

Funding Guidelines

Reclaimed Water Grants Program FY 2008

July 2007

Publication Number 07-10-060



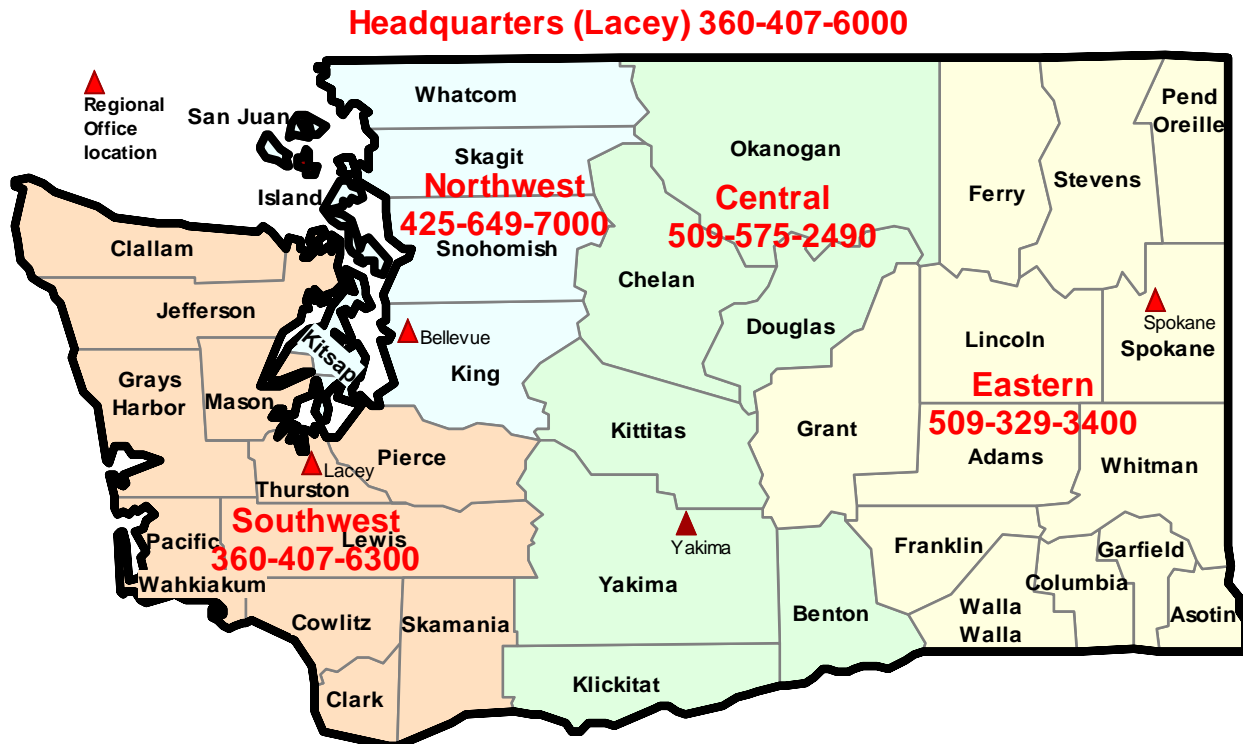
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Persons with a speech disability can call 877-833-6341.**

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The Governor's Office, the Office of Financial Management, and the Washington State Legislature are recognized for vigorous and proactive support in the proposal and appropriation of funds for this program. We would also like to thank the following members of our task force:

Keith Folkerts	Kitsap County
Bob Hirsh	King County
Robert Masonis	American Rivers
Scott Redman	Puget Sound Partnership
Ed Thorpe	Coalition for Clean Water
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Chapter 1: Overview

How to use these guidelines

These guidelines describe the process to receive water quality financial assistance under the *Reclaimed Water Grants Program, FY 2008* from the Washington State Department of Ecology (Ecology) Water Quality Program. The guidelines also explain what will be required of a local government once a grant is awarded. The guidelines are not meant to be a comprehensive listing and explanation of all rules and policies that may apply to funding.

All local governments in the 12-county area of Puget Sound are eligible to receive funding.

Background

In 1992 the Washington State Legislature passed the Reclaimed Water Act, Chapter 90.46 RCW, and directed the Department of Ecology and the Department of Health to develop standards for reclaimed water use and to jointly administer a reclaimed water program. The Reclaimed Water Act has the following goals:

- Encourage and facilitate reclaimed water use
- Provide new basic water supplies to meet future needs
- Protect public health and safety
- Protect and enhance our environment
- Gain public confidence and support for reclaimed water
- Find cost-effective solutions

Legislative appropriation, 2007

The 2007 Washington State Legislature passed the Capital Budget for the 2007-09 Biennium with funds to assist local governments with reclaimed water needs. The Legislature designated approximately \$5 million to be spent solely for grants to local governments in Puget Sound for the completion of reclaimed water projects. Priority is given to projects in water short areas and where reclaimed water will restore important ecosystem functions in Puget Sound.

Legislative direction and project targets

In accordance with Legislative appropriation language, all projects must target water quality improvement and protection where reclaimed water will restore important ecosystem functions in Puget Sound or address water short areas needs where reclaimed water can be used to replace other water sources. For example, a project may focus on restoration or protection of impaired shellfish habitat or address instream flow when the lack of water is detrimental to endangered or threatened species. The specific appropriation is appended as “Resource Information” following Chapter 2 of these guidelines.

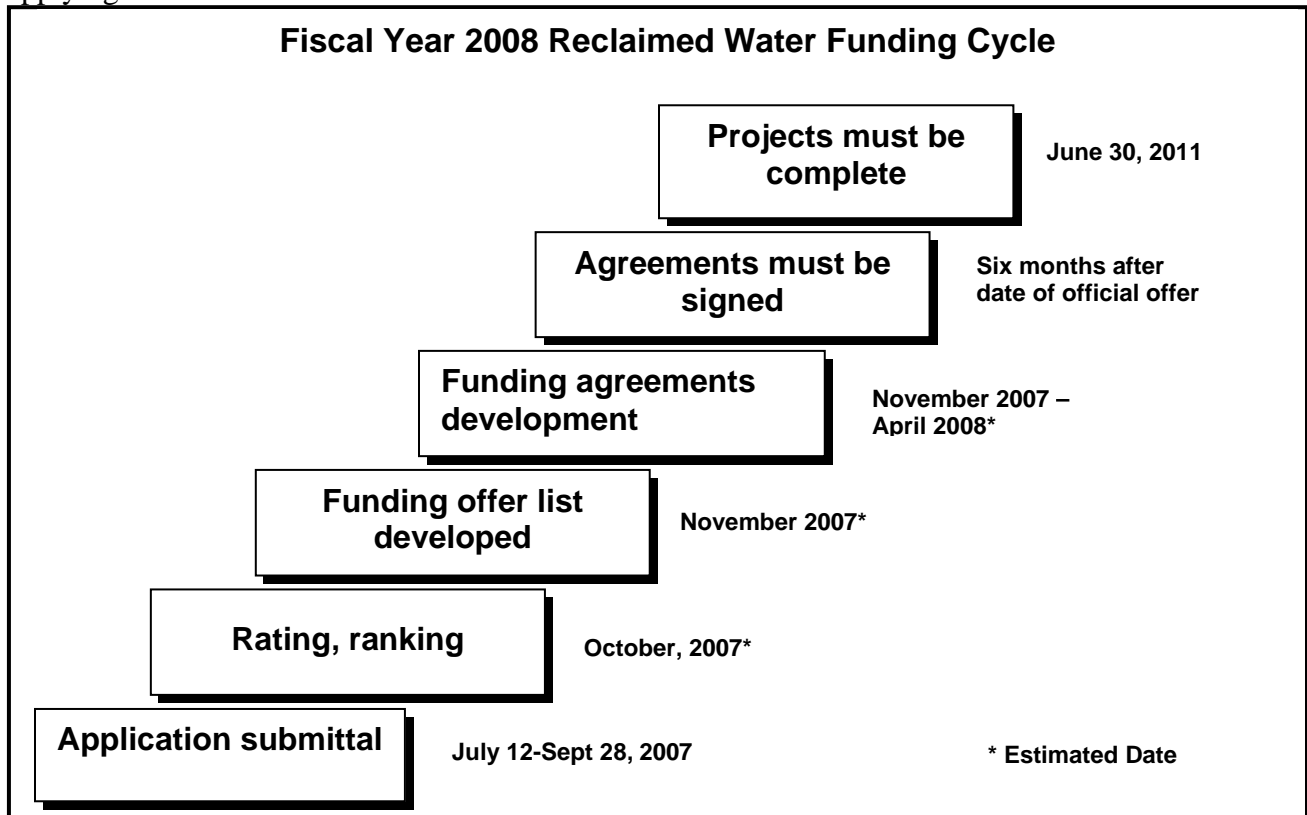
The target is to fund three to six high priority capital projects.

Eligible applicants

Local governments are defined as any **Puget Sound Basin** city, town, county, water-sewer district, public utility district, port district, irrigation district, conservation district, flood control district, or any other municipal corporation or quasi-municipal corporation. In addition, other political subdivisions in the 12-county Puget Sound Basin authorized to levy special benefit assessments for sanitary or storm sewerage systems, domestic water supply or distribution systems, or road construction or improvement purposes may be considered.

Application process

The grant application process is competitive. The following illustrates the general steps in applying:



Application submittal:

1. Send a hard copy of the signed original.
2. E-mail the entire application to: FY2008ReclaimedApps@ecy.wa.gov (return receipt should be requested).
3. All application material must be **received** by Ecology at or before 5:00 p.m. **September 28, 2007.**
4. Faxed submittals will not be accepted.

Submit original paper version to:

Department of Ecology
Water Quality Program
Financial Management Section
PO Box 47600
Olympia, WA 98504-7600

Street address for hand delivery:

Department of Ecology
Water Quality Program
Financial Management Section
300 Desmond Drive
Lacey, WA 98503

Project duration

Projects must be completed before June 30, 2011.

Program ceiling amounts and match

- No ceiling amount
- Up to 20 percent is set aside for feasibility studies. If the demand for high priority feasibility studies or capital facilities projects is low, funds may be used for the other project type
- 100 percent grant for feasibility assessments up to \$250,000 (scaled to the scope of project and area)
- 75 percent grant with 25 percent match for projects that provide a “Very High” ecological benefit to Puget Sound (*see* Evaluation Criteria)
- 60 percent grant with 40 percent match for all other eligible projects

Requirements for construction projects

The following requirements apply to projects that contain construction elements. These requirements do not apply to projects that consist *solely* of feasibility studies, site specific planning, or design.

Prerequisites for application

Prior to applying for funding for **construction** of a reclaimed water project, applicants must complete the following:

- A reclaimed water engineering report that complies with the requirements of WAC 173-240 and the State of Washington *Water Reclamation and Reuse Standards*. Prior to applying for funding, this engineering report must be reviewed and approved by Ecology’s regional office engineer.
- State Environmental Policy Act (SEPA) review of the environmental impacts of the project.
- Archeological and Cultural Resources review with the Department of Archeology & Historic Preservation (DHAP) and affected tribes to comply with Governor’s Executive Order 05-05. Governor’s Executive Order 05-05, regarding cultural resources is available at: http://www.governor.wa.gov/execorders/eo_05-05.pdf

Include documentation with the application that these prerequisites have been completed.

Preparation of a facilities plan is not required prior to applying for or to receive funding from this program. Preparation of a facilities plan is encouraged. Other funding sources may require facilities planning with environmental review to be eligible for funding.

Bid package requirements

Construction projects funded under this program must include the state specification insert in their bid packages. Specification inserts can be obtained from Ecology regional offices.

Growth Management Act compliance

Growth Management Act (GMA) compliance is not required prior to applying for or to receive funding from this program. However, GMA compliance is strongly encouraged, because other funding sources may require it to be eligible for funding. Compliance with GMA will be one factor used to evaluate the applications for available funding.

Eligible projects

Water reclamation facilities:

- Feasibility assessments
- Site-specific planning and design
- Construction, including delivery systems on public property
- Piping and distribution facilities on private property **if** an easement is provided by the property owner

Ineligible project elements

- Projects without a proven water quality benefit
- Projects for reserve capacity or augmentation of water supplies to serve growth (projects proposed must have an existing environmental need)
- Equipment not pre-approved by Ecology or not shown to be vital to the success of the project

Evaluation criteria

- Feasibility studies will be evaluated based on the ecological benefits and other criteria, but will **not** be evaluated against capital facilities projects.
- Following is a summary of evaluation criteria used in the Reclaimed Water Grants Program Application:
 - A. OVERALL QUALITY OF PROJECT PROPOSED AND LIKELIHOOD OF SUCCESS (UP TO 200 POINTS)**
 1. Scope of work (up to 150 points).
 2. Budget (up to 50 points).
 - B. ACTIONS REQUIRED OR RECOMMENDED (UP TO 450 POINTS)**
 1. Ecological benefit (up to 300 points):
 - a. Water short areas will have equal priority with restoration of ecosystem functions in Puget Sound. Proposed projects will be evaluated for their contributions to the bio-hydrology with up to 300 points available.
 - b. Eligible project activities in water short areas or which address ecosystem functions may stand on their own or complement activities in the other category for up to 300 points.

2. State and federal requirements (up to 100 points):
 - c. Actions required under Total Maximum Daily Load (TMDL) criteria such as minimum flows and dissolved oxygen, maximum temperature; federal and state water rights; and National Pollutant Discharge Elimination System (NPDES) permits and compliance orders.
 - d. Actions recommended by watershed planning groups in approved Watershed Planning Act Plans.

C. LOCAL INTEREST AND COMMITMENT (UP TO 200 POINTS):

1. Project development process (up to 150 points)
2. Project team (up to 50 points)

D. READINESS TO PROCEED (UP TO 150 POINTS):

Capital facilities projects. Applicants are asked to explain their status of the applicant's Growth Management Act compliance, whether all match, land needed, environmental permits, etc., have been acquired. Applicants will also be asked to estimate how long prerequisite steps will take to complete.

Feasibility assessments. Proposed projects must be ready to proceed soon after the offer list is distributed. Efforts such as public information and collaboration with other cities can be used to demonstrate readiness. Feasibility assessments will be evaluated independently of capital facilities projects.

This completes Chapter 1

Chapter 2: Managing an Ecology Funded Reclaimed Water Project

Ecology's project management team

The funding agreement is the formal written contractual arrangement signed by authorized representatives of the recipient and Ecology. The agreement includes at a minimum: an approved scope of work, total project costs, a budget, and performance schedule. Ecology assigns a project management team to each funded project. The team consists of:

- A **project manager** from the regional office nearest the recipient (primary contact for technical assistance and day-to-day questions)
- A **financial manager** from the Lacey headquarters office

The **financial manager** reviews and approves payment requests and helps the project manager negotiate agreements and track performance. The **project manager** works with the financial manager to resolve payment or eligibility issues if they arise.

Ecology can also assign a regional project engineer for certain facilities projects to provide engineering technical assistance, conduct engineering review and approvals, and determine eligibility of project components. The engineer may also serve as the project manager in some cases.

When in doubt, contact any member of the team for information.

Agreement development

The Ecology Project Management Team will use information found in the funding proposal as the basis for developing the funding agreement. Clearly defined project proposals that include measurable objectives and accurate budgets will take less time to develop.

To speed development and processing, much of the funding agreement content is standardized boilerplate language that includes general and special terms and conditions and other requirements that are necessary because of state and federal law. These requirements are incorporated as attachments.

After the agreement is developed, Ecology's Project Management Team will request a quick funding program review. The financial manager will then send the funding agreement to the applicant for signature. The applicant will send the funding agreement back to Ecology for the final signature by the Water Quality Program Manager or the authorized designee.

The agreement becomes effective once signed by Ecology's program manager. Once the agreement goes into effect, a fully executed original will be returned to the recipient. (Note that the applicant becomes the recipient once the agreement is signed).

Project budget

The funding agreement must include a project budget that establishes eligible costs for task elements or budget objects. The budget will also detail funding sources, funding amounts, and type of matching requirements. Ecology's financial manager will help answer questions about budget development during project negotiations.

Bid overruns

Depending on funding availability:

- If the low responsive responsible construction bid(s) exceeds the engineer's estimate of construction costs, the department may approve funding increases for up to ten percent of the engineer's original estimate.
- Requests for increases will be decided on a case-by-case basis.
- Requests for increases will be considered on a first-come-first-serve basis.
- Project ceiling amounts apply.

Change orders

Depending on funding availability:

- The department may approve funding for change orders for up to five percent of the eligible portion of the low responsive responsible construction bid(s).
- Requests for increases will be decided on a case-by-case basis.
- Requests for increases will be considered on a first-come-first-serve basis.
- Project ceiling amounts apply.

Bids below engineer's estimate

Following a bid award to the low responsible responsive bidder, grant awards will be adjusted to comply with the ceiling and match requirements.

Disbursement of funds

Funds are disbursed on a cost-incurred basis.

Amendment process

Modifications and changes to the funding agreement may become necessary. Changes must be negotiated and established in writing as an amendment to a funding agreement.

Extensions and project completion

- Time extensions are not strongly supported by Ecology.
- Request needed time extensions at least three months before the funding agreement is due to expire.

- After the project-completion deadline of June 30, 2011, is reached a time extension of no more than twelve months may be made under certain circumstances, including but not limited to:
 - Schedules included in water quality permits, consent decrees, or enforcement orders.
 - Work must be completed during an environmental window in a specific season of the year.

Progress reports

Recipients are required to submit progress reports on a regular basis. Unless specified in the funding agreement, progress reports are submitted quarterly for the following periods:

- January 1 through March 31
- April 1 through June 30
- July 1 through September 30
- October 1 through December 31

Quarterly progress reports are due 15 days following the end of the quarter being reported.

General terms and conditions

General terms and conditions are general requirements contained in all Ecology loan and grant agreements and are not negotiable. The general terms and conditions are found in the *Administrative Requirements for Grants and Loans*, Publication No. 91-18, available at <http://www.ecy.wa.gov/biblio/9118.html>

Special terms and conditions

Special terms and conditions are written into an agreement to modify or clarify project elements that are specific to the project or the program guidelines. Special terms and conditions are consistent with the general terms and conditions but may be more specific or restrictive.

Light refreshments

Light refreshment costs for meetings or conferences are eligible as permitted by Ecology's travel policy. They must be approved by Ecology's Project Management Team.

Coffee and any other non-alcoholic beverages such as tea, soft drinks, juice, or milk, and snacks that may be served at meetings or conferences are considered light refreshments.

Equipment purchase/equipment fees

Equipment is eligible if it is approved by the Ecology Project Management Team. If equipment is owned by the recipient, an appropriate use fee may be charged.

A use fee for equipment owned by the recipient or utilized through a valid interlocal agreement:

- Must be justifiable, fair, and reasonably attributed to the project.
- Must directly satisfy the project scope of work.
- Must be shown to be cost effective.

- Cannot exceed the acquisition cost of the equipment or facilities.
- Cannot exceed the rental rate or purchase price for comparable equipment or facilities in the recipient's market.

Incurring eligible costs

The recipient can begin incurring costs on the date that the funding agreement is signed by Ecology. In some instances, eligible costs can be incurred before the effective date of an agreement. For example:

Incurring costs prior to an agreement

Prior authorization is written authorization that allows the recipient to incur eligible project costs before the funding agreement is effective. Prior authorization is determined on a case-by-case basis. It does not guarantee funding, and Ecology cannot release funds before the effective date of the agreement.

To request prior authorization:

- The applicant signatory must write a letter to Ecology's Water Quality Program Manager requesting and justifying prior authorization with estimated costs to be incurred and the time frame.
- 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.

Reasons for prior authorization include, but are not limited to the following:

- Work must be done in a specific environmental window.
- To meet required schedules in compliance order, consent decrees, or permits.
- The local government is ready to proceed immediately.
- The project would otherwise be substantively delayed as the grant agreement was prepared.

Payment processing

Payment holds or termination

If a recipient does not satisfy conditions in the funding agreement, Ecology may terminate the agreement and request that the recipient repay all of the funds disbursed, withhold a payment, or decrease the payment by the amount proportionate to the costs associated to the incomplete work.

Submitting a payment request

The recipient must submit a completed A19-1A Invoice Voucher and all required forms to Ecology's financial manager. The recipient's authorized signatory must sign the A19-1A Invoice Voucher, preferably in blue ink. If the costs are eligible and project progress is acceptable,

Ecology's financial manager will approve the request. If not, the financial manager and project manager will work with the recipient to resolve the issue.

Payment requests forms

Payment requests must include the following forms:

- A State of Washington Invoice Voucher Form A19-1A
- Running Budget Summary Form B1 (ECY 060-3) or B2 (ECY 060-7)
- Voucher Support Form C1 (ECY 060-8) or C2 (ECY 060-9)
- Contractor Participation Report Form D (ECY 060-11)

Where applicable, payment requests should also include the following:

- Monthly Time Sheet Form E (ECY 060-12)
- Record of Meeting Attendance Form F (ECY 060-13)
- Sales and Use Tax Report Form G (ECY 060-14)
- Conversion to a Composite Hourly Billing Rate for an Employee Form H (F-21)
- Valuation of Donated Property Form I (ECY 060-15)

Ecology's financial manager may request additional documentation to support the costs reflected in a payment request at any time. Recipients must keep supportive documentation available in project files for the duration of the project and for five years following project completion.

Performance measures

Water Quality Program goals

- Prevent and clean up water pollution.
- Help communities make sustainable choices that reduce and prevent water quality problems.
- Provide water quality partners with technical and financial assistance to produce useful water quality information for the public and our partners.
- For this particular funding program: help provide reclaimed water to water short areas.

Financial Assistance water quality objectives. To ensure that loan and grant investments lead to the greatest possible public health and environmental benefit, Ecology staff measure program effectiveness based on the following objectives:

- Restore important ecosystem functions in Puget Sound (e.g., restoration of impaired or protection of shellfish habitat).
- Augment instream flows in water short areas (especially addressing endangered/threatened salmonid habitats).
- Provide water for existing water supplies in water short areas.

Post project assessment of performance measures. The Legislature directed Ecology to implement an outcome-focused approach. As a result, Ecology is including a special condition in each loan and grant agreement that requires recipients to develop a post project assessment plan and to participate in a brief survey or possible interview to assess project results.

The month and year of the project assessment will typically occur three to five years after project completion. This date will be negotiated between the local government and Ecology's Project Management Team.

Resource Information

NEW SECTION. Sec. 3044 [2007-09 Governor's Capital Budget]. FOR THE DEPARTMENT OF ECOLOGY

13 Reclaimed Water (08-4-002)

14 The appropriation in this section is subject to the following

15 conditions and limitations: The appropriation in this section is

16 provided solely for grants to local governments in Puget Sound to

17 complete reclaimed water projects. Priority shall be given to projects

18 in water short areas where reclaimed water can be used to replace other

19 water sources and where reclaimed water can be used to restore

20 important ecosystem functions in Puget Sound.

21 Appropriation:

22 State Building Construction Account–State \$5,455,000

23 Prior Biennia (Expenditures) \$0

24 Future Biennia (Projected Costs) \$24,320,000

25 TOTAL \$29,775,000