

Colorado State Revolving Fund Eligibility Assessment Guidance



This guidance does not replace Environmental Protection Agency or State of Colorado regulations.

The Basics

What is an Eligibility Assessment?

The eligibility assessment is an integral step in the State Revolving Fund (SRF) application process. Water and wastewater systems currently on the Appendix A: Project Eligibility List in the IUP are required to submit a pre-qualification form to assess eligibility. The objective is to determine if the proposed project, or components, meets key criteria required for SRF funding eligibility. Eligible projects, or components, will be placed on the Appendix B: Fundable Priority List in the IUP. Ineligible projects, or components, will not be advanced in the SRF application process.

How is the review conducted?

The eligibility assessment is compared to eligibility criteria in Regulations No. 52 and 53 by the division's Engineering Review Unit (ERU) staff. Based on the submitted information, reviewers verify the project's Eligibility List description Intended Use Plans. Additional information may be requested by the reviewers as needed. Consideration will not 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.

What is reviewed in the pre-qualification form?

- Bulleted list of project components.
- Population served by water system.
- Description of financial need.
- Other administrative information.
- Discussion of system's current violations of Colorado Primary Drinking Water Regulations and/or potential for acute or chronic health risks for water projects.
- Discussion of system's current compliance issues.
- Description of eligible components, 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.

Eligible Projects

Publicly owned community drinking water systems and publicly owned wastewater treatment works are eligible for SRF assistance. Federally owned, privately owned and non-profit systems are not eligible to receive SRF assistance.

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:

- 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

Expenditures to address the Clean Water Act (CWA) public health hazards or to prevent future health hazards are eligible for funding with the exception of monitoring, operation, and maintenance costs. These include projects to maintain or prevent contamination of ground or surface waters, caused by inadequate treatment works or disposal of inadequately treated sludge, which potentially endangers public health through contamination of drinking water supplies or direct public exposure. To qualify as a public health hazard, the contamination must be documented by means of a sanitary survey or engineering report submitted by a governmental agency to the division. Examples of clean water projects that may be funded by SRF:

- Capital costs for wastewater collection and treatment.
- Municipal stormwater projects.
- Combined sewer overflow and sanitary sewer overflow.
- Pipes, storage, and treatment systems.
- Water conservation and reclaimed water.

Projects to replace aging infrastructure are also eligible if they are needed to maintain compliance or further the public health and environment goals of the SDWA and CWA.

Projects to consolidate water supplies are eligible for SRF assistance. Consolidation examples include individual homes or public water systems that have a water supply that is contaminated; 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 if proven to be 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 considered 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 drinking water SRF funding 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

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 noncompliant systems

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

Restructuring systems that require technical, managerial, and financial maintenance

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.

Ineligible Projects

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.

Projects with the primary purpose to supply or attract growth are 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. 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.

Ineligible

- 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.

Helpful links

- Colorado Water Quality Regulations
<https://www.colorado.gov/pacific/cdphe/water-quality-control-commission-regulations>
- Colorado Water Resources and Power Development Authority
www.cwrpda.com
- EPA Drinking Water State Revolving Fund Program Guidelines
<http://www.epa.gov/ogwdw/dwsrf/docs/guidetoc.html>
- Safe Drinking Water Act
<http://water.epa.gov/lawsregs/rulesregs/sdwa/index.cfm>
- Clean Water Act
<http://www2.epa.gov/laws-regulations/summary-clean-water-act>