

Exhibit 1-A

Figuring Out Your Water System Type

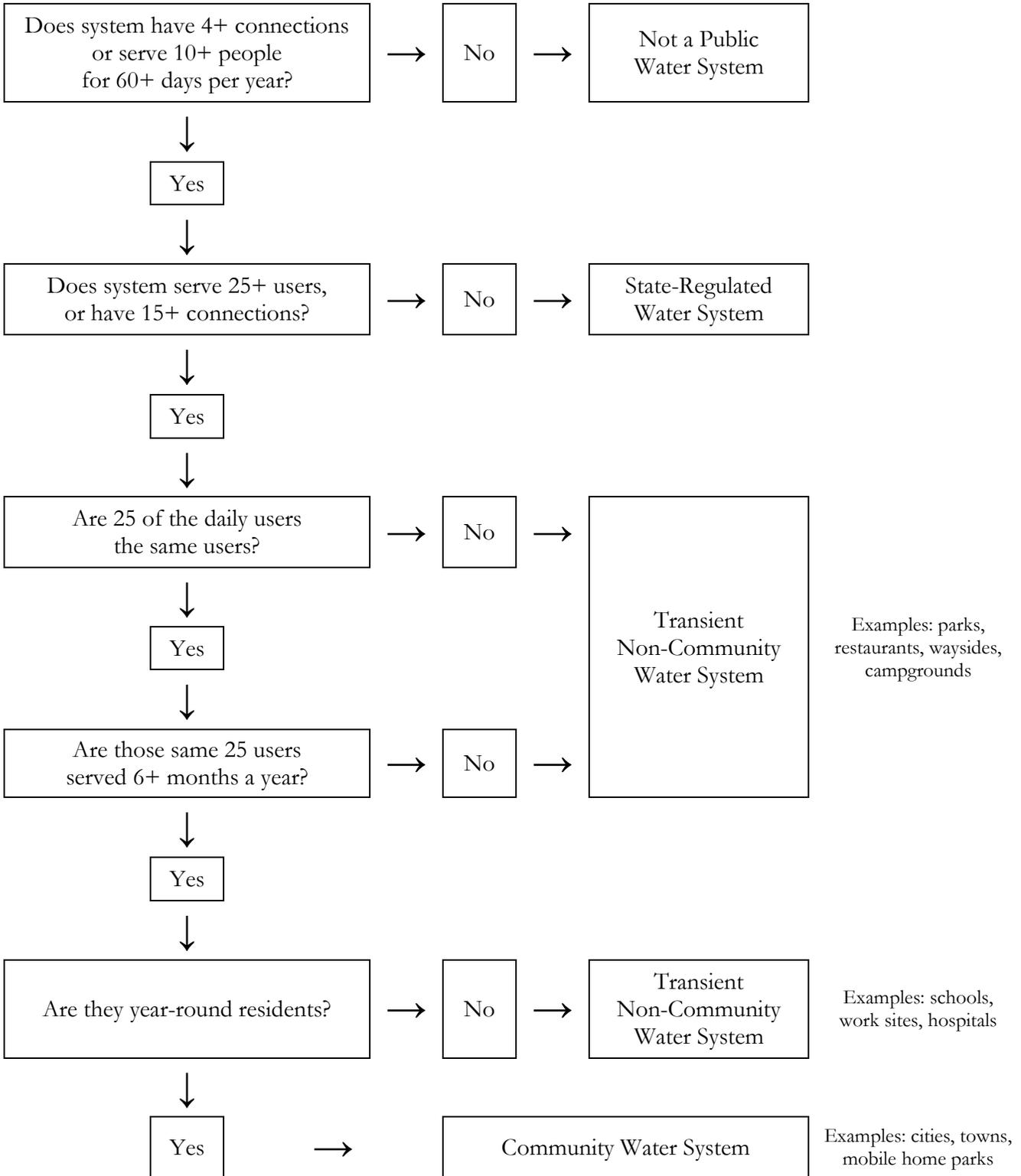
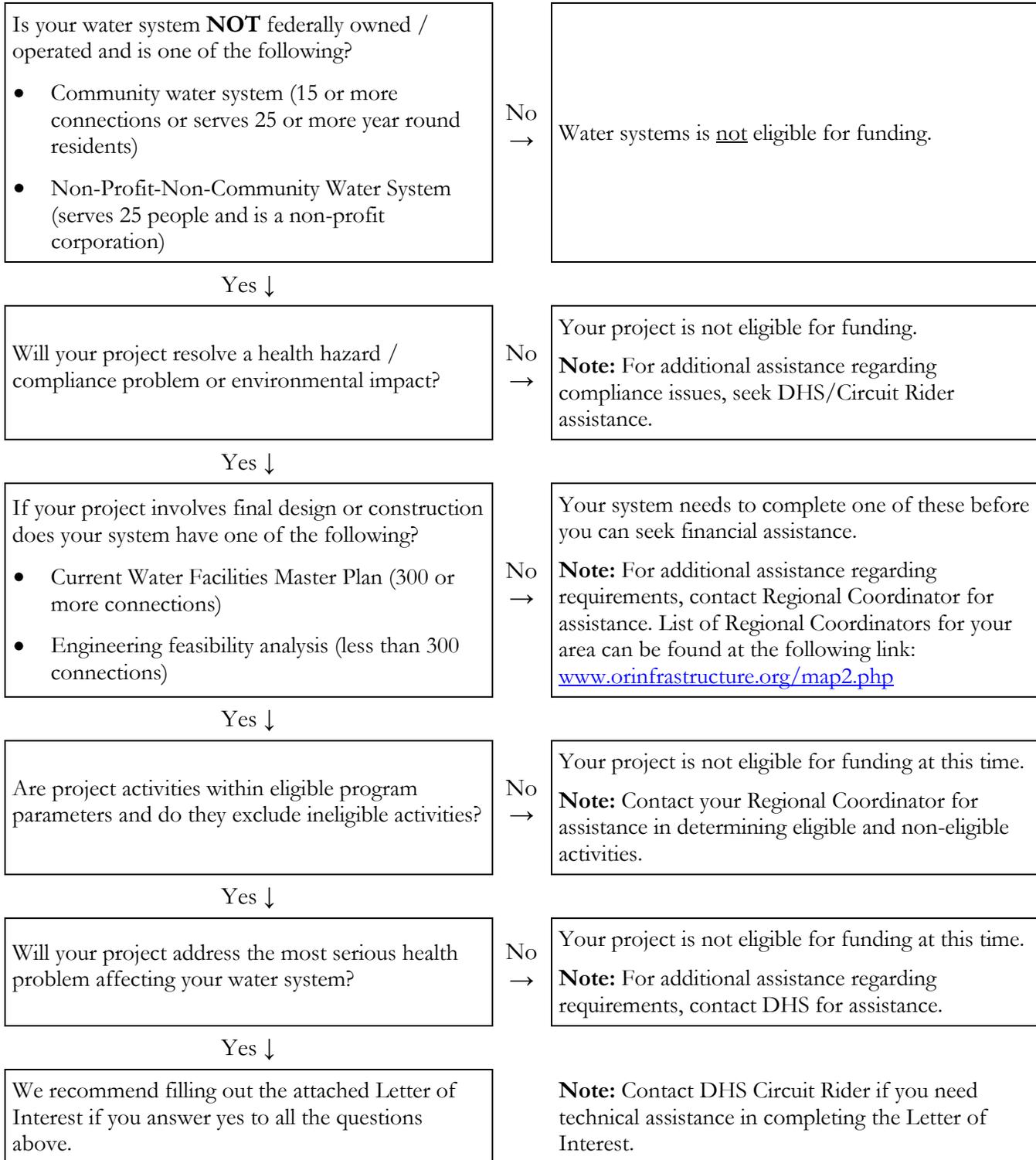


Exhibit 1-B

Flow Chart to Determine Minimum Eligibility for SDWRLF Assistance

The latest Safe Drinking Water Revolving Loan Fund Program Handbook must be read and used in its entirety as a source material to complete the Letter of Interest. The Handbook can be found at this link: www.orinfrastructure.org/Learn-About-Infrastructure-Programs/Interested-in-a-Water-or-Wastewater-Improvement-Project/Safe-drinking-water-revolving-loan-fund



Chapter 2

Frequently Asked Questions

1. How do I determine whether the water system is eligible for funding?

By following the flow chart marked Exhibit 1-A. Only those entities that are either community water systems or non-profit non-community water systems are eligible to apply for funding.

2. What is the difference between the two water systems?

A community water system is a public water system that has 15 or more service connections used by year-round residents, or that regularly serves 25 or more year-round residents.

A non-profit non-community water system is a public water system that is not a community water system but regularly serves at least 25 people and is recognized under Oregon law as a non-profit corporation.

3. What is the difference between privately owned and publicly owned systems?

A privately owned system is owned by a non-profit or for-profit corporation.

A publicly owned system is owned by city, county or state.

4. What kind of water system is **NOT** eligible?

Federally owned community or non-community water systems are not eligible because of a federal prohibition. CAP ~~grant~~ funds cannot be awarded to federal entities.

5. Are there any special conditions that the water system must meet prior to receiving funding?

To be eligible to receive funding for final design and construction, a water system must already satisfy the following requirements or demonstrate satisfaction through the funded project. (A project serving only to do one or both of these is not eligible, in and of itself; the resolution of a health hazard/compliance problem would remain essential:

A water system with 300 or more service connections must maintain a current water facilities master plan that evaluates the needs of the water system over a period of at least 20 years, and that includes the eight major elements in OAR 333 061-0060(5) (See **Appendix C**). Only an engineering feasibility analysis is needed for systems having fewer than 300 service connections.

All water systems must have and maintain a source meter and service metering for all connections throughout the water system, as well as an operational program and resources for reading and upkeep of the meters.

6. What if these conditions do not currently exist? What can the water system do to qualify?

For the first condition, the water system can apply first for a planning phase project to develop a master plan or update an adopted plan. Funding may also be available from other funding sources such as the Water/Wastewater Financing Program from the Oregon Business Development Department. A water system can also use their money or private financing. **Note:** master plan must be developed following the Guidelines for the Preparation of Planning Documents for Developing Community Water Systems.

The second condition can be achieved by including those activities in the project being financed. The water system must install meters on all water system source and service connections prior to final disbursement of project funds.

7. What makes a project eligible?

In general terms, the project must at least be necessary to ensure that a water system satisfies or will continue to satisfy applicable requirements and the project must alleviate risks or hazards to the drinking water public with the most serious health problems receiving highest priority.

Safe Drinking Water in Oregon

8. What other criteria must a water system meet to qualify for funding?

A water system must have the financial, managerial and technical capacity to maintain compliance with the Safe Drinking Water Act. If a system does not have the technical, managerial or financial capacity to ensure compliance, or has a significant deficiency in one or more of these respects, then the system may receive assistance only if the assistance will ensure sufficient capacity for compliance or the owner or operator of the system agrees to undertake appropriate changes or restructuring that will ensure the system has the technical, managerial, and financial capacity to meet and maintain compliance with the Safe Drinking Water Act.

9. Who will determine whether the water system has this capacity?

Both agencies: the Health Services Drinking Water Program and the Oregon Business Development Department Infrastructure Finance Authority.

The managerial capacity review is the responsibility of Health Services. This review will look at the applicant's overall condition of system management. Assessment will include identification and evaluation of the following elements:

- Clear ownership identity and accountability of the system
- Capable personnel and adequate personnel policies
- Management's understanding of regulations, rules, ordinances and professional practices
- Adequate source protection and management
- Maintenance of a current facility/system master plan

The technical capacity review also is a Health Services responsibility. This review will look at the overall condition of the applicant's infrastructure and staffing. Assessment will include identification and evaluation of the following elements:

- Appropriate infrastructure and technologies ("hardware")
- A reliable water source of reasonable quality
- Adequate operation and maintenance practices
- Adequate infrastructure and planning for capacity
- System is adequately staffed and includes trained and certified operators

Financial capacity of a system will be assessed by the Oregon Business Development Department in connection with underwriting analysis for project approval purposes. This assessment will include identification and evaluation of the following elements:

- Appropriate budgeting, accounting and financial reporting
- A capital-financing plan
- Healthy financial ratios and ratings
- Adequate rates, charges and revenues
- Appropriate valuation of rate base (privately owned systems)

10. What activities are eligible?

Eligible activities include the planning and preliminary engineering, design and specifications, and construction of improvements to drinking water systems. The following are considered eligible program activities:

Construction, reconstruction or modification of any drinking water facility necessary for source of supply, filtration, treatment, storage, transmission or metering.

Program Guidelines and Applicant's Handbook

The acquisition of real or personal property directly related to or necessary for the proposed project, including rights-of-way, easements, facility sites or equipment.

Preliminary and final engineering, surveying, legal review and other support activities necessary for actually constructing and upgrading the water system.

Construction contingencies, subject to review/qualification by the department.

Costs necessary for recipients to contract for environmental review services directly related to the impacts and implications of the project.

Costs associated with the preparation and submission of an application for final design and/or construction, as contained in the scope of work for an approved planning and preliminary engineering award.

Provision of capacity for future population growth, covering the useful life of an eligible project, but only if such growth satisfies all of the following stipulations:

- Expected population increases are based on current and reasonable projections accepted by local and state land use-planning authorities
- Expansion to satisfy future population is not the primary purpose for constructing the facilities, as opposed to protecting public health
- Provision of public drinking water systems to an unincorporated area does not trigger greater residential zoning density.

Development and provision of technical documentation, operations manual, computer software and similar information resources, including but not limited to customary contingency/emergency plans that are necessary or prudent for soundly and safely running plant and equipment that comprises a funded project, and for helping preserve that investment.

Expenditures associated with "security measures" pertaining to the facilities or infrastructure of the public water system, for which the amendment of any existing Safe Drinking Water Revolving Loan Fund application or existing project is encouraged.

11. What is the final eligibility element?

The project to be funded must be on the Project Priority List.

12. How does a project get on the Project Priority List?

A water system must submit a Letter of Interest (LOI) to the Oregon Business Development Department Infrastructure Finance Authority.

Recount eligibility steps:

- 1) Eligible Water System
- 2) Required Special Conditions Compliance
- 3) Eligible Project
- 4) Criteria Met
- 5) Eligible Activities
- 6) Project on Priority List

Note: See flow chart Exhibit 1-B for self-evaluation of eligibility.

13. If a water system meets all six steps, can funding still be denied?

Yes. Other program requirements must be met, funds must be available, water system must be ready to proceed with project when invited to submit application, and all funding must be committed and available prior to start of project.

Safe Drinking Water in Oregon

14. Are planning/preliminary engineering projects eligible for funding?

Eligibility for planning projects depends on the Infrastructure Finance Authority, Health Services and the applicant determining that completion of planning and/or preliminary engineering (using the fund)—before making application to pay for final engineering, design and/or construction—is in the best interests of the water system.

15. What activities are considered ineligible?

Acquisition or creation of the following:

- Dams or rehabilitation of dams
- Purchase of water rights, including groundwater, except if the water rights are already owned by a system that is being acquired through consolidation
- Reservoirs, except for finished water reservoirs and those reservoirs or impoundments that are part of the drinking water treatment process

Costs for ongoing activities or purchases not directly appurtenant or related to the principal project for resolving drinking water noncompliance, such as:

- Laboratory fees for monitoring
- Administrative costs
- Incidental equipment, such as most types of motor vehicles
- Off-site property for purposes such as wetland mitigation
- Environmental assessments, such as source delineation or watershed analysis, unless directly undertaken as part of the required review of project impacts
- Operation and maintenance of new or existing facilities
- Management, legal and other services associated with seeking, receiving and administering the Safe Drinking Water Revolving Loan Fund award itself. (Note: Such services are eligible costs for: (1) preparation of a design/construction application pursuant to an award for a planning project, and (2) consolidation of systems to overcome a lack of technical, managerial or financial capability)

Costs incurred before an official award of funding by the department. The exception is that with prior department permission, applicants may be reimbursed for the cost of preconstruction activities (e.g., engineering) but not expenses directly associated with physical investment in the new/improved water system, such as construction, contract bids, real estate/capital purchases and final design.

Projects for systems that do not otherwise qualify for assistance, because, for example:

- The system lacks adequate technical, managerial, and financial capacity unless the system agrees to undertake feasible and appropriate operational changes or restructuring to ensure adequate capacity
- Improvements are for infrastructure that is or will be owned or operated by an ineligible water system, such as a publicly/privately owned, non-community system or any type of federally owned system.

Projects needed mainly or intended primarily for something other than correcting an environmental/health violation or risk, including but not limited to:

- Fire protection or suppression
- Supporting, supplying or attracting future growth for the community.

Projects for systems subject to significant regulatory noncompliance if the funding does not directly lead to compliance.

16. What is the procurement requirement of this program?

All contracts for goods and services to be paid for in whole or in part with program funds must comply with state procurement law. The provisions are included in the Oregon Revised Statutes (ORS, Oregon Administrative Rules (OAR), and the Oregon Attorney's General Model Public Contract rules.

It is recommended that the recipient's attorney review all contracts for goods and services paid under this program prior to the execution.

17. What is the documentation of compliance with procurement laws?

To determine compliance with State law, recipient must be able to provide documentation from their legal counsel showing that the procurement for each met local procurement requirements, state procurement requirements and the SDWRLF contract requirements. The recipient must keep complete written records for each procurement including but not limited to: solicitation procedure, copies of submitted quotes, bids and proposals, justification for selection and cost of award.

18. What is the labor standard requirement of this Program?

Communities implementing projects which involve construction contracts in excess of \$2,000 must comply with Federal Labor Laws and State Labor Law.

All laborers and mechanics employed by the contractors and subcontractors in the performance of the construction work financed in whole or in part with Oregon Safe Drinking Water Revolving Loan Fund program, which involved construction contract, shall be paid wages at rates no less than those prevailing on similar construction in the locality as determined by Secretary of Labor in accordance with Davis-Bacon Act, as amended, or State of Oregon's BOLI (whichever is higher)