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SMALL COMMUNITY WASTEWATER GRANT PROGRAM GUIDELINES

April 16, 2004

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	DEFINITIONS	2
III.	OTHER ASSISTANCE	4
IV.	PROJECT PRIORITY SYSTEM	5
	A. Development of Regional SCWG Project Priority Lists.....	5
	B. Priority Classes	5
	Class A – Existing or Potential Public Health Problems.....	5
	Class B – Pollution Problems.....	6
	Class C – Other Projects.....	6
	C. Development of the Statewide SCWG Project Priority List.....	6
	D. Project Ranking.....	6
	E. Restrictions and Adjustments	7
	F. Project Removal and Changes	7
V.	SCWG PROGRAM PROCEDURES	7
	A. Procurement of Consultants.....	7
	B. SCWG Process.....	8
	Preliminary Planning.....	8
	Facilities Planning.....	8
	Design.....	9
	Construction	10
	Project Operation.....	10
	C. Grant Payments.....	10
VI.	ELIGIBLE PROJECT COSTS	11
	A. Treatment Plant "Buy-In" Costs Up to 20 Years of Reserve Capacity.	11
	B. New Collection System Construction Costs	11
	C. Collection Systems, Interceptors, and Outfalls.....	11
	D. Wastewater Facilities Improvements	12
	E. Required Mitigation Measures.....	12
	F. Land Required for the Wastewater Treatment Plant, Collection System Right-of- Ways, Pump Stations, and Effluent Disposal Facilities	12
	G. Allowances for Engineering and Administrative Services	13

TABLE OF CONTENTS

H.	Construction Contingency.....	13
I.	Permanent Easements for Alternative Systems.....	13
J.	Utility Relocation.....	13
K.	Force Accounts and Equipment Purchase.....	13
VII.	FACILITIES PLANNING.....	13
A.	Planning Grant	14
B.	Operations Evaluation.....	14
C.	Project Feasibility Report.....	14
D.	Project Feasibility Report - Selected Alternative.....	15
E.	Environmental Documents.....	16
F.	Draft Revenue Program	16
G.	FPA	17
VIII.	DESIGN	17
A.	Design Grant	17
B.	Division Review Objectives	17
C.	Required P&S Submittals	18
D.	Bonding Requirements.....	19
E.	Prevailing Wages	19
F.	Pre-Bid Conference.....	19
IX.	CONSTRUCTION.....	19
A.	Construction Grant.....	19
B.	Bid Protests and Contractor Disputes	20
C.	Civil Rights Compliance.....	20
D.	Cultural Resources Protection.....	20
E.	Pre-Construction Conference.....	20
F.	ATA the Construction Contract.....	20
G.	Construction Contract Award	20
H.	Change Orders.....	21
I.	Payment Requests	21
J.	Status Reports	22
K.	Construction Management Reviews	22
X.	PROJECT OPERATION.....	22
A.	Final Project Inspection	22
B.	Project Performance Certification.....	22
XI.	RECORD KEEPING REQUIREMENTS.....	23
XII.	ADMINISTRATIVE ASSISTANCE.....	23
A.	Grant Management.....	23
B.	Financial/Management Review.....	24
XIII.	ELIGIBILITY DISPUTES	24

TABLE OF CONTENTS

Appendices:

Appendix A – Small Community Wastewater Grant Program Flow Chart

Appendix B – Revenue Program Guidelines

Appendix C – Allowance Table

Appendix D – Payment Request Instructions

Appendix E – Project Performance Standards

Appendix F – Approval to Award Request Submittal

Appendix G – Sewer System Evaluation Study Guidelines

Appendix H – Applications and Scope of Work Checklist

Appendix I – Environmental Review Process Guidelines

SMALL COMMUNITY WASTEWATER GRANT PROGRAM

I. INTRODUCTION

The Small Community Wastewater Grant (SCWG) program was created to aid small, financially disadvantaged communities in correcting public health and water quality problems. The SCWG program originally received funding through the Clean Water Bond Law of 1984, the Clean Water and Water Reclamation Bond Law of 1988, the Safe, Clean, Reliable, Water Supply Act of 1996, and the Costa-Machado Water Act of 2000. These funds were quickly spent.

There is an ongoing need to provide financial assistance to small communities throughout California. Therefore, the voters again responded by approving additional funding with the passage of the Watershed, Clean Beaches, and Water Quality Act (Prop 40), which provides State grant assistance for small communities with a financial hardship. Additional funds are available from the Water Security, Clean Drinking Water, Coastal and Beach Protection Act (Prop 50).

Both Prop 40 and Prop 50 allow the State Water Resources Control Board (SWRCB) to determine which small communities will be eligible for grant assistance, within the limits of the enacting statutes. A small community is defined in statute as a municipality with a population of 20,000 persons or less. The SWRCB has determined that those small communities with an annual Median Household Income from the 2000 census of \$37,994 or less will qualify for funding under the SCWG Program.

Introductory Information for Applicants

This document is intended to help guide you (the applicant) towards successful completion of your project. It includes information on how to guide your project through the following project phases:

- Preliminary Planning
- Planning
- Design
- Construction
- Project Operation

Based on our experience with funding many projects over the years, we offer the following tips to help ensure a successful project:

- If you need assistance or have a question on any aspect of the process, please contact us. We are here to help you succeed. In addition, you may receive offers

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of assistance from various other agencies with experience in helping small communities with infrastructure projects.

- We understand that you are likely to be funding portions of this project from other sources. We will work with you to coordinate our requirements with those of other agencies.
- Be sure to focus on evaluation of operation and maintenance of the existing facilities. This evaluation is described in more detail in this document. We have often found that improvements in operation and maintenance can show dramatic results.
- Thorough planning will pay off in the long run. The Facilities Planning Process described in this document will guide you through this process.

II. DEFINITIONS

"Allowance" means a sum of money, based on a percentage of the allowable construction costs, to partially reimburse eligible small communities for the costs of planning, design, construction engineering, grants administration, and prime engineering.

"Collection System" means the common sewers, within a publicly-owned treatment system, which are primarily installed to receive wastewater directly from pipes which convey wastewater from individual systems, or from private property.

"Differing Site Conditions" means subsurface or latent physical conditions at the site differing materially from those indicated in the contract, or unknown physical conditions at the site, of an unusual nature, differing materially from those ordinarily encountered and generally recognizable as inherent in work of the character provided for in the contract.

"Division" means the Division of Financial Assistance.

"Eligible Small Community" means a city, town, county, district, Indian tribe, or other public body, meeting the population limit defined by State law, with jurisdiction over disposal of sewage and subject to being permitted by a Regional Water Quality Control Board, that has an annual MHI of \$37,994 or less, and is not a second home community. Second home communities are not eligible. Second home communities are those where less than 50 percent of the dwellings or dwelling units are occupied by permanent residents. Seasonal migrant laborers are considered permanent residents.

"Environmental Document" means either, an initial study and Negative Declaration, or an Environmental Impact Report prepared in accordance with the California Environmental Quality Act (CEQA).

"Facilities Plan Approval" means approval by the Division of that project concept, developed during the facilities planning process, which represents the cost-effective alternative and which also complies with all State laws, rules, regulations, and guidelines.

"Grantee" means an applicant who has executed a SCWG contract or grant agreement.

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"Hardship" means a small community with an annual MHI that is less than 80 percent of the statewide annual MHI.

"High-cost Project" means a project where the total project cost exceeds \$15,000 per household.

"House Lateral" means the sewer pipeline on private property and from a structure to the public right-of-way.

"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.

"Infiltration/Inflow Analysis" (see "Sewer System Evaluation Survey")

"Inflow" means the water entering the 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, stormwaters, surface run-off, street wash waters, or drainage. It does not include, and is distinguished from, infiltration.

"Interceptor" means a sewer, which is designed to intercept wastewater from a final point in a collection system for delivery to a treatment facility or another interceptor.

"Median Household Income (MHI)" means the median annual income of the community, based on either Federal census data or a local survey approved by the SWRCB. The MHI shall be based on the 2000 Census data. If a community believes that the census data does not accurately represent the community, and the community is not a Census Designated Place, a City, or a Town, an income survey may be conducted in lieu of using the MHI from the Census data. The survey results will be adjusted to compare with 2000 Census data using the Federal Consumer Price Index data for urban users in California. All income surveys must be conducted in accordance with guidelines published by the United States Department of Agriculture, Rural Utilities Services.

"Permanent Resident" means one who resides in the household within the project service area for more than six months during the calendar year.

"Regional Board" means the appropriate California Regional Water Quality Control Board.

"Review Appraisal" refers to the review of an appraisal report by a qualified independent real property appraiser or by a qualified employee of a Federal or State agency. This review should not duplicate the collection of data and the inspection of the subject property that was done by the original appraiser, but should focus on the means and methods used by the original appraiser to determine the fair market value of the property and the content of the appraisal report. The review appraisal should also determine if the means and methods used by the original appraiser and the content of the appraisal report satisfy appropriate legal requirements should a legal action for eminent domain be necessary to acquire the property.

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“Sewer System Evaluation Survey” means a systematic examination of the sewer system to determine the specific location, estimated flow rate, methods of rehabilitation, and costs of rehabilitation versus cost of transportation and treatment for each defined source of Infiltration/Inflow.

"Small Community" means a community of 20,000 people or less, or a reasonably isolated and divisible segment of a larger municipality encompassing 20,000 people or less.

" SCWG" means a grant issued to an eligible small community for up to 90 percent of the allowable project costs not to exceed the SWRCB approved maximum.

"State Revolving Fund (SRF)" means a fund created by the 1987 amendments to the Federal Clean Water Act. The SRF provides loan funding for the construction of publicly-owned wastewater treatment works and water reclamation facilities, development and implementation of programs to control pollution from non-point sources and stormwater drainage, and implementation of estuary cleanup programs.

"Treatment Facilities" means any devices and systems for the transport, storage, treatment, recycling, and reclamation of municipal sewage. These devices include intercepting sewers, outfall sewers, sewage collection systems, individual systems, pumping, power, necessary land, additions, alterations, and any other devices for abating, reducing, storing, treating, separating, or disposing of municipal sewage.

III. OTHER ASSISTANCE

Communities receiving a SCWG may also apply for a low interest loan from the SRF for the local share of the eligible costs, provided the project is contained on the fundable portion of the Statewide SRF Loan Priority List. Communities requesting SRF loans must comply with the *Policy for Implementing the State Revolving Fund for Construction of Wastewater Treatment Facilities*, in addition to these Guidelines.

Communities receiving a SCWG are encouraged to investigate the availability of funds from other State or Federal agencies for funding the local share of the project costs. In no event shall the combined grant assistance received exceed 97.5 percent of the eligible costs.

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IV. PROJECT PRIORITY SYSTEM

A. Development of Regional SCWG Project Priority Lists

As necessary, the Executive Officer of each Regional Board shall prepare and approve a Regional Board SCWG Project Priority List. The projects identified on the Regional Board SCWG Project Priority List shall be categorized according to the priority classes cited in Section IV. B.

The SWRCB and Division are aware of the Environmental Justice considerations that are critical to the effective implementation of the SCWG Program and the inclusion of under-represented communities. The Division will actively pursue potential applicants to include on the SCWG Project Priority List from communities that may meet any of the following criteria:

- Communities that lack or may have historically lacked the staff or resources to successfully compete for various funding opportunities.
- Communities with a relatively low MHI.
- Communities that may reflect Environmental Justice considerations.
- Communities facing other cultural or financial barriers that limit their access to funding opportunities.

B. Priority Classes

Proposed projects may be assigned to one of the following Priority Classes:

Class A – Existing or Potential Public Health Problems

Treatment plant or new collection system projects required to alleviate existing or potential public health hazards where:

1. Unsewered Areas

- a. The County Board of Supervisors or the County Health Officer has issued a declaration that there is a potential or existing public health hazard in the small community involved; and
- b. A resolution (local moratorium) is adopted by the authorized governing body requiring hook-up of existing residences and businesses to the public wastewater system when it is available, prohibiting the construction and use of new septic tanks in the existing or potential health hazard area, and providing final authority to the Regional Board for approving any exemptions; and
- c. The Regional Board adopts a resolution approving the health hazard declaration and the local moratorium.
- d. A Regional Board prohibition is acceptable in lieu of b and c above.

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2. Sewered Areas

- a. The County Board of Supervisors or the County Health Officer has issued a declaration that there is a potential or an existing public health hazard due to discharge from the wastewater treatment plant or from overflows in the collection system; and
- b. The Regional Board has adopted a Cease and Desist Order containing a prohibition on new connections to the treatment works until the necessary corrections are made.

Class B – Pollution Problems

Projects required to alleviate potential or existing water pollution problems where:

1. The Regional Board has determined that there is a potential or existing water pollution problem and has issued a time schedule for compliance with a National Pollution Discharge Elimination System (NPDES) permit or waste discharge requirements; or
2. The County Board of Supervisors, the City Council, or the County Health Officer has issued a declaration that there is a potential or an existing pollution problem in the small community involved and has adopted a time schedule for compliance, and the Regional Board has adopted a resolution approving and accepting the local declaration.

Class C – Other Projects

Projects not included in any of the above priority classes.

C. Development of the Statewide SCWG Project Priority List

After review of the Regional Board SCWG Project Priority Lists, staff will compile the Statewide SCWG Project Priority List (Statewide List) for SWRCB consideration. The Statewide list shall identify those projects proposed for State assistance.

Placement of a project on the Statewide List shall not constitute a commitment to fund the project. The SWRCB may amend the Statewide List, as necessary, to assure timely commitment of available funds.

D. Project Ranking

1. Projects within all priority classes shall be ranked as follows:
 - a. Projects with documented existing problems shall be grouped above projects with potential problems.
 - b. *Priority Water Bodies.* Projects with either documented existing problems or potential problems, discharging to, or associated with, priority water bodies as identified in the California Water Quality Assessment shall be grouped above projects that do not discharge to priority water bodies.

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- c. *Communities Lacking Adequate Sewers or with Population Growth Pressures.* Projects with either documented existing problems or potential problems, and are in criteria b. above, that are to install or replace sewer systems in communities that lack adequate sewers or to assist communities with population growth pressures will be ranked above those projects that do not meet this criteria. Communities that have reached 90 percent of the treatment plant capacity will be classified as experiencing "Population Growth Pressures."
 - d. *MHI.* Projects with either documented existing problems or potential problems, and are in criteria b. and c. above, will be ranked in accordance with the MHI of the small communities. A project that serves a small community with a lower MHI will be ranked above a project serving a small community with a higher MHI.
 - e. *Population.* In the event of a tie, projects that serve smaller populations will be ranked above projects serving larger populations.
2. The number of projects placed on the Statewide List may exceed the available funds. Projects will be funded on the basis of readiness to proceed.

E. Restrictions and Adjustments

1. If the priority classification for a project is in any way dependent upon State or local action, or SWRCB or Regional Board action, only action taken prior to adoption or amendment to the Statewide List will be considered.
2. The Statewide List may be adjusted at any time by the SWRCB for good cause.

F. Project Removal and Changes

A project may be removed from the Statewide List by the Division when:

1. The applicant fails to submit the necessary data to allow the Division to make a determination that the project is eligible for a SCWG.
2. The applicant fails to meet agreed-upon schedules.
3. The population data or MHI data indicate that the community does not qualify for a SCWG.

A small community has the option to appeal, a decision to remove its project from the Statewide List to the SWRCB. A petition for review by the SWRCB must be submitted within 30 days of receipt of the Division's Statewide List removal letter.

V. SCWG PROGRAM PROCEDURES

A. Procurement of Consultants

As public agencies, applicants must follow applicable local and State laws in procuring consultant services and must take reasonable measures to ensure that these services are obtained from qualified, licensed firms. In selecting project consultants, the applicant

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should consider the experience of the consultant with similar projects involving evaluation of facilities, planning, design and construction.

B. SCWG Process

To facilitate expeditious grant approval, the Division will offer administrative assistance during facilities planning and design. This assistance will include guidance for preparing the Project Feasibility Report, the environmental documents, the draft Revenue Program, and the plans and specifications (P&S).

The following is a brief summary of the key milestones that are described in more detail later in the Guidelines. In addition, a flow chart outlining the steps of the SCWG Program is contained in Appendix A.

Preliminary Planning

1. The Division advises the applicant that their project is on the adopted Statewide List and requests the applicant complete a Scope of Work checklist and an application for a planning grant.
2. The Division evaluates whether the project meets program requirements. If it does, the Division will issue a notice to proceed with facilities planning and will send a planning grant contract to the applicant for the planning grant allowance. Note the following:
 - If the applicant has previously been awarded a planning grant under the SCWG Program for the same project, the amount of the new planning grant will be reduced by the amount of the previous planning grant.
 - An applicant may proceed with the planning work prior to signing the planning grant. However, work done prior to receiving a notice to proceed with facilities plan will not be eligible.
 - The applicant is responsible for any planning costs that exceed the allowance amount. The planning grant will not be adjusted until the construction grant is issued, unless it is determined by the Division that a project will not be receiving a construction grant.

Facilities Planning

3. The grantee prepares and submits the Facilities Plan. The Facilities Plan is described in detail later in this document. It includes the following elements:
 - Operations Evaluation
 - Project Feasibility Report
 - Environmental Documents
 - Draft Revenue Program

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4. Following review and approval of the facilities planning documents, the Division will issue a Facilities Plan Approval (FPA) letter. This letter approves the planning phase and allows the grantee to proceed with the design phase of the project. **Approval of planning does not guarantee the grantee will receive any additional funding for the project.**

Design

5. Following FPA, a design grant can be issued based on the estimated construction cost of the approved project. If the grantee has previously been awarded a design grant under the SCWG Program for the same project, the amount of the new design grant will be reduced by the amount of the previous design grant.
6. The grantee prepares and submits the initial design submittal for review and approval by the Division.
7. The grantee submits final design P&S to the Division.
8. The Division informs grantee of the findings regarding eligibility of project items and project performance standards.
9. The grantee concurs in writing with the Division's eligibility determination and project performance standards.
10. The Division issues the Final Plans and Specifications Approval (FPSA) letter. **Approval of design does not guarantee the grantee will receive any additional funding for the project.**
11. Following FPSA, the Division may award a construction grant to the grantee for construction of their project. Note the following:
 - The sum of the planning, design, and construction grants will be limited to the maximum project amount set by the SWRCB, or up to the maximum percentage of project funding allowed for eligible costs, using the SCWG sliding scale formula, whichever is less.
 - If a grantee has previously been awarded planning and/or design grants under the SCWG Program for the same project, these will be subtracted from the total eligible grant amount.
 - The construction grant will be amended once after Approval-to-Award (ATA) the construction contract, when the actual eligible project costs are determined. At this time, the Division will adjust the planning and/or design grants based on actual construction cost of the project.
 - Any construction costs incurred prior to FPSA will not be eligible.
12. Grantee proceeds with bid process to advertise, receive and award bids.

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Construction

13. Grantee completes and submits the ATA package.
14. Division inspects construction as necessary and grantee submits regular progress reports.
15. Grantee prepares and submits Operation and Maintenance (O&M) Manual as described in these Guidelines.
16. The Division reserves the right to reconsider any previous approvals at any time the estimated or actual project construction costs exceed the estimated construction cost used for the preliminary construction grant award amount by more than 25 percent.

Project Operation

17. The grantee initiates operations of new facilities.
18. The grantee submits a Project Performance Certification Report 12 months after initiation of operation.
19. The Division closes out the project upon review and acceptance of the Project Performance Certification Report

C. Grant Payments

Costs must be incurred but not necessarily paid, before Division payment can be requested. Grant payments for allowances and construction will be paid upon receipt of a payment request, properly executed and sufficiently documented. Pay request instructions are contained in Appendix D. Payments will be made no more frequently than thirty calendar days from the last payment request.

The Division will withhold ten percent of the planning grant until the complete Facilities Plan is submitted, and will withhold ten percent of the design grant until the final design is submitted.

CALCULATION OF THE TOTAL GRANT AMOUNT

The purpose of the SCWG Program is to fund a portion of the capital cost of the proposed project in accordance with the level of the MHI in the community.

Grant funding for communities with a MHI of \$28,495 or less will be up to 90 percent of the eligible project cost. The funding level for communities with a MHI between \$28,495 and \$37,994 will be determined by the following formula:

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$$\text{Percentage of Grant Funding} = (\$37,994 - \text{MHI}) \times (0.00003158) + 0.6$$

EXAMPLE: For a community with an MHI of \$31,500:

$$\text{Percentage of Grant Funding} = (37,994 - 31,500) \times (0.00003158) + 0.6$$

$$= 0.805$$

$$= 80.5 \%$$

VI. ELIGIBLE PROJECT COSTS

A. Treatment Plant "Buy-In" Costs Up to 20 Years of Reserve Capacity.

This includes reasonable "buy-in" costs for wastewater treatment and disposal only. Reasonable allowable costs will be determined on a fair and equitable basis.

B. New Collection System Construction Costs

The construction of new collection systems to serve existing structures at the estimated date of construction, within the established boundaries of local public health or pollution hazard areas, or Regional Board prohibition areas, are eligible project costs. This eligibility is subject to the following conditions:

- Collection systems may be sized for flows up to 20 years worth of growth as approved in the environmental documents. Collection systems, which serve undeveloped areas, are not eligible. An undeveloped area is one where housing units or businesses do not exist at the time of award of the design grant.
- Collection systems, which extend across undeveloped land to serve a reasonable number of outlying residences within the health hazard area, may be eligible.
- Wye connections plus the lateral within the public right-of-way, or easement, are eligible for existing housing units and businesses. For undeveloped properties, only the wye connections are eligible.
- Repaving of trenches is limited to the trench width plus two feet (for all types of projects).
- Where a new collection system is funded, the grantee must adopt an enforceable ordinance that requires that 80 percent of residential, commercial, and institutional structures be connected to the collection system within two years after completion of construction. A copy of the adopted ordinance must be submitted by the grantee and approved by the Division prior to FPSA.

C. Collection Systems, Interceptors, and Outfalls

Collection systems, interceptors, and outfalls are eligible project costs. Collection systems are eligible for a 20-year design capacity. Interceptors and outfalls are eligible

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for a 40-year design capacity. Project capacity must be consistent with the environmental documents.

The eligible capacities shall be determined using the average dry weather flow (ADWF) and appropriate peak flows in accordance with the population and per capita flow estimates provided by the applicant. Eligible capacity shall be calculated by multiplying the population projection by the per capita flow. For existing conveyance facilities, the per capita flow shall be based on the existing population and measured flow. Flow thus calculated will be deemed to include all eligible project flows: residential, commercial, industrial, and infiltration/inflow.

D. Wastewater Facilities Improvements

Costs for improvements and renovations to existing wastewater facilities necessary to assure continued compliance with Waste Discharge Requirements are eligible. Eligible capacity for treatment facilities will be up to 20 years from the estimated date of initiation of construction. The eligible capacities shall be determined using the ADWF and appropriate peak flows in accordance with the population and per capita flow estimates provided by the grantee. Eligible capacity shall be calculated by multiplying the population projection by the per capita flow. For existing treatment facilities, the per capita flow shall be based on the existing population and measured flow. Flow thus calculated will be deemed to include all eligible project flows: residential, commercial, industrial, and infiltration/inflow. Project capacity must be consistent with the environmental documents.

E. Required Mitigation Measures

This category includes the costs to implement reasonable mitigation measures required by a Federal, or State agency in order to construct the project.

F. Land Required for the Wastewater Treatment Plant, Collection System Right-of-Ways, Pump Stations, and Effluent Disposal Facilities

This category includes only the cost of the land itself. The associated costs (legal, appraisals, administrative, engineering, etc.) involved are considered to be part of the allowance provided. The following program requirements address the purchase of land with grant funding:

- Payment for purchase of eligible land will not be made until after award of the construction grant.
- All negotiations for the purchase of easements and/or fee interest in land necessary to construct the project must be completed prior to the start of construction.
- If the transfer of title (or easement) to the grantee has not been completed prior to the start of construction, the grantee must secure a signed right-of-entry from the owner(s) of the required property(s).

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- Before purchasing eligible land, the grantee must submit necessary information to the project manager and obtain the Division's approval of the price and amount of land before the purchase is made.
- The grantee must provide the Division with an appraisal and a review appraisal.
- Land purchases over \$100,000 must have two appraisals and a review appraisal.
- Acquisition of eligible land must be in conformance with State law.
- The State's interest in the land must be recorded in the property title deed.

G. Allowances for Engineering and Administrative Services

This category limits funding for planning, design, construction engineering, prime engineering, and grants administration to the amounts derived from the Allowance Table in Appendix C.

Excess allowance funds not used in any one grant (planning, design, or construction) can only be used to make up any allowance shortfalls in another grant. Excess allowance funds cannot be used to offset construction costs (i.e. construction contingency).

H. Construction Contingency

This category provides for a set-aside of grant monies equal to five percent of the eligible construction costs for approvable project cost increases including minor pre-approved post construction work.

I. Permanent Easements for Alternative Systems

This category includes only the cost of permanent easements or right-of-ways that are required for a cost-effective alternative system. Eligible costs for easements and right-of-ways for new collection systems include only the cost of the land for the lateral from the septic tank to the collection sewer. Associated legal, engineering, and administration costs to acquire the easements and/or right-of-ways are covered by the allowances.

J. Utility Relocation

This category includes the reasonable costs to relocate utilities necessary for the construction of the project. Utility relocation may be part of the construction contract or may be included in a separate contract with the utility. Utility relocation costs will only be paid after award of the construction grant.

K. Force Accounts and Equipment Purchase

The following conditions must be met to receive funding for force accounts and small equipment purchases: (1) The procurement must be cost effective, and (2) the grantee must show that the procurement complies with all state and local laws by submitting a legal opinion.

VII. FACILITIES PLANNING

Grantees are required to complete the Facilities Planning process prior to receiving funds for design. The Facilities Planning process includes the preparation and submittal of a

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Facilities Plan. The Facilities Plan must be submitted to both the appropriate Regional Board and to the Division for review and approval. The Facilities Plan includes the following elements:

- Operations Evaluation
- Project Feasibility Report
- Environmental Documentation
- Draft Revenue Program.

A. Planning Grant

A planning grant will be issued to partially offset the costs of planning. Appendix C contains the Allowance Table for determining the planning grant allowance based on the engineer's estimated eligible project cost.

B. Operations Evaluation

A key element of the Facilities Planning process is the review of the current and past facilities operation to evaluate the degree to which changes in the operation and maintenance can improve water quality. The Division requires the preparation and submittal of an Operations Evaluation for this purpose. This evaluation can be prepared as an element of the Project Feasibility Report. The Operations Evaluation shall include the following:

- A full evaluation of the current state of the operation and maintenance practices of the existing treatment facilities.
- A determination of the degree to which effluent quality can be improved by upgrading the operation and maintenance of the existing facilities.

The information from this evaluation shall be used to further evaluate the potential alternative of improving the existing operations in lieu of new facilities or in conjunction with new facilities.

C. Project Feasibility Report

A Project Feasibility Report shall be prepared and submitted for review. The Project Feasibility Report must contain the following:

1. An Operations Evaluation as described above.
2. A description of the existing or potential public health or water quality problem in the community.
3. An evaluation of the cost-effectiveness of alternative solutions to correct the identified problem. This shall include cost estimates and design criteria. The findings of the Operations Evaluation must be used to consider the alternatives of upgrading the operation and maintenance of the existing facility to improve effluent quality. As one alternative, the Project Feasibility Report for an unsewered community must consider on-site systems.

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4. Cost information on total capital costs, and annual operation and maintenance costs.
5. A discussion of the population, flows, loadings and peaking factors for the proposed project. This discussion must include an estimate of the existing service area characteristics as well as the 20-year and 40-year projections. Population projections must be from an independent agency (i.e. Regional Council of Governments, appropriate local planning agencies, Department of Finance, etc.).
6. A map of the project service area.
7. A demonstration that the applicant has the legal, institutional, managerial, and financial capability to ensure adequate construction and operation and maintenance of the treatment works throughout the project's proposed service life (see Section XII).
8. A summary of public participation. A noticed public meeting must be held to obtain public input and to discuss environmental factors related to the project as required by the CEQA.
9. Compatibility of local planning requirements and/or other agency requirements.
10. An evaluation of the non-existence or possible existence of infiltration/inflow (I/I) in the existing sewer system in accordance with the following:
 - If the average daily flow during periods of high groundwater is less than 120 gallons per capita per day (gpcd), an I/I study is not required.
 - If it is above 120 gpcd, the applicant must perform an I/I analysis to determine whether it is cost-effective to treat or correct the I/I. If an analysis is not submitted, funding will be limited to 120 gpcd.
 - If the peak flow (highest three-hour average) exceeds 275 gpcd, a sewer system evaluation study 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. If the grantee does need to perform a sewer system evaluation study, the grantee will need to receive prior approval from the Division.
 - Once the Division and grantee agree on the scope of the evaluation and cost, the planning grant will be increased to include this cost.

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D. Project Feasibility Report - Selected Alternative

The following detailed information must be included in the Project Feasibility Report for the selected alternative:

1. A description of the selected alternative. The selected alternative shall correct the water quality and/or public health problem that allowed placement of the project on the SCWG projects priority list.
2. A statement of the relevant design criteria.

3. The estimated capital construction and annual O&M costs with a description of how the local costs will be financed.
4. A summary of the anticipated user charges for each local wastewater classification, i.e. residential, commercial, and industrial.
5. A comparison of the total project cost per household to the \$15,000 high cost project threshold value.
6. A discussion of the water quality and other non-monetary benefits of building the project.
7. A discussion of any necessary inter-municipal service agreements.
8. A description and estimate of the O&M program for the proposed project. The following items should be addressed in this section:
 - A summary of the O&M requirements for each proposed unit process.
 - A discussion of operator needs including the type, number and level.
 - A discussion of the monitoring and laboratory needs.
 - An estimate of the O&M budget over the next five years.
9. An implementation schedule for completion of the project.

E. Environmental Documents

All applicants must meet the CEQA requirements. If there is any possibility the applicant will be pursuing a SRF loan, or any other federal funds, the applicant should contact the Division for assistance regarding additional requirements so that they may be accomplished at the same time as CEQA review. CEQA requires that all public agencies applying for financial assistance prepare either an Initial Study and Negative Declaration, or an Environmental Impact Report. If the grantee does not anticipate applying for any federal funds, a Notice of Exemption may be prepared, if appropriate.

The grantee must submit the draft environmental documents to the Governor's Office of Planning and Research (State Clearinghouse) for comments. The SWRCB, as the responsible agency, will review and comment on the draft environmental documents.

Final environmental documents must be submitted and approved by the Division prior to FPA. If the SWRCB finds the final environmental documentation to be adequate, a Notice of Determination will be prepared by the Division and filed with the State Clearinghouse.

F. Draft Revenue Program

A draft Revenue Program must be developed to provide funds for O&M (including replacement) of the treatment system. A draft Revenue Program must be submitted to the

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Division as part of the Facilities Plan. The Revenue Program shall include a system of user charges based on a fair and equitable distribution of project costs.

Guidelines for preparing the Revenue Program are contained in Appendix B. If the project will be receiving SRF funds, the SRF Revenue Program requirements will be utilized to satisfy this requirement.

If the SCWG funded project will discharge to a treatment facility that has received US-EPA Clean Water Grant funding or SRF loan assistance, the treatment facility will have pre-existing Revenue Program requirements that take precedence over these SCWG Revenue Program guidelines. The Division's Project Manager should be contacted for specific revenue program requirements and guidelines.

G. FPA

The Division will review the Project Feasibility Report, environmental documents, the draft Revenue Program, and the high-cost information required by D.5., above. The FPA Letter will be issued by the Division following completion of the required planning documents and satisfactory response by the grantee to the Division's comments regarding the Facilities Plan and the high-cost criterion. The FPA Letter will contain a negotiated project implementation schedule. The Division strongly recommends that design not be initiated until the Facilities Plan is approved.

VIII. DESIGN

Grantees will be required to complete the design process. A complete design submitted to and approved by the Division includes preparation of final P&S, a complete bid package to enable the project to be competitively bid, and subsequent bid opening.

A. Design Grant

A design grant will be issued to partially offset the costs of design. Appendix C contains the Allowance Table for determining the design grant allowance based on the engineer's estimated eligible project cost.

B. Division Review Objectives

Grantees shall submit engineering P&S for wastewater projects to the Division for review during the design phase.

The overall objective of reviewing P&S is to promote cost-effective expenditure of State grant funds as well as local funds. This will be achieved by:

1. Reviewing whether the design will likely meet treatment requirements;
2. Reviewing whether the design allows for efficient operation of the treatment plant;
3. Reviewing whether the design can be constructed using standard techniques; and
4. Considering whether the contract documents appear to meet minimum State competitive bidding requirements.

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C. Required P&S Submittals

The following submittals are required as described below (grantees may request additional design reviews by the Division as needed):

1. Initial Design Submittal

The review of the initial design submittal will include an analysis of the integrity of process design, loading rates on key unit processes, hydraulic capacity of interceptors and collection systems, and the basic plant layout. The Division's written report on the initial design submittal will inform the grantee and its engineer of any concerns involving treatment performance, or operability. A copy of the State Boilerplate and construction contract requirements checklist will be sent to the grantee at this time. This early review should allow the design engineer to make any necessary project changes without extensive redesign.

The grantee should also submit a Report of Waste Discharge at this time to the appropriate Regional Board for adoption of Waste Discharge Requirements or NPDES permit, if they already have not done so.

2. Final Design Submittal

The review of the final design submittal will occur when the P&S are substantially complete. Along with the final P&S (including the State Boilerplate), the grantee must submit a detailed estimate of quantities and cost on all bid items and the technical specifications for all equipment. The final design review will analyze what design modifications were made after the initial review, and on the bidability of the P&S relative to State requirements. The Division's report on the final design submittal will:

- Inform the grantee of the allowable portion of the construction costs and what modifications are necessary before the P&S can be advertised for bid;
- Authorize the grantee to advertise for bids after any requested modifications are made;
- Advise the grantee that the project will be taken to the SWRCB or the Division Chief for approval, unless approval has already been obtained;
- Establish the project performance standards; and

Following approval of the final P&S, the Division will issue FPSA. The FPSA is not a commitment to provide construction grant funding for the project. Award of an initial construction grant is subject to availability of SCWG funding. Any construction work performed prior to the P&S approval by the Division will not be eligible for funding.

3. As-Advertised P&S

The grantee must submit the as-advertised P&S for the Division's review. The review of the as-advertised P&S will determine if all requirements of the final design review have been met. If all requirements have not been met, the Division's Project Manager may request that an addendum be issued to all plan holders, adjust the allowable project cost estimate, or may take such other action as may be appropriate.

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D. Bonding Requirements

The contract documents shall require at least the following minimum bonding levels:

- 100 percent performance bond
- 100 percent labor and materials payment bond
- ten percent bid bond

E. Prevailing Wages

The grantee must comply with the State prevailing wage laws.

F. Pre-Bid Conference

Grantees shall hold a pre-bid conference and site visit for all prospective bidders to explain any special State and/or Federal mandated requirements, and any unusual or significant details. The Division may send a representative to the pre-bid conference. Therefore, the grantee must notify the Division of the time and place of the pre-bid conference at least two weeks prior to the meeting.

IX. CONSTRUCTION

Grantees will be required to complete construction of the project according to the approved contract documents. The construction process includes completion of the ATA package, award of the construction contract, construction progress reporting, and providing for initial start up and testing of the facilities post construction.

A. Construction Grant

An initial construction grant may be issued after the approval of the preliminary construction grant commitment by the SWRCB or the Division Chief. The preliminary construction grant commitment can be requested following the approval of:

- Final P&S
- Updated Revenue Program
- Draft Sewer Use Ordinance

The initial construction grant will be based on the latest engineer's estimate.

The amount of the final construction grant will be determined by the actual bid costs following ATA, and can include the five percent construction contingency and the construction grant allowance as determined from the Allowance Tables in Appendix C. The construction grant will be adjusted to account for any previous planning and design grants.

The sum of the planning, design, and construction grants will be limited to the maximum funding cap set by the SWRCB, or up to the maximum percentage of project funding allowed for eligible costs, using the SCWG sliding scale formula, whichever is less.

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B. Bid Protests and Contractor Disputes

The SWRCB will not be involved in resolving bid disputes or contractor disputes. All bid protests and contractor disputes must be resolved by the grantee.

C. Civil Rights Compliance

All prime project construction contractors and sub-contractors must certify that they are in compliance with Government Code Section 12990 and California Administrative Code, Title II, Division 4, Chapter 5 in matters relating to the development, implementation, and maintenance of a nondiscrimination program.

D. Cultural Resources Protection

In the event of an accidental discovery of prehistoric or historic resources, the contractor shall cease excavation in the vicinity of the find until a qualified archaeologist evaluates the significance of the resource and makes recommendations to the Division's Cultural Resource Officer.

If human remains are encountered, all excavation activities must cease at the site of the discovery and in any nearby area reasonably suspected to overlie adjacent remains until the County Coroner makes a determination on how to proceed in accordance with Section 7050.5 of the Health and Safety Code, and Sections 5097.94 and 5097.98 of the Public Resources Code.

E. Pre-Construction Conference

Grantees shall hold a pre-construction conference with the successful low bid contractor. The purpose of this conference is to introduce key grantee personnel, the construction management organization, the prime contractor, the subcontractors, and the funding agencies. The grantee should discuss lines of communication and areas of responsibilities for the project. If necessary, any requirements to be resolved prior to award of the contract should be discussed. The Division will normally send a representative to the pre-construction conference to discuss construction phase requirements. The grantee must notify the Division of the time and place of the pre-construction conference at least two weeks prior to the meeting.

F. ATA the Construction Contract

The grantee is required to submit an ATA package (See Appendix F) to the Division for review and approval. Included in the package must be the estimated completion of construction date and the estimated initiation of operation date. The Division will issue ATA within 15 working days from receipt of a complete ATA package.

G. Construction Contract Award

The grantee shall award the construction contract to the lowest, responsive, responsible bidder after ATA has been given. The grantee may reject all bids when it has a sound basis for doing so.

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H. Change Orders

Change orders should be submitted to the Division for an eligibility decision as soon as feasible. The five percent construction contingency may be raised above the five percent level only for eligible change orders, and/or contractor claims due to differing site conditions, documented to the satisfaction of the Division staff. A grant increase to raise the contingency amount over the initial five percent will be subject to:

1. Division approval;
2. The maximum the total grant as determined by the SWRCB;
3. The maximum percentage of project funding allowed for eligible costs, using the SCWG sliding scale formula; and
4. The availability of uncommitted SCWG funds.

I. Payment Requests

Grantees may submit grant payment requests no more frequently than 30 calendar days from the last payment request during the construction period to minimize cash flow problems. The Division will attempt to make grant payments within 20 working days from receipt of a complete grant payment request.

To avoid delay of grant payments, the grantee must submit for approval the following during project construction:

1. A draft O&M Manual at 50 percent disbursement of construction grant funds.
2. An operator duty statement at 50 percent disbursement of construction grant funds.
3. A final O&M Manual at 90 percent disbursement of construction grant funds.
4. A final Revenue Program, an adopted Sewer Use Ordinance, and an adopted Sewer Rate Ordinance at 90 percent disbursement of construction grant funds.

At such time as the grantee fails to meet the above schedule, the Division will withhold grant payments until the required documents are submitted.

Final grant payments equal to ten percent of the construction grant will be withheld until the required final Revenue Program, adopted Sewer Use Ordinance, and adopted Sewer Rate Ordinance are submitted and reviewed by the Division.

Until an affirmative project performance certification and report are received and approved by the Division, \$25,000 or 2.5 percent of the construction grant amount, whichever is less, will be withheld. Additional amounts may be withheld if construction work is found to be deficient.

A final payment request and the final Project Cost Summary signed by the grantee's authorized representative must be submitted within 90 calendar days after submittal of the grantee's project performance certification report on the first twelve months of operation of the project. See Appendix D for sample "Final Project Cost Summary".

Failure to submit a "final" grant payment request as indicated shall be cause for the Division to proceed with project closeout based on the last payment request on file.

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J. Status Reports

Grantees shall submit progress reports on the status of construction activities no less frequently than quarterly starting with the issuance of the Notice to Proceed to the contractor. At minimum the reports shall contain the following information:

1. A summary of progress to date including, a description of progress since the last report, percent construction complete, percent contractor invoiced, and percent schedule elapsed.
2. A listing of change orders including amount, description of work, and change in contract amount and schedule.
3. Any problems encountered, proposed resolution, schedule for resolution and status of previous problem resolutions.

K. Construction Management Reviews

Division staff will conduct field management reviews as necessary during the construction phase. The primary purpose of the Division's management reviews is to review and comment on the grantee's compliance with the technical and administrative requirements of the SCWG Program and to review differing site conditions.

X. PROJECT OPERATION

A. Final Project Inspection

A final project inspection will be conducted by the Division approximately six to eight months after initiation of operations to review project O&M, check conformance with project performance standards, and to assess whether or not discharge requirements are being met.

B. Project Performance Certification

The grantee is required to perform the following tasks to meet the Project Performance Certification requirement:

1. If a wastewater treatment facility is being constructed, the grantee is required to hire a licensed engineer (facility engineer) to direct operation of the new plant, train personnel, advise the grantee, and monitor the plant's performance.
2. At the end of the first 12 months after the official initiation of operation, the facility engineer shall prepare a brief report (See Appendix E) analyzing the ability of the facility to meet design discharge requirements and other project performance standards. The grantee shall forward the facility engineer's report to the Division with, if necessary, a plan of action for correction of any failure to meet discharge requirements and performance standards within 15 months after the official initiation of operation date. The SCWG will be conditioned to require the grantee, at other than State expense, to correct performance problems identified by the engineer's report and submit an affirmative project performance certification.

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3. The grantee has one chance and up to two years after the initial performance certification report was due to correct any operational problems that prevent affirmative certification. Staff may approve a second chance, if the second correction plan has a good possibility of success, and it will be completed within the original two-year correction period.

At the end of the two-year correction period, if the facility does not meet performance standards, the project shall be declared to have not met its obligations under the grant contract. All remaining payments shall be made and the project closed out. However, the agency and its successors shall be banned from any future financial assistance from the SWRCB's financial assistance programs for water recycling and wastewater treatment until proof has been furnished that the grant funded facilities have met all performance standards and grant conditions.

XI. RECORD KEEPING REQUIREMENTS

SCWG recipients shall maintain separate project accounts in accordance with accepted government accounting standards. The records must include:

1. A separate account for construction of the project (planning, design, and construction).
2. Accurate, current, and complete accounting of all financial transactions on the project.
3. Records, together with supporting documents showing the source and expenditure of all project funds, including those portions not covered by the SCWG.
4. Records showing control and accountability for all project funds, property, and other assets including assurance that all funds are used solely for their authorized purposes.
5. Procedures to ensure prompt disbursements, once the payment is received.
6. Procedures to determine and segregate allowable costs.
7. Procedures to separate expenses into cost classifications for grant determinations and disbursements.
8. Provisions for an independent agency audit.

The project may be audited at any time at the discretion of the Division. Project records must be retained for a minimum of three years after the Division formally notifies the grantee that the project is closed out.

XII. ADMINISTRATIVE ASSISTANCE

The grantee shall provide reasonable assurance that it has the managerial and financial capability to construct, operate, and maintain the proposed facility.

A. Grant Management

The grantee must designate a grant contact person. This person will be contacted by the Division regarding questions about the grant project. The grant contact person will need

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to have the administrative, engineering, and financial capabilities to protect the community's interests, comply with program requirements, and keep the project on schedule and within budget if possible. Ideally, this person should be an employee of the grantee and have some experience in dealing with grants and regulatory agencies.

The grantee may hire a consultant to be the grant contact person, however, this person cannot be the grantee's consultant for the planning, design, or construction management of the grant project, since this would be considered a conflict of interest.

B. Financial/Management Review

The Division will offer to provide assistance and advice in project overview and administration assistance to grantees in the following areas:

- Compliance with program requirements (accounting, procurement, budgets, project management, etc.).
- Financial capability to complete the project (the project is affordable, local funding is arranged, adequate funds are available to handle cash flow, contingency funding is available, the grantee has a reasonable expectation to complete the project, etc.).
- Capability to construct, operate, and maintain the proposed treatment facility.

XIII. ELIGIBILITY DISPUTES

In the event that a Division eligibility decision is not acceptable to the grantee, the grantee may appeal within 30 days to the Chief of the Division for a final Division decision. If the grantee is not satisfied by the final Division decision, the grantee may appeal to the SWRCB within 30 days of the final Division decision. 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 decide not to review the Division decision, this decision will represent a final agency action on the dispute.

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Appendix A

SMALL COMMUNITY GRANT PROGRAM

FLOW CHART

(To be provided later)

Appendix B

REVENUE PROGRAM GUIDELINES

(To be provided later)

Appendix C

ALLOWANCE TABLE

(To be provided later)

Appendix D

PAYMENT REQUEST INSTRUCTIONS

(To be provided later)

Appendix E

PROJECT PERFORMANCE STANDARDS

(To be provided later)

Appendix F

**APPROVAL TO AWARD
THE CONSTRUCTION CONTRACT REQUEST SUBMITTAL
(To be provided later)**

