

Table of Contents

16.01.20 - RULES FOR ADMINISTRATION OF DRINKING WATER LOAN ACCOUNT

000. LEGAL AUTHORITY.	2
001. TITLE AND SCOPE.	2
002. WRITTEN INTERPRETATIONS.	2
003. ADMINISTRATIVE APPEALS.	2
004. POLICY.	2
005. SYSTEM ELIGIBILITY.	2
006. -- 009. (RESERVED).	3
010. DEFINITIONS.	3
011. FINANCIAL TECHNICAL AND MANAGEMENT CAPABILITY ANALYSIS.	6
012. -- 019. (RESERVED).	7
020. PRIORITY SYSTEM.	7
021. DISADVANTAGED LOANS.	7
022. -- 029. (RESERVED).	8
030. PROJECT FUNDING.	8
031. LIMITATION OF PRE-LOAN ENGINEERING REVIEWS.	10
032. -- 039. (RESERVED).	10
040. LOAN APPLICATION AND REVIEW.	10
041. ENVIRONMENTAL REVIEW.	11
042. -- 049. (RESERVED).	13
050. LOAN OFFER AND ACCEPTANCE.	13
051. ACCOUNTING AND AUDITING PROCEDURES.	14
052. -- 059. (RESERVED).	14
060. DISBURSEMENTS.	14
061. -- 079. (RESERVED).	14
080. SUSPENSION OR TERMINATION OF LOAN CONTRACTS.	14
081. -- 994. (RESERVED).	15
995. WAIVERS.	15
996. CONFIDENTIALITY.	16
997. -- 999. (RESERVED).	16

**IDAPA 16
TITLE 01
Chapter 20**

16.01.20 - RULES FOR ADMINISTRATION OF DRINKING WATER LOAN ACCOUNT

000. LEGAL AUTHORITY.

The Idaho Board of Health and Welfare, pursuant to authority granted in Chapters 01 and 76, Title 39, Idaho Code, adopted the following rules for the administration of a Drinking Water Loan Account in Idaho. (3-23-98)

001. TITLE AND SCOPE.

01. Title. These rules shall be known and cited as IDAPA 16.01.20, Rules of the Idaho Department of Health and Welfare, IDAPA 16, Title 01, Chapter 20, "Rules for Administration of Drinking Water Loan Account." (3-23-98)

02. Scope. The provisions of these rules shall establish administrative procedures and requirements for establishing, implementing, and administering a state loan program to provide financial assistance to qualifying entities of public water system facilities. The U.S. Environmental Protection Agency provides a capitalization grant to the state of Idaho for this program. Financial assistance projects must be in conformance with the requirements of the Safe Drinking Water Act (42 U.S.C. Section 300f et seq.). (3-23-98)

002. WRITTEN INTERPRETATIONS.

As described in Idaho Code Section 67-5201(19) (b) (iv), the Department of Health and Welfare may have written statements which pertain to the interpretation of these rules. If available, such written statements can be inspected and copied at cost at the Department of Health and Welfare, Division of Environmental Quality, 1410 N. Hilton, Boise, Idaho 83706. (3-23-98)

003. ADMINISTRATIVE APPEALS.

Persons may be entitled to appeal final Division of Environmental Quality actions authorized under these rules pursuant to IDAPA 16.05.03, Rules of the Department of Health and Welfare, IDAPA 16, Title 05, Chapter 03, "Rules Governing Contested Case Proceedings and Declaratory Rulings." (3-23-98)

004. POLICY.

It is the policy of the Idaho Board of Health and Welfare, through the Idaho Division of Environmental Quality, to administer the Drinking Water Loan Account Program. The Drinking Water Loan Account Program provides assistance to eligible public drinking water systems for the planning, design, and construction of facilities to ensure safe and adequate drinking water. It is also the intent of the Board of Health and Welfare to assign a priority rating to those projects which shall facilitate the compliance of any eligible public water system with national primary drinking water regulations applicable to the system or to otherwise significantly further the health protection objectives of these rules and the Safe Drinking Water Act (42 U.S.C. Section 300f et seq.). (3-23-98)

005. SYSTEM ELIGIBILITY.

01. Eligible Systems. Public and private community water systems and nonprofit noncommunity water systems. (3-23-98)

02. Systems Not Eligible. The following public drinking water systems will not be considered eligible for project loans: (3-23-98)

a. Systems that do not have the technical, managerial, and financial capability to ensure compliance with the requirements of the Idaho Rules for Public Drinking Water Systems (IDAPA 16.01.08) and the Safe Drinking Water Act (42 U.S.C. Section 300f et seq.); (3-23-98)

b. Systems in significant noncompliance with any requirement of the Idaho Rules for Public Drinking Water Systems (IDAPA 16.01.08) and the Safe Drinking Water Act (42 U.S.C. Section 300f et seq.); (3-23-98)

c. Systems under disapproval designation as outlined in the Idaho Rules for Public Drinking Water

- Systems (IDAPA 16.01.08); (3-23-98)
- d. Systems under current drinking water enforcement action by the Division; or (3-23-98)
 - e. Systems delinquent in payment of the annual state drinking water fee assessment. (3-23-98)
03. Assistance to Ensure Compliance. Public water systems not eligible for project loans as described in Subsections 005.02.a. and 005.02.b., may receive assistance if: (3-23-98)
- a. The use of the assistance will ensure compliance; (3-23-98)
 - b. The owner or operator of the system agrees to undertake feasible and appropriate changes in operations (including ownership, management, accounting, rates, maintenance, consolidation, alternative water supply, or other procedures); (3-23-98)
 - c. The Division determines that the measures are necessary to ensure that the system has the technical, managerial, and financial capability to comply with state and federal drinking water requirements over the long term; and (3-23-98)
 - d. Prior to providing assistance under this section to a public water system that is in significant noncompliance with any requirement of the Idaho Rules for Public Drinking Water Systems (IDAPA 16.01.08) and the Safe Drinking Water Act (42 U.S.C. Section 300f et seq.) or variance, the Division conducts a review to determine whether this section applies to the system. (3-23-98)
- 006. -- 009. (RESERVED).**
- 010. DEFINITIONS.**
- For the purpose of the rules contained in this chapter, the following definitions apply: (3-23-98)
- 01. Administrator. The Administrator of the Division of Environmental Quality. (3-23-98)
 - 02. Applicant. Any qualifying entity making application for loan funds. (3-23-98)
 - 03. Board. The Idaho State Board of Health and Welfare. (3-23-98)
 - 04. CE. "Categorical exclusion" means a category of actions which do not individually or cumulatively have a significant effect on the human environment and for which, therefore, neither an environmental assessment nor an environmental impact statement is required. (3-23-98)
 - 05. Community Water System. A public water system that: (3-23-98)
 - a. Serves as least fifteen (15) service connections used by year round residents of the area served by the system; or (3-23-98)
 - b. Regularly serves at least twenty-five (25) year-round residents. (3-23-98)
 - 06. Construction. The building, erection, acquisition, alteration, reconstruction, improvement, or extension of public water system facilities, including planning to determine the economic and engineering feasibility of public water system facilities, the engineering, architectural, legal, fiscal, and economic investigations, reports and studies, surveys, designs, plans, working drawings, specifications, procedures, and other action necessary in the construction of public water system facilities and the inspection and supervision of the construction. (3-23-98)
 - 07. Department. The Idaho Department of Health and Welfare. (3-23-98)
 - 08. Director. The Director of the Idaho Department of Health and Welfare or his/her designee. (3-23-98)

09. Disadvantaged Community. The service area of a public water system that meets affordability criteria established by the Division of Environmental Quality after public review and comment. (3-23-98)
10. Disadvantaged Loans. Loans made to a disadvantaged community. (3-23-98)
11. Division. The Division of Environmental Quality. (3-23-98)
12. EID. Environmental Information Document. (3-23-98)
13. EIS. Environmental Impact Statement. (3-23-98)
14. Eligible Costs. Costs which are necessary for planning, designing, and/or constructing public water system facilities. To be eligible, costs must be reasonable, allowable, and allocable. (3-23-98)
15. Eligible Systems. Public and private community water systems and nonprofit noncommunity water systems. (3-23-98)
16. Engineering Report. A report which compares public water system facility alternatives and identifies the most cost effective, environmentally sound alternative. (3-23-98)
17. Financial Management System. Uniform method of recording, summarizing, and analyzing financial information about the public water system facility. (3-23-98)
18. FNSI. Finding of no significant impact. (3-23-98)
19. Ineligible Costs. Costs which are not necessary for the planning, designing, and/or construction of public water system facilities or which are not reasonable, allowable, or allocable. (3-23-98)
20. MCL. Maximum Contaminant Level. The maximum permissible level of a contaminant in water which is delivered to any user of a public water system. (3-23-98)
21. Municipality. A city, town, or other public entity created pursuant to state law. (3-23-98)
22. Noncommunity Water System. A public water system that is not a community water system. (3-23-98)
23. Nonprofit Noncommunity Water System. A public water system that is not a community water system and is governed by Section 501 of the U. S. Internal Revenue Code and includes but is not limited to: state agencies, municipalities, and nonprofit organizations such as churches and schools. (3-23-98)
24. Nontransient Noncommunity Water System. A public water system that is not a community water system and that regularly serves at least 25 (twenty-five) of the same persons over six (6) months per year. (3-23-98)
25. O & M Manual. Operation and Maintenance Manual is a guidance and training manual outlining the optimum operation and maintenance of the public water system facility or its components. (3-23-98)
26. Person. An individual, corporation, company, association, partnership, state agency, municipality, or federal agency (and includes officers, employees, and agents of any corporation, company, association, state agency, municipality, or federal agency). (3-23-98)
27. Plan of Operation. A schedule of specifications and completion dates for construction, start-up, and operation of the public water system facility. (3-23-98)
28. Priority List. A list of proposed drinking water projects rated by severity of risk to public health, the necessity to ensure compliance with the Safe Drinking Water Act (42 U.S.C. 300f Section et seq.), population affected, and need on a household basis for protection of Idaho's public drinking water. (3-23-98)

29. **Public Water Systems.** A system for the provision to the public of water for human consumption through pipes or other constructed conveyances if such system has at least fifteen (15) service connections or regularly serves at least twenty-five (25) individuals. Such term includes: (3-23-98)
- a. Any drinking water source, treatment, storage, and distribution facilities under control of the operator of such system and used primarily in connection with such systems, and (3-23-98)
 - b. Any collection or pretreatment storage facilities not under such control which are used primarily in connection with such system. A connection to a system that delivers water by a constructed conveyance shall not be considered a connection if: (3-23-98)
 - i. The water is used exclusively for purposes other than residential uses (consisting of drinking, cooking, and bathing, or other similar uses); (3-23-98)
 - ii. The Director determines that alternative water to achieve the equivalent level of public health protection provided by the applicable national primary drinking water regulation is provided for residential or similar uses for drinking, cooking, or bathing, or other similar uses; or (3-23-98)
 - iii. The Director determines that the water provided for residential or similar uses for drinking, cooking, and bathing is centrally treated at the point of entry by the provider, a pass-through entity, or the user to achieve the equivalent level of protection provided by the applicable national primary drinking water regulations. (3-23-98)
30. **Qualifying Entity.** Any county, city, special service district, nonprofit or investor-owned corporation, or other governmental entity, or a combination thereof, which owns or operates a public water system and which establishes and maintains a dedicated loan repayment source. (3-23-98)
31. **Scope of Project.** Those portions of the proposed facility including administration, engineering, and physical components that constitute a complete project as determined from the most cost effective, environmentally sound public water system facility alternative identified in a engineering report and approved by the Division. (3-23-98)
32. **State.** The State of Idaho. (3-23-98)
33. **Supplier or Provider of Water.** Any person who owns and/or operates a public water system. (3-23-98)
34. **Suspension.** An action by the Director to suspend a loan contract prior to project completion for a specified cause. Suspended contracts may be reinstated. (3-23-98)
35. **Termination.** An action by the Administrator to permanently terminate a loan contract prior to project completion for a specific cause. Terminated contracts shall not be reinstated. (3-23-98)
36. **URTH. Unreasonable risks to health.** Refers to a level of contamination that presents an "unreasonable risk to health" and is determined on a contaminant by contaminant basis by the U.S. Environmental Protection Agency. (3-23-98)
37. **User Charge System.** A system of rates and service charges applicable to specific types of users, including any legal enforcement mechanism as may be required, which provides sufficient reserves and/or revenues for debt retirement, operation and maintenance, and replacement of the public water system facility. (3-23-98)
38. **Water System Protection Ordinance.** An ordinance adopted pursuant to Chapter 32, Title 42, Idaho Code, or other applicable law which requires new connections to be properly designed and constructed, which prohibits cross-connections with non-potable water sources (and in all ways protects the water system from injection of contaminants), and which provides for fees for service from users or classes of users. (3-23-98)

011. FINANCIAL TECHNICAL AND MANAGEMENT CAPABILITY ANALYSIS.

No loans shall be awarded for the construction of projects unless the applicant has demonstrated and certified that it has the legal, technical, institutional, managerial, and financial capabilities to ensure construction, operation and maintenance (including equipment replacement of the proposed public water system facility), and to repay principal and interest which would be due on a loan from the state revolving loan fund. (3-23-98)

01. Information Needed. Before an application shall be considered complete, the applicant must submit all necessary information on a form prescribed by the Division along with an analysis of that information. The information shall include, but not be limited to, demographic information of the applicant, estimated construction costs, annual operating costs, and information regarding the financing of the project, including the legal debt limit of the applicant and the existence and amount of any outstanding bonds or other indebtedness which may affect the project. (3-23-98)

02. Incorporated Nonprofit Applicants. (3-23-98)

a. In addition to all other information required to be submitted by these rules and regulations, an incorporated nonprofit applicant must demonstrate to the satisfaction of the Division by its articles of incorporation and/or bylaws, that: (3-23-98)

i. The corporation is nonprofit and lawfully incorporated pursuant to Chapter 03, Title 30, Idaho Code; (3-23-98)

ii. The corporation is authorized to incur indebtedness to construct, improve, or repair public water systems facilities; (3-23-98)

iii. The corporation is authorized to secure indebtedness by pledging corporation property, including any revenues raised through a user charge system; (3-23-98)

iv. The corporation exists either perpetually or for a period long enough to repay a public water system facility loan; and (3-23-98)

v. The corporation is capable of raising revenues by fixing and collecting user charges. (3-23-98)

b. The Division may impose conditions on the making of a public water system facility loan to an incorporated nonprofit applicant which are necessary to carry out the provisions of these rules and regulations and the provisions of Chapter 76, Title 39, Idaho Code. (3-23-98)

03. Cost Allocation. An applicant proposing to construct public water system facilities designed to serve two (2) or more qualifying entities must show how the costs shall be allocated among the participating entities. Such applicants must provide an executed inter-municipal service agreement which, at a minimum, incorporates the following information: (3-23-98)

a. The basis upon which the costs are allocated; (3-23-98)

b. The formula by which the costs are allocated; and (3-23-98)

c. The manner in which the cost allocation system shall be implemented. (3-23-98)

04. Waivers. The requirement in Subsection 011.03 may be waived by the Department if the applicant can demonstrate: (3-23-98)

a. Such an agreement is already in place; (3-23-98)

b. There is documentation of a service relationship in the absence of a formal agreement; or (3-23-98)

c. The entity providing public drinking water exhibits sufficient financial strength to continue the project if one (1) or more of the entities supplying drinking water fails to participate. (3-23-98)

012. -- 019. (RESERVED).

020. PRIORITY SYSTEM.

01. Purpose. A priority rating system shall be utilized by the Division to annually allot available funds to projects determined eligible for funding assistance under the Drinking Water Loan Account Program in accordance with these rules. Projects considered for priority rating shall first be evaluated by Division regional staff. (3-23-98)

02. Priority Rating. The priority rating system shall be based on a weighted numerical points system. Priority criteria shall contain the following points: (3-23-98)

a. Public Health Emergency. Certified by the Division. Such emergencies shall be related to a waterborne outbreak, chemical or radiological contamination levels above URTH, or a failed water source. (100 points) (3-23-98)

b. Public Health Hazard. Identified and verified by the Division. Points shall be given based on the presence and severity of waterborne illnesses. (19 points) (3-23-98)

c. Water Quality Violations. Identified and verified by the Division. Points shall be given, based on maximum contaminant levels (MCLs) or based on treatment technique violations, for microbiological and chemical constituents. (71 points) (3-23-98)

d. General Conditions of Existing Facilities. Points shall be given based on deficiencies with facilities for pumping, treating, and delivering drinking water. (61 points) (3-23-98)

e. Overall Urgency. Points shall be given to entities that need a new source of water to assure safety and adequate supply. (10 points) (3-23-98)

f. Consent or Administrative Orders. Points shall be given if the system is operating under an order. (30 points) (3-23-98)

g. Incentives. Bonus points shall be awarded to systems that promote source water protection, conservation, economy, proper operation maintenance, and monitoring. (16 points) (3-23-98)

h. Affordability. Points shall be given when proposed system user charges exceed state affordability guidelines. (10 points) (3-23-98)

03. Priority List. A list shall be developed annually from projects rated according to Subsection 020.02. Such list shall be submitted for public review and comment, and shall thereafter be submitted to the Board for approval and adoption. (3-23-98)

04. Priority Reevaluation. Whenever significant changes occur, which in the Division's judgment would affect the design parameters or treatment requirements by either increasing or decreasing the need for, or scope of any project, a reevaluation of that priority rating shall be conducted. (3-23-98)

05. Priority Target Date. A qualifying entity, whose project is on the adopted priority list, and for which funding is available, shall be contacted by the Division and a target date for submission of a completed loan application shall be established. (3-23-98)

06. Project Bypass. A project that does not or shall not meet the project target date or a Division schedule that allows for timely utilization of loan funds may be bypassed, substituting in its place the next highest ranking project or projects that are ready to proceed. A project that is bypassed shall be notified in writing of the reasons for being bypassed. (3-23-98)

021. DISADVANTAGED LOANS.

Disadvantaged Loan Awards. In conjunction with the standard loans, the Division may award disadvantaged loans to

applicants deemed disadvantaged using the following criteria: (3-23-98)

01. Qualifying For a Disadvantaged Loan. In order to qualify for a disadvantaged loan, a loan applicant must have a median household income that does not exceed eighty percent (80%) of the statewide non-metropolitan median household income from the most recent census data, and an annual cost of drinking water service for residential customers which exceeds two percent (2%) of the median household income. (3-23-98)

a. The annual cost includes all operating, maintenance, replacement, and debt service costs (both for the existing system and for upgrades) being financed with state revolving funds. If the applicant's service area is not within the boundaries of a municipality, the applicant may use the census data for the county in which it is located. (3-23-98)

b. For disadvantaged applicants for which the annual cost exceeds two percent (2%) of the median household income, those applicants must have been either declined assistance or received only partial assistance from all other available state and federal agencies offering grants before loan terms can be adjusted. (3-23-98)

02. Denied or Partial Assistance. If assistance has been denied or only partial assistance given by other agencies, loan terms may be adjusted in the following sequence: (3-23-98)

a. First, the length of the loan repayment may be extended in increments of years from twenty (20) years up to a maximum of thirty (30) years until the annual cost equals two percent (2%) of median household income. (3-23-98)

b. If at a thirty (30) year repayment, the annual cost still exceeds two percent (2%) of the median household income, the loan interest rate may be reduced from the rate established by the Administrator for standard loans to a rate that results in an annual charge equal to two percent (2%) of median household income. (3-23-98)

c. The interest rate reduction may be as low as zero percent (0%). If even at zero percent (0%) interest and a thirty (30) year repayment, the annual charge per residential user still exceeds two percent (2%) of median household income, the principal which causes the user charge to exceed two percent (2%) may be reduced except the principal reduction cannot exceed an amount greater than fifty percent (50%) of the total project cost. (3-23-98)

022. -- 029. (RESERVED).

030. PROJECT FUNDING.

01. Project Step Funding. Projects may be funded in steps: (3-23-98)

a. Step 1. Engineering report prepared by a professional engineer licensed in the state of Idaho who carries professional liability indemnification in accordance with Subsection 050.05.d., and in a format prescribed by the Division; (3-23-98)

b. Step 2. Design, which includes the preparation by a professional engineer licensed in the State of Idaho of the detailed engineering plans and specifications necessary for the bidding and construction of the project; (3-23-98)

c. Step 3. Construction, which includes bidding and actual construction of the project; or (3-23-98)

d. Step 4. A combination of Step 2 and Step 3. (3-23-98)

02. Combination Step Funding. Projects may be funded in any combination of the steps with approval of the Division. Separate loans may be awarded for Step 1 or Step 2 projects. If a Step 1 or Step 2 project proceeds to construction, either the Step 1 or Step 2 loan, or both, may be consolidated with the Step 3 loan. If a project does not proceed to construction, outstanding Step 1 and Step 2 loans shall be amortized and a repayment schedule prepared by the Division. (3-23-98)

03. Cost Effective Requirement. Step 2, Step 3, or Step 4 loans shall not be awarded until a final cost

effective and environmentally sound alternative has been selected by the Step 1 engineering report as approved by the Division. The cost effective alternative may be selected based on the comments received from at least one (1) public hearing attended by affected users within the jurisdiction of the qualifying entity and conducted in accordance with state law. (3-23-98)

04. Funding for Reserve Capacity. Funding for reserve capacity of a drinking water system shall not exceed a twenty (20) year population growth. (3-23-98)

05. Eligible Project Costs. Costs eligible for funding shall be determined from the scope of the project and may include, but not be limited to: (3-23-98)

a. Costs of salaries, benefits, and expendable material the qualified entity incurs in the project except ordinary operating expenses of local government such as salaries and expenses of a mayor; city council members; board; or a city, district, or board attorney; (3-23-98)

b. Costs for construction contract bids and executed in compliance with state public works construction laws; (3-23-98)

c. Professional and consulting services; (3-23-98)

d. Engineering directly related to the public water system facilities; (3-23-98)

e. Financial, technical, and management capability analysis if it shall ensure compliance; (3-23-98)

f. Preparation of construction drawings, specifications, estimates, and construction contract documents; (3-23-98)

g. Landscaping; (3-23-98)

h. Removal and relocation or replacement of utilities for which the qualifying entity is legally obligated to pay; (3-23-98)

i. Material acquired, consumed, or expended specifically for the project; (3-23-98)

j. A reasonable inventory of laboratory chemicals and supplies necessary to initiate plant operations; (3-23-98)

k. Preparation of an operation and maintenance manual; (3-23-98)

l. Preparation of a plan of operation; (3-23-98)

m. Start-up services; (3-23-98)

n. Public participation for alternative selection; (3-23-98)

o. Development of user charge and financial management systems; (3-23-98)

p. Development of water system protection and backflow prevention ordinance or rule; (3-23-98)

q. Initial staffing plans and budget development; (3-23-98)

r. Costs of assessing and defending contractor claims determined unmeritable by the Division; (3-23-98)

s. Site acquisition costs, including right of way, well lot site, system site, and finished water storage; (3-23-98)

or

- t. Certain direct and other costs as determined eligible by the Division. (3-23-98)
- 06. Ineligible Project Costs. Costs which are ineligible for funding include, but are not limited to: (3-23-98)
 - a. Basin or area wide planning not directly related to the project; (3-23-98)
 - b. Bonus payments not legally required for completion of construction before a contractual completion date; (3-23-98)
 - c. Personal injury compensation or damages arising out of the project; (3-23-98)
 - d. Fines or penalties due to violations of, or failure to comply with, federal, state, or local laws; (3-23-98)
 - e. Costs outside the scope of the approved project; (3-23-98)
 - f. Ordinary operating expenses of local government, such as salaries and expenses of a mayor, city council members, board, or city or board attorney; (3-23-98)
 - g. Cost of land in excess of that needed for treatment or storage of finished water; (3-23-98)
 - h. Costs of condemnations; or (3-23-98)
 - i. Engineering costs prepared without professional liability indemnification. (3-23-98)

031. LIMITATION OF PRE-LOAN ENGINEERING REVIEWS.

Division of Environmental Quality staff may review engineering documents for any drinking water system. However, in order for the costs of preparation of pre-loan engineering documents to be loan eligible, the consulting engineer must submit a certificate of professional liability indemnification in accordance with Subsection 050.05.d. (3-23-98)

032. -- 039. (RESERVED).

040. LOAN APPLICATION AND REVIEW.

- 01. Submission of Application. The applicant shall submit to the Division, a completed application on a form as prescribed by the Division. (3-23-98)
- 02. Application Requirements. Applications shall contain a completed state loan application form and the following documentation, as applicable, approved, or approvable by the Division in both form and content: (3-23-98)
 - a. All loan applications: (3-23-98)
 - i. A lawful resolution passed by the governing body authorizing an elected official or chief financial officer of the qualifying entity to execute a loan contract and sign subsequent loan disbursement requests; (3-23-98)
 - ii. Contracts for architectural/engineering services, including justification for the firm selected and a certification of liability indemnification, as described in Subsection 050.05.d., which covers all such services rendered for all project phases which are state funded; (3-23-98)
 - iii. Preliminary plan of system revenue and loan repayment schedule; (3-23-98)
 - iv. A legal opinion from the loan applicant's lawyer stating that the loan applicant has complied with all applicable federal, state, and local laws including, if applicable, laws relating to the issuance of bonds and the incurrence of debt. The costs of such an opinion can be included as eligible project costs; and (3-23-98)

v. In the case of a privately owned system, demonstrate that there is adequate security for the repayment of the loan. (3-23-98)

b. Step 1, Engineering Report. Plan of study describing the work tasks to be performed in the engineering report, a schedule for completion of the work tasks, and an estimate of man hours and costs to complete the work tasks. (3-23-98)

c. Step 2, Design. (3-23-98)

i. Engineering report including a final environmental document and decision in accordance with Section 041; (3-23-98)

ii. Financial, technical, and management capability analysis as provided in Subsection 011.01; (3-23-98)

iii. Inter-municipal service agreements between all qualifying entities within the scope of the project, if applicable; and (3-23-98)

iv. Documented evidence of all necessary easements and land acquisition. (3-23-98)

d. Step 3, Construction. (3-23-98)

i. Biddable plans and specifications of the approved public water system facility alternative; (3-23-98)

ii. A plan of operation and project schedule; (3-23-98)

iii. A user charge system, water use system protection ordinance, and financial management system; and (3-23-98)

iv. A staffing plan and budget. (3-23-98)

e. Step 4, Design and Construction. Loan applicants must submit all documentation specified in Subsection 040.02.d. prior to advertising for bids on construction contracts. (3-23-98)

03. Acceptance of Application. Applications shall be accepted in accordance with the state priority list target dates. No applications shall be accepted for projects not rated on the original priority list unless the priority list is amended and approved by the Administrator. Incomplete applications lacking information may be returned to the applicant. Once complete information is provided, the application may be resubmitted. (3-23-98)

04. Notification of Disapproval. Written notification of application rejection with the reasons for denial shall be sent to the applicant. (3-23-98)

05. Reapplication for Loan. The action of disapproving, recalling, or terminating a loan in no way precludes or limits the former applicant from reapplying for another loan when the project deficiencies are resolved and project readiness is secured. (3-23-98)

041. ENVIRONMENTAL REVIEW.

01. Overview of Process. The applicant shall consult with the Division at an early stage in the preparation of the engineering report to determine the required level of environmental review. Based on review of existing information, the Division shall assess potential environmental impacts and shall instruct the applicant to either: (3-23-98)

a. Submit a request for Categorical Exclusion (CE) with supporting backup documentation as specified by the Division; (3-23-98)

- b. Prepare an Environmental Information Document (EID) in a format specified by the Division; or (3-23-98)
- c. Prepare an Environmental Impact Statement (EIS) in a format specified by the Division. (3-23-98)
- 02. **Categorical Exclusions.** At the request of an applicant, the Division shall determine from existing information whether an action is consistent with categories eligible for exclusion where upon the Division shall issue a notice of Categorical Exclusion from substantive environmental review. Once the Categorical Exclusion is granted for the proposed project and a notice of Categorical Exclusion has been published in a local newspaper to inform the public of this action, the engineering report can be approved and the loan award can proceed. (3-23-98)
- 03. **Environmental Review Process.** When issuance of a Categorical Exclusion is not appropriate, the applicant shall prepare an Environmental Information Document (EID). In accordance with Division procedures: (3-23-98)
 - a. Various laws and executive orders related to environmentally sensitive resources shall be considered as the EID is prepared. Appropriate state and federal agencies shall be consulted regarding these laws and executive orders. (3-23-98)
 - b. A full range of relevant impacts, both direct and indirect, of the proposed project shall be discussed in the EID, including measures to mitigate adverse impacts, cumulative impacts, and impacts that shall cause irreversible or irretrievable commitment of resources. (3-23-98)
 - c. The Division shall review the draft EID and either request additional information about one (1) or more potential impacts, or shall draft a "finding of no significant impact" (FNSI). (3-23-98)
- 04. **Final Finding of No Significant Impact.** The final FNSI shall be published in a newspaper of general circulation in the geographical area of the proposed project in accordance with state policies on public participation. Following the required period of public review and comment and after any public concerns about project impacts are resolved, the FNSI shall become final and the engineering report can be approved and the loan can be awarded. (3-23-98)
- 05. **Environmental Impact Statement (EIS) Requirements.** If an EIS is required, the applicant shall: (3-23-98)
 - a. Contact all affected state agencies, and other interested parties, to determine the required scope of the document; (3-23-98)
 - b. Prepare and submit a draft EIS to all interested agencies, and other interested parties, for review and comment; (3-23-98)
 - c. Conduct a public hearing which may be in conjunction with a engineering report hearing; and (3-23-98)
 - d. Prepare and submit a final EIS incorporating all agency and public input for Division review and approval. (3-23-98)
- 06. **Final EIS.** Upon completion of the EIS by the applicant and approval by the Division of all requirements listed in Subsection 041.05, the Division shall issue a record of decision, documenting the mitigative measures which shall be required of the applicant. The loan agreement can be completed once the final EIS has Division approval. (3-23-98)
- 07. **Mitigation Measures.** Prior to approval of a facilities plan, the Division must ensure that effective mitigation measures identified in the FNSI and EID shall be implemented by the applicant. (3-23-98)
- 08. **Partitioning the Environmental Review.** Under certain circumstances, the building of a component/partition of a drinking water system may be justified in advance of all environment review requirements for the

remainder of the system. The Division shall approve partitioning the environment review in accordance with established procedures. (3-23-98)

09. Federal Environmental Review Use. If environmental review for the project has been conducted by another state, federal, or local agency, the Division may, in its discretion, issue its own determination by adopting the document of the federal agency. (3-23-98)

10. Validity of Review. Environmental reviews are valid for five (5) years. If a loan application is received for a project with an environmental review which is more than five (5) years old, the Division shall reevaluate the project, environmental conditions, and public views and shall: (3-23-98)

a. Reaffirm the earlier decision; or (3-23-98)

b. Require supplemental information to the earlier Environmental Impact Statement, Environmental Information Document, or request for Categorical Exclusion. Based upon a review of the updated document, the Division shall issue and distribute a revised notice of Categorical Exclusion, finding of no significant impact, or record of decision. (3-23-98)

042. -- 049. (RESERVED).

050. LOAN OFFER AND ACCEPTANCE.

01. Loan Offer. Loan offers shall be delivered to successful applicants by representatives of the Division or by registered mail. (3-23-98)

02. Acceptance of Loan Offer. Applicants have sixty (60) days in which to officially accept the loan offer on prescribed forms furnished by the Division. The sixty (60) day acceptance period commences from the date indicated on the loan offer notice. If the applicant does not accept the loan offer within the sixty (60) day period, the loan funds may be offered to the next project on the priority list. (3-23-98)

03. Acceptance Executed as a Contract Agreement. Upon signature by the Administrator or his/her designee and upon signature by the authorized representative of the qualifying entity, the loan offer shall become a contract. Upon accepting a loan offer, a qualifying entity becomes a loan recipient. The disbursement of funds, pursuant to a loan contract, is subject to a finding by the Administrator that the loan recipient has complied with all loan contract conditions and has prudently managed the project. The Administrator may, as a condition of disbursement, require that a loan recipient vigorously pursue any claims it has against third parties who shall be paid in whole or in part, directly or indirectly, with loan funds. No third party shall acquire any rights against the state or its employees from a loan contract. (3-23-98)

04. Estimate of Reasonable Cost. All loan contracts shall include an estimate of the reasonable eligible costs of the project. (3-23-98)

05. Terms of Loan Offers. The loan offer shall contain such terms as are prescribed by the Division including, but not limited to: (3-23-98)

a. Terms consistent with the rules and regulations set out in this document, the project step to be funded under the loan offer, and Chapter 76, Title 39, Idaho Code; (3-23-98)

b. Special clauses as determined necessary by the Division for the successful investigation, design, construction, and management of the project; (3-23-98)

c. Terms consistent with applicable state and federal laws pertaining to engineering reports, design, and construction (including the Public Works Contractors License Act (Idaho Code Sections 54-1901 through 54-1924)); the Public Contracts Bond Act (Idaho Code Sections 54-1925 through 54-1930); and the Safe Drinking Water Act (42 U.S.C. Section 300f et seq.) requirements for projects funded with loan moneys of federal origin; (3-23-98)

d. Requirement for the prime architectural/engineering firm(s), and their principals retained for

architectural/engineering services, to carry professional liability indemnification to protect the public from negligent acts of the architect/engineer and errors of omission of a professional nature. The total aggregate of the professional liability of the architect/engineer indemnification shall be one hundred thousand dollars (\$100,000) or twice the amount of the fee of the architect/engineer, whichever is greater. Professional liability indemnification must cover all such services rendered for all project phases which are state funded; (3-23-98)

e. The project shall be bid, contracted, and constructed according to the Idaho Standards for Public Works Construction and the Idaho Rules for Public Drinking Water Systems (IDAPA 16.01.08) unless the qualifying entity has approved and adopted acceptable public works construction standards; (3-23-98)

f. The loan interest rate for loans made during the state fiscal year beginning July 1 shall be established by the Administrator by January 1 prior to the beginning of the state fiscal year. The interest rate shall be a fixed rate in effect for the life of the loan. The rate may equal but shall not exceed the current market rate; (3-23-98)

g. All loans, except disadvantaged loans, must be fully amortized within a period not to exceed twenty (20) years after project completion. Disadvantaged loans must be fully amortized within a period not to exceed thirty (30) years. The borrower may elect for either a schedule of semi-annual repayments or annual repayments at the time the loan is finalized; and (3-23-98)

h. Repayment default shall occur when a scheduled loan repayment is ten (10) days past due. If default occurs, the Division may invoke appropriate loan contract provisions and/or bond covenants. (3-23-98)

051. ACCOUNTING AND AUDITING PROCEDURES.

Loan recipients must maintain project accounts in accordance with generally accepted government accounting standards. These standards are usually defined as, but not limited to, those contained in the U.S. General Accounting Office (GAO) publication "Standards for Audit of Governmental Organization, Programs, Activities, and Functions," published February 27, 1981. (3-23-98)

052. -- 059. (RESERVED).

060. DISBURSEMENTS.

01. Loan Disbursements. The loan contract shall include a schedule of estimated disbursements to be made to the borrower. The schedule shall include the anticipated dates and amounts of disbursements. Requests to the Division for actual disbursement of loan proceeds shall be made by the loan recipient on forms provided by the Division. (3-23-98)

02. Loan Increases. An increase in the loan amount as a result of an increase in eligible project costs shall be considered, provided funds are available. Documentation supporting the need for an increase must be submitted to the Division for approval prior to incurring any costs above the eligible cost ceiling. (3-23-98)

03. Loan Decreases. If the actual eligible cost is determined by the Division to be lower than the estimated eligible cost, the loan amount shall be reduced proportionately. (3-23-98)

04. Project Review to Determine Final Eligible Costs. A project review by the Division shall determine the final eligible costs. (3-23-98)

05. Final Disbursement. The final loan disbursement consisting of five percent (5%) of the total loan amount shall not be made until final inspection, final review, and a final loan repayment schedule have been completed. (3-23-98)

061. -- 079. (RESERVED).

080. SUSPENSION OR TERMINATION OF LOAN CONTRACTS.

01. Causes. The Administrator may suspend or terminate any loan contract prior to final disbursement

for failure by the loan recipient or its agents including architectural/engineering firm(s), contractor(s), or subcontractor(s) to perform. A loan contract may be suspended or terminated for good cause including, but not limited to, the following: (3-23-98)

a. Commission of fraud, embezzlement, theft, forgery, bribery, misrepresentation, conversion, malpractice, misconduct, malfeasance, misfeasance, falsification, or unlawful destruction of records, or receipt of stolen property, or any form of tortious conduct; (3-23-98)

b. Commission of any crime for which the maximum sentence includes the possibility of one (1) or more years of imprisonment or any crime involving or affecting the project; (3-23-98)

c. Violation(s) of any term of the loan contract; (3-23-98)

d. Any willful or serious failure to perform within the scope of the project, plan of operation, project schedule, terms of architectural/engineering sub-agreements, or contracts for construction; or (3-23-98)

e. Debarment of a contractor or subcontractor for good cause by any federal or state agency from working on public work projects funded by that agency. (3-23-98)

02. Notice. The Administrator shall notify the loan recipient in writing, and forwarded by certified mail, of the intent to suspend or terminate the loan contract. The notice of intent shall state: (3-23-98)

a. Specific acts or omissions which form the basis for suspension or termination; and (3-23-98)

b. Availability of a hearing conducted by the Administrator, hearing officer, or his/her designee as hearing officer, and said hearing being conducted in an informal manner at a time and in a place specified by the Administrator. (3-23-98)

03. Determination. Upon the proof of the existence of cause(s) for suspension or termination by substantial evidence or by proof of judgment or conviction of offense(s), the Administrator shall make a written determination and send the determination to the loan recipient by certified mail within seven (7) days of the hearing. (3-23-98)

04. Reinstatement of Suspended Loan. Upon written request by the loan recipient with evidence that the causes(s) for suspension no longer exist(s), the Administrator may, if funds are available, reinstate the loan contract. If a suspended loan contract is not reinstated, the loan shall be amortized and a repayment schedule prepared in accordance with provisions of the loan contract. (3-23-98)

05. Reinstatement of Terminated Loan. No terminated loan shall be reinstated. Terminated loans shall be amortized and a repayment schedule prepared in accordance with provisions of the loan contract. (3-23-98)

081. -- 994. (RESERVED).

995. WAIVERS.

Waiver from the requirements of these rules may be granted by the Division Administrator or his/her designee, on a case-by-case basis, upon full demonstration by the loan applicant/recipient requesting the waiver that the following conditions exist. (3-23-98)

01. Health Hazard. A significant public health hazard exists; (3-23-98)

02. Affordability Criteria Exceeded. The project shall exceed affordability criteria adopted by the Division in the event the waiver is not granted; or (3-23-98)

03. Availability of Federal Funds. The waiver shall not affect the availability of federal funds for the project where such funding is required by the entity requesting the waiver. (3-23-98)

996. CONFIDENTIALITY.

Information submitted to the Division by loan applicants and recipients may be made available to the public subject to the provisions of Idaho Code Section 9-337 et seq. (3-23-98)

997. -- 999. (RESERVED).