

**2009 Oregon Safe Drinking Water  
Revolving Loan Fund Program**

**American Recovery and Reinvestment Act of 2009  
("Economic Stimulus")**

**Application Schedule**

<b>Activity</b>	<b>Deadline</b>
<b>Completed Application Submitted to OECDD</b>	<b>April 15, 2009</b>
<b>Application Review Completed</b>	<b>May 1, 2009</b>
<b>Awards Announced</b>	<b>May 15, 2009</b>

**Application Forms Available at:**

<http://www.oregon.gov/DHS/ph/dwp/index.shtml> or <http://econ.oregon.gov/>

**Applications must be postmarked no later than April 15, 2009.**  
Electronic filing of applications *will not be* accepted.

**2009 Oregon Safe Drinking Water Revolving Loan Fund Program**  
**American Recovery and Reinvestment Act of 2009**  
**(“Economic Stimulus”)**

**Application Guidelines**

These Application Guidelines define American Recovery and Reinvestment Act (ARRA) of 2009 requirements and process for applying for financial assistance through Oregon’s Safe Drinking Water Revolving Loan Fund Program (SDWRLF). Oregon’s estimated ARRA allotment is **\$28,515,000**.

The key objective of the ARRA is to preserve and create jobs and promote economic recovery and thus, the ARRA is focused on quickly delivering assistance to “immediately ready to go” projects. However, the intent of Congress also includes the expectation that the states will continue to provide project subsidy as much as possible, based on community economic affordability.

**Background**

**The Safe Drinking Water Revolving Loan Fund Program**

The SDWRLF offers a long-term, self-sustaining source of finance to build and upgrade public<sup>1</sup> drinking water systems throughout Oregon. Congress created the Drinking Water State Revolving Fund in 1996 when it reauthorized the Safe Drinking Water Act. Each year through this program, the U.S. Environmental Protection Agency awards a capitalization grant to Oregon and other states for:

1. A construction revolving loan program; and,
2. Non-construction “set aside” funds to run the program and ensure compliance with federal and state drinking water regulations.

The Oregon Department of Human Services (DHS) and the Oregon Economic and Community Development Department (OECD) jointly administer the SDWRLF Program. Additionally, the two departments work together to approve projects, administer the revolving loans and undertake related activities.

The program’s financing is available to all sizes of public drinking water systems although 15 percent of the funds based in accordance with federal law are reserved for systems serving fewer than 10,000 residents. Municipal, nonprofit and privately owned systems are eligible. SDWSRF does not require applicants to contribute matching funds to the project, nor are there any processing fees assessed by OECD or DHS.

Each year, in order to develop a list of projects, DHS invites all public water systems to submit a Letter of Interest (LOI). These Letters of Interest are then rated and ranked according to the criteria set out in Appendix J of the *SDWRLF Program Guidelines and Applicant’s Handbook* ([http://econ.oregon.gov/ECDD/CD/08SDW\\_TOC.shtml](http://econ.oregon.gov/ECDD/CD/08SDW_TOC.shtml)), combined with the LOIs received the previous two years to form the Project Priority List.

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<sup>1</sup>The following types of **public water systems** are eligible to apply for funding:

- a. Community water systems that have 15 or more service connections used by year-round residents, or that regularly serves 25 or more year-round residents.

Non-profit non-community water systems that regularly serve at least 25 people and are recognized under Oregon law as a non-profit corporation. *Please note: the term public does not refer to ownership, but rather to the conveyance and provision of water to the public as the system’s users. Therefore, a community water system that is privately owned or is organized as a for-profit or non-profit corporation is eligible, in common with non-federal, publicly-owned systems.*

In December 2008 DHS notified all public water systems that the deadline for submittal of the 2009 Letter of Interest had been extended until February 2, 2009, in order to provide those water systems that were interested in applying for potential economic stimulus funding but which either did not have a current Letter of Interest<sup>2</sup> on file or which had not submitted a 2009 LOI, time to submit a LOI. By the February 2, 2009, deadline, DHS had received 146 Letters of Interest. The 2009 Project Priority List covers more than 77 water systems for a financing need in excess of \$357.8 million. The effective Project Priority List for ARRA funding consists of projects with Letters of Interest submitted for the 2007, 2008 and 2009 funding years.

The following **mandatory criteria** are stipulated in the ARRA in order for a public water system to successfully apply for ARRA funding:

1. Projects must be on the 2009 ARRA Project Priority List (available for review at <http://www.oregon.gov/DHS/ph/dwp/index.shtml> or <http://econ.oregon.gov/>) and must be “immediately ready to proceed” to construction. In other words, projects must focus primarily on construction.
2. Financing must be used to correct non-compliance with current or future state and federal drinking water standards; or must be needed to create a new drinking water supply that will benefit public health.
3. Public water systems must have the technical, financial, and managerial capacity to undertake the capital improvement project; or demonstrate how it will achieve and maintain technical, financial and managerial capacity as a result of the project.
4. Projects must be either under a construction contract or have already begun construction no later than Feb 16, 2010.
5. Projects must be completed no later than February 16, 2011.
6. Projects cannot use ARRA funds to acquire property or easements necessary to complete the project.
7. Every recipient of ARRA funding will be required to have a DUNS number. Application for a DUNS Number is free and is available at <http://fedgov.dnb.com/webform/>

## **Specific Oregon SDWRLF ARRA Project Eligibility**

### **Criteria And Financing Terms**

#### **Project “Immediately Ready to Proceed” Criteria:**

1. The project must be budgeted or planned to be budgeted within the applicant’s FY’09–10 and FY’10–11 years.
2. Project must have final design completed and certified by a licensed engineer at present or able to be completed and certified by a licensed engineer no later than December 31, 2009.
3. Environmental review process must be complete at present or in process with completion no later than November 30, 2009.
4. Governing body of the applicant must have conducted a public meeting prior to April 15, 2009, to discuss such items as nature and need for project, starting date, financing that may involve taking on additional debt and consistency with applicable comprehensive land use plans.
5. Water system must certify that all applicable water rights are in hand and that all permits have been obtained or will be obtained no later than November 30, 2009.
6. Water system must certify that all necessary easements and property acquisition are complete or will be complete no later than September 30, 2009.

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<sup>2</sup> Letters of Interest submitted for 2007 and 2008.

7. User rates must either already be at a level to support additional debt or the applicant must be able to demonstrate how user rates are already approved for phased increases sufficient to support additional debt.
8. All project cost not covered by this application, but provided from other funds/sources needed to complete the project have been identified and will be available no later than September 30, 2009.
9. Water system must show how project will be under construction **contract** by February 16, 2010, and completed by February 16, 2011.
10. Jurisdiction must be able to execute an OECDD Contract and returned the signed contract to OECDD by July 20, 2009. Actions prerequisite to this requirement may include a public hearing on the project, Council or Board approval of the loan, etc.

Only projects that satisfy the criteria of being “Immediately Ready to Proceed” will be awarded funding under ARRA. Applicants that do not receive ARRA funding or which do not satisfy “Immediately Ready to Proceed” criteria may still be provided financing for their project under the SDWRLF Program’s non-ARRA, standard lending practices and policies.

**Other Oregon SDWRLF ARRA Project Funding Considerations:**

1. Funding cap per project remains at \$6 million. Projects requesting more than \$6 million will require review and approval from the Drinking Water Advisory Council.
2. Project funding requests must include an asset management planning activity. Examples of asset management planning activities include inventorying the water system physical assets, GIS mapping of system assets, integrating existing asset inventory data into financial accounting and budget planning, performing failure risk analysis exercises, consolidating various capital improvement and related documents into an integrated asset management plan, or other activities that implement asset management principles. The intent of this requirement will be to encourage additional asset management planning by water systems, and will be eligible activities to be financed with any Grant Amount and/or Principal Forgiveness.
3. Project funding request amount may differ from amounts indicated on submitted LOI so long as the requested amount is due to increased cost estimates and are for the same scope of activities outlined in the LOI.
4. All projects will require completion of a Technical and Managerial Capacity Review by DHS and all recommended Special Conditions will be reflected in the Project’s Loan Agreement Contract.
5. All projects funded with ARRA funds will require compliance with Davis Bacon Wage Rates and BOLI Wage Rates according to state law. All construction bid documents must reflect this requirement.
6. All projects will require documented compliance with Buy American for iron, steel and manufactured goods provisions. All construction bid documents must reflect this requirement.
7. No property or easements may be purchased with ARRA funds.
8. ARRA funds are not authorized to provide assistance for the purpose of purchasing or refinancing municipal debt or restructuring outstanding SDWRLF loans unless the initial debt was incurred on or after October 1, 2008. Water systems must submit an SDWRLF ARRA Application if they wish to be considered for refinancing. **Please note:** Refinanced municipal debt loans will be subject to compliance with Davis Bacon Wage Rates, Buy American provisions, and construction and completion timelines mandated by the ARRA of 2009 and outlined in this *Guidance*. If the project is already under construction, all construction contracts must be amended to include this requirement.

9. Water systems previously awarded SDWRLF funding after October 1, 2008, may request restructuring of their loan by submitting an SDWRLF ARRA Application if doing so provides the system with more affordable financing terms; **however**, all restructured financing awards will be subject to compliance with Davis Bacon Wage Rates, Buy American provisions, and construction and completion timelines mandated by the ARRA of 2009 and outlined in this *Guidance*. If the project is already under construction, all construction contracts must be amended to include this requirement.
10. The following types of public water systems are eligible to apply for funding:
  - a. Community water systems that have 15 or more service connections used by year-round residents, or that regularly serves 25 or more year-round residents.
  - b. Non-profit non-community water systems that regularly serve at least 25 people and are recognized under Oregon law as a non-profit corporation. *Please note: the term public does not refer to ownership, but rather to the conveyance and provision of water to the public as the system's users. Therefore, a community water system that is privately owned or is organized as a for-profit or non-profit corporation is eligible, in common with non-federal, publicly-owned systems.*
11. Homeowners' associations and for-profit corporations must submit articles of incorporation with their funding application. Public water systems owned by a non-profit organization must submit tax-exempt documentation with their funding application.
12. Systems must have service meters on all existing service connections or must include service meter installation (for any unmetered services) as part of the proposed project. Additionally, water systems must have source meters on all existing and proposed new sources of water supply, or must include source metering as part of the proposed project.
13. Financial capacity of the system will be assessed by OECDD as part of its underwriting analysis for project approval purposes. The determination of Disadvantaged Community status will depend on objective criteria measuring how affordable future water rates to support the loan portion of the award are relative to the prevailing income of the water systems residents—i.e. a community-wide “ability-to-pay” test.
14. SDWRLF ineligible activities are listed in Section 2.3 of the *SDWRLF Program Guidelines & Applicant's Handbook* ([http://econ.oregon.gov/ECDD/CD/08SDW\\_TOC.shtml](http://econ.oregon.gov/ECDD/CD/08SDW_TOC.shtml)).
15. All other Federal crosscutting requirements are applicable to project financed with ARRA funding.

**Oregon SDWRLF ARRA Financing Terms:**

<b>Type and Status of System</b>	<b>Grant Amount</b>	<b>Interest Rate</b>	<b>Loan Repayment Period</b>
Non-Disadvantaged Community	0 to 50% of award	3 %	20 years
Disadvantaged Community <sup>3</sup>	Not less than 50% of award	Flexible between 3% and 1%	Flexible between 20–30 years
Consolidation/Regionalization of Systems (Viable System is Applicant)	Not less than 50% of award	Flexible between 3% and 1%	Flexible between 20–30 years

**Other Financing Considerations:**

<b>Activity</b>	<b>Principle Forgiveness in addition to Grant Amount</b>
Green Infrastructure (water or energy efficiency improvements or other environmentally innovative activities—See Attachment A for further detail)	Large system: up to \$500,000 Small System <sup>4</sup> : up to \$100,000
Asset Management Activities	Small System only: up to \$50,000
Installation/Upgrading of Meters <sup>5</sup> (i.e., Service or Source Water Meters)	Large system: up to \$100,000 Small system: up to \$50,000
Security Measures	Up to \$100,000
Source Water Protection Activities	Up to \$100,000

**Summary of Critical Dates**

<b>Activity</b>	<b>Deadline for Completion of Activity</b>
Complete Application Submittal to OECDD—includes conduct of a Public Meeting that discusses nature and need for project, start date, financing need and ability to take on additional debt (i.e., user rates are sufficient to support additional debt or are being phased to support additional debt by end of project) and consistency of project with	April 15, 2009

<sup>3</sup> Any public water system that is normally eligible under the SDWRLF Program may be a Disadvantaged Community, with the exception of a privately-owned system that is not regulated under the jurisdiction of the Oregon Public Utility Commission. Affordability rate will be used as a criteria in determining Grant Amount and Interest Rate/Term on loans.

<sup>4</sup> System serves 10,000 or less residents.

<sup>5</sup> This consideration does not apply if the project is solely for the installation/upgrading of service meters.

applicable comprehensive land use plans.	
Announcement of Awards by OECDD	May 15, 2009
Complete Execution of Award Contract/Loan Agreement with OECDD	July 31, 2009
All Necessary Easements and Property Acquisition Completed	September 30, 2009
All application Water Rights in Hand and all Permits Obtained	November 30, 2009
Environmental Review Requirements of Project Complete	November 30, 2009
Final Design Completed and Certified by a Licensed Engineer	December 31, 2009
Project under Construction Contract	February 16, 2010
Project Complete	February 16, 2011

**Contact Information:**

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# Attachment A

## Green Infrastructure Guidance

The ARRA requires that, to the extent there are eligible project applications, a state shall use 20 percent of its ARRA funding for green infrastructure projects to address water and energy efficiency improvements or other environmentally innovative activities. This guidance provides clarification of this provision of the law and examples of projects that might be considered for assistance.

EPA anticipates that “water or energy efficiency” projects will likely be the principal focus; however, there may also be projects, or components of projects, that qualify for consideration on the basis of application of green infrastructure or being environmentally innovative.

Under the ARRA either entire projects may be considered for inclusion or appropriate identifiable components of larger projects may be considered for inclusion. Whatever projects or project components are included, such projects or project components must clearly advance the objectives articulated in the specific categories discussed below.

### **Business Case Requirements for Counting Costs toward the 20 percent Reserve for Energy and Water Efficiency**

There are some types of projects that clearly will qualify as green infrastructure projects, being entirely and explicitly framed as a green infrastructure or a water or energy efficiency project. However, some types of traditional projects may also have benefits that may in some cases be counted towards the 20 percent requirement. For example, lower friction afforded by a new distribution pipe could reduce the energy needed to pump water through the distribution system. For such traditional projects (or portion of a project) to be counted towards the 20 percent requirement, the state’s project files must contain documentation that the clear business case for the project (or portion) investment includes achievement of identifiable and substantial benefits that qualify as Green Project benefits.

The required documentation could be a simple memo but must indicate the basis on which this project was judged to qualify to be counted toward the 20 percent requirement. Such a memo would typically include direct reference to a preliminary engineering or other planning document that makes clear that the basis upon which the project (or portion) was undertaken included identifiable and substantial benefits qualifying for the green infrastructure incentive.

Although not intended to be an exhaustive list, below are identified a number of project and project-related costs below that could count toward the 20 percent. *Examples that would require a business case are so noted.*

#### **Energy Efficiency:**

- I. Energy efficiency includes capital projects that reduce the energy consumption of eligible drinking water infrastructure projects
  - a. Web link to EPA’s Better Management-Energy page  
[http://www.epa.gov/waterinfrastructure/bettermanagement\\_energy.html](http://www.epa.gov/waterinfrastructure/bettermanagement_energy.html)
  - b. Web link to EPA’s clean energy site <http://www.epa.gov/cleanenergy/>
  - c. Clean energy includes wind, solar, geothermal, hydroelectric, and biogas combined heat and power systems.

- II.** Eligible costs associated with energy efficiency projects may include:
  - a. Planning and design activities for energy efficiency that are reasonably expected to result in a capital project are eligible.
  - b. Building activities that implement capital energy efficiency projects are eligible.
  - c. Costs associated with a utility energy audit if required as a condition of assistance.
- III.** Energy efficiency projects can be stand-alone projects. They do not need to be part of a larger capital improvement project.
- IV.** Examples of projects include, but are not limited to:
  - a. Energy efficient retrofits and upgrades to pumps and treatment processes (**requires business case**).
  - b. Leak detection equipment.
  - c. Producing clean power for treatment systems on site (wind, solar, hydroelectric, geothermal, biogas powered combined heat and power).
  - d. Replacement or rehabilitation of distribution lines (**requires business case**).

**Water Efficiency:**

- I.** Water efficiency is the use of improved technologies and practices to deliver equal or better services with less water.
  - a. WaterSense program Focus on Utilities—<http://www.epa.gov/watersense/tips/util.htm>
- II.** Eligible costs associated with water efficiency projects may include:
  - a. Planning and design activities for water efficiency that are reasonably expected to result in a capital project.
  - b. Purchase of water efficient fixtures, fittings, equipment, or appliances.
  - c. Purchase of leak detection devices and equipment.
  - d. Purchase of water meters, meter reading equipment and systems, and pipe.
  - e. Construction and installation activities that implement capital water efficiency projects.
  - f. Costs associated with development of a water conservation plan if required as a condition of SDWRLF assistance.
- III.** Water efficiency projects can be stand-alone projects. They do not need to be part of a larger capital improvement project.
- IV.** Examples of projects include, but are not limited to:
  - a. Installation of water meters or automated meter reading systems.
  - b. Retrofit or replacement of water using fixtures, fittings, equipment or appliances (can include rebate programs).
  - c. Distribution system leak detection equipment.
  - d. Replacement or rehabilitation of distribution lines (**requires business case**).

## **Green Infrastructure:**

- I. Definition:** Green Infrastructure includes a wide array of practices that manage wet weather to maintain and restore natural hydrology by infiltrating, evapotranspiring and capturing and using stormwater. In the context of the DWSRF, green infrastructure consists of site-specific practices, such as green roofs and porous pavement at drinking water utility facilities. In addition to managing rainfall, these green infrastructure technologies can simultaneously provide other benefits such as reducing energy demands.
- a. Green infrastructure projects can be stand-alone projects. They do not need to be part of a larger capital improvement project.
  - b. Examples of projects include, but are not limited to:
    - i. Implementation of wet weather management systems for utility buildings and parking areas which include: the incremental cost of porous pavement, bioretention, trees, green roofs, and other practices that mimic natural hydrology and reduce effective imperviousness.

## **Environmentally Innovative Projects:**

- I. Definition:** Within the context of the SDWRLF program, “environmentally innovative projects” would include those that are: (1) consistent with the underlying project eligibilities of the SDWRLF program; (2) consistent with the timelines and objectives of the ARRA; and (3) that demonstrate new and/or innovative approaches to delivering service and/or managing water resources in a more sustainable way, including projects that achieve public health protection and environmental protection objectives at the least life-cycle costs:
- a. Environmentally innovative projects can be stand-alone projects. They do not need to be part of a larger capital improvement project. *Any project that qualifies for funding as a green infrastructure project on the basis of being an “Environmentally Innovative Project” will require business case documentation.*
  - b. Examples of projects include, but are not limited to:
    - i. Projects, or components of projects, that enable the utility to adapt to the impacts of global climate change.
    - ii. Projects, or components of projects, consistent with a “Total Water Management” planning framework; or other planning framework within which project life cycle costs (including infrastructure, energy consumption and other operational costs) are minimized.