
Drinking Water Revolving Fund Eligibility Assessment Guidance Document

November 2007

This guidance document provided by the Water Quality Control Division for Public Water Systems addresses requirements for Eligibility Assessment as part of the Drinking Water Revolving Fund application process.

This guidance document is not an Environmental Protection Agency or State of Colorado regulation. The actual regulations are referenced in this guidance document, as appropriate.

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Acronyms

EPA:	United States Environmental Protection Agency
OPA:	Outreach & Project Assistance Unit of the Water Quality Control Division
SDWA:	Safe Drinking Water Act, 42 U.S.C. 300j-12
SRF:	State Revolving Fund
TSU:	Technical Services Unit of the Water Quality Control Division
WQCD:	Water Quality Control Division of the Colorado Department of Public Health and Environment

I. The Basics

What is an Eligibility Assessment?

The eligibility assessment is an integral step in the State Revolving Fund (SRF) application process. Water systems currently on the Project Eligibility List are required to submit eligibility assessment materials for review. The objective is to determine if the proposed project, or components, meet key criteria required for SRF funding eligibility. Submitted projects are compared to eligibility criteria and assigned a score. The score is used to assign a priority level. Eligible projects, or components, will be placed on the Fundable Priority List. Ineligible projects, or components, will not be advanced in the SRF application process.

Who conducts the Eligibility Assessment?

The review team is comprised of Outreach & Project Assistance (OPA) Unit and Technical Services Unit (TSU) personnel within the Water Quality Control Division (WQCD).

Who prepares Eligibility Assessment materials?

Public Water Systems currently on the eligibility list who want to be listed on the Fundable Priority List must prepare and submit eligibility assessment materials for review.

What materials must be submitted?

In order to expedite the review process, applicants should use the sample cover letter in Attachment 1 as guidance for preparing a submittal. The sample cover letter can be provided electronically in Word format. If sufficient detail is provided in the letter, no additional materials are required. As appropriate, the applicant may submit a project report, master plan, or other supporting documents in addition to the detailed cover letter.

What is the OPA reviewer looking for in the project submittal?

- Population served by water system
- Description of financial need
- Other administrative information

What is the TSU reviewer looking for in the project submittal?

- Bulleted list of project components
- Discussion of system's current violations of Colorado Primary Drinking Water Regulations and/or potential for acute or chronic health risks
- Description of eligible components, especially as they relate to the eligibility criteria discussed in this guidance document
- If appropriate, a brief description of ineligible components
- Total project cost and amount requested from SRF
- If appropriate, designated costs for eligible components

How is the review conducted?

The submitted eligibility assessment materials are compared to eligibility criteria (see Section III of this document) by OPA and TSU personnel. Based on the submitted information, reviewers verify the project's Eligibility List Priority Ranking Category (defined below) and assign priority points as outlined in the Colorado Drinking Water Revolving Fund Regulations (5 CCR 1003-3). Please see the Internet Resources section of this guidance for a website address. If you don't have access to the Internet, you may request a paper copy of the Regulations.

All eligible projects are ranked based on assigned priority points. Some points are assigned based on scope of work of the project; some are assigned based on physical and financial characteristics of the public water system. Additional information may be requested by the reviewers as needed.

Eligibility List Priority Ranking Categories were developed to emphasize the most immediate public health and compliance issues. Projects on the Project Eligibility List will be classified by category 1, 2, 3, 4, or 5 below, with "1" being the highest priority. Once a planning document is received, projects within each category will be further prioritized by the assignment of points from the priority point listings under each category. No consideration will be given to governmental agencies that have violations caused by poor operation and maintenance procedures or are under an administrative order for violating reporting requirements. Categories By Priority Ranking

1 - Acute Health Hazard. The Division has identified continuous violation of an acute maximum contaminant level (MCL) or a surface water treatment rule (SWTR) treatment technique requirement.

2 - Chronic (long term) Health Hazard. The Division has identified a continuous violation of an MCL or an SWTR treatment technique requirement for a chronic contaminant.

3 - Potential Acute Health Hazard. The PWS has periodically exceeded an acute MCL, has levels greater than 50 percent of an acute MCL on a regular basis, or has short term problems meeting an SWTR treatment technique requirement that can be controlled temporarily by operational means.

4 - Potential Chronic Health Hazard. The PWS has periodically exceeded a chronic MCL, has levels greater than 50 percent of a chronic MCL on a regular basis, or has short term problems meeting other treatment technique requirements.

5 - Other Future Needs. The PWS is beyond the useful/design life and is in need of equipment replacement, rehabilitation or repair, in order to maintain compliance or further the public health protection goals of the SDWA.

Priority points are assigned as follows:

Based on the scope of work of the project

- Consolidation: 15 pts
- Water Conservation: 5 pts
- Source Water Protection: 2 pts
- Beneficial Use of Sludge: 2 pts
- Health Risk: 0 to 20 pts

Based on physical and financial characteristics of the system

- Population: 5 to 20 pts
- Financial Need: Up to 40 pts considering: (i) Ability to Pay: 0 to 20 pts; and (ii) Local Burden: 0 to 20pts

II. Eligible Systems

Publicly owned community drinking water systems are eligible for SRF assistance. Federally owned and privately owned systems are not eligible to receive SRF assistance. Non-profit noncommunity water systems are also not eligible.

III. Criteria for Eligible Projects

Compliance and public health

Expenditures (not including monitoring, operation, and maintenance expenditures) to address Safe Drinking Water Act (SDWA) health standards that have been exceeded or to prevent future violations of the rules are eligible for funding. These include projects to maintain compliance with existing regulations for contaminants with acute and chronic health effects. For example, projects may be funded if they are designed to maintain compliance with the:

- Surface Water Treatment Rule
- Total Coliform Rule
- Nitrate standard
- Regulations for contaminants with chronic health effects:
 - Lead and Copper Rule
 - Phases I, II, and V rules

- Safety standards for total trihalomethanes, arsenic, barium, cadmium, chromium, fluoride, mercury, selenium, combined radium-226,-228, and gross alpha particle activity

Projects to replace aging infrastructure are also eligible if they are needed to maintain compliance or further the public health protection goals of the SDWA. Examples include:

- Rehabilitate or develop sources (excluding reservoirs, dams, dam rehabilitation and water rights) to replace contaminated sources;
- Install or upgrade treatment facilities if in the State's opinion, the project would improve the quality of drinking water to comply with primary or secondary standards;
- Install or upgrade storage facilities, including finished water reservoirs, to prevent microbiological contaminants from entering the water system;
- Install or replace transmission and distribution pipes to prevent contamination caused by leaks or breaks in the pipe, or improve water pressure to safe levels.

Projects to consolidate water supplies are eligible for SRF assistance. For example, when individual homes or public water systems have a water supply that is contaminated, or the system is unable to maintain compliance for financial or managerial reasons, consolidation or connection with a compliant system could be funded through SRF. The purchase of a portion of another system's capacity is also eligible for a loan, if it is the most cost-effective solution.

Loan assistance to systems that meet the definition in section 1401(b) of the SDWA

Certain entities that deliver water through constructed conveyances, other than piped water systems, are not currently considered public water systems. Systems approved to provide water other than for residential use (e.g. drinking, cooking, bathing), such as irrigation districts, may be eligible for SRF assistance. SRF funding may also be used for the installation of point-of-use devices for the treatment of water at entities not considered to be public water systems.

Land acquisition

Land acquisition is eligible for SRF funding only if it is integral to a project that is needed to meet or maintain compliance and further public health protection. In this instance, land that is integral to a project is only the land needed to locate eligible treatment or distribution projects. In addition, the acquisition has to be from a willing seller. Land that is necessary for source water protection may also be eligible to receive a loan.

The cost of complying with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (the Uniform Act) is eligible to be included in a SRF program loan.

Planning and design of a drinking water project

Costs of project planning, design and other related costs are eligible for SRF funding. The provision of assistance for design and planning costs does not guarantee a system that the SRF program will provide funding for the construction of the project. The loan for planning and design may be combined with a construction loan.

Costs to municipalities for preparing environmental assessment reports may be included as part of the costs of planning a project.

Restructuring of systems that are noncompliant

Consolidation of a noncompliant public water system with other public water system(s) is eligible only if the assistance will ensure that the system returns to and maintains compliance with SDWA requirements. Costs associated with consolidation, such as legal fees and water buy-in fees, are eligible for funding.

Restructuring of systems that lack the technical, managerial and financial capability to maintain the system

If the system does not have the technical, managerial and/or financial capability to ensure compliance, or is in significant noncompliance, the system may receive assistance only if (1) the assistance will ensure compliance, or (2) the owner or operator of the system agrees to undertake appropriate changes in operations. These changes include consolidation or management changes that will ensure that the system has the technical, managerial and financial capability to ensure and maintain compliance with SDWA requirements.

III. Ineligibility

Lack of technical, managerial and financial capability

Any system that lacks the technical, managerial or financial capability to maintain SDWA compliance is not eligible for funding, unless the owner or operator of the system agrees to undertake feasible and appropriate changes in operation or if the use of the financial assistance from the SRF will ensure compliance over the long-term.

Significant noncompliance

Any system that is in significant noncompliance with any national drinking water regulation or variance is not eligible for funding unless the State conducts a review and determines that the project will enable the system to return to compliance and the system will maintain an adequate level of technical, managerial and financial capability to maintain compliance.

Growth

SRF funding will not be provided to finance the expansion of any drinking water system solely to promote future development and population growth. However, assistance may be provided to address population growth expected to occur over the useful life of the facility to be funded.

In determining whether or not a project is eligible for assistance, the reviewer must determine the primary purpose of the project. If the primary purpose is to supply or attract growth, the project is not eligible to receive SRF funds. If the primary purpose is to address a compliance or public health issue, the entire project, including the portion necessary to accommodate a reasonable amount of growth over its useful life, is eligible. In reviewing the proposed project, the reviewer will examine the basis for, and reasonableness of, the population projections.

The reviewer will also consider the extent of current risk to public health in establishing funding priorities. Consequently, if a project includes substantial growth, it will be placed at the lower end of the priority list. It would be contrary to the intent of the SRF program to fund a project with the prospect of a substantial amount of growth ahead of a project where a significant portion is attributable to rectifying a current health threat.

Examples of projects and activities not eligible for SRF funding

- Dams, or rehabilitation of dams;
- Water rights, except if the water rights are owned by a system that is being purchased through consolidation as part of a capacity development strategy;
- Reservoirs, except for finished water reservoirs and those reservoirs that are part of the treatment process and are located on the property where the treatment facility is located;
- Laboratory fees for monitoring;
- Operation and maintenance expenses;
- Projects needed mainly for fire protection;
- Projects for systems that lack adequate technical, managerial and financial capability, unless assistance will ensure compliance;
- Projects for systems in significant noncompliance, unless funding will ensure compliance;
- Projects primarily intended to serve future growth.

IV. Internet Resources

- Colorado Primary Drinking Water Regulations 5 CCR 1003-1
 - <http://www.cdphe.state.co.us/op/regs/waterregs/100301primarydrinkingwater.pdf>
- Colorado Drinking Water Revolving Fund Regulations 5 CCR 1003-3:
 - <http://www.cdphe.state.co.us/op/regs/100303drinkingwaterrevolvingfundrules.pdf>
- WQCD Financial Assistance Rules:
 - <http://www.cdphe.state.co.us/op/regs/waterqualityregs.asp>
- Colorado Water Resources and Power Development Authority Website:
 - <http://www.cwrpda.com/>
- EPA Drinking Water State Revolving Fund Program Guidelines:
 - <http://www.epa.gov/ogwdw/docs/guidetoc.html>
- EPA Website on the Safe Drinking Water Act:
 - <http://www.epa.gov/safewater/sdwa/sdwa.html>
- Federal Register, 40 CFR Parts 9
 - http://www.access.gpo.gov/nara/cfr/waisidx_01/40cfr9_01.html
- Federal Register, 40 CFR Part 35
 - http://www.access.gpo.gov/nara/cfr/waisidx_01/40cfr35_01.html

ATTACHMENT 1: SAMPLE COVER LETTER

*PWS Contact Person
Public Water System
Street Address
City, CO Zip*

*OPA Unit Contact Person
Water Quality Control Division
Colorado Dept. of Public Health and Environment
4300 Cherry Creek Drive South
Denver, CO 80246-1530*

RE: SRF Eligibility Assessment for Public Water System, Water Treatment Plant Project
PWSID #, County

Dear (OPA Unit Contact Person):

The enclosed report describes the proposed Water Treatment Plant Project at Public Water System. It is being submitted for SRF Eligibility Assessment. This letter summarizes key components of the project as they apply to SRF eligibility.

Current Violations and Health Risks

The system has experienced some violations of Colorado Primary Drinking Water Regulations or has the potential for acute or chronic health risks.

Instructions: Insert narrative describing violations and the potential for acute or chronic health risks. This information will be used by the reviewer to assign priority points to the project. Priority points are used to rank all SRF eligible projects. For more information about priority points, please see the State Revolving Fund Eligibility Assessment Guidance Document.

Scope of Work

In summary, the project scope of work is:

Instructions: Insert bulleted list of project components. This may include both eligible and ineligible items, although only eligible items and their associated costs will be considered for SRF funding. For a description of eligible projects and project components, please see the State Revolving Fund Eligibility Assessment Guidance Document.

Project Eligibility

We propose that the following project components are eligible for funding per the Division's Eligibility Assessment Guidance Document:

Instructions: Insert description of eligible components. Include a narrative explaining specifically why these components are eligible.

Project Cost

Instructions: Insert brief description of project cost. For example: "The entire project is estimated to cost \$X. The eligible components are estimated to cost \$Y, which is the amount we are requesting from SRF."

Sincerely,

PWS Contact Person