

# Customer Handbook

## Grants and Loans Program

State of Idaho  
Department of Environmental Quality  
July 2022



**Prepared by**

Idaho Department of Environmental Quality  
Drinking Water Protection and Finance Division  
1410 North Hilton Street  
Boise, Idaho 83706



Printed on recycled paper, DEQ July 2022, PID 9300 and 9302, CA code 82043 and 82041. Costs associated with this publication are available from the State of Idaho Department of Environmental Quality in accordance with Idaho Code § 60-202.

## Table of Contents

Revision Log .....	5
Contact Information.....	6
List of Attachments .....	7
1 Introduction to Idaho’s State Revolving Fund Grant and Loan Program .....	8
1.1 How to Use This Handbook.....	8
1.2 Funding Opportunities .....	8
1.2.1 Drinking Water and Wastewater Planning Grants.....	8
1.2.2 Construction Loans.....	8
1.2.3 Other Funding Opportunities .....	8
1.3 Eligibility.....	9
1.3.1 Eligible Applicants .....	9
1.3.2 Ineligible Applicants .....	9
1.3.3 Eligible Costs .....	10
1.4 General Funding Requirements .....	10
2 Funding Process .....	12
2.1 Overview.....	12
2.2 Professional Engineer Selection .....	13
2.3 Grant Application Package Requirements.....	13
2.4 Loan Application Requirements .....	14
3 Project Implementation .....	15
3.1 Planning Grant Projects .....	15
3.2 Environmental Review and Determination .....	15
3.3 Construction Loan Projects .....	16
3.3.1 Construction Process Overview.....	17
3.3.2 American Iron and Steel.....	19
3.3.3 Build America, Buy America .....	20
3.3.4 Davis-Bacon Act.....	20
3.3.5 Green Project Reserve.....	20
3.3.6 Force Account Procedures .....	21
3.4 Reimbursement Requests.....	21
3.5 Termination or Suspension .....	22
4 Project Completion .....	23
4.1 Planning Grant Close-out .....	23
4.2 Loan Close-out .....	23
4.3 Loan Repayments.....	24

4.4	Record Keeping and Accounting .....	24
5	Additional Resources .....	25
5.1	Annual Loan Fees .....	25
5.2	Policy Memo for Interest Rate Setting .....	25
	Glossary .....	26

## List of Figures

Figure 1.	Annual Grants and Loans Funding Process .....	12
-----------	---	----

## Revision Log

The following modifications and additions have been made to this Handbook:

Date	Description of Revisions	Sections Modified
07/19/2022	Added System for Award Management Registration requirement.	1.14

## Contact Information

Please contact us with any questions you have about the grant or loan program, the address below applies to all contacts listed on this page:

### Drinking Water Protection and Finance Division

Idaho Department of Environmental Quality  
1410 North Hilton Street  
Boise, Idaho 83701  
(208) 373-0502  
[grants.loans@deq.idaho.gov](mailto:grants.loans@deq.idaho.gov)

### Grants and Loans

MaryAnna Peavey, Grants and Loans Bureau Chief  
[MaryAnna.Peavey@deq.idaho.gov](mailto:MaryAnna.Peavey@deq.idaho.gov)

### Loans, Emergency Funding, Lead Line Replacement

Charlie Parkins, Grants & Loans Supervisor  
[Charlie.Parkins@deq.idaho.gov](mailto:Charlie.Parkins@deq.idaho.gov)

### Drinking Water and Wastewater Grants

Alicia Tapia Campos, Grants & Loans Officer  
[Alicia.TapiaCampos@deq.idaho.gov](mailto:Alicia.TapiaCampos@deq.idaho.gov)

### Environmental Review, Grant and Loan Letters of Interest

LaDonn Kaylor, Grants & Loans Analyst  
[LaDonn.Kaylor@deq.idaho.gov](mailto:LaDonn.Kaylor@deq.idaho.gov)

### Non-Point Source (§319) Grants, Environmental Review

Bonnie Ricord, Grants & Loans Analyst  
[Bonnie.Ricord@deq.idaho.gov](mailto:Bonnie.Ricord@deq.idaho.gov)

### Engineering, American Iron and Steel, Buy America, Davis Bacon, Green Project Reserve

Nicolas Hiebert, PE, Senior Water Quality Engineer  
[Nicolas.Hiebert@deq.idaho.gov](mailto:Nicolas.Hiebert@deq.idaho.gov)

### Contact your regional DEQ office for additional project assistance

<https://www.deq.idaho.gov/regional-offices/>

## List of Attachments

### Application Forms

- SRF-01 – Planning Grant Application*
- SRF-02 – State Revolving Fund Loan Application*
- SRF-03 – Authorizing Resolution for Grant and Loan*
- SRF-04 – How to Hire an Engineer*

### Disbursement Requests

- PPR-01 – Grant Request for Reimbursement*
- PPR-02 – Loan Request for Reimbursement*
- PPR-03 – Cost Eligibility Summary*

### State Environmental Review Process

- SERP-01 – DEQ Environmental Review Procedure*
- SERP-02 – SERP Scoping Meeting Agenda*
- SERP-03 – SERP Consultation List and Resources*

### Engineering Resources

#### Plans and Specifications

- ENG-01 – Drinking Water SRF Outline and Checklist for Planning Documents*
- ENG-02 – Wastewater SRF Outline and Checklist for Planning Documents*
- ENG-03 – Idaho State Revolving Fund Supplemental Specifications Insert*
- ENG-04 – Certification of Compliance with WRRDA*

#### Construction Management

- ENG-05 – Suggested Points of Discussion for Pre-Construction Meeting*
- ENG-06 – EPA AIS Guidance*
- ENG-07 – DOL Form SF1444; Request for Additional Labor Classification*

#### Operations and Maintenance Manual

- ENG-08 – Drinking Water SRF Outline and Checklist for Operations and Maintenance (O&M) Manual*
- ENG-09 – Clean Water SRF Outline and Checklist for Operations and Maintenance (O&M) Manual*

# 1 Introduction to Idaho's State Revolving Fund Grant and Loan Program

## 1.1 How to Use This Handbook

This handbook is intended to assist applicants and project owners with the Department of Environmental Quality (DEQ) state revolving fund (SRF) application process and execution of projects. DEQ grant and loan procedures and resources are provided to satisfy requirements found in IDAPA 58.01.22, Rules for Administration of Planning Grants for Drinking Water and Wastewater Facilities and IDAPA 58.01.12, and Rules for Administration of Wastewater and Drinking Water Loan Funds. This handbook is periodically updated to reflect the most current federal and state SRF funding opportunities and requirements.

## 1.2 Funding Opportunities

### 1.2.1 Drinking Water and Wastewater Planning Grants

DEQ provides financial assistance to eligible wastewater and drinking water systems (recipients) through its planning grant program. These grant funds are used to develop facility plans to identify the most cost effective, environmentally sound method of upgrading and expanding a system to achieve and maintain compliance with state and federal standards.

The number of grants offered each year is limited to the available funding and funds are committed to the highest ranked projects. Grants provide funding for up to 50% of eligible planning costs in accordance with IDAPA 58.01.22.030.02. Funding is typically subject to a maximum amount. For example, the maximum DEQ match amount for drinking water and wastewater planning grants has historically been \$45,000 and \$65,000, respectively. The remaining cost is the recipient's responsibility.

### 1.2.2 Construction Loans

Using funds in part provided by the United States Environmental Protection Agency (EPA), DEQ provides low interest loans to qualified recipients to improve their drinking water and wastewater facilities. DEQ's SRF program provides 20-year, below-market-rate interest loans that typically result in significant cost savings to recipients over the life of the project. Principle forgiveness of a portion of the loan and up to 30-year terms is also available to recipients who qualify as a disadvantage system in accordance with IDAPA 58.01.12.021. Availability of funding varies each year and loans of up to 100% of project costs may be awarded for project planning, design, and construction.

### 1.2.3 Other Funding Opportunities

DEQ provides additional assistance for water quality improvements through other funding opportunities. For more information, see DEQ's website [www.deq.idaho.gov/SRF](http://www.deq.idaho.gov/SRF)



## 1.3 Eligibility

### 1.3.1 Eligible Applicants

Systems eligible for SRF funding are described in IDAPA 58.01.12.008 and IDAPA 58.01.22.007 and generally include the following:

**Wastewater:** Planning grants and clean water SRF loans are available for counties, cities, special service districts, other governmental entities, and nonprofit corporations with authority to collect, treat, or dispose of wastewater or otherwise provide direct water quality benefits.

Additional eligibility details can be reviewed within EPA’s May 2016 *Overview of Clean Water State Revolving Fund Eligibilities* at <https://www.epa.gov/cwsrf/overview-clean-water-state-revolving-fund-eligibilities>

**Drinking Water:** Planning grants and SRF loans are available to public water systems as defined by IDAPA 58.01.08, Idaho Rules for Public Drinking Water Systems and summarized below:

- **Community Water System:** A public water system that serves at least 15 service connections used by year-round residents or regularly serves at least 25 year-round residents.
- **Non-community Water System:** A public water system that serves the public but does not serve the same people year-round. A non-community water system is either transient or non-transient.
  - Transient – Does not regularly serve at least 25 of the same people for more than 6 months per year (e.g., rest area or campground with its own water supply).
  - Non-Transient – Regularly serves at least 25 of the same people more than 6 months per year (e.g., a school or hospital with its own water supply).

Additional eligibility details can be reviewed within EPA’s June 2017, *Drinking Water State Revolving Fund Eligibility Handbook* <https://www.epa.gov/dwsrf/drinking-water-state-revolving-fund-eligibility-handbook>

### 1.3.2 Ineligible Applicants

Systems ineligible for project planning grants and SRF loans are described in IDAPA 58.01.12.009 and IDAPA 58.01.22.007 and generally include the following:

- Wastewater systems that are for profit or privately owned.
- Non-community drinking water systems that are for profit.



**NOT ELIGIBLE:**  
For-profit or  
privately-owned  
wastewater  
systems



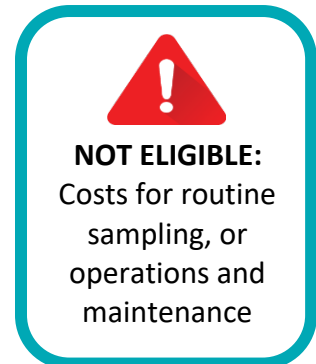
**NOT ELIGIBLE:**  
For-profit,  
noncommunity  
drinking water  
systems

- Systems delinquent in payment of fines, state revolving fund loans, penalties, or fee assessments due to DEQ.
- For grants, a system that lacks the financial capability to pay the non-grant share of a planning project.
- For loans, drinking water systems in significant noncompliance with any requirement of IDAPA 58.01.08 and the Safe Drinking Water Act (42 U.S.C. Section 300j et seq.) unless the funds will ensure compliance in accordance with steps outlined in IDAPA 58.01.12.008.03.
- For loans, drinking water systems under disapproval designation as outlined in IDAPA 58.01.08, unless funds will allow the system to return to good standing in accordance with steps outlined in IDAPA 58.01.12.08.03.

### 1.3.3 Eligible Costs

To qualify for DEQ's funding, costs must be directly associated with the proposed project, documented as necessary and reasonable, and not designated as ineligible in accordance with IDAPA 58.01.12.041 and IDAPA 58.01.22.032. A general summary of examples can be reviewed in *Attachment PPR-03, Cost Eligibility Summary*. Unless preauthorized in writing by DEQ, funds may not be applied to costs incurred before a funding agreement is executed between DEQ and the recipient. The recipient should contact DEQ to discuss preauthorization and determine required supporting documentation.

Planning grant funds cannot be utilized for construction activities but must be used entirely to prepare a planning document that identifies the most cost-effective alternative(s) to achieve or maintain compliance. Investigation activities, such as test wells or pipeline inspections, may be considered eligible costs on a case-by-case basis with DEQ preauthorization.



## 1.4 General Funding Requirements

SRF loans that include any portion of federal SRF funding sources must comply with the following federal requirements:

- Environmental review: All projects must undergo a state environmental review process
- Prevailing wages: Federal Davis-Bacon Wage Rates apply to all contracts over \$2,000
- American Iron and Steel and Build America, Buy America provisions (when applicable)
- Equal employment opportunity provisions
- Annual financial audits throughout the duration of the loan (when applicable)
- Green project reserve components (when applicable)

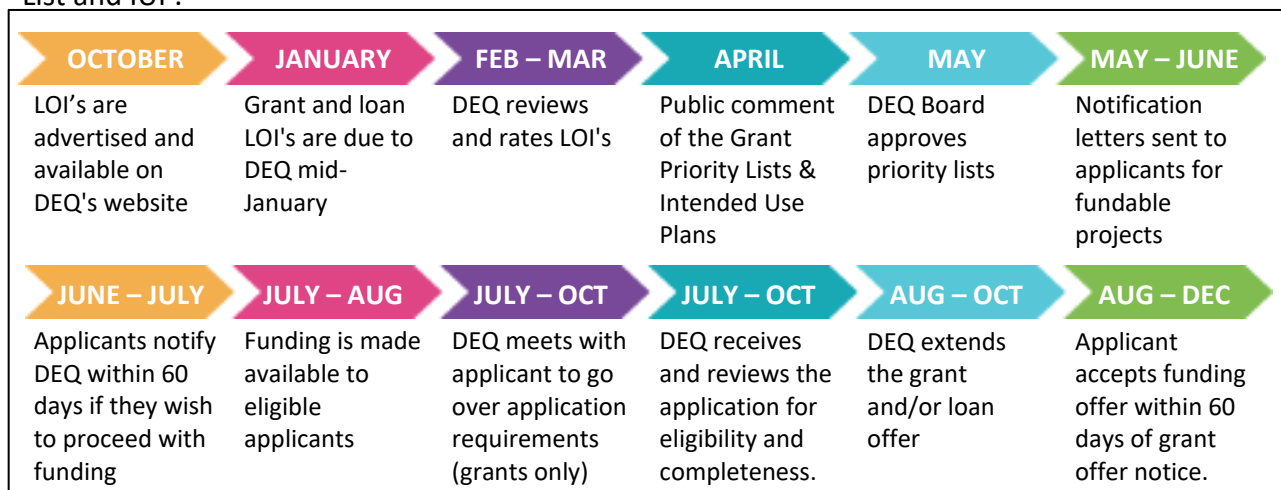
- Disadvantaged Business Enterprise (DBE), Minority Business Enterprise (MBE), and Women’s Business Enterprise (WBE) requirements (when applicable)
- Federal Funding Accountability and Transparency Act (FFATA) reporting requirements
- Maintain active registration with the System for Award Management (SAM) ([www.sam.gov](http://www.sam.gov)) pursuant to 2 CFR Part 25.

## 2 Funding Process

### 2.1 Overview

To meet federal requirements, DEQ solicits grant and loan interest from eligible applicants annually. From October to a deadline in mid-January, applicants are invited to submit a letter of interest (LOI). DEQ then evaluates, rates, and ranks the LOIs for inclusion on the state’s grant priority lists and the SRF intended use plans (IUPs). Rating criteria are specified by DEQ IDAPA 58.01.12.020 and IDAPA 58.01.22.020 and focus on public health and environmental concerns, long-term viability of the system (e.g., sustainability), and the status of the system’s compliance with state and federal regulations. The most recent annual LOI ranking forms and IUPs are on the DEQ website or at <https://www2.deq.idaho.gov/admin/LEIA/2641>.

Systems on the priority list are further refined based on the applicant’s readiness to proceed. The IUPs, which outline the purpose and goals of the state’s drinking water and wastewater loan programs, explain how projects are selected for funding and identifies priority projects eligible for state assistance. The grant priority lists and IUPs are issued for a public comment period and then approved by the Board of Environmental Quality annually, typically in May. Applicants with projects on the grant priority lists and IUPs are invited to apply for funding. Invitations are normally issued shortly after DEQ Board approval. Applicants receiving invitations are asked to notify DEQ within 60 days regarding their intent to proceed with funding. After successful DEQ review of a complete application, a funding offer is extended to the applicant. Funding offers must be accepted within 60 days of an offer, in accordance with IDAPA 58.01.12.050.02 and IDAPA 58.01.22.050.02. Preference is given to loan applicants that demonstrate readiness to proceed typically documented by 1) Approved facility plan, 2) Completed environmental review, and 3) Ability to incur debt. In some instances, loan funds may be used to complete a facility plan and environmental review. Upon execution of the funding offer by the applicant and DEQ, project expenses can be incurred. **Figure 1** summarizes the typical annual funding process by which applicants are placed on the state’s Grant Priority List and IUP.



**Figure 1. Annual Grants and Loans Funding Process**

## 2.2 Professional Engineer Selection

A crucial element for successful planning, design, and construction of a drinking water or wastewater project is employing the professional services of a competent professional engineer licensed in the state of Idaho. DEQ recommends recipients secure the services of an engineer as soon as practical, but no later than when they first receive the invitation to submit a grant or loan application. It may be advantageous for recipients hire an engineer early in the process to assist in completing the LOI and application package.

Public agencies and municipalities are required to select engineering services through a qualification-based selection (QBS) process defined by Idaho Code 67-2320. The QBS process must be based on the engineer's qualifications and demonstrated competency. Disadvantaged Business Enterprise (DBE) engineering firms should be solicited as part of good faith efforts for the QBS process.

The selection cannot consider costs or fees of engineering services. After a selection is made, fees and costs can then be negotiated with the engineer. If negotiations prove unsuccessful, negotiations may be started with the next most qualified engineer.

DEQ recommends that entities not governed by Idaho Code 67-2320 (i.e., nongovernmental organizations) use a competitive selection process. Additional information to satisfy QBS requirements can be reviewed in the guidance document *Attachment SF-04, How to Hire an Engineer for Public Water System and Wastewater System Design or Modification*. Recipients should consult legal advice if they are unsure how to meet Idaho Code 67-2320 requirements.

In accordance with IDAPA 58.01.12.050.05.d and IDAPA 58.01.22.050.05.d, the selected engineer must be covered by professional liability insurance for errors and omissions in the aggregate amount of at least \$100,000 or twice the amount of the engineering firm's fee, whichever is greater, and for indemnifying services rendered for all project steps funded by the DEQ, recipient, or other agency during the entire period the engineer is working for the recipient .

Once the QBS process has been completed, the recipient will enter a professional services contract with the selected engineer. This owner-engineer contract should include contractual requirements, engineering fees and indirect costs, schedule of deliverables, and detailed scope of work that matches the project efforts identified in the LOI and in the grant or loan application. DEQ recommends an industry standard owner-engineer contract agreement be utilized when practical, such as the latest standards published by Engineers Joint Contract Documents Committee (EJCDC). The owner-engineer contract is typically reviewed by DEQ as part of the grant or loan application process. Any professional services being provided by DBEs are reported to DEQ.

## 2.3 Grant Application Package Requirements

Applicants that receive a planning grant invitation must submit a complete grant application package in accordance with IDAPA 58.01.22.031 and this generally includes the following documents:

- Signed Planning Grant Application (Attachment SRF-01) including all required attachments and documentation identified in SRF-01
- Authorizing Resolution (Attachment SRF-03)

## **2.4 Loan Application Requirements**

Applicants that receive a loan invitation must submit a complete loan application package in accordance with IDAPA 58.01.12 Sections 010 and 040 and generally includes the following documents:

- Signed SRF Loan Application (Attachment SRF-02) including all required attachments and documentation identified in SRF-02
- Authorizing Resolution (Attachment SRF-03)

## 3 Project Implementation

### 3.1 Planning Grant Projects

Planning grant efforts and expenditures begin with a grant agreement between DEQ and the recipient. The planning grant process is generally summarized by the following steps:



#### Technical Draft Planning Document

The recipient's engineer prepares the technical draft planning document. To ensure compliance with DEQ requirements, the planning document should follow *Attachment ENG-01, Drinking Water SRF Outline and Checklist for Planning Documents* or *Attachment ENG-02, Wastewater SRF Outline and Checklist for Planning Documents*. The technical draft planning document is sealed, signed, and dated by the engineer and submitted to the appropriate DEQ regional office for review and approval. DEQ encourages consultation with the regional office before submittal to establish common expectations for the technical draft submittal. For details regarding submittal procedures and regional office contact information, see DEQ's website at <https://www.deq.idaho.gov/public-information/assistance-and-resources/engineering-and-development/>.



#### Environmental Review Process

For recipients that intend to pursue SRF or federal construction funding, an environmental review and public comment period must be completed as described below in Section 3.2. Applicants that do not intend to use SRF or federal funding for construction are not required to complete an environmental review or public comment period. However, DEQ still recommends public participation efforts as a best management practice.



#### Final Planning Document

The recipient formally selects project alternative(s) and the engineer prepares the final planning document that incorporates the selected alternative(s), public comment, environmental review, funding plan, user rate impacts, and implementation procedures. The final planning document is sealed, signed, and dated by the engineer and submitted to the appropriate DEQ regional office for review and approval.



#### Grant is Formally Closed

After the final planning document has been reviewed and approved by DEQ, the grant is considered complete. Final reimbursement is made and DEQ notifies the recipient that the grant has been closed. The recipient has 2 years from execution of the grant agreement to complete the planning process unless a request for extension is submitted to DEQ in writing.

### 3.2 Environmental Review and Determination

Recipients who intend to pursue SRF loan funding are required to conduct an environmental review in accordance with IDAPA 58.01.08.12.042 and 58.01.08.22.040. The state environmental review process (SERP) can be conducted as part of a planning grant, or it can be conducted in the early stages of an SRF loan project. Most projects qualify for categorical

exclusions or findings of no significant impact (FONSI). Detailed SERP procedures are provided in *Attachment SERP-01, DEQ Environmental Review Procedure* and are generally summarized by the following steps:



### **Scoping Meeting**

When the technical draft planning document is completed or in review, the recipient contacts DEQ to discuss environmental review requirements. The recipient is encouraged to initiate the environmental review process with DEQ early in the planning document development process to identify important environmental issues, avoid delays, and discuss shared expectations. A draft agenda is provided in *Attachment SERP-02, Scoping Meeting Agenda*.



### **Public Meeting and Selection of Alternative**

Recipients conduct a minimum 14-day public comment period public including a public meeting prior to formal adoption of the planning document. The intent of the public meeting is to discuss the purpose of the project, proposed facilities, the selected alternative, environmental impacts, and any needed mitigation measures and provide opportunity for the effected community to provide comments. In accordance with Title VI of the Civil Rights Act of 1964, 42 U.S.C. 2000d et seq, the recipient is required to satisfy limited English proficiency (LEP) requirements for their jurisdiction. LEP requirements will be discussed at the scoping meeting.



### **SERP Documentation**

If determined in the scoping meeting that additional agency consultation and environmental documentation is necessary, then the documentation is developed after the public comment period and submitted to DEQ for review. Agency consultation lists by DEQ region and additional SERP resources are available in *Attachment SERP-03, SERP Consultation List and Resources*.



### **DEQ Review**

The environmental documentation (when required) is submitted to the DEQ State Office SERP coordinator to review and issue an environmental determination. DEQ reviews the potentially significant environmental impacts, environmental consequences, and mitigation efforts related to the selected project alternative(s).



### **DEQ Solicits Public Comment and Issues Final Determination**

The decision verifying the final environmental determination is issued following the end of the DEQ public comment period (if applicable) and the incorporation or consideration of substantive comments received from the public. The recipient is notified by DEQ of the final environmental determination.

## **3.3 Construction Loan Projects**

DEQ SRF loan funds are intended for the design and construction of drinking water and wastewater infrastructure. These expenditures include, but are not limited to, engineering fees for design and bidding, legal fees associated with project review, contracts for construction, and engineering fees for construction management services. These projects generally follow the



design-bid-build construction delivery method. Recipients considering alternative delivery methods of the construction project (e.g., design-build) should reach out to DEQ early in the planning process to determine if this is acceptable and appropriate for the SRF funded project.

### 3.3.1 Construction Process Overview

The process for a SRF loan project is generally summarized in the steps below:



#### Preliminary Engineering Report

Recipient's engineer finalizes design criteria for the project in a preliminary engineering report (PER). The PER is sealed, signed, and dated by the engineer and submitted to the appropriate DEQ regional office for review and approval. In some instances, the requirements of a PER have been previously satisfied and the recipient can proceed directly to development of construction plans and specifications. Consultation with the regional office prior to submittal is encouraged and can help establish what is required for each unique project.



#### Construction Project Manual

After DEQ approves the PER, the recipient's engineer develops the project manual, which includes construction plans, specifications, and bidding documents. The project manual is sealed, signed, and dated by the engineer and submitted to the appropriate DEQ regional office for review and approval. In accordance with IDAPA 58.01.08.12.050.05.e, the most current edition of Idaho Standards for Public Works Construction (ISPWC) is required for bidding, construction contracts, and construction standards unless the recipient has adopted DEQ-approved, acceptable public works construction standards. For guidance and optional checklists for submitting plans and specifications, see DEQ's website <https://www.deq.idaho.gov/public-information/assistance-and-resources/engineering-and-development/>. In general, the following requirements apply to the project manual:

- **Construction Plans and Specifications:** Plans and specifications must have sufficient detail to demonstrate compliance with DEQ engineering design standards of IDAPA 58.01.08, Idaho Rules for Public Drinking Water Systems and IDAPA 58.01.16, Wastewater Rules. To meet federal grant requirements, the specifications must include *Attachment ENG-03, Idaho State Revolving Fund Supplemental Specifications Insert*, which details the construction contract requirements associated with SRF loan funding. Attachment ENG-03 represents the current fiscal year funding cycle, however SRF requirements can change from year to year. The appropriate version of Attachment ENG-03 is typically included as an attachment to the recipient's SRF loan agreement and can be located with the loan agreement for inclusion into the project manual. Wastewater loan projects funded in part or whole with EPA funds may require Attachment ENG-04, Certification of Compliance with WRRDA be included in the project manual. Attachment ENG-04 is intended to certify compliance with Water Resources Reform and Development Act of 2014 (WRRDA) which requires analysis of cost effectiveness and conservation. Projects using solely recycled DEQ SRF funds do not require Attachment ENG-04.

- **Bidding Documents:** ISPWC bid documents, as referenced above, are required by DEQ for SRF funded projects. DEQ may review and approve alternative bidding documents on a case-by-case basis. Bidding documents must incorporate the requirements of Attachment ENG-03 referenced above and satisfy Idaho public works bidding requirements discussed below.



### DEQ Review of Project Manual

DEQ conducts plan and specification review of the project manual and ultimately provides written approval for the recipient to bid the project. DEQ's approval letter details requirements that the recipient must complete prior to awarding all or part of construction contract. The recipient and engineer should review SRF conditions included in approval letter and closely coordinate with the DEQ regional office through the bidding process.



### Bid Advertisement

Public agencies are required to follow public works bidding requirements found in Idaho Code §§ 67-2801 through 67-2809. Guidance for public works bidding and contracting requirements can be reviewed at Idaho Division of Building Safety [https://dbs.idaho.gov/wp-content/uploads/sites/105/programs/publicworks/publications/pwcl\\_pamphlet.pdf](https://dbs.idaho.gov/wp-content/uploads/sites/105/programs/publicworks/publications/pwcl_pamphlet.pdf)



### DEQ Authorization to Award

Recipient and engineer are required to submit bid documentation as described by the DEQ approval letter. Upon reviewing bid documentation, DEQ project manager issues a letter authorizing award of the construction contract utilizing SRF loan funds. DEQ award authorization letter includes SRF conditions that direct the recipient to furnish DEQ with post-award submittals and copies of executed contract documents. The pre-construction meeting should be scheduled by the recipient to allow for DEQ to attend and the meeting agenda should include items outlined in *Attachment ENG-05, Suggested Points of Discussion for Pre-Construction Meeting*.



### Construction

Prior to the start date of the construction contract, the recipient provides DEQ with a copy of the executed Notice to Proceed. The recipient's engineer provides construction management services throughout the duration of construction and coordinates with DEQ project manager as follows:

- **Progress Meetings:** Routine construction progress meetings should be scheduled to allow DEQ the opportunity to attend. Regardless of DEQ attendance, meeting minutes are provided to DEQ.
- **Project Changes:** All Change Orders require pre-approval from DEQ prior to execution. In some instances, Work Directives, and Field Orders also require pre-approval from DEQ. Early coordination with DEQ project manager is encouraged to minimize review time and avoid delays.
- **Daily Inspection:** Construction inspection notes should be prepared by the resident project representative and made available to DEQ upon request. Daily inspection

notes should be prepared in a manner consistent with industry engineering standards and defensible in a court of law.

- **SRF Inspections:** DEQ project manager will periodically request access to the construction site for interim project inspection purposes. The frequency of DEQ inspections is dependent on project scope and complexity. Coordination between inspections and the routine construction progress meetings is encouraged but not required.
- **Close Out:** Project loan close out activities are described in Section 4 below.

### 3.3.2 American Iron and Steel

Provisions of P.L. 113-76, Consolidated Appropriations Act, 2014 includes American Iron and Steel (AIS) provisions that all iron and steel products used for SRF funded projects be produced in the United States, except those for which a waiver has been issued. This requires that all manufacturing processes, including the application of a coating, must take place in the United States. The recipient, engineer, and contractor should review AIS requirements contained in *Attachment ENG-03* and ensure that compliance is achieved through the duration of the construction contract. The recipient should periodically conduct on-site inspections to review the materials compliance logs being maintained by the contractor to ascertain the completeness of information being recorded. In addition, the recipient should spot-check stored iron and steel products against the log information to ensure the consistency and accuracy of the documentation.

Coverage under AIS waivers may be obtained from the EPA in the following manner:

- **De Minimis Waiver:** Products eligible for a de minimis waiver must be considered incidental to the project and: (1) the sum total of the combined products does not exceed 5% of the total cost of materials for the project, and (2) any single product does not exceed 1% of the total materials cost of the project. A detailed log of de minimis material shall be kept by the Contractor on site.
- **Waiver Application:** EPA is allowed by statute to issue waivers when (1) applying these requirements would be inconsistent with the public interest; (2) iron and steel products are not produced in the US in sufficient and reasonably available quantities and of a satisfactory quality; or (3) inclusion of iron and steel products produced in the US will increase the cost of the overall project by more than 25%. A waiver application can be prepared in accordance, Attachment ENG-06, EPA AIS Guidance starting on page 11. The recipient, in coordination with the contractor, may apply for AIS waiver by submitting the completed documentation listed in EPA AIS Guidance to the DEQ project manager. Once the DEQ project manager determines the application is complete, a copy will be submitted by DEQ project manager to EPA on behalf of the recipient.

Additional AIS guidance and resources can be found at EPA's website at <https://www.epa.gov/cwsrf/american-iron-and-steel-requirement-guidance-and-questions-and-answers>

### 3.3.3 Build America, Buy America

SRF agreements funded in part or whole with EPA funds and executed after May 15, 2022, are required to comply with Build America, Buy America (BABA) provisions as required by the Infrastructure Investment and Jobs Act, 2021 Pub L. No. 117-58. These provisions expand upon AIS requirements to require that all manufactured products and construction materials purchased for the project be produced in United States. Projects using solely recycled DEQ SRF funds do not require compliance with BABA.

Additional BABA guidance and resources can be found at EPA's website at <https://www.epa.gov/cwsrf/build-america-buy-america-baba>

### 3.3.4 Davis-Bacon Act

The Consolidated And Further Continuing Appropriations Act, 2013 (P.L. 113-6) requires that Davis-Bacon prevailing wage requirements apply to all construction carried out in whole or in part with assistance made available by the SRF loans for contracts that exceed \$2,000. The recipient's responsibilities regarding implementation of Davis-Bacon wages are included in loan agreements; while the requirements for contractor(s) and subcontractors are incorporated into the construction contract through DEQ's supplemental specification insert, *Attachment ENG-03*. These responsibilities and requirements should be reviewed in detail by the recipient, engineer, and contractor(s).

To meet federal grant requirements, the actual wage determination(s) must be included in the project manual and subsequent construction contract. Contractors utilize this information while they develop their cost estimates for bidding the project. As of the publication date of this Handbook, the website to locate current wage determinations is [www.sam.gov](http://www.sam.gov). The default wage category for SRF loan projects is "heavy." If another category of work is performed that exceeds 10% of the total project cost or exceeds \$1 million, then the project labor costs must use the additional wage category(ies) (i.e., roads, buildings, residential). If additional wage rate classification(s) is needed, the recipient is required to submit a completed *Attachment ENG-07, DOL Form SF1444; Request for Additional Labor Classification* to the DEQ project manager. DEQ will review and submit completed request to Department of Labor on behalf of the recipient.

Recipients have often found it advantageous to utilize the services of grant administrators who are familiar with Davis-Bacon requirements. These specialists can provide assistance during the initial plans and specifications and through contract administration during the course of project construction. The costs for retaining grant administrators are loan eligible.

### 3.3.5 Green Project Reserve

As a condition to receiving federal funds for wastewater infrastructure improvement projects, The Fiscal Year (FY) 2012 Appropriation Act (P.L. 112-74) requires DEQ to allocate not less than 10% of funds to projects that address green infrastructure, water conservation, energy efficiency improvements, or other environmentally innovative activities which are commonly known as green project reserve (GPR). DEQ has continued the GPR efforts to drinking water loans to encourage long-term sustainability. Each year DEQ solicits and incentivizes projects that include GPR components through the LOI process. In their LOI, applicants identify potential

GPR components and associated cost estimates. These GPR components are incorporated in the loan agreements and near completion of the project, recipients are required to submit documentation of the actual construction costs in a GPR technical memorandum. DEQ uses this information to satisfy the reporting requirements needed to maintain funding. For assistance in developing the format and content of the GPR technical memorandum, please contact DEQ SRF loan program. Examples of historical GPR components and associated final costs can be viewed at <https://www2.deq.idaho.gov/admin/LEIA/index.html?view=folder&id=2633>

### 3.3.6 Force Account Procedures

Force account is when the recipient constructs all or part of the project utilizing its own employees instead of bidding and contracting for the project. SRF funds can be used to pay for force account labor on all municipal public drinking water and wastewater projects. However, the recipient is encouraged to consult with DEQ when considering utilizing force account on part or all of a SRF project. Several differences exist for SRF project when using force account and generally include the following:

- Davis-Bacon: Recipients using force account labor are not required to pay Davis-Bacon wages.
- Documentation: Force account labor needs to be documented in each reimbursement requests including at a minimum:
  - A statement of the number of hours worked/miles travelled on each date (by each employee, identified by name)
  - A certification statement that the hours and miles were related to the loan project, not to normal operational activities.
- Time Sheets: Force account time sheets need to be authorized by the respective city worker and a suitable system board member or city official to certify the documentation. Therefore, two signatures are necessary at the bottom of each timesheet (employee & employer).

## 3.4 Reimbursement Requests

Throughout the planning grant and SRF loan process outlined above, recipients submit monthly reimbursement requests to DEQ. IDAPA 58.01.12.060.01 and IDAPA 58.01.22.060.02 require that recipients make these requests using the forms provided by DEQ, *Attachment PPR-02, Grant Request for Reimbursement* or *Attachment PPR-03, Loan Request for Reimbursement*. The recipient and DEQ project manager coordinate setting up reimbursement forms to match contractual expenditures of the respective grant or loan project.

**Note: Recipient should allow at least 30 business days to receive reimbursement of funds.**

Reimbursement may be requested any time after receiving authorization to award contract(s). DEQ recommends that recipients submit reimbursement requests no less than once per month. Reimbursement is limited to eligible costs described above in Section 1.3.3. In accordance with IDAPA 58.01.12.060.04, supporting documentation, such as invoices, receipts, and contractor's application for payment, are required to be attached to each associated reimbursement

request. Reimbursement of funds are subject to DEQ determining that the recipient has complied with all agreement conditions and has prudently managed the project.

For loan reimbursements, DEQ approval of contractor's application for payment is not required but should be provided as supporting documentation. Manufacturer's certification letter for products meeting AIS is required for materials covered under each loan reimbursement request. On larger projects, it is often helpful for the recipient, or their engineer, to submit a log of AIS materials that denotes products covered by each reimbursement request.

If actual construction costs exceed the loan award amount, the recipient may request a loan increase in accordance with IDAPA 58.01.12.060.02, approval of which will be subject to available funding and DEQ priorities. Documentation and justification for an increase must be submitted before additional costs are incurred. The recipient must also demonstrate the legal ability to occur additional debt. If approved, an amended loan contract will be signed by DEQ and the recipient.

If actual loan costs are lower than the awarded amount, DEQ loan reimbursements will be reduced in accordance with IDAPA 58.01.12.060.03. DEQ may conduct a final project review to determine actual eligible costs and the recipient's financial records may be reviewed by DEQ.

### **3.5 Termination or Suspension**

IDAPA 58.01.12.080 allows for termination or suspension of a loan contract when there is a good cause. This may include, but not limited to, activities by recipient or its agents such as fraud, embezzlement, theft, violation of loan terms, debarment, and other similar activities. Full details of termination or suspension procedures may be reviewed under IDAPA 58.01.12.080.

## 4 Project Completion

### 4.1 Planning Grant Close-out

Upon completion of the planning effort, recipients are directed to submit a final reimbursement request for remaining costs. In accordance with IDAPA 58.01.08.22.060.06, a minimum 5% retainage is withheld until verifying the recipient has satisfied all the terms of the grant agreement which may include but is not limited to:

- Securing the services of a licensed responsible charge operator,
- Final DEQ approval of the planning document,
- Completing the environmental review process (if required)

If a final reimbursement request is not received within 2 months of the final planning document approval, DEQ will typically close the grant after notifying the recipient in writing.

### 4.2 Loan Close-out

As the construction project nears completion, the recipient will need to coordinate a final SRF inspection and project close-out. In accordance with IDAPA 58.01.08.12.060.05, DEQ withholds a minimum 5% retainage until the project is ready for final inspection and payment, and all conditions of the loan agreement have been satisfied. A list of documents required prior to the final inspection is provided to the recipient by DEQ. In general, these items typically include:

- **Substantial Completion:** The recipient provides DEQ a copy of the issued notice of substantial completion. This indicates that the project is nearing final completion and ready for DEQ to schedule a final inspection.
- **Final Disbursement:** A final reimbursement request with supporting documentation of project completion. This typically includes:
  - Final construction contract payment request covering the value of work in place, quantity adjustments, and materials and equipment delivered and installed.
  - Invoices for all remaining expenses (e.g., engineering, legal, administrative).
- **Operations and maintenance manual:** Recipient submits an operation and maintenance (O&M) manual along with any required startup reports to DEQ for review and approval.
- **Record Drawings:** Recipient submits the project record drawings to DEQ for review and acceptance. The record drawings depict the actual construction of facilities. The professional engineer must confirm material compliance with the approved plans or disclose any material deviations therefrom in accordance with Idaho Code 39-118.
- **GPR Technical Memo** (if applicable): The GPR technical memorandum is submitted to DEQ as required by the SRF loan agreement. The GPR technical memorandum includes actual construction costs based on installed GPR items.

- **User Charge Ordinance:** A copy of the final water system protection ordinance, and user charge system is submitted to DEQ for review.
- **Close-out:** The DEQ project engineer conducts a final inspection and verifies preceding items have been completed along with any special conditions identified in the loan agreement. The final disbursement of loan funds is made, and the recipient is notified by DEQ of loan project completeness.

### 4.3 Loan Repayments

Once the project is complete and the loan has been formally closed, a repayment schedule will be provided to the recipient by DEQ. The recipient may elect for either a schedule of semi-annual or annual repayments. DEQ first applies repayment against accrued interest, with the remainder of the payment being applied against principle. Additional information of repayment procedures for each loan can be reviewed in recipients loan agreements.

**Note: Interest starts accruing on the loan balance after the first loan reimbursement is made by DEQ.**

### 4.4 Record Keeping and Accounting

Recipients and contractor(s) are required to maintain project files in accordance with loan terms; typically for up to 3 years from the project completion. Accounting practices for recipients will follow generally accepted accounting practice guidelines. DEQ will document generally accepted accounting practice activities in the project file.



## **5 Additional Resources**

### **5.1 Annual Loan Fees**

DEQ typically includes a loan fee to offset administrative costs. DEQ considers the imposition of such a fee on new loans prudent if it is expected at the beginning of the year that loan fee reserves will be less than 100% of expected annual fee-related costs. The maintenance of a 100% floor is to provide for continued funding of the loan program in the event that loan fees are unable to meet administrative costs and capitalization funds have been exhausted and to meet other costs associated with fees in the Intended Use Plan. To the extent that loan fee reserves and expected fee revenues on existing loans exceed the 100% floor, excess fees may be transferred to the loan fund.

### **5.2 Policy Memo for Interest Rate Setting**

The method for determining the annual interest rate to be charged on loans and extended term financing from the Water Pollution Control and Drinking Water Loan Account is established in a DEQ policy memo available at: <https://www2.deq.idaho.gov/admin/LEIA/16034>

## Glossary

**As-Built Drawings/Record Drawings**—Drawings of the completed project prepared by the engineer of record that discloses changes from the DEQ approved plans and specifications and depict the actual construction details.

**Bidding**—See Procurement Requirements.

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

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

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

**Disbursement**—The paying out of grant or loan funds from DEQ to the recipient.

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

**Environmental Review**—For each potential state revolving fund (SRF) loan project, DEQ carries out an environmental review, which is the overall process to determine whether the project may have a significant impact on the environment. The level of environmental review determines whether a categorical exclusion, a finding of no significant impact (FONSI), or an environmental impact statement (EIS) will be needed.

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

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

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

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

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

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

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

**Priority List**—A list prepared by DEQ that ranks the projects interested in receiving grants or loans. Funding is offered to systems based on their ranking on the priority list. Priority is given to those eligible projects that: (1) address the most serious risk to human health, (2) are necessary to ensure compliance and (3) assist systems most in need, on a per household basis, according to state-determined affordability criteria.

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

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

**Technical, Financial, and Managerial Capacity**—Capacity (also referred to as viability) refers to the abilities of a system to provide service to its customers. State revolving funds may not be used to finance projects for a system that lacks the technical, financial, or managerial capability to maintain compliance, unless the owner or operator of the system agrees to undertake

feasible and appropriate changes in operation or if the use of the financial assistance from the funds will ensure compliance over the long term.

**US Environmental Protection Agency (EPA)**—The federal agency responsible for distributing state revolving fund funds allocated by Congress. These funds are used by each to state to provide loans to eligible systems.

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

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