



Washington State Department of Ecology

Water Quality Program Financial Assistance for Fiscal Year 2001

Centennial Clean Water Fund

State Water Pollution Control Revolving Fund

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

Volume One: Guidelines

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

Volume Two* of the guidelines contains the *Appendices

A companion volume, “*Laws and Rules,*” is also available

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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. The funding programs included in these Guidelines are the Centennial Clean Water Fund (Centennial), which may provide grants or loans, 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 grant or loan 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 guidelines draw on applicable federal and state laws, other regulations, and policies. Copies of the laws, regulations, and documents referenced in these Guidelines may be obtained from the Department of Ecology (Ecology) Publications Office. The State's Internet Home Page at <http://www.wa.gov/> includes the Revised Code of Washington (RCW). The *Appendices* to the *Guidelines* includes a list of state and federal laws and other regulatory documents that apply to different types of projects.

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.

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 acronyms. We also define acronyms the first time they are used.

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** is any facility or system 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. Facility planning, design, and construction are all considered to be facility projects.
- **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 activity may involve a facility component. An example of a facility as a component of an activity 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.

- **Project manager:** Ecology assigns a project manager to each grant or loan 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 grant and loan recipient and coordinates project issues with the financial manager.
- **Financial manager:** Ecology assigns a financial manager to each grant or loan offer. The financial manager is the main contact for payment information, and processes all payment requests. A financial manager will work closely with the grant and loan 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.

For your convenience, we list a variety of ways to contact Ecology on the inside of the front cover of this document. We list more information on specific contacts for regions of the state, specific topics, etc. in the *Appendices*.

Chapter 1: The Funding Sources

Combined Funding Cycle

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

The Centennial Clean Water Fund Program

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, subject to legislative appropriation. The Centennial Clean Water Fund (Centennial) 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 grants and low-interest loans 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. The Water Quality Program of the Department of Ecology (Ecology) has administered the Centennial fund since its inception.

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.

The Washington State Water Pollution Control Revolving Fund Program

The Washington State Water Pollution Control Revolving Fund (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, and monies from loan principal and interest repayment.

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.

Clean Water Act Section 319 Nonpoint Source Program

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

Washington's Section 319 Nonpoint Source Program offers grants for the management of nonpoint source pollution and to improve and protect water quality. Projects must implement nonpoint source pollution control strategies. 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 agricultural best management practices, stormwater pollution control, water quality monitoring, and lake restoration efforts that focus on pollution prevention.

Who Can Apply

Applications for grants and loans are accepted from any public body in Washington State. Eligible public bodies include any Washington State agency (see exceptions below), county, city, town, conservation district, or other political subdivision, municipal or quasi-municipal corporation, or any tribe recognized by the federal government. Applications from not-for-profit organizations that are recognized as a not-for-profit organizations by the Internal Revenue Service are accepted ONLY for Section 319 grants. However, because funding for Section 319 grants is extremely limited, we encourage not-for-profit organizations to work with a public body.

The legislature did not intend these programs to circumvent the state's capital and operating budget process. Washington State agencies may not apply for projects that would help to accomplish that agency's statutory responsibilities or that would address pollution generated by a state agency or a school district.

Funding Allocations

Centennial Funding Allocations: The Washington State Legislature, in most sessions, gives Ecology new direction on using the funds. In recent legislative sessions Ecology has been directed to emphasize implementation activities over planning activities and to encourage the use of loans over grants. In the 1999 session, the Legislature added some additional provisos. These include an amount dedicated to grants to facilities projects in small towns, and a priority to projects with a benefit to depressed salmonid stocks. Ecology expects the Centennial budget for Fiscal Year 2001 to include about \$11.7 million in statewide competitive funds for facility and activity projects, \$5 million in statewide competitive funds limited to facilities projects in small towns.

Applicants may submit as many proposals as they wish; however, for consistency between the Centennial and Section 319 programs, and to ensure that the fund is distributed fairly, Ecology places limits on the number and size of grants and loans available per public body for each fiscal year. Each public body is limited to a maximum of five new funded projects from the Centennial program and the Section 319 program per year, no more than two of which may be facilities projects.

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

- For facility projects, the total amount of Centennial grant and loan assistance cannot exceed \$2.5 million per annual funding cycle
- For combination design/construct (“Step 4”) facility projects, special grant and loan ceiling amounts apply - see the chapter on “Planning Requirements and the Step Process”
- For activity projects, the total amount of Centennial grant and loan assistance cannot exceed \$250,000 per annual funding cycle

The funding applicant must provide a local match of 50 percent of total eligible costs for water pollution control facility grants or a local match of 25 percent of total eligible costs for water pollution control activity grants. See the chapter on “General Guidance” for more information on local matching requirements.

If a public body has received full funding for a project as a loan from the SRF or other state or federal funding program, and the loan agreement has been signed, that project is considered to have been previously funded and therefore ineligible for Centennial funding. An exception is allowed if the loan terms of the other funding program have not adjusted residential user charges to 1.5 percent of the median household income, and if the grant funding is necessary to meet or reduce the financial hardship on the recipient. See the chapter on “The Application Process” for more information on financial hardship.

SRF Funding Allocations: Ecology expects to have about \$75 million of available SRF funding for low-interest loans during the FY 2001 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 intended Use Plan.

Chapter 173-98 WAC, *Uses and Limitations of the Water Pollution Control Revolving Fund*, updated in 1998, 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, ten percent of the fund is reserved for nonpoint source pollution control, and ten percent is allocated for comprehensive estuary conservation and management. Unless the demand for funds is limited, not more than 50 percent of each funding category allocation can be awarded to any one applicant. 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 other categories. Loans may be provided for up to 100 percent of the total eligible project cost. See the chapter on “The Application Process” for more information on financial hardship.

For combination design/construct (“Step 4”) facility projects, special grant and loan ceiling amounts apply - see the chapter on “Planning Requirements and the Step Process”

Section 319 Program Funding Allocations: During the FY 2001 funding cycle, Ecology expects that approximately \$1.8 million in Section 319 funds. Local governments, tribes, not-for-profit agencies and Washington state agencies (other than Ecology) are eligible for Section 319 grants for eligible nonpoint source water pollution control projects. This year’s funding has already been appropriated by Congress. The total amount of Section 319 grant assistance provided cannot exceed \$250,000 per project per annual funding cycle. A local match of 25 percent of total eligible project costs must be provided for Section 319 grants. See the chapter on “General Guidance” for more information on local matching requirements.

Applicants may submit as many proposals as they wish; however, for consistency between the Centennial and Section 319 programs, and to ensure that the fund is distributed fairly, Ecology places limits on the number and size of grants and loans available per public body for each fiscal year. Each public body is limited to a maximum of five new funded projects from the Centennial program and the Section 319 program per year, no more than two of which may be facilities projects. The Section 319 program does not fund facilities projects.

What’s New This Year

For the FY 2001 funding cycle, there are few major changes. Some of the more important changes are discussed below.

- For “Step Four” facilities projects (combined design and construction) there are some changes:
 - If the project is funded through a loan from the SRF program, there is no longer a \$1,000,000 total project cost limit - the full amount available for projects in the SRF facilities category (50 percent of the category) is available
 - The design portion of the Step Four project must be complete within a year of signing the funding agreement, or by the date specified in an NPDES permit, state waste discharge permit, or compliance decree
- The local priority-setting process is streamlined and simplified

- The evaluation criteria (Section 2 of the Funding Application) have undergone a major overhaul
- The entire Funding Application has been rewritten and redesigned to be easier to use

Chapter 2: The Application Process

How the Funding Cycle Works

Ecology initiates the Centennial, SRF and Section 319 funding cycles jointly each year. The Fiscal Year (FY) 2001 application period begins January 3, 2000 and ends February 29, 2000. Ecology made a public announcement about the funding cycle, the amount of money available, and the loan interest rates before the application period opened. In addition, Ecology will hold public workshops in early January at various locations statewide to explain the application process and general program requirements.

Staff at Ecology's headquarters office in Lacey review all applications for eligibility after the application period. Next, staff in the agency's four regional offices (with assistance from other reviewers) evaluate and prioritize all the eligible projects. When this process is complete, headquarters office staff prepare a combined document consisting of a Centennial, SRF, and Section 319 *Draft Offer List*. They send this document, listing projects proposed to receive financial assistance, to applicants and other interested parties. When it is sent, a 30 day public review and comment period commences. After the comment period, another combined document consisting of the *Final Offer Lists* will be published. If needed, a responsiveness summary (responding to any comments on the *Draft Offer Lists* that Ecology has received) will also be published.

How to Apply

Eligible applicants should obtain an application packet from Ecology (see general information at the start of the 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; Ecology will determine which program a proposed project is best suited for, based on eligibility and type of project, and to maximize the use of the limited funding available.

The application has two 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 they envision. Ecology staff use Part 2 for the evaluation process.

Each applicant must submit a signed (a person authorized to sign on behalf of the applicant) original of the completed application and **four** copies. Ecology must receive these applications by the application deadline. The deadline, which is clearly stated in the application packet, is 5:00 P.M. (close of business) on February 29, 2000. 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 can NOT accept applications by fax nor may we accept applications sent through the Internet, because valid signatures are required. Also, they must NOT be delivered to the regional offices. 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

Appendices (Guidelines, Volume 2), showing the location of the Ecology Building in Lacey.

General Application Recommendations

Part 2 of the application will contain the information which will be used by Ecology (and other state agency) staff to evaluate the project. Here are some 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” 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).

Application 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. Below each question we show some specific areas that we ask the applicant to 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. 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? (no points; used to provide a frame of reference for comparison with subsequent answers, to help ensure that you have adequately defined the problem and solution, and help evaluators understand the overall proposed project)
- II. What are the specific public health and water quality impairments caused by the problem, and what are the pollution prevention aspects? (340 points)
- III. How will your proposed project address the water quality problem, and what are your measures of success? (340 points)
- IV. What are some of the local initiatives you have taken that will help make your project a success? (120 points)
- V. Are there any State of Washington or Federal mandates that this proposed project addresses? (100 points)
- VI. Local priority-setting process (100 points)

Local Priority-Setting Process

Specific groups which have a role in water quality issues in a project proposal area (see below) have the option of ranking the project (and all other proposed projects in the area) and establishing a local priority list. They must do this for a proposed project to be eligible for local

priority-setting points. For the purpose of local priority setting, the “project proposal area” is the Water Resource Inventory Area (WRIA) in which the project is located.

The group which establishes the local priority list may already exist or may be specially created for this purpose. Required organizations (at a minimum) for the group are counties, cities, conservation districts, special purpose districts, and Indian tribes in the project proposal area. These entities must submit a written, signed *Statement of Agreed Priority* saying that they agree or do not object to the numeric priority assigned to the project.

The proposed project(s) must be assigned a numeric priority (1, 2, 3, etc., to the number of proposed projects in the area). The applicant must deliver the *Statement of Agreed Priority* (a blank copy is included in the application packet) to the Department of Ecology by April 14, 2000. Projects must otherwise meet eligibility requirements. Only one project per proposal area shall be given a unique ranked number -- only one number 1 prioritized project, only one number 2 prioritized project, etc.

The *Appendices* include more detail about the local priority-setting process.

Project Selection Process

Eligibility Review: Ecology will not accept any additional or revised project information after the application deadline. After the deadline, staff 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.

Staff from other state agencies review by certain types of projects. These people will make comments and recommendations to the regional water quality specialists who will be conducting the project evaluation. The potential outside review groups are shown below:

Project:	Potential additional review by:
Applicant is Conservation Districts	State Conservation Commission
Applicant is located within the Puget Sound basin	Puget Sound Water Quality Action Team
Proposed project is groundwater-related	State Department of Health
Proposed project is shellfish-related	State Department of Health

In addition, an Ecology headquarters staff person reviews each project and also makes comments and recommendations to the regional water quality specialists. This person will be one who is considered a statewide expert in that particular type of project.

Project Proposal Evaluation: The basis for project review and rating is the information contained in the grant or loan application. That information is also the basis for the scope of

work that will be specified in the grant or loan agreement you will sign if funding is approved for your project. If the applicant proposes major changes to the scope of work during the negotiation process the offer may be withdrawn.

Staff reviews 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 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 2000 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. 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 issues in the areas where the proposed projects are located to assess the proposed project's potential for water quality protection and improvement.

Regional staff evaluate every eligible proposed project and assign points. 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, 319) to the priority list. This process reflects the objectives of each project, the amount of money offered, whether a grant or loan is offered, and the available funding in the different programs. This process results in the published draft offer lists.

Funding Announcements and Fund Availability

Ecology develops the *Draft Offer List* after all eligible applications have been reviewed and evaluated. The list will be issued no later than mid-June and will be available for public review and comment for 30 days.

The *Final Offer List* will be published about two weeks after the end of the 30 day public review and comment period. This document will also include a summary of any comments on the draft documents and responses to the comments. Ecology submits the *Final SRF Intended Use Plan* (a formal document required by federal law) to the U.S. Environmental Protection Agency (EPA) for review and acceptance at the same time as the *Final Offer List* is published. Applicants with the highest priority projects receive funding offers based on the appropriations, 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.

Funds from the three programs may be available at different times. Note that Ecology cannot release funds to the recipient until Ecology and the recipient sign a funding agreement. The following information shows specific schedules and funding offer periods for the three funding programs:

- **Centennial funds** are available upon the release of the Final Offer List. Ecology will send a grant or loan offer letter to the applicant within 15 days of the effective date of the Final Centennial Offer List. Centennial grant and loan offers remain effective for one year from the

date of the Final Centennial Offer List. Ecology withdraws the offer if a recipient is unable to negotiate a signed grant or loan agreement during this time.

- **SRF funds** are available upon the release of the Final IUP. Ecology will send a grant or loan offer letter to the applicant within 15 days of the effective date of the Final IUP. The loan offers are effective for up to one year from the date of the offer or until the issuance of the next year's Final IUP, in accordance with federal law. All SRF loan offers that do not result in a signed SRF loan agreement within the effective offer period are automatically terminated. Funds reserved for SRF loan agreements that are not signed within the effective period may be carried over and made available for the next year's funding cycle.
- **Section 319** grant monies are available after Ecology receives the federal grant for the Section 319 program. Ecology anticipates receiving these funds before the development of the Offer List. Ecology will send a grant or loan offer letter to the applicant within 15 days of the effective date of the Final Section 319 Offer List. Section 319 grant and loan offers remain effective for one year from the date of the Final Section 319 Offer List. Ecology withdraws the offer if a recipient is unable to negotiate a signed grant or loan agreement during this time.

Financial Hardship Assistance For Facility Construction

Financial hardship assistance may be available to grant or loan recipients for the existing residential need portion of a water pollution control facility construction project 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 facility for the existing residential population in order to meet the recipient's National Pollution Discharge Elimination System or state waste discharge permit.

Ecology calculates the need for hardship assistance based on water pollution control facility construction costs associated with existing residential need at the time an application for funding is received by Ecology. The analysis does not include costs for growth. For example, if an applicant applies for \$10 million to finance facility 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, additional loans and/or grants may be available for the existing residential need portion of the project to reduce the financial burden below the financial hardship level, or as close as possible to that level.

For loans, if Ecology determines that financial hardship exists, it may structure loan agreements with terms that help keep residential user charges below the financial hardship level for the existing residential need, if possible. Hardship terms may include lengthening the repayment period to a maximum of 20 years, lowering the interest rate, or a combination of a lower interest

rate and an extended term.

For some facility projects, financial hardship 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 designation cannot be used with grants for water pollution control activities. These grants have already been increased to allow 75 percent of the project to be covered by grants and up to half of the 25 percent match may be in the form of volunteer in-kind contributions.

An applicant requesting financial hardship assistance should submit a completed *Financial Hardship Analysis Form* (see the *Appendices*) with their financial assistance application.

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, making a formal request to use other funds such as monies deobligated from another grant or loan or monies originally earmarked for a grant or loan 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 grant and loan 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 grant or loan agreement)

Chapter 3: Growth Management Act Compliance

The Growth Management Act (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 Growth Management Act (GMA) requirements. For Ecology's purposes, they must comply with the requirements for comprehensive planning and development regulations (see RCW 36.70.A, 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 (see Chapter 173-95A WAC, Uses and Limitations of Centennial Clean Water Funds).

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), for the sake of consistency between the two funding programs, to comply with legislative intent, and to support 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 grant or loan agreement is signed, unless a determination has been made that one of the exceptional situations exists.

The prohibition applies **ONLY** to facility 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. Facility projects proposed by local governments **NOT** planning under the GMA and facility projects proposed by special districts (such as sewer districts of 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 facility projects. This is due to the fact that facilities projects in areas out of compliance with the GMA may be less ready to proceed.
2. Ecology will coordinate with the Department of Community, Trade, and Economic Development to help ensure that the applicants are in compliance when they sign the financial assistance agreement. Centennial grant and loan offers and SRF loan offers are effective for one year from the date of the final Offer List and IUP. If GMA compliance is achieved during that time period, the agreement may be signed.
3. Ecology will make exceptions to the GMA compliance requirement on a case-by-case basis in situations involving a public health need or a significant environmental degradation. For details on the processes for determining these situations, see Chapter 173-95A WAC, Uses and Limitations of Centennial Clean Water Funds.

Chapter 4: Eligible and Ineligible Projects

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 grants and/or loans. The *Appendices* (Volume Two of the *Guidelines*) contains a matrix of project eligibility covering many potential situations. This matrix contains much more detail than this chapter does. If you are unsure whether your proposed project is eligible, you should contact Ecology headquarters or regional staff prior to completing an application.

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.

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 grant and loan funding primarily for the treatment of residential wastewater and stormwater.

Wastewater or stormwater from commercial, industrial, and/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 the chapter on “Guidance for Facility Projects” for a discussion of eligibility determinations and small flows.

Excess Capacity: Centennial and SRF grant and loan funds are intended to be used for existing residential need and can not be used for excess capacity. The legal definition of excess capacity for the Centennial program differs from that of the SRF program. See the chapter on “Guidance for Facility Projects” for details on capacity limits, and the Glossary for a definition of “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, grant and loan 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 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 grant or loan 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 project.

State Agencies: State agencies may receive direct appropriations from the Legislature to meet their statutory responsibilities and to pay for facilities to treat pollution generated by their activities. For this reason, Ecology may not fund projects that are part of an agency's mission, goals, or statutory responsibilities. Also, the Centennial or SRF programs may not fund facilities that are primarily intended to control and prevent water pollution generated from Washington State agencies or school districts. State agencies may, however, apply for grant or loan funds for other projects not related to the agency's mission, goals, or statutory responsibilities.

Previously Funded Objectives: 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. Ecology distributes this seed money among as many different communities as is possible. Therefore, grant funds are not available if federal or state funds have been awarded for a project designed to achieve the same objective.

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. 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 grant funds to comply with those additional requirements even though the plant has been paid for with state or federal funds.

While this applies most often to facility 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 due to being previously funded, in fairness to other applicants.

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 grant or loan funds to those lake projects that address water quality problems throughout the entire watershed and which include a source control component. Funds are not available for projects that propose only to control conditions in the lake itself. A proposed lake project on any lake without public access will not be eligible.

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

Growth: Projects designed to assist private developers or promote growth are ineligible for funding. The GMA (see the chapter on “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 Agricultural Best Management Practices funded through the SRF may not provide assistance for waste management systems which are considered to be confined animal feeding operations (CAFOs). Ecology will provide CAFO guidance on request.

Private Property: In most cases, funding may not be used for work on private property. There are a few exceptions, detailed below:

- Side sewer laterals or individual pump stations on private residential property, 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, and only under the Centennial program. If there is a public easement, such projects are also eligible for loans under the SRF program.
- Agricultural best management practices on private property for 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.

- Agricultural best management practices on private property for new innovative / alternative technology are eligible for grants and loans under the Centennial Program and grants under the Section 319 Program if they have not yet been demonstrated in the Washington State Association of Conservation Districts Area in which they are proposed. Washington State Association of Conservation Districts Areas are Northeast, Southeast, North Central, South Central, Northwest, and Southwest.
- Agricultural best management practices on private property for CAFOs are eligible only for loans, and only under the Centennial program.
- Other agricultural best management practices on private property are eligible for loans only under the Centennial and SRF programs.

Chapter 5: Planning Requirements and the Step Process

Planning Process

Project applications should be consistent with any pertinent adopted water quality plans or other policy statements. 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, groundwater management area programs, comprehensive or general sewer plans, stormwater plans, watershed plans, and 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. For the detailed definitions of facility and activity, see the glossary.

Applicants should understand and explain the difference in their application between facility planning and comprehensive planning. Most facility projects include a site-specific planning component. A comprehensive plan examines water quality issues from a broader perspective than does a site-specific facility 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 comprehensive planning projects are:

- Watershed planning
- Basin planning
- Lake restoration planning
- Wellhead protection
- Groundwater management area planning
- Comprehensive or general sewer planning
- Aquifer protection planning
- Sole source aquifer planning
- General water quality studies and plans

The Step Process for Facilities

To be eligible for grants or loans, facility projects must proceed according to a systematic method known as the **Step Process**. Before a local government with a facility project is eligible to apply for funds, all previous “Steps” must be approved or approvable by Ecology in order to help ensure that funds are well spent on projects proceeding towards a successful and viable outcome.

Funding for planning (**Step 1**) or design (**Step 2**) does not guarantee the awarding of future grants or loans for construction (**Step 3**). For additional technical requirements related to each

step, see the chapter on “Guidance for Facility Projects.”

A local government or other entity that has been offered funding may not sign a grant or loan agreement with Ecology until all previous steps have been completed and approved by Ecology.

Planning (Step 1): Step 1 involves the preparation of a site-specific facility plan, in response to a comprehensive plan. The comprehensive plan identifies and prioritizes the cost-effective alternatives for addressing a water pollution control problem. Even if there is an existing engineering report, prepared with or without Ecology funding, an applicant must upgrade the report to meet facilities planning requirements for SRF and Centennial eligibility. **Facility 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 facility plan. Facilities plans must be approved or deemed approvable by Ecology before an application for design can be considered for funding, even if the site-specific facility planning document was not funded by an Ecology grant or loan. Applications for Step 2 loans will be accepted and considered for funding if it can be documented by the applicant that Step 1 planning is approved within ninety days after the close of the application period. **Design projects are eligible for loans only.**

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

Construction (Step 3): Step 3 includes the actual building of a facility based on the approved design. Design must be approved or deemed approvable by Ecology before an application for construction can be accepted for funding consideration. Applications for Step 3 projects will be accepted and considered for funding if it can be documented by the applicant that Step 2 design is approved within ninety days after the close of the application period.

Construction projects may be eligible for grants and/or loans. With Centennial funds, the total eligible project cost under Step 3 cannot exceed \$5,000,000 and the grant amount cannot exceed 50 percent of the total eligible project cost. When funded with an SRF loan, the total eligible project cost 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 total eligible project costs.

Special Case: Design/Construction (Step 4): Applicants may combine design and construction into one application, which is called Step 4. Ecology accepts applications for Step 4 grants and loans for funding consideration if the applicant can demonstrate that Step 2 design can be completed and approved by Ecology within one year of the date the Offer List is made public, or by the date specified in an NPDES permit, state waste discharge permit, or compliance decree.

Using Centennial funds, the total eligible project cost under Step 4 cannot exceed \$1,000,000. The design portion of the project is eligible for loan funding only.

Under the SRF program the total eligible project cost cannot exceed 50 percent of the amount available in the appropriate funding category.

Step Deviations

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 grant or loan 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 may not accept an application for construction if planning was not complete.

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 SEPA and other applicable state and federal environmental statutes, regulations, and executive orders.

Applicants must complete SERP in order to be eligible to apply for design or construction funds. 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 Checklist*. The *Appendices* contain a technical description of SERP and a copy of the checklist.

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:

- Agricultural best management practices that involve improvements on private property
- Lake projects

Planning (activities Step 1) 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.

Implementation (activities Step 2) includes the actual implementation of the project based on the approved planning document.

Planning and Design Document Reviews

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

- 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. Normally 90 days should be allowed for the review and approval process. The estimated time for each step is:
 1. **Draft document** - 30 calendar days for review and written comment by Ecology.
 2. **Revision** - The public body should allow itself at least 30 days to address and respond to any changes resulting from the review.
 3. **Final document** - 30 calendar days for review and approval by Ecology.

Anyone planning to submit planning and design documents to Ecology for review should discuss details with Ecology regional staff well in advance.

Approved / Approvable Documents

Approved documents are those documents where, the time of application:

- Ecology has given written approval
- All needed signatures have been received

Approvable documents are those where:

- All major Ecology comments on the draft document (such as facility plan, or plans and specifications) have been addressed
- Applicant has prepared preliminary State Environmental Policy Act (SEPA) review checklists for the project (or the project is in compliance with SEPA)
- Applicant has prepared SRF State Environmental Review Process (SERP) review checklists for the project (or the project is in compliance with SERP)
- Only the final written Ecology approval remains

Applicants may submit proposals using approvable documents. **However, applicants must obtain approval for all necessary documents within 90 days after the application deadline.**

If an applicant fails to obtain the needed approval in this period the application will be considered ineligible for funding consideration.

Chapter 6: General Guidance

Projects Eligible for Loans Only

The Legislature instructed Ecology to work towards 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, Ecology limits some projects or project elements to loans. For more information about grant and loan eligibility for specific project types or project elements, see the *Appendices* in the *Guidelines, Volume Two*.

Loan Flexibility

Loans are available for up to 100 percent of 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.

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*). Ecology calculates the average market rate before the funding cycle begins, using the daily market interest rate for the previous three months. Ecology recalculates the average market interest rate before the Draft Offer List is issued, based on the daily market interest rate for the previous three months at that time. If the recalculated interest rate is at least 0.1 percent below the previously calculated average market interest rate, interest rates for recipients will be based on the lower average market interest rate rounded to the nearest 0.1 percent. Recipients will not receive an interest rate higher than the interest rate established at the beginning of the funding cycle.

For specific interest rates proposed for the FY 2001 cycle, see the *Appendices*. Here are the loan terms and information on how interest rates are calculated:

Repayment Period	Project Duration	Interest Rate
Up to five years:	Projects must be completed in less than two years from the effective date of the loan agreement.	Zero percent
Up to five years:	Projects that take two-years or more to complete from the effective date of the loan agreement.	Forty percent of the market rate
More than 5 but less than 15-years:	Not applicable.	Sixty percent of the market rate
15 to 20-years:	Not applicable.	Seventy-five percent of the market rate

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

If financial hardship is established during the loan negotiation, Ecology may provide lower interest rates, longer loan terms, or both (see the chapter on “The Application Process”).

Local Match Requirements for Grants

All grants must be matched by local funds. Local match is usually in the form of cash funds, but in certain cases may be in the form of a grant or loan from another 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* (which is available from Ecology's Publications Office, P.O. Box 47600, Olympia, WA 98504-7600).

For **water pollution control facility projects**, the basic grant share for construction of facilities under the Centennial program is 50 percent of the total eligible project cost. Public bodies with facility projects that qualify for financial hardship assistance may be exempt from this limitation. Applicants may not use in-kind contributions as a percentage of the local share for any facility projects, 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.

For **water pollution control activity projects** funded through the Centennial or Section 319 programs, the basic grant share is 75 percent of the total eligible project cost. In-kind contribu-

tions may comprise up to one-half of the 25 percent local share (12.5 percent of the total eligible project costs). The other half of the local share may come from any combination of cash, other grants, or loans.

For **Washington State Conservation Districts and federally-recognized Tribes**, the local match for activity projects may consist of any combination of cash, grants, or in-kind contributions. In no case may the amount of in-kind contributions exceed the required local match.

In-Kind Contributions

In-kind contributions may be used as local match for activity projects only (one exception to this is that facility projects funded under the Small Towns Environmental Program or “STEP” are allowed to use 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 to the public body to fulfill project requirements
- 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 indirect costs, per diem, and travel and subsistence expenses are not allowable; neither are studies conducted by other state or federal agencies
- 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 are not eligible

Chapter 7: Guidance for Facility Projects

Engineering Reports and Facility Plans

Ecology reviews and approves engineering reports or facility 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 facility plans because engineering reports do not satisfy all of the eligibility requirements for grant and loan programs administered by Ecology or other state and federal agencies. However, an engineering report prepared by an applicant using local resources, that meets the criteria of a facility plan, and is approved by Ecology staff, will still satisfy eligibility criteria for submittal of a Step 2 (design phase) application for Centennial funding. Applications to prepare engineering reports will not be eligible for Centennial funding unless they meet the criteria of a facility plan, in which case they will be loan-eligible only.

The engineering report or facility plan must address the requirements of Chapter 173-240 WAC, as well as the SEPA, SERP, and generally recognized engineering standards and good practices.

Facility 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 facility plan, and other specified 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 for grant or loan funding of capacity limits of a water pollution control facility will be based on the following:

- 100 percent of residential flows (existing at the time that a Step 3 or Step 4 application is submitted to Ecology) is eligible for grant and/or loan participation
- 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
- The capacity of the facility to treat infiltration/inflow (I/I) after cost-effective removal of I/I flows is eligible for grant and/or loan participation

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 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 average yearly flow of wastewater."

If a water pollution control facility has no flows from commercial, industrial, or institutional sources, grant or loan 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, then that portion of the project would be ineligible for funding.

Here is an example of determining eligibility related to commercial, industrial, or institutional flows:

Assume a project with \$1 million total costs where the total flow from commercial, industrial, or institutional sources is 34 percent of the total flow, with the remaining 66 percent being from residential sources. In this case:

- 4 percent (\$40,000) of the project costs would be **ineligible for any** funding under Centennial or SRF
- 30 percent (\$300,000) of the project costs would be **eligible for a loan** under either the Centennial or SRF programs
- 66 percent (\$660,000) of the project costs (representing the flow from residential sources) **would be eligible for a 50 percent grant** under Centennial **or a 100 percent loan** under either SRF or Centennial (assuming there were no other eligibility limitations)

Construction Bid Overruns

The additional costs of bid overruns in excess of 110 percent of the estimated construction bid amount shown in the application will not be eligible for grant or loan participation.

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 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 at the end of each contract to reconcile the originally contracted quantities and the quantities actually used.

The SRF program may provide a 5 percent contingency for change orders. Centennial and Section 319 funds may **NOT** be used for cost increases due to change orders.

Chapter 8: 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 facility planning, design, or construction. However, other specific review and approval requirements may be specified by Ecology in the individual grant or loan agreements. Examples of activities projects are:

- Watershed planning
- Watershed management implementation
- 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 does not seem to be covered here, please call Ecology headquarters or regional staff for clarification.

Watershed Planning Projects

Watershed planning projects are eligible for grant or loan 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 SEPA, and must be submitted to Ecology for review and approval.

Agricultural Best Management Practices Projects

Agricultural BMP implementation on private property, public property, public easements, or public rights-of-way through private property are eligible for loan funding. Under special circumstances, these projects may be eligible grant funding. Before an agricultural 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. Also, one of the three following conditions must be met:

- An Ecology approved watershed management plan recommends the agricultural BMP implementation; or
- A National Pollutant Discharge Elimination System (NPDES) permit requires the agricultural BMP implementation; or
- A State of Washington Conservation District proposes the agricultural BMP implementation and the District substantiates the need for the BMPs

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. See the *Appendices* for specific information on the planning requirements for best management practices on private property. A public body must administer all funds and contracts.

Ecology may provide grants to local governments for the following types of agricultural 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 “Washington State Association of Conservation Districts **Area**” in which the project is proposed. Washington State Association of Conservation Districts **Areas** are Northeast, Southeast, North Central, South Central, Northwest, and Southwest.

Ground Water Management Area Programs

Ground Water Management Area (GWMA) programs are eligible for grant or loan 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 grant or 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 grant or loan funding. Stormwater planning projects must directly address water quality improvements to be considered grants or loan eligible. 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 grant or loan 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 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.

Phase II Lake Restoration Implementation Projects: Phase II lake restoration implementation projects must implement elements of an approved (Phase I) lake restoration plan. Funding recipients should implement and sequence restoration efforts in 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.

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, and evaluations of the effectiveness of the restoration techniques, implementation programs and operation and maintenance of structures, and of new developments. All completion reports for lake water quality projects must be submitted to Ecology for review and approval. Ecology will not be release final payment until we approve the completion report.

Water Quality Monitoring

Grant or loan funding may be provided for water quality monitoring projects. Typically, a grant or loan 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. Prior to initiating 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*, May 1991, (Ecology Publication No. 91-16). The applicant may also reference *Technical Guidance for Assessing the Quality of Aquatic Environments*, 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, data handling protocols, and 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 grant or loan recipient must submit the QAPP to Ecology for review, comment, and approval before starting their environmental monitoring activities.

The grant or loan 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 grant or loan recipient should manage all monitoring data collected or acquired under this agreement in order to be available to secondary users and meet a “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. They are also available on the World Wide Web at <http://ecy.wa.gov/gis>.

Public Information And Education Projects

Projects with public information and education components are eligible for grant or loan funding. The grant or loan agreement must identify the specific activities the recipient intends to accomplish. Alternatively, the recipient may submit an information and education plan for review and approval.

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 agricultural 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:

1. The priority system used by a local government to identify and fund projects with the most critical water quality and public health problems
2. The local government's dedicated source of revenue to repay the loan to Ecology
3. Procedures to ensure that the citizens repay their loans to the local governments
4. Procedures to ensure adequate inspection of the project by the local governments during implementation
5. 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 (see chapter on GMA 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, taverns, etc.

Wellhead Protection Projects:

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

Chapter 9: Developing a Grant or Loan Agreement

Grant or Loan 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*, Ecology management will assign a project manager and a financial manager (and if necessary a project engineer). The project manager will contact the applicant to discuss the development of a preliminary scope of work, 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. For loans, agreements also contain interest rate, repayment period, and an estimated repayment schedule. The project manager sends additional information to the applicant as needed.

Developing and Signing Agreements

An Ecology regional project manager will contact any applicant whose project has been proposed for funding on the Final Offer List. 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, grant and loan 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, the project manager will write a grant or loan agreement.

By signing an agreement and accepting the terms and conditions of a grant or loan offer, a public body agrees to comply with all of the applicable federal, state, and local statutes, regulations, orders, permits, these guidelines, and the general terms and conditions of the grant or loan 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, 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 is found in the *Appendices*.

After negotiating the grant or loan agreement, the applicant receives three originals for review and approval. If the document is satisfactory, the applicant's authorized representative or representatives signs all three and returns them to the financial manager. An agreement is effective only after Ecology signs the agreement. Ecology 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.

Procuring Goods and Services

The grant or loan 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-owned businesses (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 (in the funding 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 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/ineligible costs have been separated. The 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.

Force Account/Staffing Plans

“Force account work” is defined as a local government using its own staff to complete a facility 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. 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 grant and/or loan projects.

Delegation of Authority

For **facility 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.

Interlocal Agreements

Costs associated with contributions from another public body may be eligible for grant or loan 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 indirect rates associated with the contributed salaries and benefits and other costs are ineligible for grant or loan participation. By signing the agreement, the recipient certifies that all negotiated Interlocal Cost Agreements and Interlocal Agreements are consistent with the grant or loan agreement terms and conditions and Chapter 39.24 RCW, Interlocal Cooperation Act.

Public Awareness

Ecology encourages recipients of all types of grants and loans to inform the public about a project and about the participation of Ecology and the EPA in the project through project signs, the media, or other public announcements. In the case of Section 319 grants, this is required. Announcements usually include the goals of the project, total cost, and the involvement of Ecology and the federal government. This is an eligible activity for funding in all the programs.

Important Dates in Agreements

The *effective date* of a grant or loan agreement is the date it is signed by Ecology's Water Quality Program Manager, unless otherwise stated in the agreement or if prior authorization has been given. When there is a prior authorization agreement, the prior authorization date becomes the effective date after the grant or loan agreement is signed. All costs incurred before the effective date of the agreement are ineligible for reimbursement. If the recipient does not commence work on the funded project within four months of the effective date (or other agreed upon date), Ecology reserves the right to terminate the agreement.

The *project completion date* is the last date that a funding recipient may incur grant or loan 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* (facility 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.

The *expiration date* is the date the grant or loan is no longer in effect. This date is negotiated as part of the grant or loan 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 of the written notification of prior authorization from Ecology.

Prior Authorization

Ecology recognizes that under exceptional circumstances, a funding recipient may need to commence work on a project in advance of a signed and executed grant or loan agreement. Circumstances associated with a public health or environmental emergency or a permit schedule may require immediate action. In addition, a funding recipient may need to meet certain environmental conditions (for example, the times of year for in-stream work), or may be bound through permit requirements to proceed. Under such circumstances, and by written request of the applicant, Ecology may provide the recipient written authority to incur expenses that could be grant or loan eligible.

Ecology can not release funds until a grant or loan agreement is signed. Costs incurred before the *prior authorization date* are the sole responsibility of the public body. Until a grant or loan agreement has been signed, the recipient assumes responsibility for costs incurred, as Ecology can't guarantee that a grant or loan will be awarded. Any work performed by the public body that is not consistent with the conditions specified in Ecology's prior authorization letter, and all other applicable criteria, will not be eligible for grant or loan funds.

Amendments to Agreements

All modifications and changes to grant and loan agreements and scopes of work must be 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*.

Chapter 10: Financial Management of Grants and Loans

Grant or loan recipients must comply with all applicable laws 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.

All grant and loan 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*. In addition, grant and loan recipients are required to maintain an accounting system which can track project expenditures separately from general local government expenses.

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 grant or loan conditions).

Loan Requirements

Loan recipients of loans must follow several specific 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 facility construction can be disbursed
- Establish at least one dedicated source of revenue for loan repayment

Coverage requirement for revenue secured loans: For as long as a loan is outstanding, the recipient must establish, maintain and collect utility rates and charges that produce net revenues which (together with utility local improvement district assessments deposited in the loan fund) are at least equal to 120 percent of annual debt service on all senior lien obligations plus annual debt service on the loan.

Reserve account requirement for revenue secured loans: For loans with a term greater than five years that are secured by a pledge of utility revenues, the loan recipient must accumulate a reserve account in the loan fund. The reserve account must contain an amount equal to the average annual debt service on the loan. The recipient must accumulate the required reserve in approximately equal annual amounts over a period of five years. The recipient should begin accumulating the reserve one year after the initiation of operation or at the project completion

date, whichever is earlier. The recipient may satisfy the reserve requirement in whole or in part by making a deposit at any time to the loan fund from any available source other than net revenue.

Grant and Loan Disbursements and Payments

The methods used to disburse funds to grant and loan 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. 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.

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 Type of Project:

Grants:

Loans:

Centennial Facility Projects	Plan A or Plan B	Plan D
Centennial Activities Projects	Plan B or Plan C	Plan D
All SRF Projects	N/A	Plan D
All Section 319 Projects	Plan B	N/A

Plan A, 50 - 40 - 10 percent disbursement: Under this plan, the 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 signature or at some other agreed-upon 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.

Plan B, payments disbursed as costs are incurred (grants): 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.

Plan C 50 - 50 percent disbursement: The 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 still must include supporting documentation of all costs

incurred.

Plan D, payments disbursed as costs are incurred (loans): Recipients must document actual expenses incurred before Ecology will disburse any funds. The recipient must submit disbursement requests and supporting documentation for incurred costs at least quarterly (but no more often than monthly). An incurred cost is defined as one that is due and payable. Disbursements should follow the cash flow projections detailed during loan negotiation. The recipient should notify Ecology and update these projections at least quarterly to reflect any significant changes such as actual construction bids or schedule modifications. Interest begins to accrue on each disbursement at the time it is paid to the recipient.

Final Loan Amendment and Repayment

Ecology and the loan recipient execute a final amendment that identifies the final loan amount when the scope of work in the loan agreement has been fully completed, or (for facility projects only) the initiation of operation date has been determined, whichever comes first. The final amount includes the principal plus any accrued interest. Ecology prepares a revised final repayment schedule that fully amortizes the loan within the term specified in the loan agreement. Any unused funds are deobligated by this final amendment. The first repayment of principal and interest is due either one year after the initiation of operation date, or one year after project completion, or five years from first disbursement, whichever comes first.

Equal payments are due every six months after this first payment. The recipient may make additional payments at any time without penalty. If a project is phased or segmented and multiple loan agreements or amendments are written, repayment applies to the completion of individual phases or segments.

Certain other factors affect loan repayment:

- If a project takes longer than five years to complete, repayment of principal and interest must begin within five years of the first disbursement
- In the event of loan default (the repayment is 60 days delinquent), Ecology may withhold any state funds otherwise due to the loan recipient
- Withheld funds are deposited into the Centennial or SRF account depending on the source of the loan
- A delinquent recipient may be prohibited from receiving any future financial assistance from the state of Washington

Payment Requests and Progress Reports

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.

Invoice requests need to include the following forms:

- A State of Washington Invoice Voucher Form A19-1A
- Form B (ECY 060-3/ECY 060-7)

- Form C (ECY 060-8/ECY 060-9)
- Form D (ECY 060-11)
- Form G (ECY 060-14) - projects funded with Centennial funds only

Where recipients have incurred eligible costs, invoice requests also must include the following forms:

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

Recipients also need to submit quarterly progress reports (semi-annual reports for Section 319 funded projects) along with their payment requests, unless otherwise established in the grant or loan agreement. 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.

The recipient may replace the fourth quarterly report with an annual report. *An annual report* should include the following:

- A summary of work accomplished, data collected and progress made during the year
- The status of funds obligated or expended, by activity, to date
- The status of activities and program schedule, with explanations of any changes
- Results or accomplishments of approved project activities
- Missed milestones or schedules and the reasons they were missed
- Proposed changes to the original project scope of work
- A schedule or work plan describing activities to be undertaken during the next year
- Future challenges to performance

Payment Holds or Termination

Ecology may withhold payment, decrease the agreement by an amount proportionate to the incomplete work, or terminate the agreement if a recipient does not satisfy all conditions contained in 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 grant or loan 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.

Appeals Process

Once a grant or loan agreement has been signed and work has begun, a funding recipient may formally appeal a written decision made by an Ecology staff person. Appeals must be filed in writing with Ecology's Water Quality Program Manager within 30 days from the date of Ecology's final written decision on the issue. The Water Quality Program Manager appoints an appeals panel and the members of the panel address the issue. 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 details of the appeal process.

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 J 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.

Allowance: Specific portion of the grant or loan agreement for the purpose of defraying the costs of planning, design, or both.

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.

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 facility 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.

DOH: The Washington State Department of Health

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 grant or loan agreement becomes effective, which is the date it is signed by the Assistant Director for Ecology's Water Division, unless otherwise stated in the agreement.

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

Eligible Cost: The portion of the cost of the facility or activity project that can be financed under the provisions of Chapter 173-95 WAC, Chapter 173-98 WAC, or Clean Water Act Section 19.

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.

EPA: The (federal) Environmental Protection Agency.

Estimated Construction Cost: The estimated sum of monies, excluding sales tax, 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 facility.

Excess Capacity: The portion of the capacity limits of water pollution control facilities that exceed the maximum eligibility for funding under the Centennial and SRF Programs. These capacity limits for facilities are described in the chapter on "Guidance for Facility 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"

Facility Plan or Facilities 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 (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 grant or loan 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 grant and loan recipient and coordinate closely with the project manager.

Flow: The rate of movement of a liquid.

Force Account: Grant or loan 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 an final offer list or IUP 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 program 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 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).

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: "Immediate corrective action" means that 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.

Indirect 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 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 facility 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 the SRF 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.

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 grant or loan, 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: are 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: Lists of projects prioritized for receiving financial assistance from the Centennial or Section 319 programs. The position of projects on the Offer Lists will be based on the selection process described in the guidelines. The Centennial Offer List and the Draft Section 319 Offer List come out simultaneously at the end of the selection process. This will be followed by a 30-day comment period for the Section 319 Draft Offer List. The Final Section 319 Offer List with a responsiveness summary after the end of the comment period. The SRF equivalent to the Offer Lists is the Intended Use Plan.

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

Prior Authorization Date: The date specified in a letter from Ecology authorizing the funding recipient to begin incurring costs related to a grant or loan for which there is not yet a signed grant or loan agreement.

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

Project Manager: Ecology management assigns a project manager to each grant or loan 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 grant and loan recipient and coordinate closely with the financial manager.

Project Completion Date: The last date that costs can be incurred and be considered grant or loan eligible. 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.

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 grant or loan recipient and determined as a Public Health Need by the Washington State Department of Health; used only in allowing funding of facility projects in non-GMA-compliant jurisdictions. See Chapter 173-95A WAC, Uses and Limitations of Centennial Clean Water Funds.

RCW: The Revised Code of Washington; the laws of the state.

Recipient: The public body or not-for-profit organization which applied for funding, been offered funding, and has signed a funding 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 grant or loan 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 conveys 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 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, *Clean Water Revolving Loan Account*.

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

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

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

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

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

Wastewater Treatment Plant: See “Water Pollution Control Facility.”

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. An activity does not involve site-specific engineered construction, although an activities project may involve a facility component. An example of a facility 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 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. Facility planning, design, and construction are all considered to be facilities projects.

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 hydrophytic plants; (2) the substrate is predominantly undrained hydric soil; and (3) the substrate is nonsoil and is saturated with water or covered by shallow water at some time during the year.

List of Appendices

Appendices are contained in Volume Two of these *Guidelines*

- Appendix A: Comparison of Eligibility of Costs in the Funding Programs
- Appendix B: Application Cycle Schedule
- Appendix C: List of State and Federal Laws and Other Regulatory Documents That Apply to Different Types of Projects
- Appendix D: Interest Rates
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- Appendix F: Expenditure and Grant Match Information
- Appendix G: Process Used to Select Section 319 Projects
- Appendix H: General Terms and Conditions Pertaining to Grant and Loan Agreements of the Department of Ecology
- Appendix I: Map of Water Resource Inventory Areas (WRIAs) in Washington
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- Appendix Q: FY 2001 Centennial / SRF / Section 310 Local Priority Process
- Appendix R: Ecology Contact List, January 1999