

**Policy for Implementing
The State Revolving Fund
for Construction of
Wastewater Treatment Facilities**

**98-2 CWP
February 1995
Amended on June 18, 1998**

**STATE WATER RESOURCES CONTROL BOARD
CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY**

POLICY FOR IMPLEMENTING
THE STATE REVOLVING FUND FOR
CONSTRUCTION OF WASTEWATER TREATMENT FACILITIES

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THE DIVISION OF CLEAN WATER PROGRAMS

STATE WATER RESOURCES CONTROL BOARD
STATE OF CALIFORNIA

adopted on February 16, 1995

last amended on June 18, 1998

ACKNOWLEDGMENTS

The State Water Resources Control Board thanks the individuals within the State Water Resources Control Board and members of Tri-TAC who freely shared their time in developing and amending the Policy for Implementing the State Revolving Fund for Construction of Wastewater Treatment Facilities.

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EXECUTIVE SUMMARY

This Policy was written to implement the 1987 Amendments to the Federal Clean Water Act which created the State Revolving Fund (SRF) Loan Program. The SRF provides loan funding and other types of assistance for construction of publicly-owned wastewater treatment works and water reclamation facilities, development and implementation of programs to control pollution from nonpoint sources and stormwater drainage, and implementation of estuary cleanup programs. This Policy covers SRF assistance for the construction of wastewater treatment and water reclamation facilities.

This Policy is organized in sequential project development order. Sections I through VIII discuss general requirements, including the Local Match Program and the priority system, Section IX discusses facilities planning, and Section X design review and project performance standards. Sections XI through XVI discuss loan specifics, Sections XVII and XVIII discuss Construction and Operation respectively, and Sections XIX through XXII discuss record keeping, repayments and resolution of disputes.

I. INTRODUCTION

The Federal Clean Water Act provides for the creation of a State Revolving Fund (SRF) Loan Program capitalized in part by Federal funds. The Federal Clean Water Act (CWA) authorizes loan funding for construction of wastewater treatment and for water recycling facilities, for implementation of nonpoint source and storm drainage pollution control management programs, and for the development and implementation of estuary conservation and management programs. The Policy for Implementing the State Revolving Fund for Construction of Wastewater Treatment Facilities (SRF Policy) only addresses the issuance of loans for wastewater treatment and water recycling facilities. The priority system, however, covers all eligible SRF activities. The SRF is intended to provide loans in perpetuity for construction of wastewater treatment and water recycling facilities, and for implementation of nonpoint source, storm drainage, and estuary conservation projects using State of California (State) and Federal funds.

This is the fifth amendment to the SRF Policy originally adopted by the State Water Resources Control Board (SWRCB) on August 18, 1988. The requirements contained in this amended SRF Policy apply to all projects receiving Facilities Plan Approval from the Division after June 18, 1998. A flow chart of the overall program procedures is provided in Appendix A. A list of contacts in the Division is provided in Appendix B. Appendix C contains additional Division guidance material on the SRF program.

II. PURPOSE AND OBJECTIVE

The primary purpose of the SRF Loan Program is to implement the CWA and various State laws including the Clean Water Bond Law of 1984, the Safe, Clean, Reliable Water Supply Act (1996 Bond Law), and any subsequent bond laws, by assisting in the financing of wastewater treatment facilities necessary to prevent water pollution, recycle water, correct nonpoint source and storm drainage pollution problems, and provide for estuary enhancement, and thereby protect and promote the health, safety, and welfare of the inhabitants of the State.

III. DEFINITIONS

The following words where used in this SRF Policy shall have the meaning hereafter ascribed to them:

- (a) "Allowance" means an amount of money based on a percentage of the accepted bid for an eligible project to help defray the planning, design, and construction engineering and administration costs of the project.
- (b) "Applicant" means a city, town, district, or other public body (including an intermunicipal agency of two or more of the foregoing entities) created under State law, or an Indian tribe or an authorized Indian tribal organization having jurisdiction over disposal of sewage, industrial wastes, or other waste, or a designated and approved management agency under Section 208 of the Federal Clean Water Act applying for a SRF loan.

- (c) “Areawide Waste Treatment Management Plan” means a plan prepared in conformance with Section 208 of the Federal Clean Water Act.
- (d) “Completion of Construction” means the date, as determined by the Division after consultation with the loan recipient, that the work of building and erection of the project is substantially complete.
- (e) Design-Build
 - (1) “Best Value”, also known as “greatest value”, means any selection process in which proposals contain both process and qualitative components, and award is based upon a combination of price and qualitative considerations.
 - (2) “Design-Build” means the system of contracting under which one entity performs both architectural design/engineering and construction under a single contract with the owner. Also known as “design-construct” or “single responsibility” or “Turn Key.”
 - (3) “Design-builder” means the entity contractually responsible for delivering the project design and construction.
 - (4) “Design-Build Bid Proposal” means a document submitted by pre-qualified Design-builders in response to the Request for Design-Build Proposal and which contains cost, design factors and usually, function, layout, materials, aesthetics, construction techniques, and specifications.
 - (5) “Honorarium” means a stated amount sometimes paid to unsuccessful Design-builders in consideration for preparing a Design-Build bid proposal in response to the owner’s Request for Design-Build Proposal.
 - (6) “Request For Design-Build Qualifications” means the document issued by the owner prior to a Request for Design-Build Proposal to determine whether a firm is fundamentally qualified to compete for a certain project or class of projects.
 - (7) “Request For Design-Build Proposal” means the document issued by the owner to solicit design and construction services proposals from the pre-qualified Design-builders and that contains the project objectives, project design criteria, site information, contract requirements, selection procedure and proposal (submittal) requirements.
- (f) “Division” means the Division of Clean Water Programs, the Division of Water Quality, SWRCB, or any other segment of the SWRCB authorized to administer the State Revolving Fund Loan Program.

- (g) “Effective Loan Date” means the date specified in the loan contract after which eligible construction costs under the loan contract can be incurred. This date will generally be the date of final plans and specifications approval.
- (h) “Eligible Project Cost” means that portion of the total cost of a project that is eligible for loan assistance from the State Revolving Fund pursuant to Federal and State laws, rules, regulations, policies and guidelines.
- (i) “Environmental Document” means either an Initial study and Negative Declaration or an Environmental Impact Report (EIR) prepared in accordance with the California Environmental Quality Act (CEQA).
- (j) “EPA” means the United States Environmental Protection Agency.
- (k) “Estuary Enhancement Project” means any programs, devices, methods, or systems used to attain or maintain water quality in an estuary nominated by the Administrator of EPA, which assures protection of public water supplies and protection and propagation of a balanced, indigenous population of shellfish, fish, and wildlife, and allows recreational activities in and on the water.
- (l) “Excessive Infiltration/inflow” means a flow rate in excess of acceptable threshold values as defined by Section IX.A.4. of this document.
- (m) “Facilities Plan Approval” means approval by the Division of the project concept being proposed by the applicant.
- (n) “Federal Clean Water Act” means the Federal Water Pollution Control Act (33 U.S.C.A. 1251 et seq.) including any amendments thereto.
- (o) “House Lateral” means the sewer pipe from the public right-of-way to the residential structure.
- (p) “Infiltration” means the water entering a sewer system including that from service connections, from the ground, through such means as, but not limited to, defective pipes, pipe joints, connections, or manhole walls. Infiltration does not include, and is distinguished from, inflow.
- (q) “Infiltration/Inflow” means the total quantity of water from both infiltration and inflow without distinguishing the source.
- (r) “Infiltration/Inflow Analysis” means a study to demonstrate the nonexistence, or possible existence, of excessive Infiltration/Inflow in each sewer system tributary to the treatment works.
- (s) “Inflow” means the water discharged into a sewer system including that from service connections, such as, but not limited to, roof leaders, cellars, yards and area drains, foundation drains, cooling water discharges, drains from springs and swampy areas,

manhole covers, cross connections from storm sewers and combined sewers, catch basins, storm waters, surface run-off, street wash waters, or drainage. It does not include, and is distinguished from, infiltration.

- (t) “Initiation of Construction” means the date that the notice to proceed with the work is issued for the project, or if the notice is not required, the date of commencement of building and erection of the project.
- (u) “Loan Contract Award” means the written agreement signed by all parties, and any amendments thereto, between the SWRCB, and the applicant, and approved by the Department of General Services in which the terms, provisions, and conditions governing the State Revolving Fund loan are stated.
- (v) “Nonpoint Source Project” means any programs, devices, methods, or systems used for preventing, abating, reducing, transporting, separating, storing, treating, recycling, or disposing of pollutants from nondistinct, unconfined sources, including return flows from irrigated agriculture.
- (w) “Preliminary Loan Commitment” means a formal action by the SWRCB approving and reserving funds for the project.
- (x) “Project” means any distinguishable segment, or segments, of a wastewater treatment facility described in the approved facilities plan which can be bid separately, and for which loan assistance is being requested or provided.
- (y) “Project Completion” means the date, as determined by the Division after consultation with the loan recipient, that operation of the treatment facility is initiated, or is capable of being initiated, whichever comes first.
- (z) “Recipient” means an applicant who has an executed loan contract signed by all parties.
- (aa) “Refinancing” means the use of State Revolving Fund Loan monies to refinance local external borrowings (borrowings from outside the local agency for eligible projects) at more attractive terms.
- (ab) “RWQCB” means the appropriate California Regional Water Quality Control Board.
- (ac) “Retroactive Projects” means those projects which proceed to construction prior to award of the loan contract.
- (ad) “Sewer System Evaluation Survey” means a systematic examination of the sewer system to determine the specific location, estimated flow rate, methods of rehabilitation, and cost of rehabilitation versus cost of transportation and treatment for each defined source of Infiltration/Inflow.
- (ae) “SWRCB” means the State Water Resources Control Board.

- (af) “Storm Drainage Project” means any programs, devices, methods, or systems used for preventing, abating, reducing, transporting, separating, storing, treating, recycling, or disposing of pollutants arising or flowing in storm drainage that is transported in pipes, culverts, tunnels, ditches, wells, channels, conduits, from urban or rural areas to surface or ground waters of the State.
- (ag) “Treatment Facilities” means any devices and systems used in the storage, treatment, recycling, and reclamation of municipal sewage or industrial wastes of a liquid nature to implement Section 201 of the Federal Clean Water Act, or necessary to recycle or reuse water at the most economical cost over the estimated life of the facilities, including intercepting sewers, outfall sewers, sewage collection systems, pumping, power, and other equipment, and their appurtenances; extensions, improvements, remodeling, additions, and alterations thereof; and elements essential to provide a reliable recycled supply such as standby treatment units and clear well facilities.

In addition, “treatment facilities” means any other method or system for preventing, abating, reducing, storing, treating, separating, or disposing of municipal waste, including storm water runoff, or industrial waste, including waste in combined storm water and sanitary sewer systems.

- (ah) “Water Quality Assessment” means a report prepared by the SWRCB to identify the water quality conditions in the waters of the State.
- (ai) “Water Quality Control Plan” means a SWRCB approved plan adopted pursuant to Division 7 of the Water Code designating or establishing beneficial uses and water quality objectives for water within a specified area and a program of implementation needed to achieve these objectives.

IV. PRIORITY SYSTEM

The primary purpose of this section is to implement a Priority System for providing SRF loan assistance for the planning, design, and construction of wastewater treatment, nonpoint source, storm drainage, water recycling, and estuary enhancement projects and programs eligible under Title VI of the CWA.

A. Development of RWQCB Project Priority List Recommendations

1. Annually, each RWQCB Executive Officer shall develop Project Priority List recommendations for the RWQCB.
2. The Executive Officer’s Project Priority List recommendations shall be transmitted to the Division each year by the scheduled date set by the Division.

B. Development of Statewide Project Priority List

Annually, after review of the Executive Officer's Project Priority List recommendations, the SWRCB shall adopt a Statewide Project Priority List (Statewide List). The Statewide List shall identify those projects for which assistance from the SRF Loan Program is expected during the succeeding five-year planning period.

1. The Statewide List shall be adopted by the SWRCB not later than June 30 of each year.
2. The fundable portion (first year) of the Statewide List shall include those wastewater treatment, water recycling, nonpoint source, storm drainage, and estuary enhancement projects which have received a preliminary loan commitment from the SWRCB and are scheduled for loan assistance during the first year of the five-year planning period. Projects receiving a preliminary loan commitment from the SWRCB during the fiscal year shall be automatically moved to the fundable portion (first year) of the Statewide List provided the project is scheduled to receive a loan contract in the current fiscal year. The extended portion of the Statewide List shall include those projects without a preliminary loan commitment and those scheduled for a loan contract during the following four years. Placement on the extended portion of the Statewide List will be based on project schedules.
3. Placement of a project on the Statewide List shall not constitute a commitment to provide loan assistance.

C. Priority Classes

Each Project shall be assigned to one of the following priority classes:

1. Class A -- Public Health Problems.
 - a) Publicly Owned Wastewater Treatment Facilities projects required to alleviate public health problems where the County Board of Supervisors or the County Health Officer has certified that a health problem exists, and where a RWQCB has (1) adopted a prohibition for elimination of discharges from individual treatment systems and such prohibition has been approved by the SWRCB, or (2) approved a local moratorium prohibiting the construction of new individual systems (See Appendix C), or (3) adopted a cease and desist order; and
 - b) nonpoint source, storm drainage pollution, and estuary enhancement projects required to comply with prohibitions, postings, limitations, or warnings that have been imposed by responsible health

authorities, and where the RWQCB has concurred with the findings of the health authority and has established a time schedule for correction or elimination of the threat to public health.

2. Class B -- Pollution of Impaired Water Bodies.
Projects required to correct conditions where a certification is made by the RWQCB Executive Officer that the water quality objectives for an impaired water body are not being attained.
3. Class C -- Compliance With Requirements and Water Recycling Projects.
1) Projects necessary to comply with waste discharge requirements or other regulatory requirements formally imposed by the SWRCB or RWQCB, or projects necessary for correction of threatened violations of existing or proposed waste discharge requirements; and 2) projects which recycle water and are cost effective when compared to the development of new sources of water.
4. Class D -- Projects Serving as Preventative Measures Against Additional Water Quality Degradation for Impaired or Unimpaired Water Bodies.
Projects which would control discharges to impaired or unimpaired waters, where correction of such discharges may, or may not, be required through formally adopted waste discharge requirements. Includes projects to provide additional wastewater treatment capacity.
5. Class E -- Other Projects.
Projects not included in any of the other priority classes.

D. Project Ranking

Projects within each priority class shall be ranked on the basis of readiness to proceed. The project with the earliest estimated date for award of a loan contract will be ranked above a project with a later estimated date. In the case of a tie, the project discharging to the water body with the greater resource value will be ranked higher.

E. Restrictions and Adjustments

1. If a project falls in more than one priority class, the full project shall be placed in the highest priority class applicable to the more costly segment of the project, except as specifically ordered by the SWRCB.
2. If the priority classification of a project is in any way dependent upon State, County, or local action, or upon SWRCB or RWQCB action, only action taken prior to the adoption or amendment to the Statewide List will be considered.

3. The Statewide List may be adjusted or amended by the SWRCB for good cause subject to approval by EPA.
4. The SWRCB reserves the right to transfer treatment facilities from one priority class to another priority ranking, to reduce the eligible cost of any project, and to allocate available funds among one or more priority classes when the SWRCB determines such action to be necessary or appropriate for effective and equitable use of available monies. Such action will only be taken after a public hearing.
5. When appropriate, the SWRCB may create a set-aside for the purposes of assuring that SRF assistance will be available for nonpoint source, water recycling, estuary enhancement, and storm drainage projects and programs contained on the fundable portion of the Statewide List.

F. Management of the Statewide List

Before a facilities plan approval is given, a project implementation schedule shall be submitted by the applicant and approved in writing by the Division. The Division shall monitor and compare progress on the project to the established schedule to assure that the loan applicant is proceeding expeditiously with the project.

If at any time the Division determines that progress has slipped sufficiently to push the loan contract award beyond the end of the scheduled state fiscal year, the SWRCB may add a project, or projects, of approximately equal dollar value from the planning portion to the fundable portion of the Statewide List, provided the project, or projects have received preliminary loan commitments from the SWRCB and are projected to be ready for loan contracts during the current State fiscal year. After such additions, all projects on the fundable portion of the Statewide List will continue to compete on an as ready basis for available funds.

G. Funding of Projects

Except as may be directed by the SWRCB, projects on the fundable portion of the Statewide List will receive loan contracts from the SWRCB on an as ready-basis.

H. Project Removal and Changes

Projects shall not be removed from the Statewide List unless:

1. The SWRCB so instructs;
2. The project has received a loan contract;

3. The RWQCB so requests and the SWRCB concurs; or
4. The loan applicant so requests and the SWRCB concurs.

V. LOCAL MATCH

The Clean Water Act requires the states to provide a match equal to 20 percent of the federal Capitalization Grant (state match) in order to receive federal monies. Subsection 13478 of Chapter 6.5 of Division 7 of the Water Code allows the SWRCB to enter into agreements with, and accept state match funds from local agencies in return for no-interest SRF loans. Existing SRF Loans are not eligible for no-interest loans.

The following requirements, in addition to all other requirements in this SRF Policy, apply to new SRF loans where the applicants are providing the state match:

A. Resolution

1. An applicant electing to participate in the program must submit to the Division an acceptable resolution passed by the local governing body. A model resolution is included in Appendix Q.
2. The resolution must state the applicant's intent to provide the necessary state match in the amount and at the times necessary to complete the project.
3. The resolution must include a commitment to provide the necessary state match for administrative services of 0.575 percent of the total eligible project costs to cover the cost of obtaining the administrative match. The fee will be waived if sufficient funds are available to make the administrative match from other sources.

B. State Match Account

The recipient must establish a local state match account prior to issuance of the loan contract for the specific project for which the state match is being paid. The recipient must deposit sufficient funds in the account as necessary to make payments to the contractor.

C. Terms

The interest rate on state match loans shall be zero (0) percent. The repayment period is 20 years. The principal amount of the loan to be repaid is not reduced by payment of the state match.

D. Disbursements

1. Allowances For Architect/Engineer (A/E) and Administration Costs

Recipients will also be required to submit a certification with the planning and design allowance payment requests stating that at least the state match portion of the incurred allowance costs have been paid. The Division will then authorize the disbursement of the federal share of the allowance requests.

2. Construction Costs and Construction Allowance

Recipients will be required to pay the state match share of the eligible loan amount of the contractor's invoice prior to submitting the progress payment request to the Division. As an alternative, recipients may pay the contractor(s) the full eligible amount of the contractor's invoice until they have paid an amount equal to the state match portion of the loan amount. In either case, recipients are required to submit certification of such payments to the Division with each disbursement request.

3. Assurances

Certification of such payments must be submitted to the Payments Unit with each pay request. The Division will then authorize the disbursement of the federal share of the eligible payment amount.

In addition to the certification of payment, recipients shall submit copies of the canceled checks on a quarterly basis documenting payment of the state match amount.

VI. RETROACTIVE FUNDING

Retroactive funding will be provided for only those projects where the applicant has submitted all required program documents and such documents have been approved before initiation of construction, but due to a lack of funds or other reasons, the applicant initiated construction after the approval of either plans and specifications or Request for Design-Build Proposals, but prior to issuance of the loan contract. Projects where construction is initiated before Division approval are not eligible for retroactive funding.

VII. REFINANCING

The use of SRF monies to refinance local external borrowings is eligible provided the project is approvable under Section VI. above. Refinancing of local debt will be contingent on the local borrowing document providing for recall of an amount at least equal to the amount of the SRF loan within two years of the SRF loan issuance.

VIII. WATER RECYCLING PROJECTS

A. Funding Sources and Applicable Policies

Water recycling projects generally serve one of two purposes--1) meeting pollution control needs as specified in waste discharge requirements or 2) meeting water supply needs. Projects for which water recycling is the cost-effective alternative to meet pollution control needs are funded by the SRF in accordance with the same SRF criteria applicable to other wastewater treatment and disposal projects. Projects for which water supply is the purpose may be funded by either the SRF or the SWRCB's Water Recycling Loan Program (WRLP). A water supply-type recycling project will be funded under the WRLP unless 1) the WRLP funding cap is exceeded, 2) there are insufficient funds in the WRLP, 3) the applicant requests a zero-percent interest loan, or 4) the applicant proposes a Design-Build contract.

Water supply-type water recycling projects are placed in Priority Class C as water recycling projects that are cost effective when compared to the development of new sources of water. These projects must meet requirements contained in the amended WRLP Guidelines adopted by the SWRCB on April 17, 1997, or as later amended, as well as the requirements contained in this SRF Policy. The WRLP Guidelines are included in Appendix D.

The WRLP Guidelines may be more restrictive regarding eligible capacities than the SRF Policy.

B. Multiple-Purpose Projects

A water recycling project may be a multiple-purpose project, serving both water pollution control needs and water supply needs. Multiple-purpose projects can be funded under the SRF, or jointly funded under the SRF and the WRLP. However, the facilities associated with each purpose must be evaluated and the eligibility of facilities determined in accordance with the applicable provisions of either the SRF Policy or the WRLP Guidelines.

There are two types of multiple-purpose water recycling projects:

1. Water recycling facilities for water supply purposes may be proposed to be constructed simultaneously with wastewater treatment and disposal facilities

that could meet discharge requirements without the water recycling facilities. The WRLP Guidelines would be applied to the water recycling facilities component of the project.

2. In other cases, water recycling may be an inseparable part of the facilities needed to meet discharge requirements but may be justifiable only by considering both the pollution control and the water supply benefits. In this case, appropriate provisions of the SRF Policy and the WRLP Guidelines will be applied.

IX. FACILITIES PLANNING

Applicants will be required to complete a facilities planning process. A complete facilities plan will include a Project Report, a complete Environmental Document, and a draft Revenue Program.

To facilitate expeditious issuance of a preliminary loan commitment, the Division will offer consultation regarding specific program requirements during facilities planning. When an applicant is placed on the fundable portion of the Statewide List, the Division will offer assistance at the option of the prospective applicant. The assistance available will include guidance for (1) identifying project alternatives, (2) selecting the cost-effective alternative, (3) preparing the Project Report, the Revenue Program, and the Environmental Document. The Division will also offer assistance to aid applicants in assuring that they have the ability to administer and manage the construction of the proposed project.

A. Project Report

A Project Report shall be prepared and submitted as part of the loan application process. While early submittal is not a program requirement, the Division **strongly** recommends that applicants submit the Project Report for review well in advance of commencing design.

The Project Report must contain, as appropriate, the following:

1. A statement of project needs and benefits, including a discussion of the water quality benefits of the project and the public health or water quality problems to be corrected.
2. A cost effectiveness evaluation of alternatives over a twenty (20) year planning period. The evaluations presented must include an evaluation of the alternative of upgrading operation and maintenance of the existing facility to improve effluent quality.

3. An evaluation of alternative methods for reuse or ultimate disposal of treated wastewater and sludge material resulting from the treatment process. For wastewater treatment projects producing sludge material, the following information needs to be identified and compared:
 - a. All landfills within a 100 mile radius that accept sewage sludge;
 - b. Any composting facilities within a 100 mile radius accepting sewage sludge;
 - c. The potential for dedicated land disposal;
 - d. Conversion of sludge to biosolids for distribution as soil amendment or as another agricultural product; and
 - e. Ultimate disposal methods approved by the RWQCBs.
4. An evaluation of the non-existence or possible existence of excessive infiltration/inflow (I/I) in the existing sewer system. If the average daily flow during periods of sustained high groundwater is less than 120 gallons per capita per day (gpcd), a Sewer System Evaluation Survey (SSES) [See Appendix R] is not required. If it is above 120 gpcd, the applicant must perform a SSES to determine whether it is cost-effective to treat or correct the I/I. If a SSES is not submitted, funding will be limited to 120 gpcd. If the peak flow during a storm event (highest three-hour average) exceeds 275 gpcd, a SSES must be completed or funding will be limited to the peak flow amount of 275 gpcd. Cost-effective corrections under these criteria are eligible for funding. See Appendix R for further guidance on SSESs.
5. Information on total capital costs, annual operation and maintenance costs, as well as the estimated annual or monthly costs to residential and industrial users for all of the alternatives.
6. A discussion of the existing population, flows, and loadings, and projections of the same, used to estimate the twenty (20) year capacity needs for treatment facilities and collection systems and forty (40) year capacity needs for interceptors and outfalls.
7. A discussion of the anticipated eligible capacity for the project and how that capacity was derived. (see Section IX.F. of the SRF Policy).

8. A description of the Best Practicable Wastewater Treatment Technology. (For more information see 40 CFR 35.2005(b)(7)).
9. A summary of public participation.
10. The following must be submitted for the selected alternative:
 - a. A detailed description of the selected alternative and the complete waste treatment system of which it is a part.
 - b. A summary of relevant design criteria (i.e., design flow, peak flows, daily BOD loadings, daily suspended solids loadings, overflow rates, detention times, sludge production, etc.).
 - c. The estimated construction and annual operation and maintenance costs and a description of the anticipated manner in which all the costs will be financed.
 - d. A summary of the cost impacts on wastewater system users.
 - e. A summary of the significant environmental impacts of the selected project and any proposed mitigation measures.
 - f. A copy of any proposed intermunicipal service agreements necessary for the project.
 - g. A statement that identifies and discusses the source(s) and the amount of unallocated potable water currently available in the project service area. If the amount of potable water is less than what is needed to serve the projected population for the proposed project, a plan identifying how that deficiency will be mitigated shall be presented.
 - h. A discussion of facilities which were previously funded by federal/state grants or loans, if such facilities are to be repaired or replaced.
 - i. Applicants must comply with the Civil Rights Act of 1964. Where minority populations are included in the facilities planning area, the Project Report must show that such areas will be served or excluded from service

only for reasons of cost-effectiveness (currently see 40 CFR Part 7).

- j. A description of operation and maintenance requirements.
- k. A demonstration that the selected alternative is consistent with any applicable approved water quality management plan.
- l. A summary of public participation.
- m. A copy of the current adopted waste discharge requirements issued by the RWQCB for the wastewater facility or improvements/expansion to be constructed. If no current adopted permit exists, a copy of the tentative waste discharge requirements must be submitted. The waste discharge requirements, however, must be adopted by the RWQCB before the approval of either the plans and specifications or the Request for Design-Build Proposal (for Design-Build projects).

B. Environmental Impact Analysis

Final Environmental Documents must meet general requirements of the CEQA. Applicants must also meet specific CEQA requirements that apply where a state agency is the “responsible party” as defined in CEQA. In addition to CEQA requirements, project applicants must follow specific documentation and review requirements that will assure compliance with federal environmental laws. Detailed environmental review process guidelines including a flowchart are contained in Appendix E.

The applicant must submit the draft Environmental Documents to the Governor’s Office of Planning and Research, State Clearinghouse for comments. The draft Environmental Documents must also be distributed for review and comment to other responsible (as defined in CEQA) local, and State agencies within the project’s service area. The Division, as a responsible agency, will review and comment on the draft Environmental Documents received from the State Clearinghouse.

Eight (8) copies of the draft Environmental Document must be submitted to the Division for distribution to designated agencies responsible for implementing federal environmental laws. The applicant must respond directly to all comments received from Federal agencies.

Under some circumstances, a SRF loan project may be approved under a statutory or categorical exemption from CEQA. In these cases, a Notice of Exemption (Notice) should be filed with the County Clerk. A copy of the Notice and supporting evaluation must be sent to the Division. Compliance with applicable Federal environmental regulations is required for exempt projects and may involve consultation with Federal agencies.

SRF projects must comply with federal laws pertaining to cultural resources, particularly Section 106 of the National Historic Preservation Act. SRF applicants must document the presence or absence of cultural resources in the project area, their significance, and any project effects. This documentation must be prepared by a researcher meeting federal professional standards for the type of resource in question. Section 13b of Appendix E provides details about the required information. When adequate information has been submitted to the Division by the applicant, the Division's Cultural Resources Officer will review it for Section 106 compliance and will forward approved documents to the State Historic Preservation Officer (SHPO). The SHPO has a 30-day review period in which to comment or to concur that the process is complete. The SHPO concurrence must be obtained prior to the issuance of the preliminary loan commitment by the SWRCB.

As a minimum, the appropriate Environmental Documents shall discuss the items outlined in Appendix E. The Environmental Documents shall discuss consistency with areawide planning such as wastewater treatment and water quality control, basin plans, and Section 208 plans.

In addition to submitting the final Environmental Document, the applicant must also submit to the Division copies of the resolution or similar documents certifying or adopting the document and making appropriate findings, an adopted mitigation monitoring plan, and the Notice of Determination filed with the Governor's Office of Planning and Research. If the SWRCB adopts a resolution approving a preliminary loan commitment, the Division will prepare a Notice of Determination and file it with the Governor's Office of Planning and Research.

Applicants must also adopt a mitigation monitoring plan for agreed upon mitigation measures. Compliance with this plan will be a condition of the loan contract.

Use of previously prepared Environmental Documents is acceptable provided the procedures and guidance in Sections 15153, 15162-15164, 15168, or 15221 of the State CEQA Guidelines are followed.

C. Water Conservation

The SWRCB will not issue a preliminary loan commitment for a project until the applicant has adopted a water conservation program consistent with local ordinances and authorities. In lieu of adoption of an independent water conservation program, the applicant may become a signatory to the "Memorandum of Understanding Regarding Urban Water Conservation in California" September 1991, California Urban Water Conservation Council, which may be modified to suit local conditions.

If the applicant is not a water purveyor, it must (1) certify that seventy-five (75) percent of the water connections in its service area are covered by adopted water conservation programs approved by the Division or (2) demonstrate that the water purveyor(s) have signed the Memorandum of Understanding covering at least seventy-five (75) percent of the water connections within the applicant's sewer service area.

If neither of these requirements can be met before the issuance of the preliminary loan commitment by the SWRCB, the applicant must submit a specific time schedule for local adoption of a water conservation program. The loan contract will not be issued until an acceptable water conservation program has been approved by the Division. See Appendix F for further information.

D. Revenue Program

Section 204 (b) (1) of the CWA requires recipients to develop user charge systems and to have the legal, institutional, managerial, and financial capability to construct, operate, and maintain the treatment works. The recipient will be required to prepare a Revenue Program in accordance with the Revenue Program Guidelines (see Appendix G), adopt a sewer use ordinance, and establish an acceptable dedicated source, or sources, of revenue to repay the SRF loan.

1. Wastewater Capital Reserve Fund (WCRF)

- a. All recipients of SRF loans shall create a dedicated WCRF for expansion, major repair, or replacement of their wastewater treatment facilities.
- b. The SRF loan contract will not be issued until an ordinance creating the WCRF is enacted by the local governing body.
- c. The recipient shall deposit sufficient funds to build up the WCRF at a minimum rate of one-half of one (0.5) percent of the SRF loan amount each year for a period of ten (10) years.
- d. All interest earned on deposits to the WCRF shall remain in the WCRF for the uses specified below. The recipient shall replace any amounts expended from the WCRF by depositing at a minimum annual rate of ten (10) percent of the expended amount.
- e. The recipient's unused bonding capability for the wastewater enterprise may be used to offset, dollar for dollar, the required cash deposits to the WCRF.
- f. Unused bonding capability means, with respect to each SRF loan contract issued after January 21, 1993, an amount equal to unissued bonds or other indebtedness authorized either by vote of the local electorate or by provisions of local or other law under which the borrower would be legally permitted to issue such bonds or other indebtedness without approval by the local electorate or by any other public entity.

The amounts required to be deposited in the WCRF may be reduced by any amounts held and not previously allocated for the purposes of this calculation. The amounts may be held in any fund or account established pursuant to a resolution or indenture of a borrower pursuant to which any bonds or other indebtedness have been issued and are outstanding, which amounts may be used for the purposes for which the WCRF is established.

- g. Money deposited in the WCRF shall be available for the costs for planning, design, and construction of capital improvements (See IX.D.1.a. above) to the wastewater treatment facilities.
- h. The recipient shall prepare and submit a report on WCRF activities and fund status beginning five (5) years after the Division's approval of the final Revenue Program. A report shall be due every five (5) years for the life of the loan contract.
- i. The requirement to create and maintain a WCRF shall remain in force for the life of the loan contract. At the end of the loan contract, disposition of the WCRF will be a local responsibility.
- j. Failure to meet the provisions of this Section could result in the immediate recall and repayment of all SRF loan funds disbursed to the recipient.

2. Draft Revenue Program

The applicant will be required to identify and make projections of the amount of revenue available from specific sources necessary to repay the SRF loan.

A draft Revenue Program must be prepared and submitted with the Project Report. Facilities Plan Approval will not be issued until the Division has approved the draft Revenue Program. The draft Revenue Program must include a draft ordinance or resolution committing a source or sources of funds for repayment. The draft Revenue Program shall be updated as appropriate and submitted with the final plans and specifications.

As indicated at the time of the preliminary loan commitment, the applicant will be required to identify a "dedicated" source of revenue to repay the loan. Revenue will be considered dedicated when the applicant passes an ordinance or a resolution committing a source, or sources, of funds for repayment. The resolution, or ordinance, dedicating a source of funding for repayment of the SRF loan must be adopted by the applicant and approved by the Division before the loan contract is issued.

3. Final Revenue Program

A final Revenue Program, a draft rate ordinance, and an adopted sewer use ordinance must be approved by the Division prior to ninety (90) percent disbursement of the SRF loan funds. The final approved Revenue Program should be reviewed periodically during the useful life of the project and modified as necessary.

E. Eligible Project

Project components, other than reserve capacity, are intended to be completely eligible or ineligible. The following are categories of eligible and ineligible costs:

1. Eligible

- a. Treatment facilities, including new collection systems in existing developed areas within the service area, and alternative treatment facilities such as leach fields, mound systems, wetlands, etc.;
- b. Reserve capacity for treatment plants and pipelines; (See Section IX.F. for details).
- c. Reasonable administration and laboratory building space directly related to the operation of the eligible facilities.
- d. Process control systems;
- e. Mitigation measures (except for land) mandated by State and/or Federal agencies;
- f. On-site solids handling systems necessary to meet waste discharge permit requirements. Includes systems that perform thickening, stabilization, and dewatering of sludge as a means of preparing it for beneficial reuse and/or ultimate disposal.
- g. Stationary and mobile equipment which are an integral part of the wastewater or sludge handling process such as front loaders for sludge drying beds, injection equipment for dedicated land disposal sites, and compost windrow turners. Equipment must be confined to the treatment plant or disposal site owned by the recipient.

- h. Allowances for planning, design, construction and prime engineering, and administration;
- i. Special equipment necessary to maintain the eligible treatment facilities, including the manufacturer's list of spare parts;
- j. Necessary insurance related to the construction contract; and
- k. Cost-effective buy-in for all of the proportional costs to connect to an existing treatment plant and/or collection system.

2. Ineligible

- a. All land, easements, and rights of way;
- b. Contingencies and honorariums;
- c. Construction change orders and claims;
- d. House laterals for collection systems and any in-house facilities;
- e. Engineering costs included as part of the construction bid for other than Design-Build projects;
- f. Decorative items (art work, sculptures, reflective ponds, fountains, etc.) ;
- g. Solids handling facilities that perform pasteurization, co-generation, conditioning, heat drying, thermal reduction, and facilities for packaging or distributing biosolids.
- h. Operation and maintenance costs and extended warranties for equipment and act of God, flood, and earthquake insurance costs;
- i. Motor vehicles used for employee transportation or for the transportation of materials generated or consumed by the treatment plant; and
- j. All other items not included in the construction contract except allowances.

- k. Replacement of previously grant funded facilities are ineligible except for the following specific cases:
- (1) Where an amendment to a basin plan adopted by a RWQCB requires upgrading of specific treatment systems or technology to achieve a mandated enhanced level of treatment, and the replacement of previously grant funded facilities is necessary to achieve the mandated enhanced level of treatment required by the amendment.
 - (2) Where a proposed water recycling project which meets the definition contained in Section I.D. (eligible water recycling project) of the WRF Guidelines (See Appendix D) adopted by the SWRCB on April 17, 1997; and which is proposed to use recycled water to replace a bonafide current or proposed beneficial consumptive use of potable water; and where replacement of previously grant funded facilities is necessary to install the recycling project.
 - (3) Notwithstanding any other provisions of this policy, the SWRCB may consider granting an exception to this policy in the event that the SWRCB, after a meeting, makes a finding that the petitioner suffers from severe hardship or unique circumstances.

The above eligible and ineligible items must be segregated in the engineer's estimate.

F. Capacity Funding Limitations

The eligible capacity shall be determined using average dry weather flow (ADWF) and appropriate peak flows in accordance with population and per capita flow estimates provided by the applicant. Project capacity must be consistent with environmental constraints.

Eligible capacity for treatment plants and collection systems will be up to a period of twenty (20) years from the estimated date of initiation of construction. For projects with a design capacity greater than 20 years, eligible and ineligible costs shall be determined on an incremental basis. Eligible capacity for multiple phased projects shall be determined on a case by case basis.

Eligible capacity for interceptors and outfalls will be up to forty (40) years from the estimated date of initiation of construction. Allocation between eligible and ineligible costs shall be determined on an incremental basis. Eligible Capacity for multiple phased projects shall be determined on a case by case basis.

Eligible capacity shall be calculated by multiplying the appropriate local population projection by an appropriate local per capita flow figure. For existing treatment facilities, the per capita flow shall be based on the existing population and the measured flow. The flow thus calculated will be deemed to include all the eligible project flows, (residential, commercial, existing Federal facilities, existing industrial, and infiltration/inflow). Eligible capacity will be determined at the facilities planning stage.

The applicant will be responsible for documenting, in the facilities plan, the peaking factors used for the project.

A more detailed discussion of project component eligibility is contained in Appendix H.

G. Population or Flow Projections

Population projections must be from an independent agency [i.e. Regional Council of Governments, appropriate local planning agencies, Department of Finance, or Areawide Water Quality (208) Management Plans]. Population or flow projections will be used to determine the eligible project capacity. Depending on the apparent reasonableness of the local projection, the Division may require additional documentation to support the reasonableness of the projection. A detailed discussion of the local projections should be included in the Project Report.

H. Industrial and Federal Facilities

Eligible capacity will include flows from existing Federal and industrial facilities discharging to the municipal system.

I. Preliminary Loan Commitment

The Division will take the project to the SWRCB for a Preliminary Loan Commitment after the Division has issued facilities plan approval and the applicant has concurred with the eligible project. The loan application should be submitted before the project is considered by the SWRCB for the preliminary loan commitment. The preliminary loan commitment will expire at the end of the time period specified in the SWRCB resolution approving the loan commitment.

The specified time period will be the date the applicant submits biddable plans and specifications to the Division, unless otherwise specified in the SWRCB's resolution. If biddable plans and specifications, or a request for biddable Design-Build proposals for Design-Build projects are not received by the expiration date of the preliminary loan commitment, the Division may approve up to a ninety (90) day extension for a good cause.

J. Design-Build Projects

Applicants requesting SRF loan assistance for Design-Build projects will be required to complete both a facilities planning process and a Design-Build selection process. The planning process will follow the planning documentation requirements described under Section IX. above, and the Design-Build process will follow a two-phase selection process. The two-phase selection process is a procurement process which includes the preparation of a Request for Design-Build Qualifications (RFQ) to pre-qualify the bidders and a Request for Design-Build Proposals (RFP) from the pre-qualified bidders. For additional information on implementation of the Design-Build process, it is recommended that the applicant refer to the RFQ/RFP Guide Section of the 'Design Build Manual of Practice' published by the Design Build Institute of America (DBIA) (Phone No. (202) 682-0110).

Before a RFP is issued, the applicant must complete a RFQ process. The applicant shall prepare RFQ documents for the selection of the most qualified Design-builders who have the greatest potential to design and build the proposed project and submit the documents to the Division for review and approval. In this document, the applicant must establish clear and objective standards or criteria which will be used to determine the most qualified firms to be invited to prepare and submit a Design-Build bid proposal. Responses from Design-builders must be evaluated and Design-builders must be pre-qualified by the applicant before issuing a RFP.

Before the RFP is finalized, the applicant shall select a Design-Build Technical Review Panel (Panel) to review the RFP. See further discussion at the end of this section for the Panel selection and RFP review requirements. The RFP must provide enough information to clearly explain the project objectives and the design intent. At a minimum, project objectives, process treatment requirements (design criteria), unit processes, external constraints that apply to the project, site definition, geotechnical investigations, process definition, performance requirements, permit requirements, and similar information needs to be provided. The minimum effort is similar to completion of a preliminary design that represents approximately

15 to 20 percent of the conventional design effort.

The Panel shall review the RFP to insure the Design-Build objectives and conditions, as discussed below, are described properly and accurately. Based on the results of the Panel's review, the RFP will be finalized. Only those Design-builders who are pre-qualified by the applicant will receive the RFP and only they may submit a Design-Build bid proposal. The RFP must provide a scope of work that is sufficiently detailed to allow pre-qualified bidders to produce cost-effective bid proposals. Also, criteria for selection of the successful bidder should be communicated clearly and structured such that the qualification-based bidding process is reinforced.

The final RFP shall be prepared and submitted to the Division along with a copy of the adopted Waste Discharge Requirements (WDR) issued by the RWQCB. While early submittal is not a program requirement, the Division strongly recommends that applicants submit a draft RFP for review well in advance of soliciting bids. The final RFP shall be submitted to the Division for review and approval before advertising for bid proposals.

The applicant will evaluate the bid proposals and make the final selection of the bid proposal which provides the best value. Best value is determined by both qualitative factors (e.g., design solution, management and schedule) and proposed bid price in the evaluation and selection process. The Panel that was used to review the RFP will also review the applicant's evaluation of the bid proposals and make a recommendation to the applicant. If the applicant does not concur with the Panel's recommendation, the applicant must provide the Division with the justification for not considering the Panel's recommendation. The Division reserves the right to reject the applicant's selection if not fully justified. The final loan contract and the Approval to Award (ATA) the Design-Build contract will be issued by the Division after the successful bidder is selected by the applicant and ATA must be obtained from the Division before initiating construction.

K. Technical Review and Panel Selection Requirements For Design-Build Projects

The preparation of a RFP for all Design-Build projects must be undertaken by SRF loan applicants with the assistance of individuals knowledgeable of public contracting requirements, and with the help of professionals experienced in the application of the performance criteria appropriate to facility needs.

All SRF loan applicants for Design-Build projects shall meet the following technical review and Panel selection requirements prior to the completion of preliminary (up to 20 percent) design.

1. The proposed technical review effort should be completed in accordance with the RFQ/RFP Guide Section of the Design Build Manual of Practice published by the DBIA or equal.
2. The technical review must insure that the RFP outlines: 1) the Design-builder selection criteria clearly; 2) details the project description, project objectives, design intent, design criteria, unit processes, responsibility/risk allocation, and submittal requirements; 3) includes the responsibilities of the owner, Design-builder, Design-builder's architect (including the engineer and other professionals); 4) specifies responsibility for performance, scheduling, permits, fees and insurance; 5) specifies liquidated damages (if any); 6) and addresses other construction related issues properly and accurately. In addition, the applicant's needs must be described precisely and in a manner that will be universally interpreted and understood.
3. The applicant's consultant, or any company affiliated with the consultant, responsible for performing any portion of the project design, assisting in preparation of the RFP, or performing the technical review of the RFP, is not permitted to participate on a team to bid on the Design-Build proposal.
4. The applicant's consultant, or any company affiliated with the consultant, but responsible for performing only the project planning, is permitted to bid on the Design-Build proposal.
5. The applicant, and or consultant, or any company affiliated with the consultant, responsible for performing the project planning, preparing preliminary design, or assisting in the preparation of the RFP, is not permitted to be the leader of the Panel or comprise more than twenty (20) percent of the Panel membership.
6. The Panel leader will be selected by the applicant using a qualifications-based selection process (Cal. Govt. Code Section 4525-4529).

It is highly recommended that loan applicants submit a Request for Proposal for Technical Review Services (Proposal) to the Division for review prior to soliciting Panel members. This will eliminate the necessity to re-advertise if the Proposal or the Panel is found not acceptable by the Division. Once the Panel is selected, the applicant must submit the results to the Division for approval, including copies of the proposal, a description of the selection process, and the qualifications of the selected Panel members.

The cost of the technical review effort is included in the planning allowance described in Section XII.B.

Failure to complete a technical review effort, in accordance with the referenced DBIA manual, or equal, and the provisions stated above, will result in the proposed project being ineligible for SRF loan funding.

X. PLANS AND SPECIFICATIONS

A. Review Procedures

The primary focus of the review of the final plans and specifications will be to determine if the design is consistent with the facilities described in the Facilities Plan approval letter, if the proposed project, in concept, will meet discharge requirements, and if it will comply with applicable Federal and State loan program requirements. The final plans and specifications must be approved by the Division and the applicant must agree to the eligibility determinations and performance certification standards prior to issuance of the loan contract.

Applicants, at their option, may submit ten percent plans for review if they would like an initial review prior to finalizing the project plans and specifications. Applicants may also request, at their option, a detailed design review by the Division with any comments resulting to be forwarded to the applicants and their consultants.

For Design-Build projects, the review and approval of the design of the project would be carried out in a three-phased approach. The first review will be done after the RFQs are submitted to the Division to determine if the evaluation and selection process used for pre-qualifying bidders is fair and equitable and that the selection criteria is described accurately and completely. The second review will be after the RFP is submitted to the Division to determine the project component eligibility; to establish project performance standards; and to verify that the proposed project is consistent with the facilities described in the Facilities Plan approval letter. The third review is after the applicant has selected the successful low bidder and the ATA is submitted to the Division. Design review during the third phase will be limited to assuring that the project being designed and constructed is consistent with the facilities described in the Facilities Plan and is the same as described in the RFP approved by the Division, and also to check if the proposed project, in concept, will meet discharge requirements, and to assure its compliance with Federal and State loan programs' constructability and biddability requirements. See SRF Design-Build Flow Chart in Appendix A for the sequence of submittal requirements.

B. Value Engineering

Applicants with estimated total project costs greater than \$10 million must conduct a Value Engineering (VE) study. VE studies are also recommended for projects costing less than \$10 million because of the potential cost savings and design improvements resulting from the VE process. An extra allowance amount will be provided for applicants conducting VE studies for projects costing less than \$10 million. (See Appendix I Allowances).

The VE study report shall be submitted with the final plans and specifications. The VE study report shall describe all the VE recommendations. If any VE recommendations are not being implemented, the submittal shall discuss the reasons for rejection. Applicants should consult with Division design staff at the ten (10) percent design stage regarding VE requirements. (See SRF Guidance Memorandum No. 3, Appendix C).

For Design-Build projects, irrespective of the project cost, an independent technical review shall be conducted prior to the completion of the RFP. The RFP shall contain the results of the technical review and form the basis for the bidding documents. For information on conducting independent technical reviews, please see Section IX.K. This technical review will replace the VE requirements that apply to normal design and construction projects.

C. Project Performance Standards

The performance standards for a project shall be established initially during the facilities planning stage and modified during the design eligibility review process, or during preparation of the Design-Build RFP. During design review, the applicant and the Division will mutually agree on specific project performance standards for loan funded unit processes and equipment. At the end of the one-year project performance certification period, actual operating data must be compared with the project performance standard to demonstrate that the loan funded facilities are operating according to plans, specifications, design criteria, and other contract documents.

Project performance standards may be established in one of two ways:

1. The recipient may request that the Division develop performance standards based on Division guidelines, or
2. The recipient may develop performance standards for Division approval.

Project performance standards shall be based on applicable project objectives, design criteria, waste discharge requirements, and conformance with

construction plans and specifications. The standards will describe monitoring data necessary for project certification, including sampling locations, frequency of sampling, flow conditions, duration of sampling, and testing procedures for mechanical equipment. For nondischarging projects (such as I/I correction and pump stations), the project performance standards include meeting performance test standards of the construction contract documents, and where appropriate, the elimination of overflows and reduction of infiltration/inflow to the levels specified in a SSES.

The applicant and the Division will mutually agree on the project performance standards before final plans and specifications, or Design-Build RFP approval. The agreement on project performance standards will be included as part of the loan contract. Further information on project performance standards is included in Appendix J, Guidelines for Project Performance Certification.

D. Loan Contract

1. Normal projects

The loan contract will be issued after final plans and specifications are approved and all other program requirements have been satisfied. The loan amount will be based on the engineer's estimate of the eligible project costs. The loan contract will be amended once at the ATA to reflect the actual project costs, subject to the 50 percent cost increase limit under Section XV.D.

2. Design-Build Projects

For Design-Build projects, the loan contract will be issued after the SWRCB has made the preliminary loan commitment and after the applicant's RFP has been reviewed and approved by the Division. The loan contract will be amended after the Division issues the ATA that reflects the actual eligible project costs.

E. Labor Wage Provisions

The recipient must comply with State wage determinations. The final plans and specifications will be reviewed to make sure the proper wage determination provisions have been inserted in the specifications. The recipient will be responsible for assuring compliance with applicable labor laws.

F. Minority Business Enterprise/Women's Business Enterprise (MBE/WBE)

The recipient must insert the following forms (see Appendix K) in its contract bidding documents: 1) Contract Provisions Relative to MBE/WBE:

2) MBE/WBE Self Certification (Attachment A); and 3) Form 4700-5 (Attachment B). Furthermore, a prebid conference with the prospective bidders is strongly encouraged to explain the MBE/WBE "positive effort" requirement.

The recipient must submit three MBE/WBE forms with the ATA request package. These are: 1) Attachment B (submitted with the bid); 2) Attachment A; and 3) the applicant's MBE/WBE Positive Effort Certification (see Appendix O). In the event the bidder does not meet the MBE/WBE fair share objectives, additional documentation must be submitted to the Division by the recipient to demonstrate that the low bidder complied with the positive effort steps listed in the Contract Provisions for MBE/WBE Utilization in Appendix K.

If acceptable positive effort steps have not been taken, the Division cannot authorize the award of the construction contract. Selecting the next low, responsive, responsible bidder, or rebidding the contract, are acceptable alternatives for the recipient if loan assistance is still desired. The loan contract will be amended to reflect the costs of selection of the next low, responsive, responsible bidder or the low, responsive, responsible bidder after rebidding.

Recipients shall report MBE/WBE utilization to the Division on the MBE/WBE Utilization Report, SWRCB Form MBE/WBE UR334 (See Appendix L). Reports must be submitted to the Division within ten (10) calendar days following the end of each federal fiscal quarter until such time as the "Notice of Completion" is issued.

XI. COMPLIANCE WITH OTHER FEDERAL STATUTES AND AUTHORITIES

In the January 28, 1988 Final Guidance for State Revolving Funds, EPA listed a number of other Federal laws and authorities that must be followed for activities supported with SRF funds directly made available by capitalization grants. Appendix M contains a current list of these other laws and authorities with a sample certification form.

Prior to issuance of the loan contract, applicants will be required to certify that they have complied, or will comply, with all the other Federal authorities listed in Appendix M.

XII. ALLOWANCES

A. Normal Allowances

A fixed amount of loan funds will be provided to the loan recipient to partially offset costs for planning, design, construction management, administration, and prime engineering. An additional design allowance

(see Appendix I) is included for applicants doing VE studies for projects costing less than \$10 million. For projects costing more than \$10 million, the cost of the VE study is included in the design allowance. Payment of the planning and design allowances will be made on actual costs incurred and may be requested as soon as the loan contract is issued. The allowance amounts will be determined from the eligible construction costs at the ATA stage.

B. Design-Build Allowances

The allowance for Design-Build projects will be determined by entering the allowance tables (See Appendix I) at the amount proposed by the Design-Build contractor. The amount for design will be multiplied by 80 percent and that amount deducted from the Design-Build contractor's proposed amount. The resulting amount (construction cost) will be used to reenter the tables for all allowances. To the planning allowance will be added 20 percent of the design allowance calculated and no allowance will be allowed for design. For Design-Build projects with construction costs under \$10 million, the value for VE will also be added to the planning allowance. For example: the Contractor's bid amount for a treatment plant is \$10 million. The Design Allowance for \$10 million is \$490,070. Eighty percent is \$392,056. The construction cost is \$9,607,944 (\$10,000,000-\$392,056).

The allowances for \$9,607,944 normal project are:

Planning	\$242,926
Design	\$473,079
Construction	\$853,125
Administration	\$ 86,471
Prime Engineering	\$ 25,669
Value Engineering	\$ 30,000

For a Design-Build project, the allowances are:

Planning	\$367,542	[\$242,926+(20% \times \$473,079)+\$30,000]
Design	\$ -0-	
Construction	\$853,125	
Administration	\$ 86,471	
Prime Engineering	\$ 25,669	

The allowance should not be construed to represent a limit for each project. Needs must be considered on the basis of specific factors associated with that project. Such consideration could result in engineering costs which are appropriate and which could be higher or lower than the amount of the allowance. There are separate tables for pipeline projects and treatment facilities. The tables provided in Appendix I also take into account projects that may have received previous grants for planning and/or for design.

The final allowance will be calculated by a computer program based on the eligible low bid amount. The tables included in Appendix I of this Policy should only be used to estimate the amount of the allowance.

XIII. LOAN APPLICATION AND CONTRACT AWARD

The loan application should be submitted with the Facilities Plan. Following the preliminary loan commitment and prior to design completion, the applicant is required to advise the Division whether the proposed project would be completed using Design-Build or the design-bid-build (normal) method of construction. Depending on the choice of the construction method, the Division will prepare a loan contract checklist to assure all program requirements have been met before award of loan assistance. A sample of the loan application, loan contract and checklist are contained in Appendix N. The loan contract for normal projects will be awarded after the final plans and specifications are approved based on the engineer's estimate of the eligible project costs. However, for Design-Build projects, the loan contract will be awarded after the RFP is approved by the Division based on the engineer's estimate for the eligible project.

XIV. APPROVAL TO AWARD (ATA)

Recipients will be required to submit an ATA package to the Division for review and approval prior to awarding the construction contracts.

Appendix O contains the ATA Request Form and the MBE/WBE Positive Effort Certification that must be submitted with the request to award the construction contract. Appendix K contains the MBE/WBE forms that must be completed and submitted with the ATA request.

The Division will use the lowest acceptable bid to determine the final eligible loan contract amount. The Division will also review the ATA request package to assure that both the recipient and its contractors have complied with the MBE/WBE positive effort requirements.

Neither the EPA nor the SWRCB will be involved in resolving bid disputes. Bid dispute resolution will be the sole responsibility of the recipient. The ATA will not be issued until all bid disputes have been resolved by the recipient.

Once the ATA package has been submitted and is complete, and the final loan amount is agreed upon, the Division will amend the loan contract to reflect actual eligible costs and mail it to the recipient for signature.

XV. AMENDED LOAN CONTRACT

A. Interest Rate

The interest rate is set pursuant to Subsection 13480(b)(1) of the Water Code when the initial loan contract is issued. (See also Subsection 13478 of the Water Code for the local match program).

B. Final Loan Amount

The amended loan contract amount will be based on the sum of the lowest acceptable bid costs of the eligible construction project, and the appropriate allowances for planning, design, construction, prime engineering, and administration.

The final eligible project cost will be determined at the ATA stage based on the date for initiation of construction.

C. Contract Initiation

The recipient will have a maximum of six (6) months from the effective date of the loan contract to award the prime construction contract. An extension of up to 90 days may be granted by the Division in the event of unusual circumstances.

At the time of the submittal of the ATA package, the recipient must demonstrate that an amount equal to at least five (5) percent of the estimated project costs will be available for project contingencies. The contingency amount will not be eligible for loan assistance.

D. Cost Increases

After the amended loan contract is issued, all project changes that result in cost increases will be the responsibility of the recipient.

If at any time the total eligible project costs exceed the preliminary loan commitment amount by more than fifty (50) percent, the project must be taken back to the SWRCB for reapproval.

E. Future Local Debt

The SRF loan contract will contain a provision requiring the sale of future local debt to be on parity with, or subordinate to, the SRF debt unless all of the following criteria are met:

1. The applicant's non-subordinate debt is rated "A", or higher, by at least two nationally recognized rating agencies.

2. The applicant pledges that net revenues available to pay the SRF loan are at least 1.1 times the current year's debt service on SRF loans.
3. The applicant agrees to pay the 20 percent state match amount for their loan in return for a zero interest loan.

XVI. LOAN DISBURSEMENTS

Disbursements to recipients will be subject to EPA requirements and/or limitations. Costs may be submitted for payment on a monthly basis.

Costs submitted to the Division for payment must be currently due and payable to the project contractors. It will not, however, be necessary for the recipient to have actually paid the costs before requesting payment under the loan contract.

A. Loan Disbursement Requests

The recipient will receive a copy of the SRF Disbursement Request Form No. 260 or Request for Loan Disbursement Form No. 261 for zero interest loans. (see Appendix P) upon execution of the loan contract. The recipient will be responsible for completing columns C. (Costs Incurred to Date) and E. (Costs Claimed for Payment to Date). The recipient is also responsible for the certification of expenditures by the authorized representative. A copy of each processed payment request will be sent to the recipient to show the amount disbursed by the Division. Specific instructions for requesting disbursements are also included in Appendix P.

B. Allowance Requests

A request for disbursement of the planning and design allowances can be submitted as soon as the loan contract is issued. The total amount for all the allowances will also be shown on the SRF Disbursement Request Form No. 260/261 sent to the recipient. Recipients must certify that planning and design work has been completed and that claimed costs were incurred. Unless requested by the Division, it is not necessary to include invoices or other documentation for the disbursement of allowances. The final allowance amounts will be based on the eligible low bid costs and will be included in the amended loan contract. Any overpayment of allowances based on the initial loan contract which have already been paid will be subtracted from subsequent requests for disbursements.

C. Construction Progress Payment Requests

The recipient will receive a copy of the SWRCB Construction Contractor Spreadsheet Form No. 259 after the ATA has been issued by the Division and the amended loan amount has been agreed upon. Instructions for completing this form are also in Appendix P.

When requesting disbursement for construction, the recipient must include a copy of the Construction Contractor's Pay Estimate along with completed Form Nos. 259 and 260/261 (See Appendix P). The Contractor's Pay Estimate must be itemized by bid item or show a relationship between the Contractor's Pay Estimate and the bid items. The estimate must be signed by the contractor and the authorized representative. The allowance will be paid as costs are incurred. The loan disbursement will be based on the amount of money currently due and payable to the contractor for eligible bid items plus costs incurred for engineering and administration minus any amounts previously paid by the Division. The recipient should assure that adequate local funding is available to pay the contractor in case the loan disbursement is not processed before payment to the contractor is due.

D. Division Assistance

If you need assistance, or have any questions regarding submittal of a request for a loan disbursement, please contact the Chief of the Financial and Administration Unit at (916) 227-4326.

XVII. CONSTRUCTION

A. Preconstruction Meeting

The Division will conduct a preconstruction meeting with the recipient and the project construction manager to discuss construction related program requirements. This meeting is usually scheduled on the same date as the recipient's preconstruction conference with the construction contractor. The recipient should notify the Division as soon as the preconstruction conference is scheduled.

B. Construction Inspections

1. Interim Inspections

The Division may conduct interim inspections during construction. The primary purpose of any inspection will be to ascertain that the recipient is constructing the approved project according to applicable contract requirements. The first inspection will normally be held at the ten (10) percent completion point with subsequent inspections conducted as deemed necessary by the Division.

2. Final Inspections

The Division will conduct a final construction inspection. The primary purpose of the final construction inspection will be to ascertain that the proposed project was constructed according to the plans and specifications. At the time of the Division's final construction inspection, the completion of construction date will be

established for the purpose of determining the loan repayment schedule.

XVIII. OPERATION

A. Final Project Inspection

After the completion of construction date is established, the recipient and the Division will mutually agree on the initiation of operation date. The initiation of operation date is the start of the one-year project performance certification period. During the certification period, the Division will conduct a Final Project Inspection to determine if the treatment facilities are being maintained and operated satisfactorily, and are capable of meeting performance standards. The Division will prepare a final project inspection report which will identify areas of operational deficiencies, if they exist.

Recipients must provide the Division a copy of the Operation and Maintenance Manual within the first six months of operation. The manual will be used to assist the Division with the final project inspection and review of the project performance certification.

B. Project Performance Report and Certification

One year after initiation of operation, the recipient is required to certify that the project meets the project performance standards and must submit a project performance certification report. The project performance certification report should summarize the data collected during the one year project performance period and discuss the project's current and future ability to meet the project performance standards. The project performance certification report should also address any items noted as deficient in the final project inspection report. The Division will approve the certification of the project, if appropriate, at the end of the one-year certification period. A detailed outline of the Project Performance Report requirements for various types of projects can be obtained from the Operations Unit.

If the project cannot be affirmatively certified, the recipient must prepare a corrective action report which analyzes the project's inability to meet the project performance standards. The corrective action report must include an estimate of the nature, scope and cost of the corrective action, and a time schedule for meeting the project performance standards. The time schedule must include an estimated date by which the loan recipient will certify the project and submit a project performance certification report. The Division will conduct follow-up inspections, as necessary, to monitor the recipient's progress towards meeting the project performance standards. The cost of the corrective action is not eligible for loan assistance.

If the recipient does not submit a project performance certification report which includes a signed certificate of performance, or a corrective action plan, within fifteen (15) months of the initiation of operation date, an interest penalty of one-tenth of one (0.1) percent per day will be assessed on the outstanding loan balance due. The interest penalty will begin on the first day after expiration of the appropriate deadline. Further information on project performance certification is included in Appendix J.

XIX. RECORD KEEPING REQUIREMENTS

Recipients are required to maintain separate project accounts in accordance with generally accepted government accounting standards. More specifically, the following records must be maintained:

- Accounts accurately depicting amounts received and expended for the project, including all funds received from the SRF;
- Program income data; and
- Total cost of the project.

Invoices must be maintained for a period of at least three years after submittal and acceptance of an affirmative Project Performance Certification. All other records must be kept for the life of the loan.

XX. REPAYMENTS

Interest will accrue on all loan disbursements as of the date each disbursement is made. A revised repayment schedule will be issued by the Division after the recipient submits an approvable final disbursement request.

The Division will prepare a repayment schedule that includes:

- The interest rate;
- Accrued interest;
- Amount of dollars loaned;
- The final principal amount of the loan due including accrued interest; and
- A complete amortization table.

The first annual loan repayment will be due one year following the completion of construction date, as set by the Division under Section XVII.B.2. The loans will be fully amortized no later than twenty (20) years after completion of construction. The amount to be repaid will include the amount loaned plus accrued interest. The Division will normally send a repayment notice thirty (30) days before the date each repayment is due, but prompt repayment remains the responsibility of the recipient.

A penalty of one-tenth of one percent (0.1%) per day on the amount due will be assessed for late repayment. A ten (10) day grace period will be allowed. However, if the repayment is not received by the end of the grace period, the penalty will be assessed from the repayment due date. Any penalties collected will be deposited in the SRF account to be made available for SRF assistance.

Penalties assessed will not change the principal balance of the loan contract. Such penalties will be treated as a separate account in addition to the annual repayment due.

All repayments are to be sent to:

Chief, Administration and Operator Certification Section.
Division of Clean Water Programs
P.O. Box 944212
Sacramento, CA 94244-2120

XXI. BOARD RESERVATION OF AUTHORITY

Prior to the signing of any loan contract, the SWRCB reserves the right to modify this SRF Policy as necessary to provide for effective and equitable use of SRF funds, including:

- Reducing the eligible loan amount for any project;
- Adjusting the terms for repayment of the loan consistent with applicable statutes.

Any such action will be taken only in a manner consistent with applicable Federal and State requirements and after any prospective applicant, adversely affected by the action, has had an opportunity to comment on the proposed action.

XXII. ELIGIBILITY DISPUTES

Any dispute which is not otherwise resolved shall be referred to the Chief of the Division, or his/her delegate, for decision. The decision by the Chief of the Division, or his/her delegate, shall be reviewable by the SWRCB, at the option of the SWRCB.

In the event that a Division Decision is not acceptable, the applicant or recipient may appeal within 30 days to the Chief of the Division for a final Division Decision. If the applicant or recipient is not satisfied by the final Division Decision, the applicant or recipient may appeal to the SWRCB within 30 days. The Office of the Chief Counsel of the SWRCB will prepare a summary of the dispute and make recommendations relative to its final resolution, which will be provided to the SWRCB's Executive Director and all the SWRCB Members. Upon the motion of any SWRCB Member, the SWRCB will undertake to review and resolve the dispute in the manner determined by the SWRCB. Should the SWRCB determine not to

review the Final Division Decision, this decision will represent a final agency action on the dispute.

These provisions do not pertain to disputes under an executed loan contract. Such disputes shall be resolved in accordance with the disputes resolution provisions of the contract.

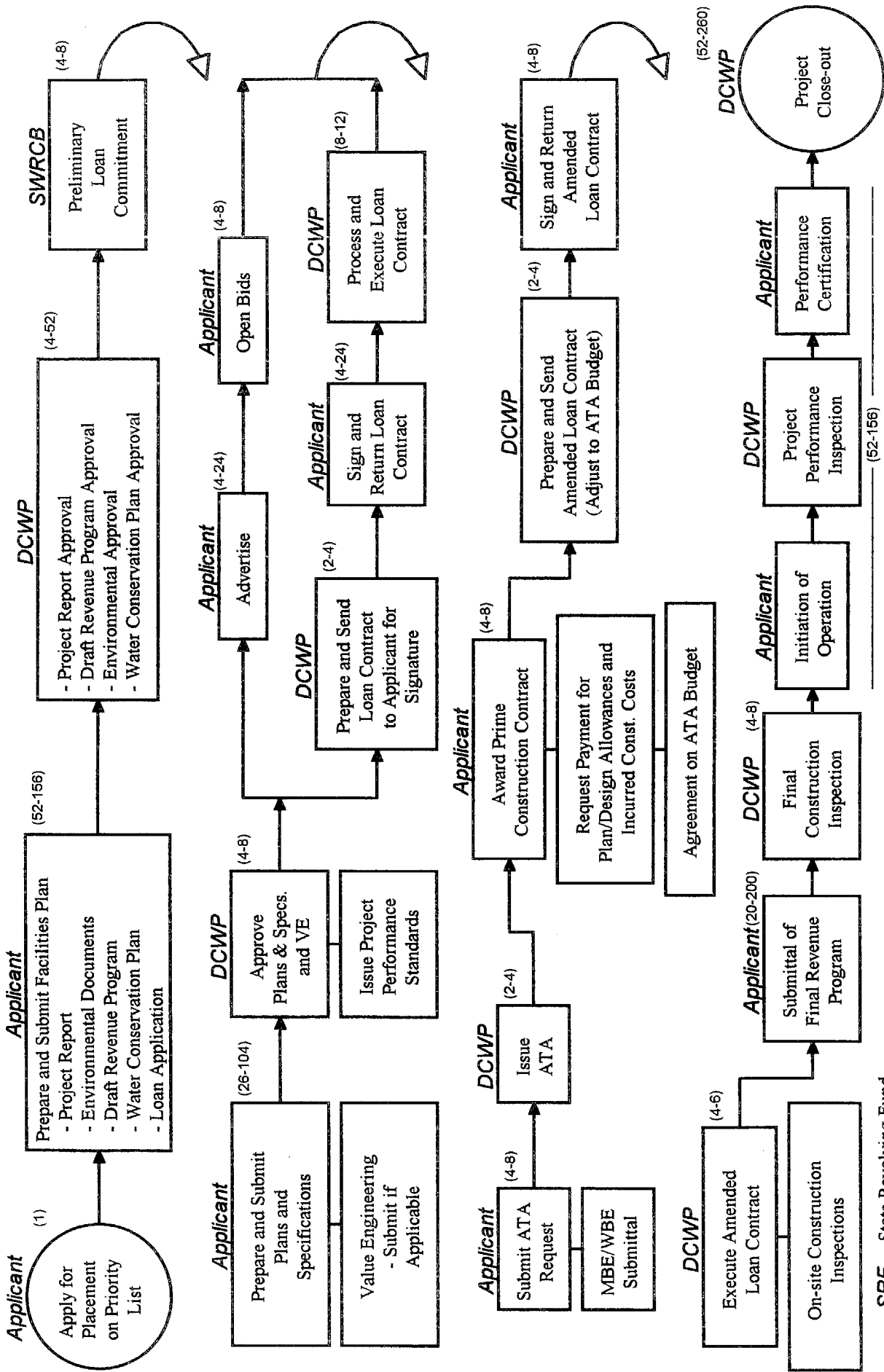
APPENDIX A

SRF LOAN PROGRAM FLOW CHART

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD

Division of Clean Water Programs

SRF LOAN PROGRAM FLOW CHART



SRF - State Revolving Fund
DCWP - Division of Clean Water Programs
SWRCB - State Water Resources Control Board

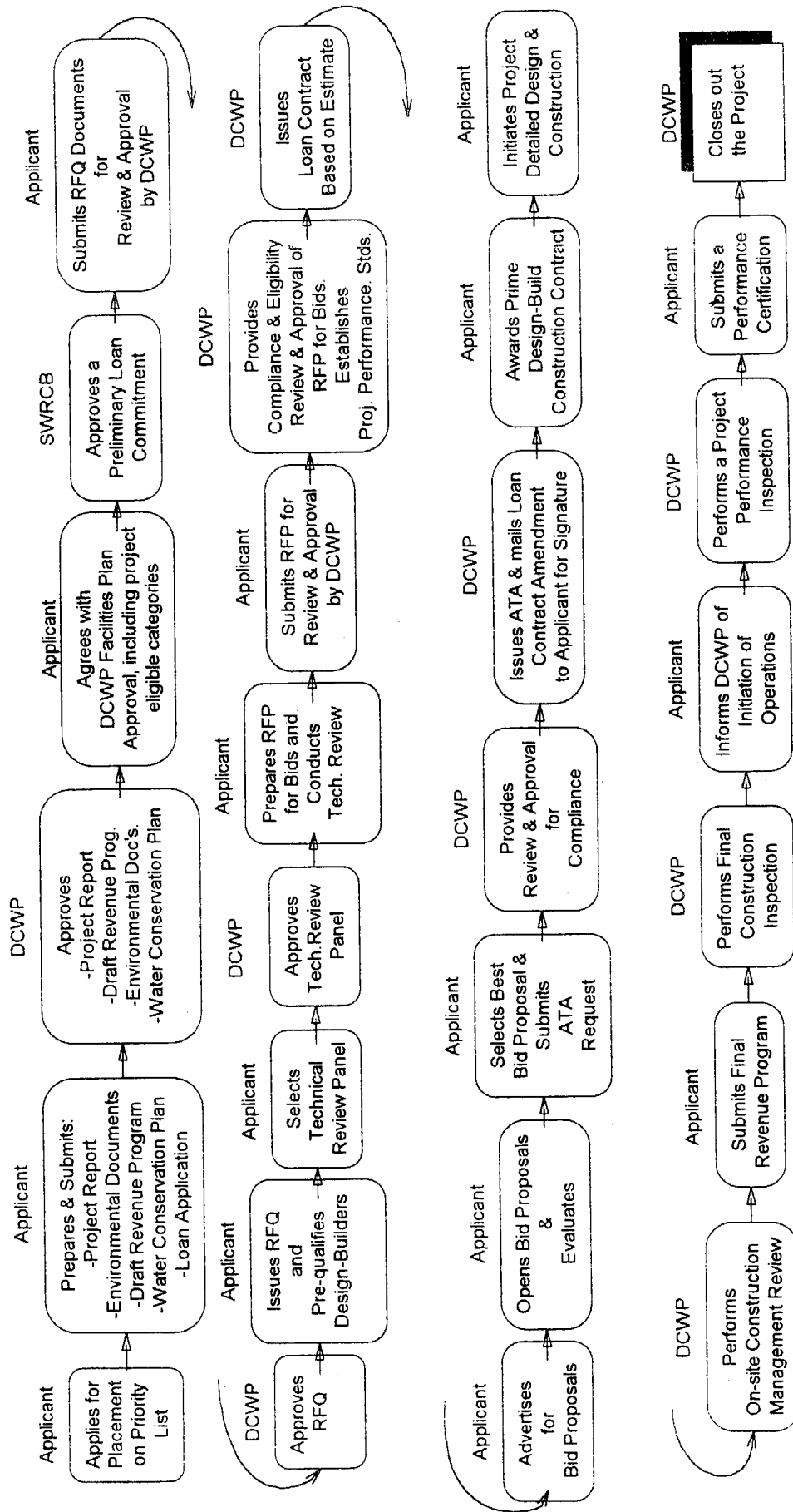
() - Approximate time to complete task in weeks.

Date: 9/14/94

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD

Division of Clean Water Programs

SRF DESIGN-BUILD PROJECT FLOW CHART



Notes:

- SRF - State Revolving Fund
- DCWP - Division of Clean Water Programs
- SWRCB - State Water Resources Control Board
- ATA - Approval To Award
- RFQ - Request for Qualifications
- RFP - Request for Proposal

APPENDIX B

SRF LOAN PROGRAM CONTACTS

**STATE REVOLVING FUND PROGRAM
CONTACTS AT THE STATE
WATER RESOURCES CONTROL BOARD**

PLANNING

Farouk Ismail (916) 227-4563
Howard Whitver (916) 227-4432

ENVIRONMENTAL

Wayne Hubbard (916) 227-4480

REVENUE PROGRAM

Ron Blair (916) 227-4489

WATER CONSERVATION

Mike Farro (916) 227-4589

POLICY

Eric Torguson (916) 227-4449

PRIORITY LIST

Gus Atkins (916) 227-4475

DESIGN REVIEW

Nick Kontos (916) 227-4579

LOAN CONTRACTS

Ame Mathies (916) 227-4433

CONSTRUCTION

Lynn Johnson (916) 227-4580

PERFORMANCE CERTIFICATION

Sandy Houck (916) 227-4564

APPROVAL TO AWARD

Ron Blair (916) 227-4489

PAYMENTS

Eva Kawada (916) 227-4471

RECLAMATION

Lynn Johnson (916) 227-4580

NONPOINT SOURCE

Bill Campbell (916) 657-1043

APPENDIX C
ADDITIONAL PROGRAM GUIDANCE

STATE WATER RESOURCES CONTROL BOARD
RESOLUTION NO. 88-84

USE OF LOCAL MORATORIUMS FOR DETERMINING
STATE REVOLVING FUND LOAN (SRF) PRIORITIES

WHEREAS:

1. The State Water Resources Control Board (State Board) effectively used locally-imposed moratoriums on individual disposal systems to determine priority list classes under the Clean Water Grant Program.
2. The State Board initially will use the same priority system for the SRF Loan Program.

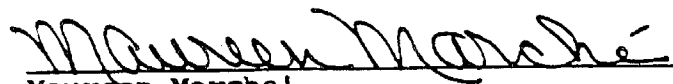
THEREFORE BE IT RESOLVED THAT:

For the purpose of the SRF Loan Program, the State Board will continue to accept locally-imposed moratoriums in lieu of Regional Board prohibitions where the following criteria have been met:

1. The local moratorium prohibits the construction and use of new individual disposal systems;
2. The local moratorium contains a requirement that residents within the boundaries of the moratorium connect to the public system when it becomes available;
3. The local government entity imposing the moratorium agrees to delegate, to the Regional Board, the final authority for approval of any exemptions to the moratorium; and
4. The Regional Board adopts a resolution accepting the locally-imposed moratorium in lieu of a prohibition.

CERTIFICATION

The undersigned, Administrative Assistant to the State Water Resources Control Board, does hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the State Water Resources Control Board held on July 21, 1988.



Maureen Marche
Administrative Assistant to the Board

STATE WATER RESOURCES CONTROL BOARD
DIVISION OF CLEAN WATER PROGRAMS

STATE REVOLVING FUND
GUIDANCE MEMORANDUM

No.2 - CONSTRUCTION CONTRACT SPECIFICATION REQUIREMENTS FOR PIPE
MATERIALS

The purpose of this memorandum is to notify you of a change in the Division of Clean Water Programs (Division) interpretation of Public Contracts Code Section 3400, as it relates to the public contract specification requirements for pipe materials.

Section 3400 of the Public Contracts Code states that:

"No agency ...calling for a designated material, product, thing, or service by a specific brand or trade name unless the specification lists at least two brand or trade names of comparable quality or utility and is followed by the words or equal ..."

Historically, the Division has considered terms such as Vitrified Clay Pipe (VCP), Reinforced Concrete Pipe (RCP), and Polyvinyl Chloride Pipe (PVC) as "trade names" for pipe materials. As a result, the Division has required grant and loan applicants to issue contract specifications that include at least two of the "trade name" pipe material terms and the words "or equal".

Pursuant to the Division's Final Division Decision letter dated July 7, 1993 it has now been determined that terms such as VCP, RCP, and PVC are not considered "trade names". Therefore, compliance with the "two or equal" requirement of Section 3400 for the contract specifications for pipe materials, will not require the use of specifications of more than one type of pipe material (e.g. VCP and PVC).

Notwithstanding this change in the interpretation of Section 3400, you should advise loan applicants that the Division strongly recommends that contract specifications be prepared such that the option of alternative pipe materials is included. Also, if the Value Engineering team recommends that allowing the bidding of other materials could save money, the loan applicant will be required to bid multiple materials. If the loan applicant refuses to accept the lowest bid then the loan will be reduced by the amount of the projected savings.



Harry M. Schueller, Chief
Division of Clean Water Programs

Date: April 20, 1994

STATE WATER RESOURCES CONTROL BOARD
DIVISION OF CLEAN WATER PROGRAMS

STATE REVOLVING FUND
GUIDANCE MEMORANDUM

No.3 - VALUE ENGINEERING REQUIREMENTS

The purpose of this memorandum is to outline the established procedures for implementing the Value Engineering (VE) requirements for State Revolving Fund (SRF) loan projects.

The SRF Loan Program states that value engineering is required where the estimated construction cost at the completion of Facilities Planning is equal to or greater than \$10 million. In situations where projects are segmented, the requirement for VE will be based upon the estimated total construction cost of the project, not the cost of each segment individually.

All SRF loan applicants must be advised of the following VE requirements at the completion of Facilities Planning.

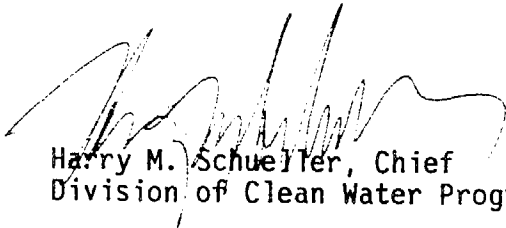
- * The proposed VE effort must be completed in accordance with the Environmental Protection Agency (EPA) publication Value Engineering For Wastewater Treatment Works (September 1984).
- * The Value Engineering Team Coordinator (VETC) selected to conduct the VE workshops must be recognized by the Society of American Value Engineers (SAVE) as a Certified Value Specialist (CVS), and have participated in at least ten (10) VE workshops.
- * The consultant or company that is responsible for performing the project design is not permitted to perform the VE workshops.

Encourage loan applicants to submit Request-For-Proposals (RFP) for VE services to the Division for approval prior to advertising for proposals. This will eliminate the necessity to re-advertise if the RFP/VE Team is not acceptable.

Notify the loan applicants that the cost of the VE effort are considered to be included in the design allowance. Therefore, additional SRF loan funds will not be provided to complete the VE effort.

Make sure loan applicants understand that the failure to complete a VE effort, in accordance with the referenced EPA publication and the provisions stated above, will result in the proposed project being ineligible for SRF loan funding.

You should also encourage all loan applicants to complete value engineering on all projects regardless of construction cost.



Harry M. Schuetter, Chief
Division of Clean Water Programs

Date: April 20, 1994

STATE WATER RESOURCES CONTROL BOARD
DIVISION OF CLEAN WATER PROGRAMS

STATE REVOLVING FUND
GUIDANCE MEMORANDUM

No.4 - CONSTRUCTION CONTRACT SPECIFICATION REQUIREMENTS - PUBLIC
CONTRACTS CODE SECTION 3400 COMPLIANCE

The purpose of this memorandum is to clarify the Division's position regarding the eligibility of projects that do not satisfy the "two or equal" requirement of Section 3400 of the Public Contracts Code and the Division's role in ensuring compliance with Section 3400 on SRF loan funded projects.

In general, the Division cannot issue Plans and Specifications Approval to any project that we believe includes violations of the "two or equal" provision of Section 3400 of the Public Contracts Code.

If during our review of the plans and specifications we discover any apparent or suspected violations of Section 3400, we should (1) notify the loan applicant, in writing, of the violation and the ramifications of non-compliance; and (2) request a legal opinion from their legal counsel certifying that the project plans and specification fully comply with the provisions of Section 3400, for those instances where the loan applicant believes there is no violation.

Please coordinate with our own legal staff on specific items in question, prior to notifying the loan applicant.



Harry M. Schueller, Chief
Division of Clean Water Programs

Date: April 20, 1994

STATE WATER RESOURCES CONTROL BOARD
DIVISION OF CLEAN WATER PROGRAMS

STATE REVOLVING FUND
GUIDANCE MEMORANDUM

No.5 - APPLICATION OF UNIFORM RELOCATION ACT TO PROJECT IN THE SRF LOAN PROGRAM

The purpose of this memorandum is to outline the basic land pursuant to the State Revolving Fund (SRF) Loan Program.

Although, the SRF Loan Program Policy (January 1993) identifies the purchase of land, easements, and rights-of-way as ineligible for loan funding, loan applicants must comply with the following requirements if their projects involve the acquisition of land, easements, or rights-of-way.

Acquisition Requirements

- * Loan applicants must comply with the provisions of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (Uniform Act). Loan applicants must provide certification that the requirements of the Uniform Act have been satisfied.
- * Loan applicants must identify the land, easements, and/or rights-of-way that must be acquired for the project during the Facilities Planning phase of the project. The Project Report must include maps that identify the parcels, easements, and rights-of-way that must be acquired.
- * All land, easements, and/or rights-of-way that are acquired for loan funded projects must be secured for a minimum of twenty (20) years from the date of project certification.

Loan applicants should be informed that the State Water Board will not issue an SRF loan contract until the acquisition of all required land, easements, and/or rights-of-way have been completed. In addition, it should be made clear to loan applicants that the failure to comply with the Uniform Act requirements will result in their project being ineligible for SRF loan funding.

Loan applicants that have specific questions or need guidance in compliance with the land acquisition requirements should be directed to Mr. Ron Blair, the Division's Land Acquisition Coordinator.



Harry M. Schueller, Chief
Division of Clean Water Programs

Date: April 20, 1994

STATE WATER RESOURCES CONTROL BOARD
DIVISION OF CLEAN WATER PROGRAMS

STATE REVOLVING FUND
GUIDANCE MEMORANDUM

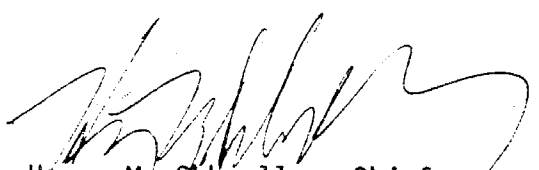
No.6 - CONSTRUCTION MANAGEMENT

The purpose of this memorandum is to address questions that have been raised by SRF loan applicants regarding construction management under the SRF Loan Program.

Loan applicants should be notified that we do require that full-time construction management and inspection services be provided for the duration of the construction.

Pursuant to the SRF Loan Program Policy, loan applicants are entitled to an allowance for construction management services on their projects. However, we are not involved in the review and approval of construction management services contracts.

For those loan applicants that require assistance in the selection of a qualified construction management firm, the Division has developed a sample Request-For-Proposal (RFP). Copies of the sample RFP are available from the section secretary. Please note that the sample RFP only includes typical CM services. Loan applicants should be informed that the sample RFP should be used only as a guide in preparing an RFP that addresses the specific CM services necessary for their particular projects. In addition, it should be made clear to loan applicants that they must satisfy all applicable state and local procurement laws and ordinances, respectively.



Harry M. Schueller, Chief
Division of Clean Water Programs

Date: April 20, 1994

STATE WATER RESOURCES CONTROL BOARD
DIVISION OF CLEAN WATER PROGRAMS

STATE REVOLVING FUND
GUIDANCE MEMORANDUM

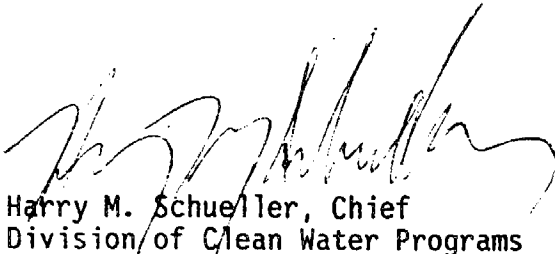
No. 7 - CONSTRUCTION STARTED PRIOR TO LOAN AWARD

Applicants with projects that have received Facilities Plan Approval after January 21, 1993, should be made aware of the following eligibility policy:

1. The project must have Plans and Specifications Approval prior to SRF Loan Award.
2. Any construction costs incurred prior to effective date of the SRF Loan will not be eligible for Loan funds.
3. The effective date of the SRF loan will be the date of the Plans and Specification Approval. This date will also be the date specified in the loan contract as the date the loan is made between the State of California and the loan applicant.

This policy should be emphasized in all our contacts with the loan applicants.

Applicants with projects that received Facilities Plan Approval prior to January 21, 1993, are not affected by this policy.



Harry M. Schueller, Chief
Division of Clean Water Programs

Date: April 20, 1994

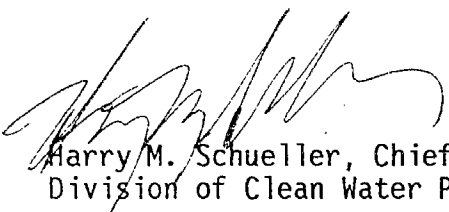
STATE WATER RESOURCES CONTROL BOARD
DIVISION OF CLEAN WATER PROGRAMS

STATE REVOLVING FUND
GUIDANCE MEMORANDUM

No. 8 - PUBLIC UTILITY SERVICE AND RELOCATION

As the results of discussions among the Division staff, the loan program guidance relating to construction funding of work concerning public utilities will be as follows:

1. Relocation costs of public utilities that interfere with the construction of eligible projects are eligible.
2. Public utilities are defined as those publicly or investor-owned utilities furnishing gas, electric, water, telephone, or cable T.V. services.
3. Line items in the contractor's bid establishing a dollar amount for connection or relocation of a public utility will be eligible for loan funds subject to the transmittal of proper invoices for the work.
4. It is not necessary that the exact work to be done be shown on the plans or be a part of the specification, but the cost and general scope of this work must be specified as part of the construction bid.
5. Any work, including work by public utilities, that is not included in the selected low contractor's construction bid or specified in the allowance tables in the policy will not be eligible for loan funds.



Harry M. Schueller, Chief
Division of Clean Water Programs

Date: April 20, 1994

APPENDIX D

WATER RECYCLING FUNDING GUIDELINES

WATER RECYCLING FUNDING GUIDELINES



April 17, 1997

California State Water Resources Control Board
Office of Water Recycling

WATER RECYCLING FUNDING GUIDELINES

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California State Water Resources Control Board
Office of Water Recycling

WATER RECYCLING FUNDING GUIDELINES

April 17, 1997^a

PART ONE: BACKGROUND INFORMATION

I. INTRODUCTION

The State Water Resources Control Board (SWRCB) has three programs to provide financial assistance to local agencies for water recycling projects. The purpose of these guidelines is to explain the types of assistance available under each program and describe the procedures and funding criteria for applicants to obtain funds. Definitions of terms and abbreviations used in these guidelines are provided in Appendices A and B.

Grant funding assistance is available for water recycling project planning under the Water Recycling Facilities Planning Grant Program (FPGP). In addition, low interest loans are also available for planning under the State Revolving Fund (SRF). Low interest loan funds are available for design and construction of water recycling projects under the Water Recycling Loan Program (WRLP) or the SRF. The guidelines are presented in three parts. The first part includes background information applicable to all funding programs. A description of the FPGP is provided in the second part. Part Three has descriptions of the WRLP and SRF loan assistance programs.

These guidelines apply to all projects that have not received a preliminary grant or loan commitment from the SWRCB as of April 17, 1997. The provisions of these guidelines dealing with mandatory use ordinances for recycled water market assurances do not apply to agencies where their ordinances have received approval for the current loan application prior to June 16, 1994.

^a These guidelines were adopted by the State Water Resources Control Board on April 17, 1997.

Funding for the WRLP is provided by three bond laws described below. The basis for the FPGP is the Safe, Clean, Reliable Water Supply Act (1996 Bond Law). The SRF is funded by federal grants and various state and local sources. These guidelines are also applicable to the SRF for all water recycling projects except those justified only on the basis of meeting pollution control needs (classified as Category II recycling projects later in these guidelines). In addition to these water recycling guidelines, the "Policy for Implementing the State Revolving Fund for Construction of Wastewater Treatment Facilities" (SRF Policy) also applies to agencies applying for an SRF loan. Because of some differences in the laws and policies governing the WRLP and SRF, an SRF applicant should refer to "State Revolving Fund Loan Program Funding for Water Recycling Projects." (Refer to Appendix E to obtain other SWRCB publications related to these programs.)

A. Clean Water Bond Law of 1984

A Water Reclamation Account was established under the Clean Water Bond Law of 1984 (1984 Bond Law) which authorized up to \$25 million for low-interest loans to municipalities to assist in the design and construction of water recycling projects. Repayments of principal and interest are returned to the Water Reclamation Account to make additional loans. Also, the first \$30 million in principal and interest repaid for loans for wastewater facilities from the Clean Water Construction Grant Account, provided for in the 1984 Bond Law, will be deposited in the Water Reclamation Account. Loans for water recycling projects can be for a period of up to 25 years at an interest rate equal to 50 percent of the rate paid by the State on the most recent sale of state general obligation bonds. A moratorium on payments of principal and interest is not permitted. No single project may receive more than a \$10 million loan from this program. Loans can cover any part of a project up to 100 percent of eligible project design and construction costs.

B. Clean Water and Water Reclamation Bond Law of 1988

Up to \$30 million was initially available under the Clean Water and Water Reclamation Bond Law of 1988 (1988 Bond Law) for low-interest loans to local public agencies to aid in the design and construction of water recycling projects. In addition, the SWRCB exercised authority under the 1988 Bond Law to transfer an additional \$10 million into the Water Reclamation Account. "Local public agencies" do not include state agencies, which are included in the 1984 Bond Law as part of "municipalities". Loan repayments from these funds do not become part of a revolving fund as is the case of the 1984 Bond Law. The loan provisions are the same as for the 1984 Bond Law with the exceptions that the maximum loan period is 20 years instead of 25 years, no maximum loan amount per project is specified, and state agencies cannot receive loans.

C. Safe, Clean, Reliable Water Supply Act of 1996

A Water Recycling Subaccount was established in the Safe, Clean, Reliable Water Supply Act (1996 Bond Law) for low-interest loans for design and construction of water recycling projects and for grants for facilities

planning of recycling projects. Loans for water recycling projects can be for a period of up to 20 years at an interest rate equal to 50 percent of the rate paid by the State on the most recent sale of state general obligation bonds. A moratorium on payments of principal and interest is not permitted. Loans may cover up to 100 percent of eligible project design and construction costs. Loan repayments are returned to the subaccount to make additional loans. Grants are limited to \$75,000 per planning study.

D. State Revolving Fund

The State Revolving Fund Loan Program provides low interest loans for planning, design, and construction of collection, treatment, disposal and recycling of municipal wastewater, for implementation of nonpoint source and storm drainage pollution control management programs, and for the development and implementation of estuary conservation and management programs. SRF loan provisions are similar to those in the bond laws described above for the WRLP. A detailed description of SRF provisions is provided in the SRF Policy.

E. Water Recycling Project Categories

There are four sources of funding under two programs for providing loans for the design and construction of water recycling projects. Because each funding source has its own legal constraints and primary objectives, it is necessary to define four categories of water recycling projects. The categories and their funding sources are described below.

1. Category I. New Water Supply: A cost-effective alternative for augmenting the state water supply by offsetting new freshwater development by reclaiming municipal wastewater. Generally, this category would involve wastewater that is discharged into marine or brackish waters. The recycled water users served must be water users that were using or would have used fresh water without the availability of recycled water. Category I projects with an eligible cost of less than \$15 million will be funded by the WRLP. SRF funds will be available if the eligible cost exceeds either the funds available in the WRLP or \$15 million.
2. Category II. Pollution Control: An essential component of the cost-effective alternative for the treatment and disposal of municipal wastewater to meet waste discharge requirements imposed for water pollution control. Category II projects will be funded only by the SRF.
3. Category III. Local Water Supply: A cost-effective alternative that would augment a local water supply by reclaiming municipal wastewater but that may not augment the state's water supply. Development of a local recycled water supply for one area can reduce the availability of recycled water already being used in another area. A project in Category III must not result in a net decrease in the state's water supply. The recycled water users served must be water users that were using or would have used fresh water without the availability of recycled water. Generally, this category would involve wastewater that is being discharged into fresh water or a usable groundwater basin and is being reused indirectly.

Category III projects will be funded only by the WRLP with 1996 Bond Law funds.

4. Category IV. Miscellaneous: Any water recycling project not included in the other categories. The source of water that is recycled may be municipal wastewater or groundwater that has become polluted primarily because of human activities. The project must be cost-effective based on the project objective. Category IV projects will be funded by the WRLP with 1984 or 1996 Bond Law funds or by the SRF, depending on a case-by-case evaluation of eligibility under the specific funding source.

F. Further Information and Assistance

To apply for a recycling planning grant or construction loan, complete an application form and submit it and supporting documents to the Office of Water Recycling (OWR) of the SWRCB.

Additional information can be secured by use of the order form in Appendix E. The OWR is available to answer questions and advise the applicant during the planning process. An agency anticipating a possibility of seeking a loan in the future is encouraged to contact OWR early in the planning to ensure that the scope and content of planning will cover the key issues necessary for loan approval. Advice on which category a project would fall in can be provided. The OWR can be contacted by writing to

Office of Water Recycling
State Water Resources Control Board
P. O. Box 944212
Sacramento, California 94244-2120

This office can also be contacted by telephone at (916) 227-4580 or 227-4400 or by Fax at (916) 227-4595.

II. FACILITIES PLANNING CONCEPTS

The planning process generally comprises three levels of detail--conceptual, feasibility, and facilities. At the conceptual level, a potential project is sketched out, rough costs are estimated, and a potential recycled water market is identified. At this level little investigation has occurred and information is generally preliminary in nature.

At the feasibility level, a preliminary market assessment is performed, including direct consultation with potential recycled water users. Alternative facilities are screened, considering economics, technical constraints, and other factors. The most promising project is then investigated sufficiently to determine whether it is appropriate to proceed to the facilities planning stage.

The facilities planning level represents the final stage of the planning process. Agencies are expected to complete this stage of the planning process

at the conclusion of a planning grant or before filing a loan application. At the facilities planning stage, a thorough cost-effectiveness analysis is conducted for all potential alternatives. Such an analysis includes evaluation of economics, environmental and social factors, and technical feasibility. Environmental, technical, and institutional issues are identified and potential obstacles are resolved. All necessary facilities of the recommended project have been identified, and the project is described with sufficient detail to seek funding and approvals by regulatory agencies. Potential recycled water users have been informed of the conditions for using recycled water, including probable price. A detailed market assessment is performed, and a construction financing plan and revenue program are developed. Agencies initiate formal discussions with suppliers, wholesalers, retailers, and users of the recycled water, and institutional arrangements are decided upon. Market assurances, such as mandatory use ordinances or letters of intent from users, are obtained.

As part of the planning process the agency must conduct an environmental review. Environmental review should be consistent with requirements for obtaining SRF funding from the SWRCB. Guidance is provided in "Environmental Review Process Guidelines for State Loan and Small Community Grant Applicants." It will also be necessary to obtain clearance from the SWRCB's Division of Water Rights regarding compliance with Water Code Section 1211, if the proposed water recycling project will modify a current wastewater discharge to a surface water course by changing the point of discharge, place of use, or purpose of use of the treated wastewater. Because of the time involved in state water rights review, the Petition Unit of Division of Water Rights should be contacted early in the planning process. The SWRCB will not authorize a loan commitment until water recycling requirements have been issued by the Regional Water Quality Control Board (RWQCB).

The completed facilities planning should be documented in a report, which is to be submitted in fulfillment of a planning grant or with a loan application form. The information that should be contained in a facilities planning report is shown in Appendix C. Monetary analyses, market assessment, and market assurances are described in the following sections and Appendix D.

A. Monetary Analyses

An important factor in the cost-effectiveness analysis of water recycling is an analysis of monetary costs and benefits. Monetary costs and benefits can be analyzed in different ways depending on the use of the results. In water resources planning two general categories of monetary analyses have been established: economic analysis and financial analysis. The purpose of the economic analysis is to determine whether a project alternative is justified by quantifying all monetary costs and benefits regardless of who pays the costs or receives the benefits. The intent is to determine the alternative of least net cost. The economic analysis does not have the viewpoint of any particular public agency or private entity. A financial analysis is intended to determine who pays the costs and receives the benefits and to determine financial feasibility. This analysis should indicate costs and benefits to the recycled water user, the taxpayer, and the water retailer or wholesaler,

and the sources of funds to implement the project alternatives being evaluated. A detailed discussion of monetary analyses can be found in Interim Guidelines for Economic and Financial Analyses of Water Projects (see Appendix F to order this).

1. Economic Analysis

The first step in an economic analysis is to identify all items of increased or decreased cost as a result of each alternative under consideration, including continuing without a project. The economic analysis should include the costs of all future components necessary to obtain the estimated recycled water yield for a project. If a proposed project or loan application is for system component that in itself would be insufficient to produce and transport recycled water to potential users, the costs for all associated facilities should be estimated. Costs experienced by entities other than the project sponsor must also be identified. For example, recycled water users may incur additional costs to convert to recycled water or may incur savings in fertilizer use because of nutrients in recycled water. If indirect reuse is taking place downstream from an effluent discharge, diversion of the effluent for direct reuse may result in increased water supply costs downstream.

The basis of comparison for justifying a water recycling project will depend on which category applies to the project. Some general principles apply to the analysis regardless of category. All monetary values are expressed in current dollars, excluding inflation. Because the debt service or fixed operating costs of existing facilities would not be reduced by use of recycled water, these costs are not included in the economic analysis. In an economic analysis, the present value of all immediate and future cost increases and decreases is calculated, including those experienced by other entities. The present values should be computed using a discount rate (a type of interest rate) specified by the SWRCB. To be able to compare the net cost of recycling alternatives and proposed water supply developments on a common basis, dollars per acre-foot of water developed should be computed. A water recycling alternative is considered economically justified if its net cost is less than the least net cost of other alternatives to achieve the same project objective.

Category I: For Category I the basis of comparison for justifying a water recycling project is a new freshwater supply that will be needed to serve the area of the recycled water project. The appropriate freshwater alternative for comparison is established in the facilities planning report in which the freshwater needs are projected and available facilities are discussed. The costs for use in the economic analysis of the new freshwater supply consist primarily of the capital and operation and maintenance costs of the new freshwater facilities and the variable costs of operating any existing water facilities that are needed in conjunction with the new facilities to deliver the new supply to the same market area as of the recycled water.

Category II: The basis of comparison for Category II projects is the least cost alternative pollution control project that would be needed to meet

Regional Water Quality Control Board waste discharge requirements for the protection of receiving waters.

Category III: The basis of comparison for Category III projects is existing or new freshwater supplies, analyzed similarly to Category I projects. If the effect of recycling would be to reduce the water supply to another agency, the economic effects of this must be included in the analysis.

Category IV: The factors to include in economic analyses will be determined on a case-by-case basis because the basis of Category IV projects may include objectives that do not include water supply, such as environmental enhancement. In general terms the economic analysis will include a comparison with appropriate alternatives to achieve the same project objectives. The economic effects of reduced water supply to another agency must be included, if appropriate.

2. Financial Analysis

The financial analysis actually consists of several analyses. An agency developing a water recycling project must determine the costs and savings it will experience for each potential alternative to determine whether an alternative is financially feasible. It must identify sources of funds to finance proposed alternatives. The construction financing plan and revenue program demonstrate the basic financial feasibility from the perspective of the agency. These are described in Appendix D.

Important information for the recycled water users is the cost or savings they will experience. Recycled water prices must be compared to the cost of fresh water that the users would otherwise use. The costs of on-site conversion to recycled water use must be estimated. Savings in fertilizer use should be considered.

In performing financial analyses, it is appropriate to use inflated dollars for future costs and to use an interest rate in present value analyses that is based on an agency's borrowing cost.

B. Recycled Water Market Assessment

The completion of a detailed recycled water market assessment is a critical element of the facilities planning process and crucial to the success of any water recycling project. A market assessment involves the identification of potential recycled water users, collection of information related to the users, and evaluation of the suitability of the recycled water to serve the potential market. Information is needed about and from the users to determine design criteria for a recycled water system, a recycled water pricing policy, financial feasibility, the amount and source of fresh water displaced, the institutional framework for the project, and the capability and willingness of users to take recycled water. The suitability of the recycled water is governed both by health and water pollution concerns and by the water quality needs of the users. Costs are a key element in bringing together recycled water and the potential water market. The general expectations of users is

that the conditions of recycled water service will be comparable to alternative freshwater supplies, particularly for users already accustomed to taking potable water.

The recycled water market assessment process generally includes two levels of detail--preliminary and detailed. Agencies typically perform a preliminary market assessment during the feasibility planning stage. The preliminary market assessment is developed through consultation with users and provides general data, such as the number of potential users, and the amount and type of potential recycled water use. While this information is adequate to allow an agency to determine whether a project warrants further consideration, additional information is necessary to determine the economic and financial feasibility of the project.

Agencies are required to conduct a detailed market assessment as part of the facilities planning process. The market assessment shall include, as a minimum, all of the users or service area for the capacity of the facilities for which loan funding is or may be requested. Like the preliminary market assessment, the detailed market assessment must be developed through direct consultation with potential users. The following information should be included in the detailed market assessment:

A. General Information

1. List and map of potential users in the study area and types of uses.
2. State and local health department recycled water quality requirements and delivery requirements (backflow prevention, irrigation methods, levels of treatment, etc.) for each type of use.
3. Regional Water Quality Control Board recycled water quality and delivery requirements for each type of use and any restrictions in certain geographical areas for protection of ground water or surface water.
4. An estimate of the probable water quality of recycled water that could be made available in the future and a comparison of this quality to the health and water quality requirements of potential users.
5. An estimate of future freshwater supply costs to users.
6. An estimate of costs for facilities or modifications needed on user sites to accept recycled water for each type of user site.

B. Individual User Information

1. Specific potential uses of recycled water.

2. Location of user.
3. Present and future quantity needs. (For existing water users, present water use should be documented with three previous years of water usage.)
4. Timing of needs (seasonal, daily, hourly demands).
5. Quality needs.
6. Reliability needs regarding availability and quality of recycled water.
7. Needs regarding disposal of used recycled water.
8. Internal capital investment for on-site treatment or plumbing retrofit needed to accept recycled water (also gather data to develop an independent estimate to compare with user's estimate). (This item is required for planning grant recipients only.)
9. Needed savings on recycled water to recover on-site costs or desired pay-back period and rate of return on investment. (This item is required for planning grant recipients only.)
10. Present source of water, present water retailer, cost of present source of water.
11. When user would be prepared to begin using recycled water.
12. Future land use trends that could eliminate recycled water use, such as conversion of farm lands to urban development.
13. For undeveloped future potential sites, the year in which water demand is expected to begin, current status and schedule of development (with supporting evidence, such as subdivision maps, land use permits, general plan land use designations, irrigated acreages, etc.).
14. Evidence that the prospective user was informed of a potential water recycling project, was asked for a preliminary impression of willingness to use recycled water, and what response the prospective user gave regarding willingness. This evidence may be presented in the forms of a table with a list of users, correspondence from users, or some other record of user response. Users should be informed of applicable health and RWQCB restrictions, potential recycled water quality available depending on treatment level, future cost, and quality of fresh water. (This item is required for planning grant recipients only.)

15. The data listed above may be grouped into categories for numerous small users of similar characteristics. However, please consult with OWR before doing so.

Determination of the market for recycled water in future development depends upon various sources of information of varying reliability. For near-term development that is proposed for inclusion in the ninth-year eligible capacity, information will generally be expected directly from land developers of their intentions, following the model format available from the Office of Water Recycling. This information shall be submitted for review before facilities plan approval is issued. Undeveloped sites may be included as part of the first year delivery commitment if the development has proceeded sufficiently through design and received sufficient approvals and permits that the SWRCB can safely assume that the user will be ready to accept recycled water upon completion of construction of the recycling project.

The preparation of the market assessment should not be viewed as a data collection exercise, but as an integral step in the recycled water marketing process. Potential customers should be familiarized with details of the proposed project, including the proposed project schedule, the projected water quality and reliability, and the projected price of recycled water in comparison with alternative water supplies (if such water supplies would be available to the customer). An agency that has adopted a mandatory use ordinance should also provide information about the ordinance and the customer's responsibility under the ordinance. Evidence of this effort to inform potential users (e.g., a copy of the information package provided to potential users) should be included in the detailed market assessment. The detailed market assessment should be documented in the facilities planning report.

C. Market Assurances

Reclaimed water market assurances serve to ensure that the water produced by a project will be utilized within the time frame envisioned in the facilities planning documents. Market assurances take the forms of 1) binding measures to ensure the participation of recycled water users upon initial project operation and 2) the agency's plans for connecting additional users later to fulfill the entire eligible capacity of the project. The binding measures for securing the initial recycled water users generally take two forms: 1) mandatory use ordinances in which potential users are mandated to participate in the project or 2) user contracts in which potential users voluntarily commit themselves to participate in the project. The two forms of assurances are described in Section IX in Part Three. Which approach to take should be evaluated during facilities planning.

PART TWO: PLANNING GRANT PROGRAM

III. WATER RECYCLING FACILITIES PLANNING GRANT PROGRAM

A. Introduction

The Water Recycling Facilities Planning Grant Program (FPGP) provides grants to public agencies for facilities planning studies for water recycling. The program is administered by the Office of Water Recycling (OWR) of the SWRCB. The grant program's statutory requirements, policies and procedures are provided in this section.

B. Purpose

The purpose of the FPGP is to assist local agencies in the preparation of facilities planning studies for water recycling using treated municipal wastewater. In addition to encouraging new recycling planning studies, the SWRCB intends that these funds be used to supplement local funds to enhance the quality of local planning efforts and to produce documents needed by the SWRCB to evaluate applications for design and construction loans if a cost-effective project is identified.

C. General Guidelines

Public agencies may apply for the grants. Grants will be provided for facilities plans to determine the feasibility of using recycled water that will offset new freshwater development and augment the state's or a local water supply. Pollution control studies, in which water recycling is an alternative, will not be eligible for a grant. The grant will cover 50 percent of eligible costs up to a maximum grant of \$75,000.

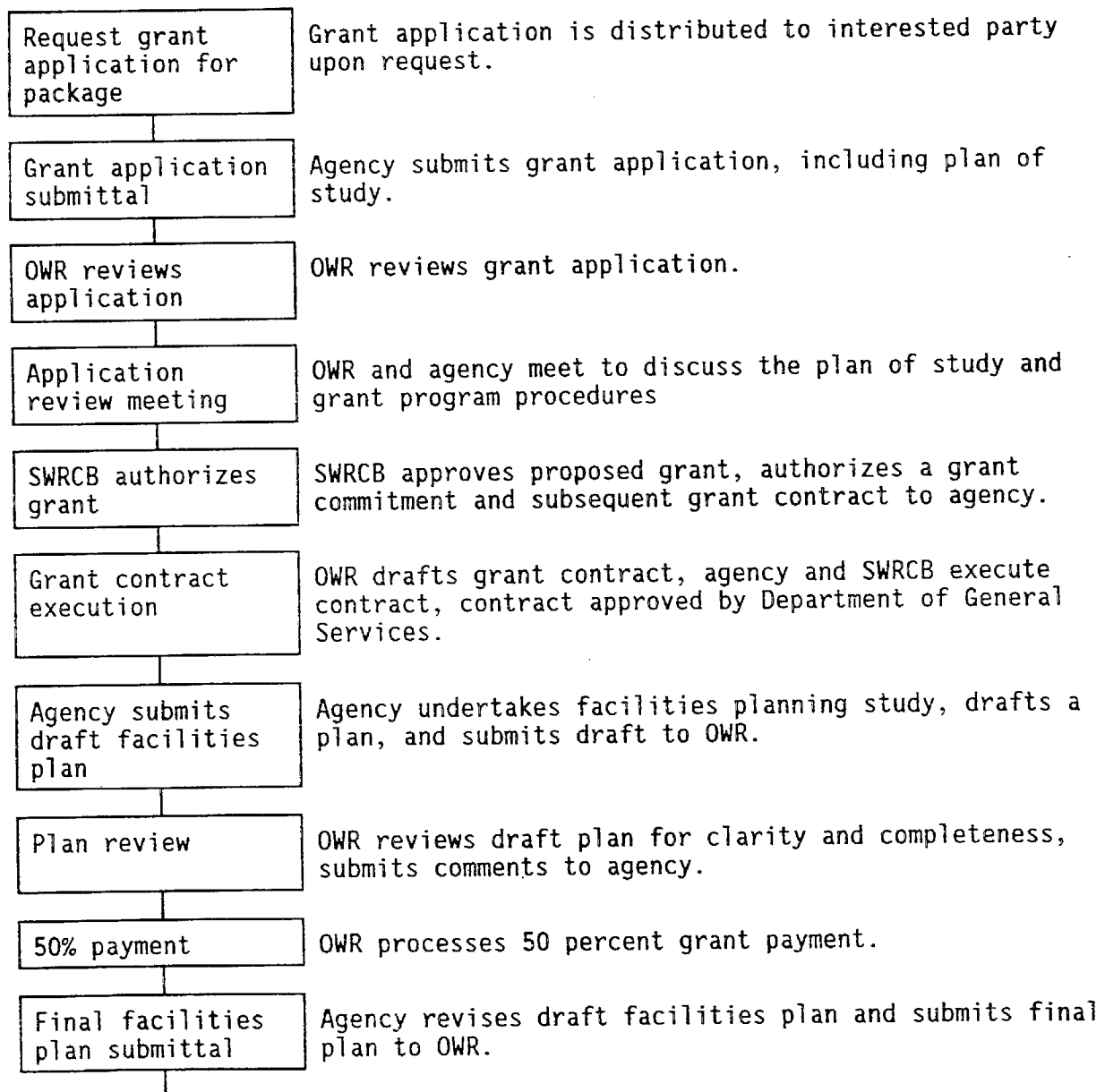
Each grant must result in a complete facilities planning report. The report will include an analysis of all of the essential components of potential operable projects. The plan will designate a potential recycled water service area and analyze the feasibility of serving all or portions of the designated study area. An agency may receive more than one grant. The OWR will not recommend approval of a grant application if the scope of the study is not sufficiently distinct from previous studies performed by an agency.

The SWRCB will establish a time limit in its resolution of grant approval for submitting a final facilities planning report. The allowable time will be the time estimated by the agency in the grant application to prepare and submit a final facilities planning report. This limit will be the basis of the grant contract term. At any point during a grant an agency may submit one request for an extension of the grant term and an increase in costs accompanied by a justification. After review of the request, OWR may approve an extension of the grant contract of up to twelve months from the date specified in the SWRCB resolution or an increase in maximum grant by up to 50 percent from the amount authorized in the resolution. OWR staff shall bring

to the SWRCB for approval 1) any increases in grant contract term or amount beyond these amounts or 2) additional requests for changes after the first one. After approval, a grant contract amendment will be processed, subject to approval, if necessary, by the Department of General Services.

D. Grant Process

The overall process of a FGP grant is illustrated in the following flow chart.



Facilities plan approval and final payment
--

OWR approves final facilities planning report and processes 100 percent grant payment.

E. Grant Application

The grant application will consist of an application form, a resolution by the agency authorizing the grant application, and a plan of study.

The plan of study should describe the nature and scope of the proposed facilities planning study. The following components should be included:

1. A description of the recycled water service area that will be investigated.
2. The sources of recycled water that will be investigated and a brief summary of the unit processes currently in use at existing treatment facilities.
3. A description of the current fate of the effluent that could be recycled.
4. A map of the study area showing the sources of recycled water and potential service area.
5. Identification of the water supply and wastewater agencies having jurisdictions over the sources of recycled water or the potential service area.
6. General description of water recycling and freshwater supply alternatives that will be evaluated.
7. A description of the opportunities for participation of the public, potential recycled water users, and other affected agencies in the study.
8. A schedule with the starting and completion dates of specific tasks associated with the facilities planning study.
9. A list of potential problems that could cause delays in the progress of the study and description of the means to reduce the impact of these potential problems.
10. Identification of the entities that will be conducting the study and description of their roles; description of proposed subcontracts with consultants or interagency agreements with other agencies, and any force account work.
11. Proposed budget for study, including estimated costs of specific tasks, sources of financing, sources of funds for cash flow until grant reimbursement.

After an initial review of the application, the OWR will schedule a meeting with the agency to discuss the plan of study and grant program procedures. Upon completion of application review by OWR, the application will be presented to the SWRCB with staff recommendation whether to approve and authorize execution of a grant contract.

F. Facilities Plan Review and Approval

The facilities planning study consists of facilities planning and associated environmental impact analysis. Where a recommended project has been identified, completion of the study for the purposes of the grant consists of submittal of the following items:

1. a final facilities planning report that fully documents all aspects of the study
2. a copy of a resolution certifying or adopting the environmental document as required under the California Environmental Quality Act.

Background information on facilities planning, monetary analyses, recycled water market assessment, and recycled water market assurances is found in Part One of these guidelines. Appendix C includes an outline of information that should be obtained or issues that should be addressed during facilities planning. The information and analysis of issues are documented in the facilities planning report. The report must include an analysis of all of the essential components of potential operable projects. The level of detail should be commensurate with the size and complexity of the proposed project. While some factors listed in the outline may not be relevant to a particular project, all should at least be considered. If the conclusion of the study is a recommendation to proceed with implementation of a water recycling project, the agency should have completed initial work on assuring a recycled water market and drafted any necessary water recycling ordinances and/or interagency agreements.

During the course of planning, it may be concluded that a viable recycling project cannot be recommended. In this case, after consultation with the OWR and approval, the planning may be terminated before completion of all of the tasks specified in these guidelines. The results of the work completed and the basis for the conclusion should be documented in a report. After submittal of the report, the agency will receive grant funds for the work completed in the study and preparation of the report.

While it is appropriate to extract information from previous studies, the product submitted for a grant should not be an assemblage of copied material. Any extracted material should be revised and made consistent as needed prior to incorporation in a facilities planning report.

Environmental review should be consistent with requirements for obtaining SRF funding from the SWRCB. Guidance is provided in "Environmental Review Process Guidelines for State Loan and Small Community Grant Applicants."

An essential component of facilities planning is to identify the potential recycled water users that will participate in the recommended project. The agency should have determined how it will secure the recycled water market, generally through recycled water user contracts or use of a mandatory use ordinance. At the conclusion of facilities planning, the agency should either have obtained letters of intent to use recycled water from potential users or drafted a water recycling mandatory use ordinance and contacted all potential users regarding the project.

G. Funding Restrictions and Eligible Costs

An agency may conduct the facilities planning study by force account with its own resources or by contract with consulting firms or another public agency. Costs incurred either way are eligible insofar as they are for work within the scope of work approved in the grant application. A billing code should be established by the agency to assign grant eligible costs. In general, force account eligible costs will be limited to direct costs, including labor overhead, chargeable to the planning study. More specific guidance is provided in WRLP "Guidelines on Force Account Eligible Costs." If the agency uses consulting services, the scope of work for the services should distinguish between grant-eligible and ineligible work and such work should be billed separately. It is recommended that the agency provide an opportunity for the OWR to review the consultant contracts prior to their execution to ensure that the scope of work separates grant-eligible tasks from other tasks for billing purposes.

Eligible costs are costs incurred after execution of the grant contract.

A grant will be provided to reimburse the agency for 50 percent of eligible costs up to a maximum grant of \$75,000. The remaining 50 percent share of costs is the responsibility of the agency, but may include grants or loans from other entities, such as federal, state, or regional agencies. To prevent duplication of funding, the grant will be reduced if the agency receives more than 50 percent financial assistance from other sources.

H. Disbursement of Grant Funds

Grant funds will be provided in two disbursements. Disbursement of 50 percent of the total estimated grant will be made upon submittal of a draft facilities plan. A final disbursement will be made after approval by the OWR of the final facilities plan, including associated documents, such as the environmental impact analysis.

Requests for disbursement will be made on forms provided by the OWR. The requests must be accompanied by documentation, including a copy of consulting contracts, billings from consulting firms, and a monthly summary of agency staff hours and associated costs.

PART THREE: LOAN FUNDING PROGRAMS

IV. LOAN FUNDING PROGRAMS

The Water Recycling Loan Program (WRLP) and the State Revolving Fund Loan Program (SRF) provide low interest loans to local agencies to design and construct water recycling projects. Water recycling loan applications are processed by the Office of Water Recycling (OWR) of the SWRCB. The purpose of the WRLP is to encourage the development of cost-effective water recycling projects by providing low interest loans to local agencies to lower the cost of reclaiming and reusing treated wastewater.

A. Program Funding Criteria

Generally, available funds will be committed to projects for which facilities planning is complete, provided the project meets the loan program requirements and is ready to proceed. However, the SWRCB reserves the right to manage the program to achieve the best use of loan funds. For example, the SWRCB may reserve funds for projects deserving special consideration or offer partial loans to achieve the maximum use of available loan funds.

Multiple-purpose projects may consist of components in more than one category. The components will be analyzed in accordance with the criteria of the applicable category and eligibility will be established accordingly.

Depending on the source of loan funds, there may be a cap on the total amount of a loan. The SWRCB establishes a cap on SRF loan funds annually based on the availability of SRF funds. There is a \$10 million statutory cap per project for loans made from 1984 Bond Law funds. The SWRCB has established a \$15 million cap per project for loans made from 1996 Bond Law funds.

B. General Eligibility

The general basis of eligibility of a water recycling project is established in the various bond laws and the SRF statutes, regulations, and policies. Projects for reclaiming ground water, including desalting and nitrate removal projects, are eligible under the WRLP (1996 Bond Law funds only) if the water to be treated has become unusable primarily because of human activities. Under the SRF, funding is restricted to projects reusing water of municipal wastewater origin. All projects must be cost-effective based on the project objective and the available alternatives to achieve the objective.

While the loan terms for the WRLP and the SRF are essentially the same, such as interest rate, there are some important procedural and eligibility differences that can jeopardize funding under one program or the other if applicants are not alert to program requirements from the commencement of project planning through completion of construction. As an agency begins planning, it may not be possible for the SWRCB to assure the agency of which program might be available for funding for Category I and IV projects. In

addition, because the SWRCB incorporated the Water Reclamation Account of the 1984 Bond Law into the SRF as a subaccount in order to secure additional federal matching funds, certain SRF requirements will apply to 1984 Bond Law loans. Therefore, all potential loan applicants for Category I, II, and IV projects should place their proposed projects on the SRF priority list and follow SRF environmental procedures.

It is the policy of the SWRCB that loans from the WRLP or the SRF shall be provided to cover 100 percent of eligible costs, excepting annual loan caps that may be established by the SWRCB. The agency may receive funds from other local, state, or federal programs to pay for ineligible costs or a share of eligible costs, provided that there is no duplication of funding of eligible components.

All applicants will be subject to the SWRCB "Environmental Review Process Guidelines for State Loan and Small Community Grant Applicants." The SWRCB cannot authorize a loan until the environmental review process is complete. The SWRCB must be notified immediately of any change in the project after completion of the environmental review process or after facilities plan approval (also called concept approval) by the SWRCB. Such changes may result in the need to revise environmental documents.

V. WATER RECYCLING LOAN PROGRAM PROCESS

The WRLP loan application process begins with the OWR staff distributing loan application packages to interested agencies upon request. The completed applications, including project planning documents, are submitted by the applicant for review. The OWR staff make a preliminary determination regarding the appropriate category assignment and which source of funds is most appropriate to fund the proposed project. After the OWR staff has determined that the loan application is complete, that is, that project planning is complete and all other application requirements have been met, that the project is ready to proceed, and that loan funds are available, staff will issue facilities plan approval. The application will then be presented to the SWRCB for approval of a preliminary loan commitment and subsequent loan contract. If loan funds are not currently available, consideration may be given to reserving future repayments returning to one of the revolving funds.

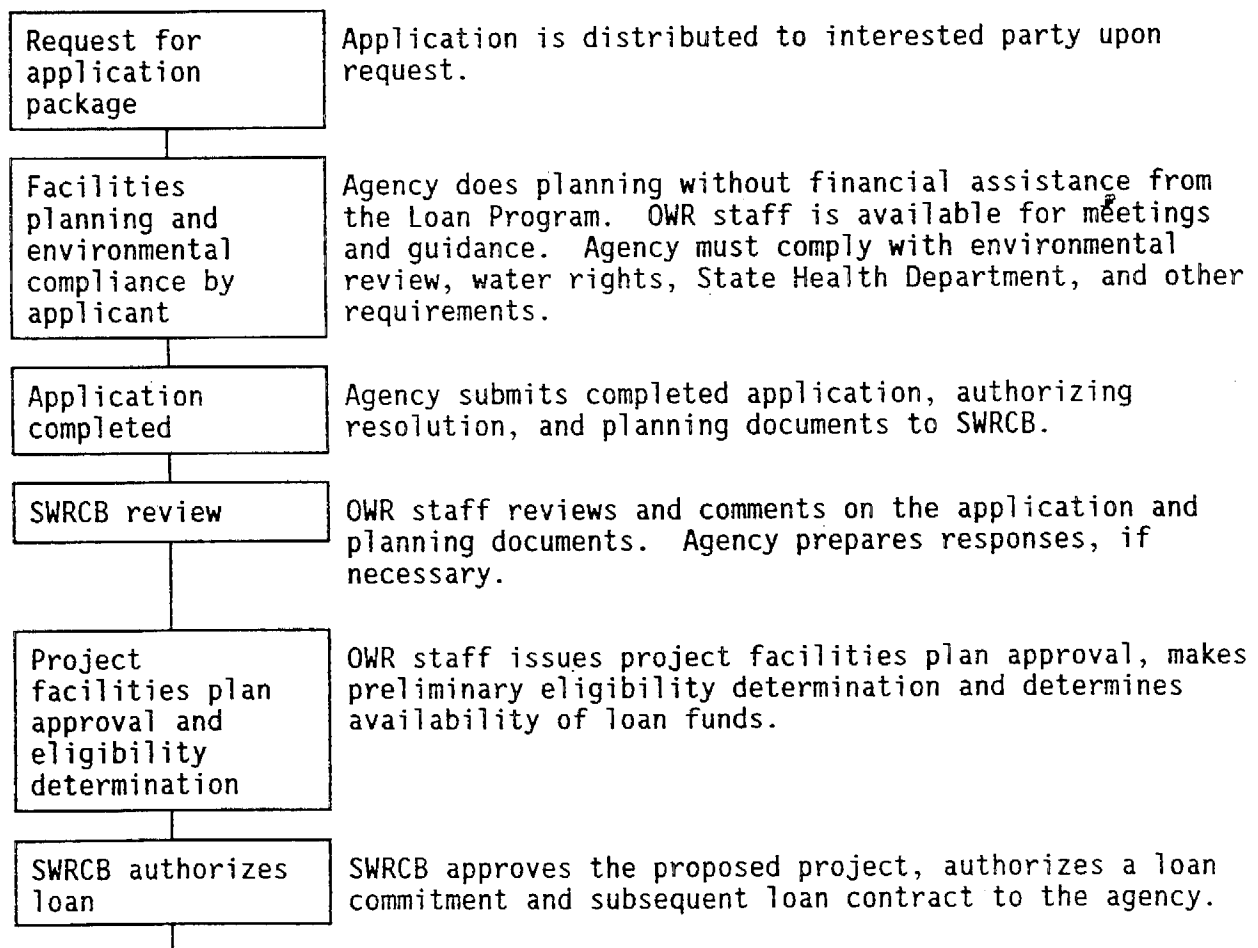
If OWR determines that a proposed project is not cost-effective, OWR will provide a written explanation to the agency. Upon request by the agency, the OWR will bring the proposed project before the SWRCB with the explanation of the decision of OWR and the agency's request for review and authorization for facilities plan approval.

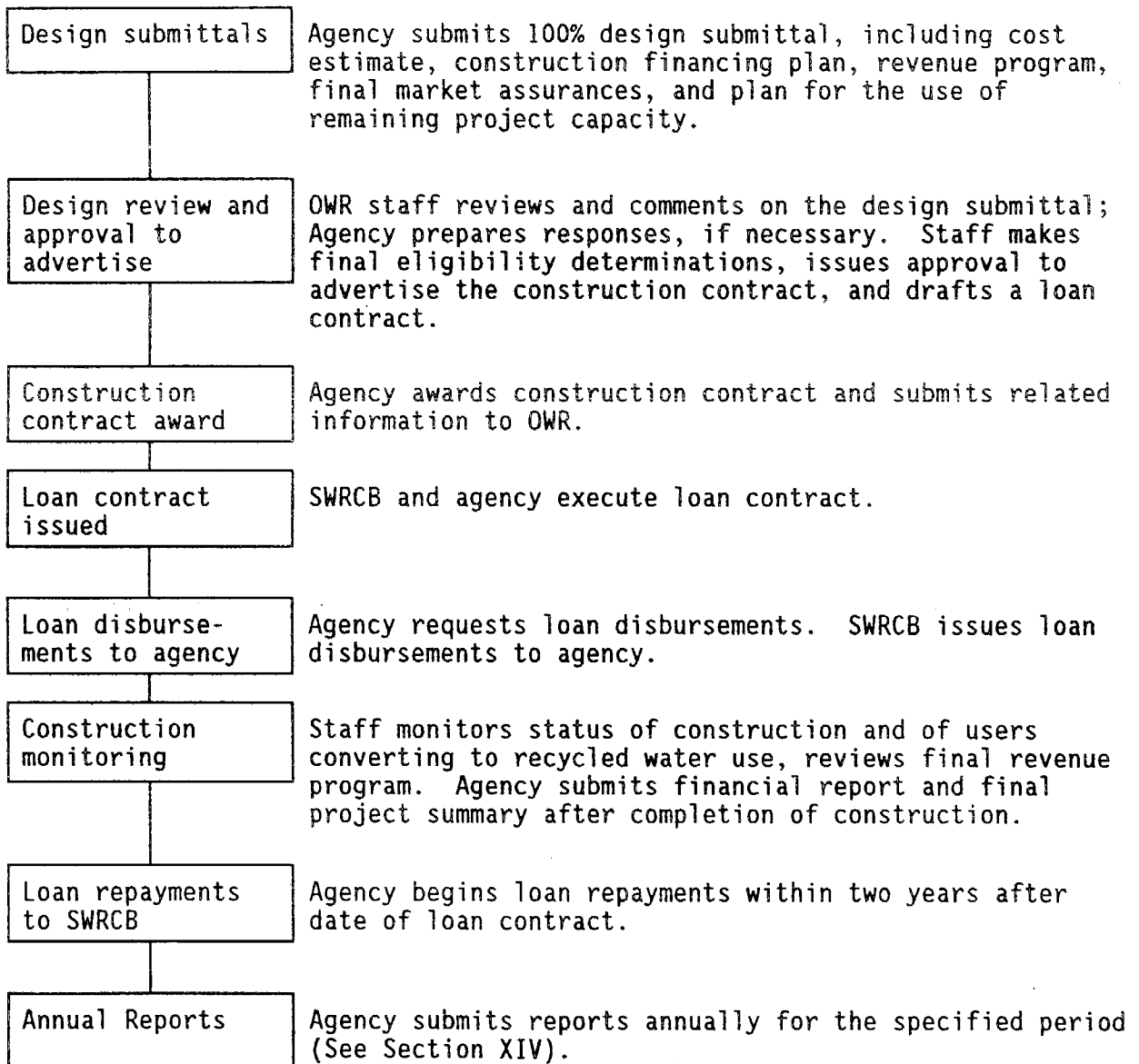
The preliminary loan commitment will expire at the end of the time period specified in the SWRCB resolution approving the loan commitment. The end of the period will be 8 weeks after the applicant's scheduled date for submittal to the state of final plans and specifications to account for time for the Division of Clean Water Programs (Division) to review plans and specifications. If biddable plans and specifications are not received and

approved by the expiration date of the preliminary loan commitment, the OWR may approve up to a 90 day extension for a good cause.

The procedures and administration of the SRF differ somewhat from the WRLP. Refer to the "Policy for Implementing the State Revolving Fund for Construction of Wastewater Treatment Facilities" (SRF Policy) for projects funded under the SRF. The procedures described below apply to the WRLP.

Submittal of preliminary design plans for review by the OWR is encouraged, but not required. Once the project design is completed, OWR reviews and approves the plans and specifications, final market assurances, construction financing plan, and revenue program. An approval to advertise is then issued to the applicant, and a loan contract is drafted. When the applicant has awarded the construction contract, the loan contract is executed and loan disbursements may commence. Loan repayments from the applicant to the SWRCB must begin within two years after the date of the loan contract. The entire application process is summarized below.





VI. STATE REVOLVING FUND PROCESS

The procedures and administration of the SRF are described in the SRF Policy. Category II recycling projects are administered under the SRF Policy only. In addition to the SRF Policy, the Water Recycling Funding Guidelines are applicable to the Category I and IV water recycling projects funded under the SRF. A copy of the SRF Policy may be obtained by request (refer to Appendix E).

VII. PLANNING REVIEW CRITERIA

In order for a project to be approved for a loan, a project must be cost-effective. A water recycling project will be considered cost-effective when, compared with the development of other alternatives to achieve the project objective, the proposed project will result in the minimum total resources costs over time to meet project objectives. Resource costs to be evaluated include monetary costs as well as nonmonetary factors, including social and environmental effects. An economic analysis, which considers all monetary costs associated with each alternative, is given primary consideration unless other factors are overriding. Other important factors include an assessment of the recycled water market, availability of recycled water, financial feasibility, energy consumption, and engineering.

VIII. FACILITIES PLANNING

OWR staff will not consider a loan application for funding until the facilities planning process has been completed. Agencies are encouraged to notify OWR staff of their interest in applying for a loan early in the planning process. OWR staff can then advise agencies about the availability of funding and assist agencies in developing facilities planning documents that comply with funding guidelines and preparing loan applications. The facilities planning concepts discussed in Part One will be applicable. If the loan application and supporting documents are incomplete, the applicant will be advised about what additional information is necessary. Funds are available to assist in facilities planning either through the FPGP or an allowance under the SRF. No planning cost allowance is available under the WRLP.

IX. MINIMUM USE REQUIREMENTS

Existing users are expected to begin use in the first year of operation unless phasing of these users is justified. Projects are expected to reach certain minimum usage levels during the operating life of the project. These minimum levels are based on the eligible project capacity determined in accordance with Section XI.A.6. These minimum usage levels are explained below.

- A. At least 50 percent of the total eligible project capacity must serve users that will exist by the time of completion of construction. (See Appendix A for definition of "existing user".)
- B. Generally, all existing water users proposed to be included in the eligible project capacity will be expected to be connected to the system upon initial project operation. Proposals to connect existing users after initial project operation must be approved in the facilities plan approval based on the market assurances explained in Section X.C.

- C. During the first year of project operation, the agency will be expected to use at least 25 percent of the eligible project capacity. The agency will also be expected to reach use of the total project capacity in accordance with the schedule of project usage approved in the facilities plan approval.

X. RECLAIMED WATER MARKET ASSURANCES

Documentation is required to provide an assurance of participation of users in the project. Existing users must be covered by a mandatory use ordinance or user contract. Documentation must be provided if phasing of project usage is proposed. These provisions are explained below.

A. Mandatory Use Ordinances

A mandatory use ordinance is a law adopted by a retail water purveyor requiring the use of recycled water in place of another source of water. For the ordinance to be an acceptable form of market assurance, it shall contain certain provisions:

1. Specification of the types of use of water for which recycled water must be used.
2. Specification of the conditions under which recycled water must be used or new development must be plumbed for future recycled water use.
3. Procedure for determining which water users are required to either convert to recycled water service or be plumbed to accept recycled water upon new water service.
4. Procedure to provide notice to potential users that they are subject to the ordinance and specification that the notice include information about the project, the responsibilities of the users under the ordinance, the price of the recycled water, and description of the on-site retrofit facilities requirements.
5. Procedure for request by the users for a waiver.
6. A penalty for noncompliance with the ordinance. Acceptable penalties are discontinuance of freshwater service, a freshwater rate surcharge of at least 50 percent of the freshwater rate, or an equally effective penalty.

If the agency implementing the recycled water project does not have the legal authority to enforce a mandatory use ordinance (for example, a sewerage agency), the mandatory use ordinance may be implemented by the retail water purveyor.

The OWR staff will review a copy of the adopted ordinance along with the loan application. Facilities plan approval of the project will establish the

eligible capacity of the project based on the market assessment.

The SWRCB's resolution approving a loan commitment will include a requirement that the local public agency submit either 1) copies of letters of intent to participate in the project or 2) copies of the notifications to the users subject to the ordinance, a statement of whether any notified users appealed the conditions of recycled water use, and documentation showing the disposition of any appeals. The resolution will require that these items be submitted to the OWR staff before approval to advertise for construction, but in no case later than six months from the date of the resolution. The OWR staff will have 60 days from the date of receipt of submittals to approve or reject them, otherwise the submittals will be considered adequate. The SWRCB's resolution will include a provision that if the agency does not submit these items within six months or if the submittal is considered inadequate by the OWR staff, the resolution is null and void, and the project will need to be resubmitted for approval. Submittal of copies of letters of intent or notifications of users may be waived by OWR for users that have their sites already plumbed and metered for use of recycled water, but are temporarily using potable water. Considerations for a waiver will include, but not be limited to, the number of years of successful recycling experience of the agency and the type of water use.

There may be limitations on the application of mandatory use ordinances. Certain potential users may not be subject to the ordinance for various reasons, for example, a user may not be obtaining water service from the agency with the ordinance or the user may be outside of the service area of the agency. In such situations, user contracts may be expected to cover users intending to take recycled water during the first year of operation. The ordinance shall apply to sufficient users such that in aggregate they represent most of the recycled water deliveries for water users that will exist by the time of completion of construction.

B. User Contracts

A user contract is a binding agreement between recycled water purveyors and users, signed by both parties. For the OWR staff to accept a user contract as an acceptable form of market assurance the contract must contain certain provisions:

1. A commitment to use the recycled water for a minimum period of 10 years.
2. The amount of recycled water the user intends to take annually.
3. The sites and the types of use of the recycled water.
4. Specification of the conditions of recycled water use, including the water quality.
5. The price of the recycled water.

6. Description of the regulatory and water purveyor requirements for on-site retrofit facilities needed to convert from freshwater to recycled water.
7. Date when recycled water use will commence.

User contracts are required from sufficient users such that in aggregate they represent most of the recycled water deliveries for water users that will exist by the time of completion of construction. The agency must submit with the loan application letters of intent from the proposed recycled water users intended to execute user contracts. The content of the letters should follow the model format provided by the Office of Water Recycling. The user contracts shall be submitted before OWR approval to advertise for construction.

C. Documentation of Future Connections

If the agency proposes to connect users after initial project operation, market assurances should include a description and schedule of the future connection of users to the eligible project facilities. Anticipated delay in connection of existing users after initial project operation should be supported by adequate reasons for the delay in connection and a firm schedule for the construction of facilities to make the connections. The plan for use of the full eligible project capacity or pipeline capacities should be submitted with the loan application and updated, if necessary, with the submittal of final plans and specifications. An approved schedule of deliveries to reach the eligible project capacity will be included in the facilities plan approval.

XI. ELIGIBILITY CRITERIA

The following eligibility policies have been established by the SWRCB regarding costs and types of projects eligible and ineligible for loans.

A. Eligible Costs

1. Costs of construction for water recycling treatment, storage, and distribution systems shall be eligible for loans.
2. Allowances:
 - a. WRLP: The eligible cost may include an allowance, if requested by the loan recipient, to cover engineering, legal and administrative services associated with the design and construction of the eligible recycling project. The amount of such allowance shall be up to 15 percent of the eligible cost of construction.

In addition, the eligible cost may include an allowance, if requested by the loan recipient, to cover design services only for design costs of future phased expansions of facilities on the same site as

- facilities to be constructed as part of the loan. The phased expansions may include a capacity for up to 20 years after completion of construction. The amount of the allowance shall be up to 10 percent of the engineer's estimate of the construction cost of expansions based on 100 percent design.
- b. SRF: The eligible cost may include allowances for facilities planning, design, construction management, administration, and prime engineering. The SRF Policy should be consulted for details.
3. Project facilities which are eligible must remain in public ownership and have provision for adequate operation and maintenance and adequate right-of-way.
 4. Reclaimed water distribution systems from the source of supply to the property line of the reuse sites shall be eligible for a loan. Eligibility of a system on the property of the user should be limited to:
 - o Reclaimed water service line up to and including the water meter if the meter is located in the proximity of the property line.
 - o Reclaimed water service line up to a main storage facilities serving the user on the reuse site or, if there are more than one use areas that are widely separated on the property, up to the point of initially dividing the water flow.
 5. A recycled water distribution pipeline shall be eligible if the terminal point serves a user that is committed by mandatory use ordinance or by user contract to take recycled water during the initial operation of the project. If only a portion of a pipeline serves users secured by a firm commitment, then eligibility shall extend to the most downstream user secured by a firm commitment.
 6. The capacity of a project eligible for a loan shall be that capacity which can be used within nine years of completion of construction. However, pump station wet wells and buried pipelines at the treatment facility or in the distribution system shall have an eligible capacity of up to twenty years when documented by a market assessment showing the twenty year service area and identifying and analytically projecting all existing and future uses to be served by the recycled water pipeline proposed for loan funding. These eligible capacities are measured in terms of annual recycled water deliveries. Eligible sizes of facilities components are based on reasonable design criteria, including peaking factors, to serve these annual deliveries. There shall not be any restriction on the capacity of a project. Capacity in excess of the eligible project shall be funded with funds other than the SWRCB loan. Eligible costs for partially eligible capacity will be determined on an incremental cost rather than pro rata cost basis.
 7. Agencies constructing pipelines or treatment facility capacity in excess of that which can be utilized within five years of completion of

construction must demonstrate that adequate reclaimable water supplies will be available to support that future capacity. This documentation may take the form of: 1) an urban water management plan or equivalent water supply planning document which specifically identifies measures intended to assure that, in a year of normal supply and demand, an adequate supply of water will be available to support the projected growth in wastewater flows or, 2) certification by the agency that existing tributary wastewater flows will meet or exceed the capacity of the proposed recycling project at the time of the completion of the project.

8. Reasonable costs to provide an emergency backup water supply for the recycled water system are eligible.

B. Ineligible Costs

1. The following costs are not eligible for WRLP loan funds:
 - o costs of planning for a project
 - o costs of applying for a loan
 - o costs of land, easements, and rights of way
 - o costs for operation and maintenance of project facilities
 - o legal and court costs resulting from violation of state and federal laws, excluding the cost of capital facilities required to be built as a condition or result of a legal or court settlement.
2. Eligible costs of construction performed by the loan recipient's work force shall not include indirect costs, that is, expenses not readily identifiable with the eligible recycling project, such as ordinary operating expenses of the loan recipient. A more detailed discussion may be found in "Water Reclamation Loan Program Guidelines on Force Account Eligible Costs."

C. Miscellaneous

1. Multiple-purpose projects shall be eligible in proportion to the costs allocated to water recycling. In addition, projects utilizing supplemental sources of water are eligible in proportion to the costs allocated to the recycled water. An example of a multiple-purpose project would be a ground water recharge project that percolates both storm water runoff and treated wastewater. For projects using multiple sources of water, costs will be allocated to each source on a pro rata basis.
2. Projects for reclaiming ground water, including desalting and nitrate removal projects, are eligible under the WRLP (1996 Bond Law funds only) if the water to be treated has become unusable primarily because of human activities. This includes municipal, industrial, or agricultural activities. The degraded source water may be provided to the project directly, such as from a wastewater treatment plant, or indirectly, such as pumping from a brackish or polluted ground water basin. Projects for desalting naturally occurring saline or brackish waters are not eligible for a loan.

3. Recycling of industrial wastewater is eligible for a loan provided the loan applicant is a municipality, public agency, or a local public agency, depending on the source of loan funds, as defined in Appendix A. In-plant recycling projects are not eligible for a loan.
4. Project changes are permitted after approval of the project by the SWRCB, provided that there is no change in the scope of the project. If there is a change in scope of a project, the OWR staff shall bring the project to the SWRCB for reapproval. The scope of a project is considered to have changed if there is any of the following:
 - a. A decrease in the recycled water deliveries projected for the ninth year following completion of construction by more than 15 percent.
 - b. A change required in the environmental documents prepared under the California Environmental Quality Act such that the SWRCB is required to reconsider the environmental documents.
 - c. An increase in the total economic cost of the project such that the cost exceeds the alternative benchmark, such as the freshwater cost, by more than 15 percent.
 - d. An increase in the total eligible project cost such that it exceeds the preliminary loan commitment amount by more than 50 percent.
 - e. An adverse effect on the engineering or financial feasibility of the project.

The SWRCB Project Manager shall be promptly informed of project changes during construction. Because changes may affect project eligibility or require reapproval by the SWRCB, substantial changes during construction should be approved before initiating the change.

The maximum loan amount will be based on bid amount at the time of award of the construction contract, as described in Section XII. All project changes during construction that result in cost increases above the maximum loan amount shall be the responsibility of the loan recipient. Changes during construction may result in decreases in eligible costs. Such decreases may offset cost increases for eligible project costs. Eligible cost increases may result from 1) overruns in quantities beyond estimates in original bids for eligible work specified at the time of bid or 2) change orders for changed work which has been approved for eligibility. The final loan amount will be adjusted downward for any decreases in eligible cost items less any eligible offsetting cost increases, up to the maximum loan amount. Change orders will be reviewed for eligibility only if there is a request from the loan recipient and there is an offsetting cost decrease.

5. Retroactive funding of construction is not eligible for loan funds under the WRLP, with the exception that eligibility may be reserved for advance construction of minor portions of a proposed project with prior approval

by OWR staff. Advance construction is not eligible for any facilities commencing construction before submittal of the loan application. Advance construction shall be justified based on the cost savings or time coordination with the main portion of the project. Prior approval does not constitute an assurance of final eligibility. Such eligibility is determined at the time of plans and specifications approval of the main project. The SRF Policy should be consulted for the retroactive funding policy under the SRF.

XII. LOAN FINANCIAL PROVISIONS

The provisions for the disbursement and repayment of loan funds under the SRF are discussed in the SRF Policy. The following discussion on loan provisions applies only to the WRLP. Successful loan applicants will receive loan funds during project construction based on evidence of satisfactory construction progress. No loan funds will be advanced during design. Interest charges on loan funds begin to accrue as soon as loan funds are disbursed. The maximum loan amount will be based on bid amount at the time of award of the construction contract. An allowance for design costs and engineering, legal, and administrative costs may be included. Increases in the loan amount will not be permitted due to changes in cost during construction. The standard loan provisions will provide for equal annual repayments for a 20-year term following the date of the loan contract. However, shorter repayment periods are encouraged and may be imposed. The repayment will consist of principal and interest. The initial repayment shall be made not later than two years after the date of the loan contract. Additional details regarding the financial aspects, as well as general contractual requirements, can be found in Appendix D and in the model loan contract, which can be obtained upon request (refer to Appendix E).

XIII. DESIGN AND CONSTRUCTION

Before a project can receive approval to advertise the construction contract under the WRLP or plans and specifications approval under the SRF, Division staff must ensure that:

1. The design is consistent with the project described in the facilities plan approval;
2. The construction contract documents comply with all state and, if applicable, federal administrative requirements and contain provisions specified in the loan contract;
3. Agency has the required market assurances; and
4. All other state and facilities plan approval conditions have been met.

The procedures applicable to design, plans and specifications review, and approval to award construction for the SRF are described in the SRF Policy.

The following discussion applies only to the WRLP. Staff must review final plans and specifications and other documents before issuing approval to advertise. The final design submittal consists of the following: 1) complete, biddable, and signed plans and specifications; 2) a detailed, itemized engineer's cost estimate; 3) updated revenue program; 4) updated construction financing plan and; 5) recycled water market assurances.

Promptly upon award of the construction contract or contracts, the agency shall notify the SWRCB Project Manager of the award. The notice shall be accompanied by a tabulation of bids received, the most recent engineer's estimate of project cost, a copy of the lowest acceptable bid proposal, a description of any bid protest received together with a description of how the protest was resolved, a copy of any project changes or addenda issued since approval to advertise was given, and a copy of the signed construction subcontract. If the agency awarded to anyone other than the apparent low bidder, the reasons for not awarding to the apparent low bidder shall be provided.

XIV. OPERATION

Agencies are encouraged to adopt a recycled water ordinance or regulation to ensure the long term successful operation of a recycling project in compliance with health, safety, and water quality requirements. A recycled water ordinance can include conditions under which users accept recycled water and define the requirements for on-site facilities design, construction, operation, monitoring and inspection, connection fees and service charges, enforcement, and penalties. An ordinance can ensure that certain design criteria and standards incorporated into the original project can be carried on in project expansion as new users are added.

Agencies are also encouraged to prepare a recycled water user manual. The manual is used by personnel employed by users of recycled water who handle recycled water on a daily basis, such as park maintenance staff. The manual, usually a two to ten page guide, would cover in simplified language such topics as irrigation scheduling, precautionary measures, emergency procedures, control of runoff, and routine maintenance. It can also include a simplified description of the treatment that recycled water receives before reuse and the overall recycled water system.

Once the project begins operation, the project will be monitored for progress in connecting recycled water users and delivering recycled water. Annual reports must be submitted by the loan recipient until at least one full year after all proposed users are connected up to a maximum of nine years.

APPENDICES

- A. DEFINITIONS
- B. LIST OF ABBREVIATIONS
- C. FACILITIES PLANNING REPORT OUTLINE
- D. LOAN REPAYMENT AND FINANCIAL ANALYSES
- E. ORDER FORM FOR ADDITIONAL INFORMATION

APPENDIX ADEFINITIONS

Award of Construction Contract: The formal approval of selection of a construction contractor by the governing board of the agency.

Completion of Construction: The date, as determined by the Division of Clean Water Programs after consultation with the loan recipient, that the construction of the project is substantially complete.

Construction Financing Plan: The demonstration of the financial capability to design and construct a project.

Cost-Effectiveness Analysis: An analysis to determine which project alternative will result in the minimum total resources cost (opportunity cost) over time to meet the project objectives, including local, state and federal requirements.

Economic Analysis: The procedure to determine the total monetary costs and benefits of all the resources committed to a project regardless of who in the society contributes them or who in the society receives the benefits.

Eligible Water Recycling Project: A water recycling project that is cost-effective based on the project objective when compared to the appropriate alternatives to achieve the objective. The project shall comply with applicable water quality standards, policies, and plans.

Existing user: An entity that currently exists or will exist before the completion of project construction and is using or would be expected to use fresh water if recycled water were not made available.

Financial Analysis: The procedure to determine financial feasibility through the determination of expenditures and incomes of or other financial impacts on the agency implementing the project, recycled water users, or others affected by the project.

Future user: An entity that currently does not exist and will not exist before the completion of project construction.

Local Public Agency: Any city, county, district, joint powers authority, or any other local public body or political subdivision of the state created by or pursuant to state law and involved with water or wastewater management (based on 1988 Bond Law). State agencies are not included in this term.

Municipality: Municipality shall have the same meaning as in the federal Clean Water Act (33 U.S.C. Sec. 1251 et. seq.) and shall also include the state or any agency, department, or political subdivision thereof (based on 1984 Bond Law).

Planning Period: The period over which a water development project is evaluated for cost-effectiveness. This period is not necessarily the same as the useful lives of the facilities under consideration. The planning period begins with the system's initial operations and is defined to be 20 years for the Water Recycling Loan Program.

Preliminary Grant Commitment or Preliminary Loan Commitment: A formal action by the SWRCB approving and reserving funds for a study or project.

Public Agency: Public agency shall have the same meaning as municipality.

Recycled Water: Water which, as a result of treatment of waste, is suitable for a direct beneficial use or a controlled use that would not otherwise occur. (This term is synonymous with "reclaimed water".) (Based on California Water Code, Section 13050(n).)

Revenue Program: The demonstration of the financial feasibility of a project for the period after operation has begun.

Water Recycling: The process of treating wastewater to produce water for beneficial use, the storage and distribution of recycled water to the place of use, and the actual use of recycled water.

APPENDIX BLIST OF ABBREVIATIONS

CEQA	California Environmental Quality Act
Division	Division of Clean Water Programs
FPGP	Water Recycling Facilities Planning Grant Program
OWR	Office of Water Recycling
RWQCB	Regional Water Quality Control Board
SRF	State Revolving Fund Loan Program
SRF Policy	"Policy for Implementing the State Revolving Fund for Construction of Wastewater Treatment Facilities"
SWRCB	California State Water Resources Control Board
WRLP	Water Recycling Loan Program
1984 Bond Law	Clean Water Bond Law of 1984 (Proposition 25 on the November 6, 1984 ballot)
1988 Bond Law	Clean Water and Water Reclamation Bond Law of 1988 (Proposition 83 on the November 8, 1988 ballot)
1996 Bond Law	Safe, Clean, Reliable Water Supply Act (Proposition 204 on the November 5, 1996 ballot)

APPENDIX CRECOMMENDED PLANNING OUTLINE FOR WATER RECYCLING PROJECTS

This outline contains the components of a facilities planning report for water recycling. The facilities planning report outline emphasizes the information relevant to water recycling and its application for water supply purposes. For water pollution control facilities plans, additional information would be required to define the water quality problem and planning constraints and analyze the appropriate pollution control alternatives in addition to water recycling.

Facilities Plan/Project Report

- A. Maps and diagrams
 1. Vicinity Map.
 2. Detailed map of study area boundaries.
 3. Topographic map.
 4. City boundaries.
 5. Wholesale and retail water supply entity boundaries within study area and adjacent to study area.
 6. Wastewater agency boundaries within and adjacent to study area.
 7. Existing recycled water distribution pipelines, storage, and customers.
 8. Ground water basin boundaries, major streams, streams receiving waste discharges.
 9. Present and projected land use.
 10. Each recycled water facilities alternative (including recommended project), showing locations of potential customers and approximate pipeline routes.
 11. Wastewater treatment schematic--existing and proposed.
- B. Study Area Characteristics
 1. Hydrologic features.
 2. Ground water basins, including quantities extracted by all users, natural and artificial recharge, losses by

evapotranspiration, inflow and outflow of basins, and safe yield or overdraft.

3. Water quality--ground water and surface water.
4. Land use and land use trends.
5. Population projections of study area.
6. Beneficial uses of receiving waters and degree of use, portion of flow that is effluent.

C. Water Supply Characteristics and Facilities

1. Description of all wholesale and retail entities.
2. All sources of water for study area and major facilities, their costs, (costs should be broken down into fixed and variable), subsidies, and customer prices.
3. Capacities of present facilities, existing flows, estimated years when capacities to be reached for major components (water treatment plants, major transmission and storage facilities).
4. Ground water management and recharge, overdraft problems.
5. Water use trends and future demands, prices and costs.
6. Quality of water supplies.
7. Sources for additional water and plans for new facilities (for both the local entity and the wholesalers).

D. Wastewater Characteristics and Facilities

1. Description of entities.
2. Description of major facilities, including capacities, present flows, plans for new facilities, description of treatment processes, design criteria.
3. Water Quality of effluent and any seasonal variation.
4. Additional facilities needed to comply with waste discharge requirements.
5. Sources of industrial or other problem constituents and control measures.
6. Existing recycling, including users, quantities, contractual and pricing arrangements.

7. Existing rights to use of treated effluent after discharge.
 8. Wastewater flow variations--hourly and seasonal.
- E. Treatment Requirements for Discharge and Reuse
1. Required water qualities for potential uses.
 2. Required health-related water qualities or treatment requirements for potential uses, operational and on-site requirements (such as backflow prevention, buffer zones).
 3. Wastewater discharge requirements, anticipated changes in requirements.
 4. Water quality-related requirements of the RWQCB to protect surface or ground water from problems resulting from recycled water use.
- F. Recycled Water Market
1. Description of market assessment procedures.
 2. Descriptions of all users or categories of potential users, including type of use, expected annual recycled water use, peak use, estimated internal capital investment required (on-site conversion costs), needed water cost savings, desire to use recycled water, date of possible initial use of recycled water, present and future source of water and quantity of use, quality and reliability needs, and wastewater disposal methods.
 3. Summary tables of potential users and related data.
 4. Definition of logical service area based on results of market assessment.
- G. Project Alternative Analysis
1. Planning and design assumptions:
 - a. Delivery and system pressure criteria.
 - b. Peak delivery criteria.
 - c. Storage criteria.
 - d. Cost basis: cost index, discount rate, useful lives, etc.
 - e. Planning period.
 2. Water Recycling Alternatives to be Evaluated
 - a. Treatment alternatives:
 - i. Alternative levels of treatment.
 - ii. Alternative unit processes to achieve a given level of treatment.
 - b. Pipeline route alternatives.

- c. Alternative markets:
 - i. Based on different levels of treatment.
 - ii. Geographical areas.
 - d. Alternative storage locations.
 - e. Subalternatives of selected alternative:
 - i. Marginal analysis for selected alternative for certain categories of users or certain geographic areas.
 - ii. Varying storage, pump rates, and pipeline diameters.
 - iii. Use of fresh water blending during peak irrigation months.
3. Non-recycled water alternatives.
 - a. Discussion of other potentially viable new sources of water.
 - b. Provide economic costs.
 4. Water conservation/reduction analysis.
 - a. Analysis.
 - b. Impact on recycling, if any.
 - c. Recommendation.
 - d. Implementation.
 5. Pollution control alternatives (if applicable) needed to comply with waste discharge requirements, and possible allocation of costs between recycling and pollution control.
 6. No project alternative.
 7. Information supplied for each alternative to include, but not be limited to:
 - a. Cost tables for each alternative with breakdown of costs by total capital (without grants), O&M, unit processes, and with equivalent annual cost and per acre-foot cost.
 - b. Lists of potential users assumed for each alternative.
 - c. Economic analysis.
 - d. Energy analysis for each alternative, including direct and construction energy.
 - e. Water quality impacts:
 - i. Effect on receiving water by removing or reducing discharge of effluent, including effect on beneficial uses resulting from reduced flow.
 - ii. Ground water impacts.
 8. Comparison of above alternatives and recommendation of specific alternative.
- H. Recommended Plan
1. Description of all proposed facilities and basis for selection.
 2. Preliminary design criteria and refined pipeline routes.

3. Cost estimate based on time of construction.
 4. List of all potential users, quantity of recycled water use, peak demand, commitments obtained.
 5. Reliability of facilities as compared to user requirements.
 6. Implementation plan:
 - a. Coordination with water suppliers, determination of recycled water supplier and needed agreements or ordinances.
 - b. Ability and timing of users to join system and make on-site investments.
 - c. Tentative water recycling requirements of RWQCB.
 - d. Commitments from potential users.
 - e. Water rights impact.
 - f. Permits, right-of-way, design, construction.
 - g. Detailed schedule.
 7. Operational plan--responsible people, equipment, monitoring, irrigation scheduling, etc.
- I. Construction Financing Plan and Revenue Program
1. Sources and timing of funds for design and construction.
 2. Pricing policy for recycled water.
 3. Costs which can be allocated to water pollution control.
 4. Annual projection of:
 - a. Fresh water prices for each user or category of users.
 - b. Recycled water used by each user.
 - c. Annual costs (required revenue) of recycling project.
 - d. Allocation of costs to users.
 - e. Unit costs to serve each user or category of users.
 - f. Unit price of recycled water for each user or category of users.
 - g. Sensitivity analysis assuming portion of potential users fail to use recycled water.
 5. Sunk costs and indebtedness.
- J. Appendices
1. Tables of all abbreviations.
 2. Copies of letters of interest or intent from recycled water users, or other documentation of support from potential users.

3. Draft of recycled water mandatory use ordinance or model user contract.
4. Drafts of necessary agreements, such as wholesale-retail agreement, joint powers agreement, etc.

APPENDIX D

LOAN REPAYMENT AND FINANCIAL ANALYSES

I. Introduction

Typically, money is an essential ingredient for a feasible water recycling project. It must be raised to finance design and construction, to provide positive cash flow during construction, and, once operation has commenced, to repay debts and pay for operation and maintenance. These guidelines contain the repayment provisions for loans from the Water Recycling Loan Program and the desired documentation to demonstrate financial feasibility. More detailed information on financial analyses can be found in the SWRCB's Interim Guidelines for Economic and Financial Analyses of Water Reclamation Projects.

Two financial reports are required: a construction financing plan and a revenue program, which covers the period commencing with initial facilities operation. These two reports must be submitted with the loan application (as part of the facilities plan) and updated and submitted with the 100 percent design submittal. A final revenue program must be submitted at completion of construction.

II. Loan Repayment Provisions

Loans from the Water Recycling Loan Program will have an interest rate set at 50 percent of the average interest rate paid by the State on the most recent sale of general obligation bonds. The term of the loans may be for a period of up to 20 years. The loan term begins from the loan contract date. Repayments will begin on the last day of the month following two years after award of the prime construction contract.

III. Construction Financing Plan

It must be demonstrated that there are sufficient financial resources to finance the design and construction of the project. The construction financing plan generally consists of at least the following items:

1. An up-to-date capital cost estimate, including construction, engineering, legal, and administrative costs with a reasonable allowance for contingencies.
2. A cash flow analysis consisting of a monthly forecast of expenses during design and construction and sources of funds to meet those expenses.
3. The sources and amounts of funds for capital costs, including the status and timing in securing those funds.

There will be no disbursements of loan funds from the Water Recycling Loan Program until the award of construction contracts. Thus, the loan recipient

must carry design costs until the initiation of construction. Loan disbursements will be made during construction in proportion to eligible costs incurred. If there are multiple construction contracts, the loan disbursements will be proportioned amongst each construction contract.

The cash flow analyses should be based on the above procedures for loan disbursements and the assumption that receipt of loan funds will take 60 days from date of request.

IV. Pricing Policy

There are a variety of potential methods for determining the price customers will pay for recycled water. The most typical include:

1. The recycled water price is set to match exactly production costs.
2. The recycled water price is set at a given percentage discount from whatever potable water prices are.
3. The recycled water price is set at a given dollar discount from whatever potable prices are.

Some agencies charge a meter charge or have multiple rates if they have both wholesale and retail sales.

Some of the considerations involved in establishing recycled water rates are:

1. The costs that are expected to be recovered by recycled water revenue.
2. The costs and inconvenience to recycled water customers resulting from switching part of their water use to recycled water.
3. Whether the water agency will pay for on-site conversion costs of recycled water customers.
4. The degree of integration of the recycled water supply into the water agency's overall sources of supply, and thus the integration of costs and revenue from the various sources of supply.

Within the limits of financial feasibility, it is the recommendation of the Office of Water Recycling that the price of recycled water be as high as reasonable, taking into consideration the value of recycled water as compared to the price of fresh water. A reasonable discount from fresh water prices is often the most equitable.

V. Revenue Program

The financial feasibility of a project once it has started operation is shown in a revenue program. In general, a period of 10 years should be forecast. The following items should generally be included for each year:

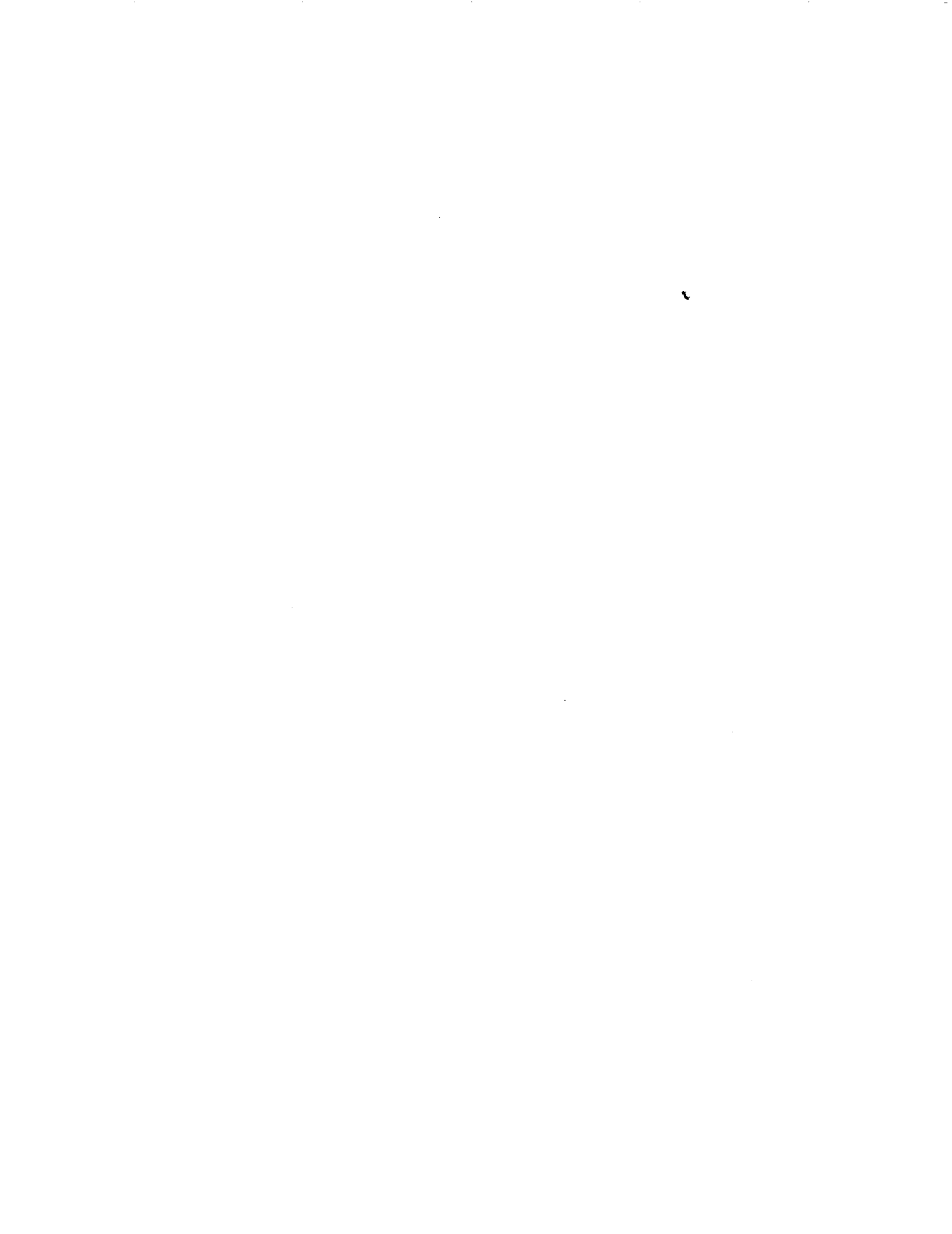
1. recycled water demand by each user
2. fresh water prices applicable to the recycled water users
3. recycled water prices
4. total recycled water revenue
5. debt repayment
6. operation and maintenance costs, broken down by category with fixed and variable costs separated
7. supplementary funds provided to accommodate any revenue deficiency
8. sensitivity analysis assuming portion of potential users fail to use recycled water.

The assumptions and bases for all numbers should be fully stated and referenced. The pricing policy for the recycled water should be explained. It may be necessary to allocate project costs between pollution control and water supply or between categories of users.

Water supply agencies frequently have more than one source of water. The finances for these various sources are usually integrated, and customers are charged a common melded price, even if they receive water from only one of the sources. Likewise, recycled water should not be viewed as an alien source of water, but rather as simply an added supply to meet the overall water demands of a water supply agency. Its only distinction is that its quality restricts its uses. As such, it is desirable that the finances for a recycled water system be integrated with those for the fresh water sources of supply. Once it has been determined that recycled water costs are justifiable compared to other sources of supply, the recycled water supply should not be treated as an independent system financially.

With recycled water viewed as a complement to a water system, Recycled water prices should be established using the same standards as fresh water, taking into consideration some of the peculiarities mentioned in the previous section. If revenues from recycled water are insufficient to cover all expenses from the recycled water system, as is common in the initial years of operation, the shortfall can be made up with revenue from the fresh water system. Likewise, excess recycled water revenues can be used to cover other agency expenses, allowing all customers to benefit.

Because recycled water is serving as a replacement for fresh water, there inevitably is an effect on fresh water costs and revenue. It is desirable to quantify these effects and include them in the revenue program to describe fully the costs and benefits derived from the recycled water. This is often useful to provide justification for using fresh water revenue to help pay for a recycled water system.



APPENDIX E

ORDER FORM FOR ADDITIONAL INFORMATION

Please review the below list of additional documents relating to the Water Recycling Loan Program. If you wish to obtain any of the documents, please provide the requested information.

A. Check the items desired:

- 1. Clean Water Bond Law of 1984
- 2. Clean Water and Water Reclamation Bond Law of 1988
- 3. Safe, Clean, Reliable Water Supply Act (1996 Bond Law)
- 4. Sample Letter of Intent for Use of Reclaimed Water
- 5. Desirable Provisions of Reclaimed Water User Contracts
- 6. Model Recycling Loan Contract
- 7. Interim Guidelines for Economic and Financial Analyses of Water Reclamation Projects
- 8. Background Information on Economic Analyses of Reclamation Projects
- 9. Loan Application Package (Application Form, Water Recycling Funding Guidelines, and Environmental Review Process Guidelines for State Loan and Small Community Grant Applicants)
- 10. Policy for Implementing the State Revolving Fund for Construction of Wastewater Treatment Facilities

B. Provide the mailing address:

NAME: _____

TITLE: _____

AGENCY: _____

MAILING ADDRESS: _____

CITY, STATE, ZIP CODE: _____

- C. Fold this order form in half, affix postage, and mail to pre-printed address on reverse side.

Place
Stamp
Here

Office of Water Recycling
Division of Clean Water Programs
State Water Resources Control Board
P. O. Box 944212
Sacramento, CA 94244-2120

APPENDIX E

ENVIRONMENTAL REVIEW PROCESS GUIDELINES

STATE WATER RESOURCES CONTROL BOARD
DIVISION OF CLEAN WATER PROGRAMS

ENVIRONMENTAL REVIEW PROCESS GUIDELINES FOR
STATE REVOLVING FUND LOAN APPLICANTS
MAY 13, 1998

PART I. PURPOSE

These guidelines detail the steps that must be taken by applicants to comply with the environmental review requirements for the State Revolving Fund (SRF) Loan Program administered by the State Water Resources Control Board (SWRCB), Division of Clean Water Programs (Division). Generally, the process set forth here is accomplished through compliance with the California Environmental Quality Act (CEQA). In addition, the SRF Loan Program is partially funded by the U.S. Environmental Protection Agency (EPA) and is therefore subject to Federal environmental regulations.

Detailed requirements under CEQA are given in the CEQA Guidelines (California Code of Regulations Title 14, Division 6, Chapter 3). Copies of CEQA and the CEQA Guidelines are available from the Department of General Services, Publications Section [(916) 574-2200]. The guidelines presented here are intended to supplement the CEQA Guidelines with specific requirements for environmental documents which will be acceptable to the SWRCB when reviewing applications for wastewater treatment facility loans; they are not intended to supersede or replace the CEQA Guidelines.

For SWRCB funded projects, the applicant is usually the "Lead Agency" as defined under CEQA and will be responsible for the preparation, circulation and consideration of the environmental document prior to approving the project. The SWRCB and other agencies having jurisdiction over the proposed project are "responsible agencies" under CEQA and are accountable for reviewing and considering the information in the environmental document prior to approving any portion of the project.

If the applicant intends to use any of the tiering documents allowed under CEQA (e.g., Program EIRs, Master EIRs, etc.), or if the applicant intends to use an existing final document, a subsequent EIR, or a supplement or an addendum to an EIR, the Division should be notified as soon as possible. For SRF loans, the Division must ensure that federal agencies are afforded adequate review of environmental documents for projects that will be federally funded.

Under some circumstances the applicant's project may be approved under a statutory or categorical exemption from CEQA. In these cases, applicants should file a Notice of Exemption with the County Clerk and provide a copy of the notice along with a supporting evaluation to the SWRCB. Categorical Exemptions cannot be used if the project is in an environmentally sensitive area or if the project involves an increase in treatment capacity. Compliance with applicable federal environmental regulations is required for exempt projects and may involve

consultation with federal authorities.

Questions regarding environmental procedures and practices should be directed to the State Water Resources Control Board, Division of Clean Water Programs, Environmental Services Unit, at (916) 227-4480 or 227-4572. Questions regarding cultural resources should be directed to the Division's Cultural Resources Officer at (916) 227-4410.

PART II. DETAILED PROCEDURES

In the following procedures, all references to section numbers or appendices refer to the CEQA Guidelines. Figure A, on page 9, presents a generalized step-by-step approach describing the CEQA process for proposed SWRCB-funded projects which are not exempt from CEQA requirements. The numbers in Figure A correspond to the numbered paragraphs below.

1. Preparation of an Initial Study as described in the CEQA Guidelines, Section 15063. An "Initial Study" is a preliminary analysis prepared by the Lead Agency to determine whether an Environmental Impact Report (EIR) or a Negative Declaration must be prepared. The Initial Study must include a project description, an environmental setting and a discussion of potential impacts as outlined in Part 3 of these guidelines. If a checklist is used, it must be supplemented with explanations for all applicable items, including the items that are checked for "no impact". Checklists should include the following possible responses:
 - a) Significant
 - b) Significant unless mitigation incorporated
 - c) Less than significant
 - d) No impact
2. <Decision Point> Is there substantial evidence that the project may have a significant environmental effect which cannot be mitigated before public release of the environmental document? If yes, proceed to Item 9 for starting the EIR process; if no, proceed to Item 3 for the Negative Declaration process. The criteria for "significance" of impacts are listed in Sections 15064 et seq. Consult with the Division immediately if you intend to use an existing final document.
3. If the project will not have a significant effect on the environment, prepare a Negative Declaration (Section 15371).
4. Circulate the Negative Declaration and Initial Study (ND/IS) through the State Clearinghouse and to the public for review (Sections 15072 and 15073). See Item 12 for more detail.
5. Submit eight copies of the ND/IS to the Division to initiate the Federal Consultation

process. Submit to the Division documentation of compliance with Section 106 of the National Historic Preservation Act (Section 106). See Item 13 for more detail.

6. Public participation: See Item 14 .
7. <Decision Point> Do any comments reveal substantial evidence that the project may have a significant environmental effect? If yes, proceed to Item 9, and prepare an EIR; if no, proceed to item 8.
8. Based on the commitment to adequate mitigation of significant effects disclosed in the Initial Study or the lack of significant effects, and the absence of significant comments received, the decision-making body should make a finding that the project will have no significant effect on the environment and adopt the Negative Declaration. Proceed to Item 17.
9. The CEQA Guidelines, Section 15082, (a) and (b) require that a Notice of Preparation (NOP) be distributed whenever an EIR is proposed. A NOP is a brief notice you send to notify the responsible agencies, trustee agencies, and involved federal agencies that an EIR will be prepared for the project. The purpose of the NOP is to solicit guidance from those agencies as to the scope and content of the environmental information to be included in the EIR. Public agencies are free to develop their own formats for this NOP. The contents of the NOP are described in Section 15082. If it is uncertain whether an EIR or a Negative Declaration is appropriate, a NOP should be distributed in order to cover both eventualities. You should send a copy of the NOP directly to the Division and to the State Clearinghouse at the addresses listed in item 12.
10. Incorporate any comments received in response to the NOP into the Draft EIR (Item 11).
11. Prepare Draft EIR. The EIR is a detailed report prepared under CEQA that describes and analyzes the significant environmental effects of a project and discusses ways to mitigate or avoid the effects. See Section 15120 et seq.
12. Submit Draft EIR or ND/IS for review by the public and local, state and federal agencies (Sections 15085-15087). The following review procedures are designed to coordinate the project with various federal, state, and local areawide plans and programs. Send copies of the environmental document (either a Draft EIR or ND/IS) directly to the Division's Environmental Services Unit. All correspondence with the Division regarding environmental documents (Draft EIRs, comments received, Final EIRs, ND/ISs, etc.) should be addressed to:

ENVIRONMENTAL SERVICES UNIT
DIVISION OF CLEAN WATER PROGRAMS
STATE WATER RESOURCES CONTROL BOARD
P. O. BOX 944212
SACRAMENTO, CA 94244-2120

Draft EIRs and ND/ISs to be reviewed by state agencies must be submitted to the State Clearinghouse (Section 15205). Send ten (10) copies of the EIR or ND/IS to the State Clearinghouse, unless the State Clearinghouse approves a lower number in advance [Section 15205(e)]. You may either use the standard "Notice of Completion and Environmental Document Transmittal Form" included in the CEQA Guidelines (Appendix C) or develop a similar form to be used when submitting the documents. On the back side of the form, put a check on any of the "REVIEWING AGENCIES" that you would like Draft EIRs to be sent to including "SWRCB - Grants", otherwise the State Clearinghouse will select the appropriate review agencies. You must also send a formal transmittal letter to the State Clearinghouse giving them the authority to distribute the copies of the Draft EIR. If a consultant is preparing the Draft EIR or ND/IS, the consultant must obtain a formal transmittal letter from you stating that you, the applicant, give permission to the consultant to send the copies of the document to the State Clearinghouse. The letter should also have the State Clearinghouse number from the NOP. If you need a shorter review period than the 30 or 45-day period required by the CEQA Guidelines, you, not the consultant, must submit a written request. This formal request can be included in the transmittal letter stating the reasons for a shorter review period. To send documents to the State Clearinghouse, use the following address:

STATE CLEARINGHOUSE
OFFICE OF PERMIT ASSISTANCE
GOVERNOR'S OFFICE OF PLANNING AND RESEARCH
1400 TENTH STREET, ROOM 121
SACRAMENTO, CA 95814

The focal point of the State's review is the State Clearinghouse. The review starts when the State Clearinghouse receives your Draft EIR or ND/IS, at which time they will assign a Clearinghouse number (SCH#) to your project. If a NOP was previously filed, they will use the SCH# assigned to the NOP. This eight-digit number (e.g. SCH# 82061506) is very important and should be used on all documents, such as inquiry letters, supplemental drafts, final EIRs, etc. The State Clearinghouse will send you an "ACKNOWLEDGMENT" card. If you have any questions about the State Clearinghouse procedures, call (916) 445-0613.

While you are encouraged to contact the regional and district offices of state responsible agencies, this does not replace the requirement to submit environmental documents to the State Clearinghouse for distribution [Section 15205(f)]. To ensure that this Division

receive copies of the environmental document, you should send them directly to us. You are also responsible for sending copies of the environmental documents to any local or federal responsible agency with jurisdiction over any part of the proposed project. This cannot replace the requirement for sending eight copies of the document to the Division for federal consultation (Item 13a). You should not contact the State Office of Historic Preservation or the State Historic Preservation Officer (SHPO). The Division's Cultural Resources Officer will prepare a cover letter requesting the SHPO's concurrence that the project is in compliance with Section 106 and send it along with copies of cultural resources documentation to the SHPO (Item 13b).

After the review period ends, the State Clearinghouse should send you a letter stating that the review process is closed and that you have complied with the review requirements. Any comments from state agencies will be forwarded with the letter.

- 13.a. If the project involves an SRF loan, we will need to send copies of the CEQA document (draft or final) directly to federally designated agencies. In order for us to do this, you will need to send eight (8) copies of your draft or final CEQA document to our office. Normally, one copy will be used for our review, one copy will be submitted to the Cultural Resources Officer, and the other 6 copies will be distributed to federally designated agencies. The federally designated agencies must have at least forty-five (45) calendar days to review an EIR and thirty (30) calendar days to review an ND/IS. Six (6) days mailing time is also added to the review period which would then be calculated as fifty-one (51) or thirty-six (36) calendar days from the date the environmental document was mailed to the reviewing agency. If any of these agencies identify an issue of concern, the Division will consult with the agency to determine the necessary and appropriate actions to resolve the issue. Ideally, the federal consultation review should be done concurrently with the CEQA review. However, federal consultation may also be initiated before or after CEQA review.

To ensure compliance with federal laws and regulations, the Division has been designated as the non-federal representative under the Federal Endangered Species Act for all projects in California that involve an SRF loan. To comply with Section 7 of the Federal Endangered Species Act, the SWRCB will review SRF projects during the facilities planning process to determine if a project may affect any federally listed species. It is important that you identify any issues concerning sensitive species and notify the Division early in the planning stage. The Division will confer informally with the U.S. Fish and Wildlife Service (FWS) or National Marine Fisheries Service (NMFS) as appropriate. You will need to provide the Division with any species lists, biological assessments and other documents which disclose information on the project's effect on sensitive species at the earliest date.

If there are federally listed species that may be affected by a project, either directly or indirectly, the Division will evaluate the extent of any impacts as part of its

environmental review process and submit its findings to the FWS/NMFS. If the Division, in consultation with the FWS/NMFS, determines that the project will affect any federally listed species, it will notify the EPA of the need to request formal consultation. The EPA will participate as lead agency in the formal consultation process.

- 13.b. SRF funded applicants are required to demonstrate to the satisfaction of the SHPO that the project complies with Section 106 of the National Historic Preservation Act. In order to avoid potential funding delays, you are encouraged to initiate the Section 106 process and any paleontological studies at the earliest stages of project planning. Development of an Area of Potential Effects (APE) map is a critical first step. The project's APE includes all construction areas, borrow pits, haul roads, staging areas, etc., as well as the "built environment" in close proximity to the construction area, which may be subject to indirect effects. Property which may be acquired for the proposed undertaking is included in the APE. The APE is typically depicted on large-scale project plans, although aerial photographs are sometimes an effective "base map" alternative.

Background research for cultural resources begins with a records search at the Information Center(s) of the California Historical Resources File System which serve(s) the project area. The Information Center(s) will need a 7.5' USGS topographical map section with the APE clearly delineated, as well as a request letter which describes the proposed undertaking. It is important to obtain information about resources in the general project vicinity as well as within the APE. A records search "buffer zone" of 1/2 mile beyond the APE limits is usually sufficient for this purpose. As the Information Centers release complete, confidential site and survey information only to researchers registered with the Center, you are encouraged to designate a qualified archaeologist (typically a consultant) to be the recipient of the records search results. Your designated researcher should include copies of all materials received from the Information Center, as well as all correspondence, in the documentation submitted for review to the Division's Cultural Resources Officer.

The date of construction of all buildings, structures, objects and features in and adjacent the APE should be determined during pre-field research. Buildings, structures (such as a bridge), objects (such as a decorative gateway to a community), and features (canals, railroad tracks, etc.) which are at least 50 years old are potentially eligible for the National Register of Historic Places (NRHP) and must be evaluated against the NRHP criteria for inclusion. Numerous wastewater conveyance systems and treatment plants in the state have buildings or other elements older than 50 years, and thus it may be necessary to evaluate the historic value of the plant or system itself.

Documentation of Native American consultation is required under Section 106. This includes a letter to the Native American Heritage Commission (NAHC) requesting a review of its Sacred Lands Inventory files. The loan applicant should also endeavor to make direct contact (e.g. letter followed by telephone call) with Native American

representatives with interest in the project community. Native American consultation should include discussion of any potential project impacts to archaeological sites or traditional cultural places known to the Native American representative or the project archaeologist. The NAHC can recommend contacts in the Native American community if the proponent is not acquainted with interested parties.

Please submit documentation of a cultural resources field survey conducted by a qualified archaeologist throughout the APE. The survey report should conform to the outline provided in the California Office of Historic Preservation's Preservation Planning Bulletin 4(a), December 1989. A copy of the APE map depicting "area surveyed" and the boundaries of all known cultural resources relative to the project's impact area, is included in the survey report.

Please submit a Determination of Eligibility for any cultural resource which cannot be avoided during project construction. Findings of Effect and mitigation proposals follow, if a resource is determined to be NRHP-eligible and cannot be preserved through avoidance measures. Please provide documentation of protective provisions (including monitoring, if warranted) for any cultural resource in and adjacent to the APE, for which project effects can be avoided. In addition, please document your researcher's recommendations for further evaluation, mitigation, avoidance, monitoring, etc.

The complexity of cultural resources studies for public works projects can vary widely, depending upon numerous factors. Your proposed undertaking may satisfy Section 106 without including all the described elements. The nature of resources in the APE or the level of public interest may, on the other hand, add requirements not discussed here. You are encouraged to contact the Division's Cultural Resources Officer at (916) 227-4410 during the environmental planning stage for assistance in meeting Section 106 compliance requirements. The Division will take into account the potential effects of the project upon cultural resources, will apply the regulations implementing Section 106, and on this basis request the concurrence of the State Historic Preservation Officer that the process has been completed satisfactorily. Please allow adequate review time for the Division and the SHPO.

14. Public participation and review are essential to the CEQA process (Section 15087). Each public agency should include wide public involvement, formal and informal, consistent with its existing activities and procedures, in order to receive and evaluate public reactions to environmental issues related to its project. Public comments or controversies that are not responded to during the planning of a proposed project could result in the need for a Subsequent Environmental Document at a later stage or lead to legal challenges, thus delaying the project and raising the cost significantly.
15. <Decision Point> Review all comments received during the review process, including any spoken comments received at formal or informal public meetings. Consider whether

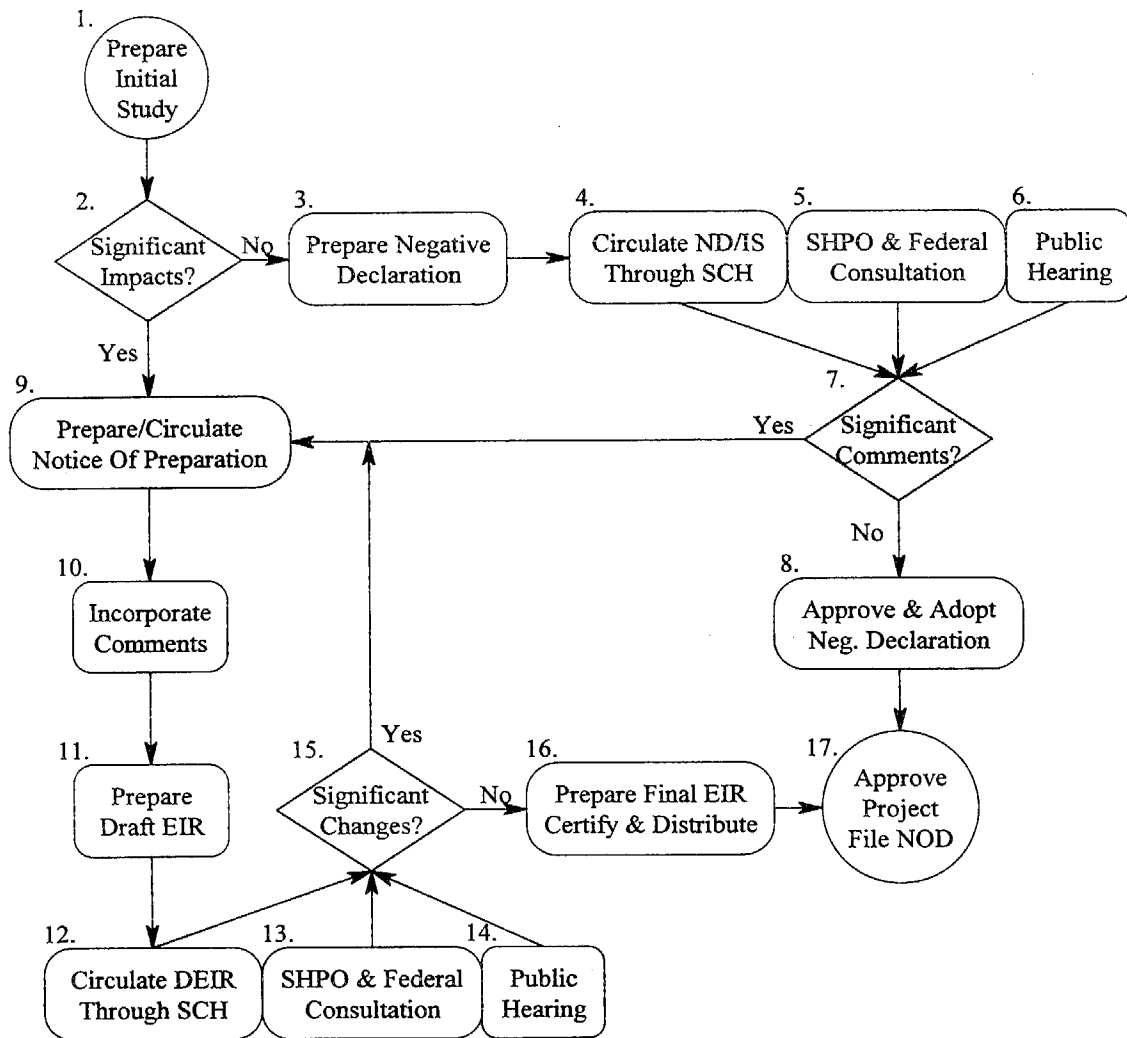
comments are significant enough to require a complete revision of the EIR or the proposed project, or whether minor changes in the EIR or addition of mitigation measures could adequately address the issues raised. If the EIR needs complete rewriting, return to Item 9. If minor revisions can make the EIR adequate, go to Item 16 and include text revisions to the Final EIR. Send a copy of the Final EIR including comments and responses to the Division at the above address and a copy to the appropriate California Regional Water Quality Control Board.

16. Incorporate any comments and your responses to those comments, text revisions, and any additional mitigation measures into the Final EIR. Include a plan for implementing and monitoring mitigation measures. Also include dates for all public meetings, hearings, etc. and the dates of notices for such hearings or meetings. The Final EIR must be certified by your decision making body. After resolving all comments and printing your Final EIR, send copies to all responsible agencies including the Division. You should also send copies to agencies and individuals commenting on the Draft EIR. See Section 15132 for the contents of a Final EIR.
17. Within five days after your decision making body has made a decision to proceed with the project, you must prepare and file a "Notice of Determination" (see Appendix D of the CEQA Guidelines) with the Governor's Office of Planning and Research and the local County Clerk. The contents of this Notice are given in Sections 15075 and 15094 for Negative Declarations and EIRs, respectively.

When the review period is over, submit copies of the following to the Division at the address provided in item 12:

- (1) The Final EIR or Negative Declaration including any field reports,
- (2) All comments received and your responses,
- (3) A mitigation monitoring plan (when mitigation measures are included),
- (4) The Notice of Determination filed, and
- (5) A resolution certifying the EIR or adopting the Negative Declaration and making findings or statements under CEQA.

Figure A



Prepared by the Environmental Services Unit of the Division of Clean Water Programs, State Water Resources Control Board

CHECKLIST FOR ENVIRONMENTAL DOCUMENTATION TO SUBMIT

DURING REVIEW PERIOD	
1.	Eight Copies of the CEQA document for review and federal consultation
2.	Any documents incorporated by reference
3.	A copy of the Notice of Completion
4.	Three copies of cultural resources technical studies and Section 106 compliance documentation.
AFTER REVIEW PERIOD	
1.	Two copies of the Final CEQA document
2.	Comments received on the CEQA document and your responses
3.	The Adopted Mitigation monitoring plan (when mitigation measures are included)
4.	The Notice of Determination filed with Governor's Office of Planning & Research
5.	The Resolution certifying EIR or adopting Negative Declaration, Adopting mitigation monitoring plan, and Making CEQA findings including Statements of Overriding Considerations

PART III. BASIC OUTLINE FOR ENVIRONMENTAL DOCUMENTS

The purpose of the environmental review is to incorporate environmental considerations into the planning process. Prior to the selection of a specific project alternative, a thorough, unbiased and frank analysis of the environmental impacts of every reasonable project alternative should be made. It is intended that environmental concerns are considered on an equal basis with engineering feasibility, economics, and social considerations.

In order to assist you in preparing environmental documents for your loan or grant application, we have put together this outline. The outline details project-specific information that must be disclosed, when applicable, in all environmental documents, including Initial Studies, prepared in conjunction with an application for an SRF Loan administered by the SWRCB. This outline does not replace CEQA guideline requirements regarding elements of an environmental document and does not cover all necessary components of the document.

For SRF loans, federal regulations require additional detailed information to obtain clearance for projects involving: (1) species protected under the Federal Endangered Species Act, (2) wetlands, (3) wild and scenic rivers, (4) coastal zone areas, (5) floodplains, (6) agricultural land, (7) cultural resources and (8) air quality. If the project involves an increase in treatment capacity, by either building a new treatment plant or expanding existing facilities, the service area and related growth inducing impacts must be considered in the environmental impact analysis. In addition, capacity increases for SRF projects located in non-attainment areas must be based on population estimates and projections consistent with those used for the State Air Quality Implementation Plan if the project exceeds "de-minimus thresholds" for emissions. For water recycling projects, the area of reuse must also be considered in the environmental impact analysis.

I. PROJECT DESCRIPTION

- A. Describe Objectives that Qualify the Project for a Loan
 - 1. Correction of any water quality problems associated with wastewater treatment or disposal facilities
 - a) Public health hazards
 - b) Pollution of impaired water bodies
 - 2. Compliance with water quality regulations
 - a) Waste Discharge Requirements
 - b) NPDES permits
 - c) Cease and Desist orders
 - 3. Preventative measures for impaired and unimpaired water bodies
 - 4. Capacity increase
 - 5. Wastewater recycling
- B. Explain How Objectives will be Accomplished
 - 1. New facilities
 - 2. Upgrading existing facilities

3. Correction of inflow and infiltration problems
- C. Describe Any Existing Facilities
 1. Facilities (give physical dimensions and area of existing site)
 - a) Treatment facilities
 - b) Collection and/or Conveyance systems
 - c) Storage
 - d) Appurtenant structures
 - e) Effluent discharge facilities
 - f) Sludge disposal facilities
 2. Condition of facilities
 3. Level of treatment
 4. Present effluent quality
 5. Present capacity of facilities
 - a) Average Dry Weather Flow (ADWF) capacity
 - b) Peak Wet Weather Flow (PWWF) capacity
 6. Present inflow of wastewater (ADWF and PWWF)
- D. New Facilities (describe any facilities that will be constructed or modified and operations)
 1. Facilities (give physical dimensions and area of project site)
 - a) Treatment facilities
 - b) Collection and/or Conveyance systems
 - c) Storage
 - d) Appurtenant structures
 - e) Effluent discharge facilities
 - f) Sludge disposal facilities
 2. Proposed treatment level
 3. Proposed effluent quality (describe qualitatively and quantitatively)
 4. Capacities (give in terms of ADWF and PWWF)
 - a) Design capacity (show how capacity was calculated)
 - b) Any increase needed to serve existing development
 - c) Population basis for capacity determination (include year)
 - (1) Current population
 - (2) Projected population
- E. Project Approvals (discuss the roles of planning and regulatory agencies which have permit or funding authority over the proposed project)
- F. Project Location (description of the precise location and boundaries, preferably topographic, and detailed map)
 1. Existing facilities
 2. New facilities
 3. Storage sites
 4. Effluent discharge sites
 5. Disposal sites
 6. Affected service area

7. Reuse sites (for water recycling)
- II. ENVIRONMENTAL SETTING (Include a discussion of all the following detailed elements; if an element is not applicable to the project or is not present within the described area, give reasons or verify with investigative results. Consider all facilities; conveyance lines; storage, discharge, and disposal site(s); staging areas; affected service area; and water recycling reuse sites when applicable).
- A. RELATIONSHIP OF PROJECT TO OTHER PLANNING (for an EIR, briefly describe the project's relationship to and consistency with other applicable planning)
 1. Water quality planning
 - a) Basin Plan (include beneficial uses of the receiving waters as given in the applicable Basin Plan)
 - b) Watershed Management Plan
 - c) Area-wide wastewater treatment plan
 2. Regional Transportation Plan
 3. Regional Housing Allocation Plans
 4. Air Quality Management Plan
 5. Regional land use plans
 - a) Habitat Conservation Plans
 - b) Coastal zone
 - c) Lake Tahoe Basin
 - d) San Francisco Bay
 - e) Santa Monica Mountains
 - B. Topography of the Region
 1. Location of project area with regard to major topographical features
 2. Elevations and slopes on project site
 - C. Land Use and Zoning
 1. At project site
 2. Adjacent to project site
 3. Along pipeline alignments
 4. At reclaimed water reuse sites
 - D. Geology of the Region
 1. Seismic hazards
 2. Unstable substrate
 3. Erosion potentials
 4. Information directly relating to a water quality problem (e.g., fractured bedrock)
 - E. Climate
 1. Annual precipitation
 2. Seasonal weather patterns

- F. Air Quality
 - 1. Air basin
 - 2. Nonattainment area (state and federal) for (list appropriate items)
 - a) Ozone
 - b) Nitrogen dioxide
 - c) Sulfur dioxide
 - d) Particulates
 - e) Carbon monoxide
 - 3. Status of local air quality plan
- G. Major Botanical Features (plant communities or associations)
- H. Important Fish and Wildlife (major species and economically or recreationally important species)
- I. Threatened or Endangered Species
 - 1. U.S. Fish and Wildlife
 - a) Listed
 - b) Proposed
 - c) Candidate
 - 2. National Marine Fisheries Service
 - a) Listed
 - b) Proposed
 - c) Candidate
 - 3. California Department of Fish and Game
 - a) Listed
 - b) Candidate
 - c) California Species of Special Concern
 - 4. Private Organization Listings (e.g., California Native Plant Society)
- J. Critical Habitats listed by the U.S. Fish and Wildlife Service
 - 1. Plant Community Type
 - 2. Location
 - 3. Size
- K. Wetlands delineated by Army Corps of Engineers
 - 1. Type
 - 2. Location
 - 3. Size
- L. Designated Wild and Scenic Rivers. Include Map if Present
 - 1. Name
 - 2. Location
 - 3. Classification
- M. Water Resources
 - 1. Surface water features
 - a) Lakes
 - b) Rivers
 - c) Estuaries

- d) Ocean
 - e) Lagoons, marshes and other water features
 - 2. Groundwater resources
 - a) Depth
 - b) Water quality
 - c) Basin description
 - 3. Receiving water quality
 - a) Qualitative description
 - b) Quantitative analysis
 - c) Comparison to effluent quality
 - d) Beneficial uses
 - 4. Water supplies for the service area
 - a) List of water purveyors
 - b) Percentage of supply from each source
- N. Agricultural Land
 - 1. Acres by type (e.g. prime, statewide significance, local significance)
 - 2. Zoning
 - 3. Present use
- O. Cultural resources
 - 1. Archaeological resources
 - 2. Historic architecture, landscapes, features, structures or objects
 - 3. Traditional cultural properties
 - 4. Paleontological resources
- P. Coastal Zone Jurisdiction
- Q. Floodplain Delineated by the Federal Emergency Management Agency or Other Agency

III. PRIMARY AND SECONDARY IMPACTS (For the following subjects, list and explain short and long term impacts from project construction and operation, and any proposed mitigation measures. Consider all facilities; conveyance lines; storage, discharge and disposal sites; staging areas; affected service area; and water recycling reuse sites when applicable. Include secondary impacts of other activities associated with or resulting from construction or operation of the project. Evaluate the significance of the impacts as required by CEQA).

- A. Water Quantity
 - 1. Change in point of discharge
 - 2. Increase/decrease in stream discharge
 - 3. Increase in water demands
- B. Water Quality
 - 1. Surface water
 - a) Construction impacts
 - b) Effluent discharge

- c) Storm runoff from site
 - d) Reclaimed water runoff
 - 2. Groundwater
 - a) Percolation of effluent
 - b) Construction dewatering
- C. Air Quality
 - 1. Construction dust
 - 2. Construction equipment exhaust emissions
 - 3. Plant emissions
 - 4. Odors
- D. Geology
 - 1. Slope stability
 - 2. Seismic hazards
- E. Soils
 - 1. Erosion
 - 2. Contamination
 - 3. Compaction
- F. Vegetation
 - 1. Grading and excavation impacts
 - 2. Trampling
 - 3. Effluent impacts on aquatic and riparian vegetation
- G. Fish and Wildlife
 - 1. Construction noise and interference
 - 2. Habitat loss
 - 3. Blockage of movement/migration
 - 4. Waterfowl attraction to open ponds
 - 5. Effluent impact on aquatic biota
- H. Aesthetics
 - 1. Temporary impacts from construction
 - 2. Visual disruption of new facilities
- I. Noise
 - 1. Construction
 - 2. Operation
- J. Recreation
 - 1. Disruptions
 - 2. Closures
- K. Open Space
 - 1. Loss of
 - 2. Interferences to
- L. Cultural Resources
 - 1. Construction impacts (direct and indirect)
 - 2. Erosion
 - 3. Inundation from ponds

- 4. Impacts from land application of effluent
- M. Threatened or Endangered Species
 - 1. Incidental taking of a species
 - 2. Loss of habitat
 - 3. Harassment
 - 4. Blockage of movement/migration
 - 5. Disruption of breeding habits
- N. Environmentally Sensitive Areas
 - 1. Environmentally significant agricultural land
 - 2. Coastal zone
 - 3. Wetlands
 - 4. Wild & scenic rivers
 - 5. Floodplains
 - 6. Critical Habitats
- O. Energy
 - 1. Use during construction
 - 2. Use during operation
- P. Transportation/Circulation
 - 1. Traffic interference
 - 2. Traffic increases
 - 3. Parking interference
- Q. Public Services
 - 1. Additional public services required for facilities
 - 2. Additional public services required for service area
 - 3. Construction and operation interferences on public utilities
- R. Public Health and Safety
 - 1. Use of reclaimed water
 - 2. Excavation of contaminated soils
 - 3. Mosquito attraction to open ponds
 - 4. Interference with emergency operations
 - 5. Use of hazardous chemicals
- S. Population and Housing
 - 1. Additional work force
 - 2. Removal of an obstacle to growth
- T. Land Use and Zoning
 - 1. Incompatible use of project site
 - 2. Interference with surrounding land uses

IV. MITIGATION MEASURES

- A. Commitment
 - 1. Commitment is mandatory for mitigating significant impacts in a Mitigated Negative Declaration.

2. Commitment for mitigating significant impacts in an EIR is necessary to avoid making a "Statement of Overriding Considerations".
- B. Specificity
1. Proposed future studies must include examples of mitigation measures that can be recommended from the studies.
 2. Monitoring must be accompanied by criteria that will trigger specific mitigation measures.
 3. Preparation of plans (e.g., an erosion control plan) must include specific examples of mitigation that the plan may include.
 4. Compliance with regulations must specify what regulations will do to mitigate the identified impacts.
- C. Effects of a Mitigation Measure (If a mitigation measure could cause one or more significant effects, the effects of the mitigation measure should be discussed)
- V. PROJECT ALTERNATIVES (For an EIR, discuss the environmental impacts, cost effectiveness, compatibility with proposed or existing projects, and reasons for rejection for each alternative; include future options, e.g., recycling regionalization, etc. Potential alternatives should be feasible and reasonable, and should accomplish the basic purposes of the project and avoid or substantially lessen significant effects.)
- A. Alternatives for Each Major Phase or Component of the Project
1. Treatment processes
 2. Disposal
 3. Conveyance
 4. Discharges
- B. Alternative Siting Locations
1. Treatment facilities
 2. Storage sites
 3. Discharge sites
 4. Disposal sites
 5. Conveyance lines
- C. Alternative Projects Which Could Accomplish the Project Objectives
1. Inflow and infiltration correction
 2. Upgrade existing facilities
 3. Other
- D. No Project Alternative
- E. Identification of the Environmentally Superior Alternative (if the "no project" alternative is not the environmentally superior alternative)
- VI. OTHER CEQA REQUIREMENTS
- A. Cumulative Impacts (Discuss effects of reasonably foreseeable projects in the area producing related or cumulative impacts including projects under the jurisdiction

of other agencies).

1. Projects related to, or similar to the proposed project
 2. Projects which produce environment effects similar to those of the proposed project
- B. Growth Inducing Impacts (if none, explain why not)
1. Ways in which the proposed project could encourage or accommodate growth directly or indirectly in the following areas:
 - a) Economy (e.g., building facilities that will create favorable conditions to attract businesses)
 - b) Population
 - (1) increasing the capacity of facilities to allow faster population growth
 - (2) increasing the supply of water available for population growth by replacing the use of existing water supplies with the use of reclaimed wastewater
 - c) Housing (e.g., expanding the service area to allow for more housing construction)
 2. Impacts (secondary or indirect) associated with growth inducement
 - a) Air pollution
 - b) Water pollution
 - c) Diminished resources
 - d) Displacement of plants and animals
 - e) Loss of open space
 - f) Loss of agricultural land
 - g) Transportation
 - h) Public Services
 3. Regional and Local Planning (including Air Quality Management Plans)
 - a) Information needed to make a conformity determination under the Federal General Conformity Rule for the Clean Air Act (wastewater treatment facilities in non-attainment areas which exceed the established "de minimus" thresholds for air pollutant emissions can be determined to conform if they are sized to meet only the needs of population projections that are in the applicable approved State Implementation Plan which contains the most recent planning assumptions).
 - b) Ability of current planning to deal with growth by providing the necessary infrastructure and support facilities while attempting to minimize adverse effects on the environment.
- C. UNAVOIDABLE SIGNIFICANT IMPACTS (For an EIR., discuss any unavoidable significant impacts identified in the document, their implications and the reasons why the project is being proposed notwithstanding their effect.)

APPENDIX F

WATER CONSERVATION GUIDELINES

Division of Clean Water Programs
State Revolving Fund Loan Program

WATER CONSERVATION REVIEW PROCEDURES

December 5, 1993

On January 21, 1993, the State Water Board adopted a revised "Policy for Implementing the State Revolving Fund for Construction of Wastewater Treatment Facilities" (Policy). A new requirement in the revised policy is that 75 percent of the water connections in the loan applicant's service area must be covered by an adopted water conservation program consistent with local ordinances and authorities. To satisfy this requirement the water purveyor may become a signatory to the "Memorandum of Understanding Regarding Urban Water Conservation in California (MOU)" September 1991. The MOU includes 16 Best Management Practices (BMP's) that are established and generally accepted water conservation practices.

In lieu of becoming a signatory to the MOU, an independent water conservation program that meets the specific need of the community may be adopted. This water conservation program must be consistent with local ordinances, authorities, and acceptable to the Division of Clean Water Programs (Division).

The Division discussed with the Department of Water Resources the implementation and requirements of the newly adopted water conservation requirement in the SRF Policy. The easiest and best way to implement the water conservation policy was to encourage all agencies requesting SRF funding to become signatories to this MOU.

However, in some cases signing the MOU is not feasible. Many water purveyors adopt their own water conservation plans that are specific to their individual water needs. In this situation, a conservation plan review must be performed to insure compliance with the Division's criteria.

An adequate water conservation program consists of an in depth look at five different facets of water conservation: water supply and area characteristics, current conservation program implementation, evaluation of alternative measures recommended water conservation plan, and a water shortage plan. These facets parallel the requirements of the Urban Water Management Planning Act, Water Code Section 10610 et seq.

A) WATER SUPPLY AND AREA CHARACTERISTICS

Water supply and area characteristics should include an estimate of past, current, and projected potable and reclaimed water use. Relate these estimates to demographic users (residential, industrial, irrigation, and landscape) with the estimated percentage of water consumption per user type. The current status of groundwater, surface water, reclaimed water, and purchased water with respect to over all supply, demand, and quality should also be considered. A quantified analysis of the cost per unit volume must be evaluated so that water consumption savings with respect to water conservation mechanisms versus cost savings with respect to production and distribution of potable water can be compared.

B) CURRENT WATER CONSERVATION PROGRAM

A comprehensive review of the current water conservation program with a description of the various water conservation measures must be included. This review should consist of an explanation of the BMP's used by the district, an estimated overall amount of water conserved by the BMP, and an estimated implementation cost of each BMP.

C) EVALUATION OF ALTERNATIVE MEASURES

An evaluation of alternative measures should consider no less than all BMP's specified in the MOU. An analysis of the applicability, cost effectiveness, potential water savings, public acceptance, non-quantifiable benefits, and ability to implement should be performed on each BMP. Each BMP should be analyzed individually and should contain the most optimum level of implementation with respect to different types of water users (i.e. If it is not cost effective to provide low flush toilets to all water consumers, would it be effective to replace toilets of the top 10% of residential water users ?).

If any of the BMP's are determined to not be applicable or implementable, a discussion and justification must be given so that these measures may be waived. An example of justification for waiving BMP #9 would be that commercial and industrial water users do not exist within the water purveyors distribution area.

A brief explanation of the 16 BMP's are given below. A full description of the elements of the BMP's is in the MOU.

1. Interior and exterior water audits and incentive programs for single-family residential, multi-family residential and governmental/institutional customers.

Identify the top 20% water users, contact them, and provide incentives to help reduce consumption.

2. Plumbing -- new and retrofit:

- a) Enforcement of requirement for ultra-low-flush toilets in all new construction beginning January 1, 1992**

Contact local building inspectors, developers, and plumbing suppliers to ensure installation in new construction.

b) Plumbing retrofit

Retrofit pre 1980 homes with low flow shower heads and toilet displacement devices. Offer to install these devices and follow up at least 3 times.

3. Distribution system water audits, leak detection and repair.

Once every 3 years complete a water audit of the water supplier's distribution system using a methodology such as that described in the American Water Works Association's "Manual of Water Supply Practices, Water Audits and Leak Detection". Advise customers whenever it appears possible that leaks exist on the customers' side of the meter; and perform distribution system leak detection and repair whenever the audit reveals that it would be cost-effective.

4. Metering with commodity rates for all new connection and retrofit of existing connections.

Require meters for all new connections and billing by volume of use. Establish a program for retrofitting any existing unmetered connections and billing by volume of use.

5. Large landscape water audits and incentives.

Identify larger than three acre irrigators, contacting them, offer landscape audits and provide cost-effective incentives to help achieve implementation follow up audits at least every 5 years. Provide multilingual training if necessary for implementation.

6. Landscape water conservation requirements for new and existing commercial, industrial, institutional, governmental and multi-family developments.

Follow the "Model Water Efficiency Landscape Ordinance" as the model for these requirements. Initiate an effectiveness study within 2 years of the date local agencies must adopt ordinances under the act.

7. Public information.

Adopt ongoing programs promoting water conservation and provide speakers for community groups and media. Utilize public service advertising, bill inserts, other government agencies, industry groups and public interest groups to publicize water conservation. Provide users with consumption statement, in their billing statement, showing gallons of water used per month as a comparison to the consumption in the previous year.

8. School education

Adopt ongoing programs promoting water conservation benefits (i.e. provide educational materials, teacher training, and instructional assistance).

9. Commercial and industrial water conservation.

Identify and contact the top 10% of the industrial and commercial customers directly, offering audits and incentives sufficient to achieve customer implementation of conservation measures, and provide follow up audits at least once every 5 years if necessary.

10. New commercial and industrial water use review.

Review proposed water uses for new commercial and industrial water services and recommend water efficiency measures before completion of building permit process.

11. Conservation pricing.

Implementation methods shall be at least as effective as eliminating non-conservation pricing and adopting conservation pricing.

Conservation pricing includes rates to recover costs of providing service, billing for water and sewer based on metered water use, as well as one of the following; seasonal rates, excess use surcharges to reduce peak demands, rates based upon long-run costs, or adding system capacity.

Conservation pricing does not include a decrease in price as quantity increases, fixed rates for water consumption, or billing which is determined by high fixed charges and low commodity charges.

12. Landscape water conservation for new and existing single-family homes.

Provide guidelines, information and incentives for installation of efficient landscape water saving practices. Enact and implement landscape water conservation ordinances.

13. Water waste prohibition.

Enforce prohibition on gutter flooding, sales of self regenerating water softeners, single pass cooling systems, non-recirculating car washes and laundry machines, and non-recycling water fountains.

14. Water conservation coordinator.

Designate an individual responsible for preparing the conservation plan, managing the implementation, and evaluating the results.

15. Financial incentives.

Offer incentives to implement conservation programs.

16. Ultra-low-flush toilet replacement.

Implement programs for replacement of existing high-water-using toilets. Offer rebates up to \$100 for each toilet replacement or mandate replacement at time of resale.

D) RECOMMENDED WATER CONSERVATION PLAN

The recommended water conservation plan should consist of all BMP's found to be affective after the evaluation process is done. The plan should clearly state the different facets of the BMP's and what they are intended to accomplish as well as describe actions and plans to enforce conservation measures. In addition, a projection of the total water savings should be included.

E) WATER SHORTAGE PLAN

Provide an urban water shortage contingency plan that includes the following elements that are within the authority of the urban water supplier.

1. A reasonable definition of water shortage that will mandate action of this plan.
2. Past, current, and projected water use and, to the extent records are available, a breakdown of those uses on the basis of residential, industrial, irrigation, and landscape.
3. An estimate of the minimum water supply available at the end of 12, 24, and 36 months, assuming the worst case water supply shortages.
4. Stages of action to be undertaken by the urban water supplier in response to supply shortages including up to a 50 percent reduction in water supply.

Include an outline of specific water supply conditions that are applicable to each stage.

5. Mandatory provisions to reduce water use that include prohibitions against specific wasteful practices, such as gutter flooding.
6. Consumption limits in the most restrictive stages that would reduce water use and is appropriate for its area. Examples may include but are not limited to percentage reduction in water allotments, per capita allocations, increasing block rate for high usage, and restrictions on specific uses.
7. Penalties or charges for excessive use.
8. An analysis of the impacts of the plan on the revenues and expenditures of the urban water supplier, and proposed measures to overcome those impacts, such as the development of reserves and rate adjustments.
9. A draft water shortage contingency resolution or ordinance to carry out the urban water shortage contingency plan.
10. A mechanism for determining actual reductions in water use pursuant to the urban water shortage contingency plan.

OTHER STATE LAW

The Urban Water Management Planning Act, Water Code Section 10610 et. seq, as amended by AB 892, requires every urban water supplier to prepare and adopt an urban water management plan that includes specific elements. Water districts providing water for municipal purposes to more than 3,000 customers or supplying more than 3,000 acre-feet of water annually are subject to this legislation.

In addition to the requirements specified by the Division, additional Water Code conservation plan requirements include:

1. Methods to increase the use of reclaimed water in areas in which the use of potable water is not required.
2. Describe financial incentives used to encourage the use of reclaimed water and the results of these actions in terms of acre-feet per year used.
3. Describe water reclamation measures for agricultural irrigation, landscape irrigation, wildlife habitat enhancement, wetlands, industrial reuse,

groundwater recharge, and other appropriate uses.

4. Identify actions and incentives to facilitate the development of dual water systems for the use of reclaimed water in new construction, for flushing toilets and urinals, landscaping, golf courses, cemeteries, irrigation, and other appropriate purposes.
5. Describe alternative conservation measures, including , but not limited to pool covers and water saving fixtures and appliances (ie.horizontal loading washing machines and water efficient dishwashers).

These conservation measures that may be imposed by Assembly Bill 892 will not be enforced by the Board with respect to State Revolving Fund Loans, however, at some time these requirements may be imposed by law.

A water conservation program that is consistent with these requirements should be adequate for many districts, however, it may not be complete for all districts. These requirements do not limit the amount of material that is required in a conservation program, but only act as guidelines for program review. Any additional criteria that a district feels is necessary should also be incorporated into the conservation plan.

