedules. This disclosure shall be accompanied by a statement of the action taken or proposed and any assistance needed from Ecology to resolve the situation. Payment may be withheld if required progress reports are not submitted.

### **Appeals Process**

Once a loan or grant agreement has been signed and work has begun, loan or grant recipients may formally appeal a written decision made by Ecology's Project Manager involved with the project. A written appeal must be sent to Ecology's Water Quality Program Manager within 30 days from the date of the Ecology staff decision being appealed. The Water Quality Program Manager will appoint an appeals panel and members will hear testimony and make a recommendation to the Water Quality Program Manager. The Water Quality Program Manager will make a ruling on the appeal request and

will notify both the appellant and Ecology staff of the decision. Ecology's appeal determination is final and conclusive. Any appeal of Ecology's final determination must be brought in the Superior Court of Thurston County.

Following a final decision of a dispute, Ecology and the recipient proceed with the project in accordance with the decision rendered. Administrative or legal costs and other expenses incurred as part of an appeal are ineligible for reimbursement under the funding programs.

Ecology can provide more details of the appeal process upon request.

## Chapter 10 – Financial Management Considerations

The purpose of this chapter is to identify those areas of loan or grant project financial management which must be performed by recipients and to identify those areas where Ecology can assist.

By signing an agreement and accepting the terms and conditions of a loan or grant offer, the recipient agrees to comply with all of the applicable federal, State, and local statutes, regulations, orders, permits, these guidelines, the general terms and conditions, and other requirements of the agreement. Ecology may also require the recipient to comply with other conditions, including but not limited to, environmental review, procurement, discrimination, labor, job safety, drug-free environments, prevailing wage rates, and anti-lobbying requirements. Recipients must also comply with the State and federal regulations governing minority and women-owned business enterprises (MBE/WBEs). A list of some of the related State and federal laws can be found in the FY 2003 Guidelines, Volume Two, Appendices and Volume Three, Statutes and Regulations.

Financial management refers to the day-to-day financial accounting of project related costs and issues which are needed to ensure completion of the project according to the terms of the signed agreement. Financial responsibilities range from oversight of accounting procedures, organization of payment documentation, review of sub-contract performance and reimbursement, Ecology payment request preparation, and general financial inquiries. Satisfactory financial management will not happen by chance and considerable effort must be focused on financial management activities.

All loan and grant recipients must maintain accounting records in accordance with generally accepted government accounting standards. These standards include those contained in the most recent editions of the United States General Accounting Office publication, *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions*. Recipients must also follow Ecology's *Administrative Requirements for Ecology Grants and Loans*, which is available upon request from Ecology's Publications Office or from its Web page. In addition, loan and grant recipients are required to maintain an accounting system which can track project expenditures separately from general local government expenses.

Financial management is a very important part of a successful environmental project. With a strong commitment by the recipient, loan or grant projects should progress smoothly and in a coordinated fashion. Performance objectives will be met, progress reports and payment requests will be submitted, and the environmental project outcomes will coincide with the funding identified and expended for the project. Without it, financial resources will be spent with no guarantee that desired environmental improvements will result. The recipient of any loan or grant has the full responsibility for financial management.

## **General Considerations**

Loan or grant recipients must complete the project in accordance to the scope of work identified in the loan or grant agreement. Required performance must be met and any necessary submittals to Ecology or others must be made. Financial management and reporting is an important part of any loan or grant project and must be properly performed.

Loan or grant recipients must comply with all applicable statutes and regulations. These include federal, State, and local statutes, ordinances, orders, regulations, and permits, including those related to discrimination, labor, job safety, and applicable provisions of the State or federal regulations for minority and women-owned businesses. Recipients are fully responsible for any repayment or financial obligations due to external audit findings.

## **Loan Requirements**

Loan recipients must follow several additional financial management requirements. These include:

- Maintain a separate account for the purpose of keeping monies dedicated to loan repayment
- Maintain comprehensive insurance coverage on all projects in amounts equal to the funds disbursed
- Adopt an ordinance or resolution establishing equitable user charges and fees and collection procedures before any loan payments for water pollution control facilities construction can be disbursed
- Establish at least one dedicated source of revenue for loan repayment

## **Recipient Financial Management Responsibilities**

Through completion of a formal loan or grant agreement, recipients assume all responsibility for the successful completion of all financial management requirements associated with the loan or grant agreement. Recipients must comply with all loan or grant agreement requirements or risk repayment of loan or grant funds for non-compliance.

## **Force Account/Staffing Plans**

“Force account work” is defined as a local government using its own staff to complete a facilities project (for the purpose of this program). For activity projects it is referred to as a “staffing plan.” Costs associated with force account/staffing plans may be eligible project expenses if:

- The work is performed by qualified employees of the public body;
- The work is accomplished more economically than if procured competitively;
- The work is consistent with local requirements.

Force account/staffing plans do not include administrative services. As with other forms of direct labor, recipients must comply with all State laws pertaining to discrimination, wages, job safety, insurance, licenses and certifications, etc. Eligibility determination on the scope of services will be made by

Ecology's Project Manager. Recipients must maintain separate and identifiable records for force account work, and will be responsible for ensuring that only eligible costs are charged to the projects.

### **Contracts/Interlocal Agreements**

Recipients may use their own procurement policies and procedures if those policies comply with State and local laws and regulations and if this is specified in the agreement negotiated by Ecology and the recipient. However, they will need to certify by signing the agreement that consulting and personal services were procured in accordance with Chapter 39.80 RCW, *Contracts for Architectural and Engineering Services*, and other applicable State and local laws and regulations. Recipients must submit a copy of the final signed consultant/engineering contract to the Ecology Financial Manager. It must include the signed MBE/WBE form and a letter stating the recipient has complied with the applicable procurement requirements and that eligible and ineligible costs are separate and identifiable. The Ecology Project Manager will review the contract for eligibility and consistency with grant/loan requirements. The recipient must also certify that the scope of work, level of effort, and costs (including profit) were negotiated in good faith and comply with applicable State and local laws and regulations.

Loan and grant recipients must provide copies of all contracts and or interlocal agreements entered into for performance of tasks or task components identified in loan or grant project scope of work. Copies need to be submitted to the Ecology Financial Manager prior to costs being submitted for reimbursement. The loan and grant recipients must include Ecology as a third party beneficiary to all contracts. Loan or grant recipients are responsible for ensuring the general project eligibility and quality of work performed under a contract or interlocal agreement.

### **Ecology Financial Management Responsibilities**

Assistance with financial management requirements can be requested by recipients by contacting the Ecology Financial Manager, located in Ecology's Lacey Headquarters building. The names and contact information of Ecology Financial Managers are identified in the loan or grant agreement. Ecology Financial Managers have a wide range of expertise, experience, and formal training and are available to assist recipients upon request. Ecology Financial Managers will consult with Ecology Project Managers and provide needed technical assistance. Recipients are also encouraged to contact and communicate with the Financial Manager at any time for help with problems, issues, etc.(particularly regarding financial assistance issues).

Ecology Financial Managers have the responsibility to review loan and grant recipient expenditures on the respective loan or grant project and to determine if the costs incurred are eligible and reasonable under the respective loan or grant agreement. Ecology Financial Managers are also responsible for tracking project expenditures and for making sure project costs are not in excess of those identified in the loan or grant agreement.

### **Loan and Grant Disbursements**

The methods used to disburse funds to loan and grant recipients varies depending on the nature of the

project, whether it is a grant or a loan, and the source of the funds. In some cases there may be a choice of methods available to the recipient. Section 319 Grants and SRF loan funds are only disbursed on a cost-reimbursable basis. Where there is a choice, the recipient will select the disbursement plan during the agreement negotiations. The document *Administrative Requirements for Ecology Grants and Loans* explains all the requirements pertaining to payment requests.

**Centennial Grant Options:**

**Plan A, 50 - 40 - 10 percent disbursement:** Recipient receives 50 percent of the agreed upon grant amount when Ecology and the recipient agree that the project is ready to proceed. This may be when Ecology and the recipient sign the grant agreement or at a later date. Another 40 percent is disbursed as soon as the recipient reaches a milestone indicating that approximately 40 percent of the project is completed. The grant agreement must specify this milestone. The final 10 percent is disbursed after the final reconciliation of costs, at project closeout. The recipient may earn interest on the advance disbursements; however, any interest must be used on the project. Interest must also be tracked and an accounting provided as part of each progress report. The project files must include supporting documentation of all costs incurred.

**Plan B, Disbursement as costs are incurred:** Recipients submit requests for payment at least quarterly, but not more than monthly. An incurred cost is defined as one that is due and payable. The project files must include supporting documentation of all costs incurred.

**Plan C, 50 Up-front; 50 percent disbursement:** Recipient receives 50 percent of the agreed upon grant amount when Ecology and the recipient agree that the project is ready to proceed. Ecology disburses the other 50 percent on a cost reimbursement basis. The schedule of payments must be in the grant agreement. The project files must include supporting documentation of all costs incurred.

**Loan Options:**

**Plan D, Disbursement as costs are incurred:** Recipients submit requests for payment at least quarterly but not more than monthly. An incurred cost is defined as one that is due and payable. Interest begins to accrue on each disbursement at the time it is paid to the recipient. The project files must include supporting documentation of all costs incurred.

The following table discusses the various disbursement methods and explains when they are used. Where there is a choice, the recipient may decide which is best during the grant negotiation.

**Funding Source and**

<b>Type of Project:</b>	<b>Grants:</b>	<b>Loans:</b>
<b>Centennial Facilities</b>	Plan A or Plan B	Plan D



<b>Projects</b>		
<b>Centennial Activities Projects</b>	Plan B or Plan C	Plan D
<b>Section 319 Activities Projects</b>	Plan B	N/A
<b>SRF Facilities or Activities Projects</b>	N/A	Plan D

## Payment Requests

All payment requests must use the procedures described in *Administrative Requirements for Ecology Grants and Loans*, available from Ecology's Publications Office, P.O. Box 47600, Olympia, WA 98504-7600.

Payment requests must include the following required forms:

- A State of Washington Invoice Voucher Form A19-1A
- Form B1 (ECY 060-3) or B2 (ECY 060-7)
- Form C1 (ECY 060-8) or C2 (ECY 060-9)
- Form D (ECY 060-11)
- Form G (ECY 060-14) - projects funded with Centennial funds only

Where applicable, payment requests also need to include the following supplemental forms:

- Form E (ECY 060-12)
- Form F (ECY 060-13)
- Form H (F-21)
- Form I (ECY 060-15)

Documentation in addition to the required and supplemental forms is not currently required as part of the payment request submittal. However, the Ecology Financial Manager may request additional documentation to support the costs reflected in a payment request. Recipients must keep supportive documentation available in project files for the duration of the project and for five years following project completion.

## Ecology Payment Processing

The recipient submits to the Ecology Financial Manager a completed A19-1A Invoice Voucher and all required forms (fully-completed). The recipients authorized signatory must sign the A19-1A Invoice Voucher in ink, using any color but black. The Financial Manager verifies that the correct loan or grant number and sequential invoice number has been used. Costs reflected on Form C (C1 or C2) are checked and verified for eligibility against the loan or grant agreement, funding program guidelines or *Administrative Guidelines for Ecology Grants and Loans*. Using the task element or budget object

totals reflected on the C form, previous costs are then added to current costs on Form B (B1 or B2). Costs are compared against the task element or budget object ceiling amounts reflected on the budget page of the loan or grant agreement. Eligible costs are then carried forward to the A19-1A form and the current payment amount is calculated. The Financial Manager then completes the payment request and certifies it for payment.

The Ecology Financial Manager forwards the completed and certified payment request to the Ecology fiscal office. The Ecology fiscal office tracks the current payment amount and verifies that loan or grant funding remains available for this current payment request. Assuming funding remains available, the recipient receives a payment approximately 7 working days after the payment request was submitted to the Ecology fiscal office.

## **Progress Reports**

Recipients need to submit progress reports along with their payment requests or following the schedule designated in the Special Terms and Conditions of the loan or grant agreement. If the recipient submits justification to the Ecology Project Manager, the due date for any progress report may be extended. With the exception of the final progress report, the Ecology Project Manager may waive the requirement for any report that is determined to be unnecessary.

Loan and grant recipients are required to submit progress reports following the schedule outlined in the loan or grant agreement. With the exception of Section 319 funded projects, progress reports must be prepared and submitted quarterly: January – March; April – June; July – September; October – December. In addition to a description of the progress being made, the progress reports should include a description of any problems, delays, or adverse conditions that might affect the project objectives, time schedules, or required performance items. Where there are such problems, recipients also need to include a statement of the corrective or compensatory actions taken or proposed, and identify any Ecology assistance that may be needed.

Progress reports are to be submitted to the Ecology Financial Manager identified in the loan or grant agreement. The Financial Manager is responsible for making a copy of the progress report and sending it to the Ecology Project Manager.

## **Ecology Payment Holds or Termination**

If a recipient does not satisfy all conditions contained in the agreement, Ecology may withhold payment, decrease the agreement by an amount proportionate to the incomplete work, or terminate the agreement. Following termination, Ecology may require repayment of all or part of the funds disbursed to a recipient.

Termination may also result in a financial settlement, reflected in an amendment to the loan or grant agreement. In such a settlement, the recipient must demonstrate to Ecology's satisfaction that a specific portion of the project's agreed-upon scope of work was accomplished. The Water Quality Program Manager must issue a written notice of termination at least five working days prior to the effective date

of the termination.

### **Loan or Grant Amendment Process**

For some loan and grant projects, modifications and changes to the loan and grant scope of work may become necessary because of climatic impacts, changes in site conditions, a loss of staff expertise, or a variety of other reasons. When changes become necessary, an amendment to the loan or grant agreements become necessary. Changes must be negotiated and established in writing as amendments to the agreement. This can be done only through a formal or letter amendment as described in *Administrative Requirements for Ecology Grants and Loans*.

Letter amendments are used only to realign task or object amounts in the project budget of the agreement. The recipient initiates the amendment process through a written request to Ecology's Project Manager. If the project Financial Manager concurs with the request, the Financial Manager is notified and prepares a letter amendment. The Financial Manager signs and dates the letter amendment and the amendment becomes effective. A copy of the signed amendment is sent to the recipient's contact for project files.

### **Projects Requiring Additional Ecology Oversight During Project Management**

Ecology will determine what level of oversight is appropriate (usually during the evaluation process) for the project. Projects that require additional Ecology oversight may receive additional site visits, special tracking procedures, etc. to ensure productive investments. Such a designation will be identified in the Funding Offer Letter (if possible), and special provisions will be negotiated and be included in the financial assistance agreement. The following "Table of Projects That Require Additional Ecology Oversight During Project Management" is divided into two columns based on complexity and performance, and it will be used as the project is reviewed by Ecology and the financial assistance agreement is negotiated.

**Table of Projects Requiring Additional Ecology Oversight During Project Management**

<b>Environmental Complexity</b>	<b>Performance/Management/Administration</b>
Statewide or regional significance (e.g. unusually controversial or problematic projects)	First time recipient (includes new lead staff or new consultant)
<ul style="list-style-type: none"> <li>● Innovative/alternative/unusual/pilot.</li> <li>● Innovative projects are those with unproven technologies (at least in the region proposed for implementation)</li> <li>● Alternative projects are those processes or technologies that are considerably different from the conventional processes, but may be less costly, or provide land use or energy efficiencies, etc.</li> </ul>	Significant challenges with latest State or federal audit findings
Projects with challenging or underdeveloped deliverables or need for extra technical assistance. For example: <ul style="list-style-type: none"> <li>● Projects with an environmental window</li> <li>● High ratio of staff/defined deliverables, etc.</li> </ul>	Poor performance or lack of performance in past with proposed recipient
Complex coordination or multi agency effort	Complex coordination or multi agency effort

Ecology may conduct periodic administrative reviews of funded projects to evaluate a recipient's records and accounting systems. These reviews verify that eligible and ineligible project costs are documented for audit and that recipients comply with the applicable State statutes, regulations, and requirements (including special loan or grant conditions).

**Final Loan Amendment and Loan Repayment**

Loan agreements contain provisions for repayment at project completion. When the loan scope of work has been completed for an activity project or initiation of operation has begun for a facility project, the recipient has one year to begin loan repayment. An exception to this general rule would be if five years has transpired from the first loan disbursement, at which time loan repayment would commence.

At project completion for a loan agreement, a final amendment will be prepared identifying the final loan amount and a final loan repayment schedule. Equal, semi-annual payments will be shown on the final loan repayment schedule and any interest accrued will be included. Loan repayment will be submitted to the Ecology Cashier's Office, following the schedule identified in the final loan amendment.

## Glossary

**303(d) List:** The list required by Section 303(d) of the Clean Water Act, and published by the State of Washington, which lists all bodies of water in the State known to have impaired water quality. The 303(d) list is available from Ecology. See Appendix K for more details.

**Activity or Activities:** See “Water Pollution Control Activity”

**Allowable Costs:** Costs that meet all eligibility requirements established in the terms of the loan agreement.

**Alternative Sewer:** Technological alternatives to conventional sewers, including pressure (which utilize septic tank effluent pumps (STEP) or grinder pumps), vacuum, and small diameter gravity (SDG) sewers.

**Applicant:** The public body or not-for-profit organization which has applied for funding.

**Approved Documents:** Those documents where Ecology has given written approval, and all needed signatures have been received.

**CAFO:** Confined animal feeding operation.

**Centennial:** The Centennial Clean Water Fund.

**Change Order:** A written order to the contractor authorizing an addition, deletion, or revision in the work within the general scope of the construction contract documents, or a written order authorizing an adjustment in the contract price or contract time.

**Cost-effective Alternative:** That alternative with the lowest present worth or equivalent annual value that achieves the requirements of the facilities and that recognizes environmental and other non-monetary considerations.

**CWA:** The (Federal) Clean Water Act.

**Director:** The director of the Washington State Department of Ecology or an authorized designee.

**Easement:** For our purposes, an agreement between a public entity and an individual landowner which allows the public entity to have access to the property at any time to inspect the condition or status of a best management practice, or to hold occasional public tours or visitation of the site for education purposes with adequate notice to the landowner. The easement must be in writing and it needs to cover the time period associated with the life of the practice.

**Effective Date:** The date on which a loan or grant agreement becomes effective, which is the date it is signed by the Water Quality Program Manager, unless otherwise stated in the letter of prior authorization and subsequent agreement.

**Eligible Construction Cost:** That portion of the estimated construction cost that has been established as eligible for loan or grant funding.

**Eligible Cost:** The portion of the cost of the facilities or activity project that can be financed under the provisions of Chapter 173-95 WAC, Chapter 173-98 WAC, or Clean Water Act Section 319.

**Enforcement Order:** An administrative order that is a document issued by Ecology under the authority of RCW 90.48.120 and that directs a public body to complete a specified course of action within an explicit period of time to achieve compliance with the provisions of Chapter 90.48 RCW.

**Engineering Design Services:** All professional services required to be furnished by the prime engineering consultant and sub-consultants or by the public body by force account during the design phase and that are necessary for the preliminary and final design of the proposed project elements and facilities.

**Engineering Report:** A report evaluating engineering and other alternatives that meet the requirements set forth in Chapter 173-240 WAC, *Submission of Plans and Reports for Construction of Wastewater Facilities*.

**Environmental Emergency:** A problem declared by a public body and with which Ecology concurs that poses a serious, immediate threat to the environment or to the health or safety of a community.

**Environmental Results:** Tangible environmental changes for the better, to be achieved or directly addressed by the project proposed.

**EPA:** The (federal) Environmental Protection Agency.

**Estimated Construction Cost:** The estimated sum of monies to be paid to construction contractors and suppliers for all labor, materials, equipment, and other related work necessary to construct the proposed project elements and facilities.

**Excess Capacity:** The portion of the capacity limits of water pollution control facilities that exceeds the maximum eligibility for funding under the Centennial and SRF programs. These capacity limits for facilities are described in Chapter 5, "Guidance for Facilities Projects."

**Extended Grant Payments:** Cash disbursements made under a grant agreement that do not follow the normal process of reimbursement for actual costs incurred under the Centennial program.

**Facility or Facilities:** See "Water Pollution Control Facility"

**Facilities Plan or Facility Plan:** An engineering report that includes the additional elements required by the National Environmental Policy Act, other federal statutes, and planning requirements for the State Revolving Fund loan programs, including all the requirements of Chapter 173-240 WAC, Submission of Plans and Reports for Construction of Wastewater Facilities.

**Federal Grant:** A wastewater treatment construction grant for wastewater facilities and activities authorized by Title II of the Federal Water Pollution Control Act (as amended, 1987). Other federal grants would include those awarded from the Farmers Home Administration, Housing and Urban Development, etc.

**Financial Manager:** Ecology management assigns a Financial Manager to each loan or grant offer. The Financial Manager helps negotiate a funding agreement with the funding recipient, is the main contact for payment information, and processes all payment requests. A Financial Manager will work closely with the loan and grant recipient and coordinate closely with the Ecology's Project Manager.

**Flow:** The rate of water discharged from a source, expressed as volume per unit time.

**Force Account:** Loan or grant project work performed more efficiently and economically using labor, materials, and/or equipment of a public body.

**Freshwater:** Any non-marine surface water.

**Funding Cut-off Line:** The position on a Final Offer List or Final Intended Use Plan above which the sum of requested financial assistance from the applicants is approximately equal to the amount of money being offered for that funding category (see Offer List and Intended Use Plan)

**Funding List:** The list of projects approved by the Director that can receive funding from the Centennial, SRF, and Section 319 programs during the time period in which the Offer List is effective.

**GMA:** Washington State's *Growth Management Act*, including provisions codified in Chapter 36.70.A RCW, *Growth Management - Planning by Selected Counties and Cities*, and Chapter 70.146.070 RCW, *Water Pollution Control Facilities Financing*. In relation to grants and loans from Ecology, see also Chapter 173-95A and 173-98 WAC.

**Grant Agreement:** A contractual arrangement between a public body and Ecology that includes an approved scope of work, total project cost, set grant percentage, eligible costs, budget, and a schedule for project completion (in addition to other requirements). May be combined with a loan agreement.

**Ground Water:** Waters that exist beneath the land's surface or beneath the bed of any stream, lake, reservoir, or other body of surface water.

**Immediate Corrective Action:** Ecology's Water Quality Program Manager has determined that the project must proceed to correct the problem in a timely manner before funds are available during the next regular funding cycle. This usually would involve a Public Health Emergency or an Environmental Emergency.

**Overhead Cost:** Costs that benefit more than one activity of the recipient and that may not be directly assigned to a particular project objective. Some portion of these costs may be eligible for reimbursement. Please refer to *Administrative Requirements for Ecology Grants and Loans*.

**Initiation of Operation Date:** The actual date the facility initiates operation and is being used for its intended purpose. This date may occur prior to final inspection and will be determined by Ecology after consultation with the recipient. This date may be the same as or earlier than the date of project completion.

**In-Kind Contributions:** The value of non-cash contributions provided by a public body or any other approved parties. Non-cash contributions can be in the form of charges for personal services, real property, non-expendable personal property, and the value of goods and services directly benefiting and specifically identifiable to the project.

**Infiltration/Inflow Correction:** The cost-effective alternative(s) identified in an approved facilities plan or engineering report for eliminating or reducing the infiltration and inflow (water, other than wastewater that enters a sewer system) from an existing sewer system.

**Intended Use Plan (IUP):** A plan identifying the intended uses by Ecology of the amount of funds available for financial assistance from the State Revolving Fund (SRF) for that fiscal year. The IUP includes a list of projects which may receive financial assistance. The position of projects on the IUP list will be based on the selection process described in these guidelines.

**Interlocal Costs:** The cost of goods or services provided to a project under the terms of an interlocal agreement by a public body eligible to apply for Centennial funds.

**IUP:** See Intended Use Plan.

**Lake:** A natural basin or impoundment where little or no net flow occurs.

**Lake Restoration:** Any action taken to prevent lake deterioration or return a lake system to an unimpaired state or condition.

**Loan Agreement:** A contractual arrangement between a public body and Ecology that involves a disbursement of funds that must be repaid. The agreement includes an approved scope of work, total project cost, loan terms (including interest rates) and a repayment schedule. May be combined with a grant agreement.



**Loan Default:** Failure to make a loan repayment within 60 days after the payment was due.

**Local Share or Match:** The portion of the project costs not covered by a Centennial loan or grant, including actual cash outlays by the public body and others and non-cash (in-kind) contributions.

**Marine Water:** A body of water that is a part of territorial sea, or the waters of a contiguous zone, or saline estuarine waters that have a free connection to the territorial sea and have salinity comparable to those of Puget Sound or other major bays and inlets. Generally, saline estuarine waters are those waters near the mouth of estuaries and contain life forms characteristic of a marine environment.

**Maximum Eligible Costs:** The ceiling on the costs that are eligible.

**Nonpoint Source Water Pollution:** Pollution that enters any waters from widespread water or land-based activities, including but not limited to atmospheric deposition; surface water runoff from agricultural lands, urban areas, and forest lands; subsurface or underground sources; and discharges from boats or other marine vessels.

**Offer List:** A list of projects prioritized for receiving financial assistance from the Centennial, SRF, or Section 319 programs. The position of projects on the Offer List will be based on the selection process described in these guidelines. The Draft Offer List comes out at the end of the selection process. This will be followed by a 30-day comment period. The Final Offer List is issued along with a responsiveness summary after the end of the comment period. The Final Intended Use Plan is released at the same time as the Final Offer List and contains the same funding priorities but also contains information required by federal law. For most purposes, the Offer List is more user-friendly and useful.

**Prior Authorization to Incur Costs:** A written agreement between Ecology and the loan or grant recipient allowing the recipient to begin incurring costs related to a loan or grant for which there is not yet a signed loan or grant agreement.

**Prior Authorization Date:** The date specified in a letter from Ecology's Water Quality Program Manager authorizing the funding recipient to begin incurring costs related to a loan or grant for which there is not a signed loan or grant agreement. This date will also be noted in the signed loan or grant agreement.

**Project:** A water pollution control facilities or activity for which a loan or grant is awarded by Ecology.

**Project Completion Date:** The last date that a funding recipient may incur loan or grant eligible costs. All items identified in the Scope of Work must be completed by this date. Costs incurred after the completion date will not be considered eligible.

**Project Manager:** Ecology management assigns Project Manager to each loan or grant offer. The Project Manager provides technical assistance, helps negotiate a funding agreement with the funding

recipient, and manages most of the communication related to the project. A Project Manager will work closely with the loan and grant recipient and coordinate closely with the Financial Manager.

**Project Results:** Quantitative results realistically anticipated that will directly lead to the “Environmental Results.”

**Public Body:** The State of Washington or any agency, county, city or town, conservation district, other political subdivision, municipal corporation, quasi-municipal corporation, and those Indian Tribes now or hereafter recognized by the federal government.

**Public Health Emergency:** A situation in which illness or exposure known to cause illness is occurring or is imminent (as determined by the Washington State Department of Health).

**Public Health Need:** A situation documented by a loan or grant recipient and determined as a Public Health Need by the Washington State Department of Health, used only in allowing funding of facilities projects in non-GMA-compliant jurisdictions (see WAC 173-95A-070).

**RCW:** The Revised Code of Washington; the laws of the State.

**Recipient:** The public body or not-for-profit organization that applied for funding, has been offered funding, and has signed a financial assistance agreement with Ecology.

**Scope of Work:** A detailed description of the project, including measurable objectives useful for determining successful completion. The scope of work is negotiated between Ecology and the loan or grant recipient.

**Section 319 Program:** The Nonpoint Source Grants Program authorized by Section 319 of the Clean Water Act.

**Septage:** The residue pumped from a septic tank.

**Service Provider:** Any privately owned or publicly owned profit or nonprofit corporation, partnership, joint venture, association, or other person or entity that is legally capable of contracting for and providing services with respect to the design, financing, ownership, construction, operation, or maintenance of water pollution control facilities in accordance with Chapter 70.150 RCW.

**Severe Public Health Hazard:** A situation in which the potential for illness exists, but illness is not occurring or imminent (as determined by the Washington State Department of Health).

**Sewer:** A pipe and related pump stations located on public property, or on public right(s)-of-way and easements that convey wastewater from individual buildings or groups of buildings to a treatment plant.

**Side Sewer:** Sanitary sewer service extension from the point of terminus of the building drain (said terminus being measured at a point five [5] feet outside the building foundation) to the publicly owned collection sewer.

**Small Flows:** Flows which are considered eligible for funding, from commercial, industrial, or institutional sources that individually comprise five percent or less, or collectively comprise 30 percent or less, of the total average yearly flow of wastewater.

**Sole-Source Aquifer:** The sole or principal source of public drinking water for an area designated by the Administrator of the Environmental Protection Agency pursuant to Public Law 93-523, Sec. 1424(e).

**SRF:** The State Revolving Fund.

**State:** The State of Washington

**State Revolving Fund Loan:** A loan from the Washington State Water Pollution Control Revolving Fund (SRF) established by Section 212 (Title VI) of the 1987, *Amendments to the Federal Water Pollution Control Act*, and by Chapter 90.50(A) RCW, *Water Pollution Control Facilities - Federal Capitalization Grants*.

**Step Process:** A systematic process which facilities projects must follow to be eligible for grants or loans. The process requires the applicant for loan or grant funding to proceed according to certain steps, which include planning, design, and construction. See Chapter 7, “Planning Requirements and the Step Process” for detailed discussion of the Step Process.

**Substantial Environmental Degradation:** A situation documented by a loan or grant recipient and determined as a substantial environmental degradation by Ecology, used only in allowing funding of facilities projects in non-GMA-compliant jurisdictions. See Chapter 173-95A WAC, *Uses and Limitations of Centennial Clean Water Funds*.

**“TEC” or Total Eligible Project Cost:** The sum of all costs associated with a water quality project that have been determined to be eligible for loan or grant funding.

**Total Project Cost:** The sum of all costs associated with a water quality project, including costs that are not eligible for loan or grant funding.

**WAC:** Washington Administrative Code – “rules and regulations.”

**Wastewater Treatment Plant:** See “Water Pollution Control Facilities.”

**Water Pollution:** Contamination or other alteration of the physical, chemical, or biological properties of any waters of the State, including change in temperature, taste, color, turbidity, or odor of the waters; or

any discharge of a liquid, gas, solid, radioactive substance, or other substance into any waters of the State that creates a nuisance or renders such waters harmful, detrimental, or injurious to the public, to beneficial uses, or to livestock, wild animals, birds, fish, or other aquatic life.

**Water Pollution Control Activity or Activities:** A water pollution control activity is an action taken by a public body to prevent or mitigate water pollution. An activity does not involve site-specific engineered construction, although an activities project may involve a facilities component. An example of facilities as a component of an activities project is a mechanical aerator that is part of a lake restoration project. Some examples of activities are comprehensive planning, research, water quality monitoring, technical assistance, and public information and education.

**Water Pollution Control Facility or Facilities:** A water pollution control **facility** is any facility or system used for the control, collection, storage, treatment, disposal, or recycling of domestic wastewater and stormwater. This includes sanitary sewage, stormwater, residential, commercial, industrial, and agricultural wastes that are causing water quality degradation due to concentrations of conventional, non-conventional, or toxic pollutants. Water pollution control facilities include all equipment, utilities, structures, real property, and interests in and improvements on real property necessary for or incidental to such purpose. Facilities planning, design, and construction are all considered to be facilities projects or project components.

**Wetlands:** The transition zone between terrestrial and aquatic systems where the water table is usually at or near the surface or the land is covered by shallow water. Wetlands must have one or more of the following attributes: (1) at least periodically, the land predominantly supports hydrophilic plants; (2) the substrate is predominantly undrained hydric soil; and (3) the substrate is non-soil and is saturated with water or covered by shallow water at some time during the year.