

MEMBER COMMUNITY INFRASTRUCTURE PROGRAM POLICY

The Member Community Infrastructure Program (MCIP) is a funding program provided by the Northeast Ohio Regional Sewer District (District) to assist both member communities and other eligible political subdivisions that own, operate, and maintain public sewer infrastructure that is tributary to a District wastewater treatment plant, with cost-effective sewer infrastructure projects to address water quality and quantity issues associated with sewer infrastructure that adversely impact human health and the environment.

The intent of the MCIP is to provide an equitable funding opportunity annually to member communities and eligible political subdivisions for sewer infrastructure repair and rehabilitation that will:

- Continue progress towards environmentally sustainable and healthy communities through protection and improvement of the region's water resources consistent with the vision of the District.
- Provide funding availability to Equity Investment Focus Areas based on the District's understanding of socioeconomic characteristics of ratepayer households within the District's wastewater service area that supports sewer infrastructure improvements.
- Support efforts to assist member communities' compliance with the District's Community Discharge Permit Program.
- Improve function and condition of the local sewer system.
- Identify and remove sources of inflow and infiltration (I/I) from the sewer system. This reduction will preserve the hydraulic capacity of the local and District sewer system and alleviate problems such as basement flooding.

Subject to available funding and District Board of Trustee (BOT) approval, the District anticipates funds will be available annually through a competitive process. The District will annually review the terms and conditions of the MCIP and may modify these terms and conditions based on lessons learned from previous funding rounds. There are two mechanisms for funding under the MCIP: (a) MCIP Grant or (b) a Community Operating Lease. The District will determine the appropriate funding mechanism during the application review process. Applicants do not specify a funding preference.

All available MCIP funds will be provided by the District to the member community or other eligible political subdivision for direct project costs, conditioned on the District's prior approval of the project and member community or eligible political subdivision compliance with this Policy and the District approved Project Agreement. Funds must be used in accordance with the authorized amount indicated. Any funds not expended for the purposes agreed to by the member community or eligible political subdivision and the District shall remain with the District.

If the member community or other eligible political subdivision fails to maintain a project funded

through the MCIP in accordance with applicable agreements executed with the District, it shall be liable for the full amount of MCIP funds paid for the project.

The District will provide an annual update to the BOT and member communities on MCIP projects.

MEMBER COMMUNITY INFRASTRUCTURE PROGRAM PROCESS OVERVIEW

Project Eligibility

A project must meet the following minimum requirements to be eligible for MCIP funding:

- Reduce water quantity issues and address water quality issues that impact human health and the environment associated with combined or separate sanitary infrastructure problems, as determined by the District.
- Located in the District’s sanitary sewer service area <http://arcg.is/2bPxzEt>.
- Include a minimum of 25% non-District funds dedicated to the project.
- Meet all applicable District, federal, state, and local regulations, and requirements.
- Community must be in compliance with the Water Quality Technical Support Program under the District’s Title III Separate Sanitary Sewer Code https://www.neorsd.org/1_Library.php?SOURCE=library/Code%20of%20Regulations%20-%20Title%20III%20Separate%20Sanitary%20Sewer%20Code.pdf&a=download_file&LIBRARY_RECORD_ID=853
- Tributary to a District wastewater treatment plant.
- Owned, operated, and maintained by a member community of the District or by an eligible political subdivision, which shall be a political subdivision of the State of Ohio.
- Not be the subject of a contract which transfers ownership of the project to a private entity.

To be eligible for MCIP funding, eligible public entities submitting proposals must, in addition to all other MCIP program requirements, provide a resolution or ordinance adopted by the member community legislative body in support of the project.

Member communities and eligible political subdivisions may use MCIP funds for planning, design, construction, and administrative costs directly associated with approved projects. Eligible projects include, but are not limited to the following:

- Mitigation of sanitary sewer overflows (SSOs) and illicit discharges
- Mitigation of inflow and infiltration
- Removal and elimination of failing home sewage treatment systems (HSTS)
- Increases to local sewer system’s level of service

- Management of stormwater flow that enhance combined/sanitary sewer system level of service

Application Process Overview

1. For each year of funding the District will issue a Request for Proposals (RFP) to its member communities and eligible public entities.
2. The forms for the application process are located at <http://www.neorsd.org/mcip>
3. All proposals will be reviewed based on the scoring criteria found in the RFP.
4. The District's review committee will make the determination if the proposed project will be recommended for a grant or community operating lease contract. If the community operating lease option is selected, the member community or eligible political subdivision will be contacted to discuss the terms of the lease agreement.
5. MCIP recommendations will be presented to the District's BOT for final approval.
6. Upon approval by the BOT, the District will enter into a MCIP Project Agreement for each awarded project with the applicable member community or eligible political subdivision.

Project Agreement

Projects approved by the BOT will be either funded through a MCIP Project Agreement or a Community Operating Lease Agreement, depending on the District funding availability. The District's Legal Department will prepare the appropriate MCIP Project Agreement between the District and the member community or eligible political subdivision.

MCIP Project Agreement

The member community or eligible political subdivision is responsible for the full implementation of the MCIP Project as defined in the annual request for proposal. At a minimum, the MCIP Project Agreement will contain the following provisions requiring the member community or eligible political subdivision to:

- Award and/or bid, design and/or construct, and manage the MCIP Project.
- Obtain all necessary approvals and permits and pay all applicable fees connected with the MCIP Project.
- Obtain all easements, rights of entry, and other legal agreements necessary to complete the MCIP Project.
- Maintain and operate the MCIP Project during construction and after project completion for the life of the project.
- Any other provision the District determines is necessary to ensure compliance with this Policy and protect the interests of the District.

Community Operating Lease Agreement

The member community or eligible political subdivision will be required to enter into an agreement containing, at a minimum, the following:

- A provision whereby the member community or eligible political subdivision leases the existing or planned sewer asset described in the MCIP Project proposal to the District for a nominal fee for a term to be agreed upon between the District and the member community or eligible political subdivision.
- A provision requiring the District to design, if design has not been finalized, and construct the MCIP Project.
- A provision requiring the member community or eligible political subdivision to waive all permit fees applicable to the MCIP Project during design and construction.
- A provision reverting the MCIP Project back to the member community or eligible political subdivision at the end of the lease term.
- A provision requiring the member community or eligible political subdivision to maintain and operate the MCIP Project for the duration of the lease term.
- Any other provision that the District determines is necessary to ensure compliance with this Policy and protect the interests of the District.

Budget Modification

If in the event of qualifying unforeseen circumstances, a member community or eligible political subdivision may request additional funding for project eligible cost increases associated with said circumstances. All requests for additional funding will be contingent upon the availability of funds and justification of cost increases subject to District approval. The District is under no obligation to provide additional funds to MCIP awarded projects. The maximum amount of District funding for any approved budget modification will not exceed 75% of the revised MCIP project cost identified in the member community or eligible political subdivision proposal. The District, at its sole discretion, may waive the 25% non-District fund contribution requirement by a member community for a member community identified by the Office of the Auditor of the State of Ohio as being a local government in fiscal distress. This includes a member community in fiscal caution, watch or emergency as defined by the Office of the Auditor of the State of Ohio (<https://ohio.auditor.gov/fiscal/local.html>).

Requesting Additional Funds

Eligible requests include but are not limited to:

- Costs identified due to unforeseen circumstances during the engineering or construction phase.
- Change orders during construction that are necessary to:
 - a. Complete the project as approved by the District without additional scope or project changes.

- b. Meet required federal or state regulatory standards that are new or were unforeseen at the time project design was completed.
- c. Address conditions not reasonably discoverable in the engineering and design phase of the project.

Ineligible requests include but are not limited to:

- Costs resulting from increased scope not needed to complete the original project without justification approved by the District.
- Funding a budget shortfall resulting from the project bids coming in higher than the estimate, without justification or explanation of unforeseen circumstances.
- Funding a budget shortfall in funding from other sources (i.e., local, state, federal and/or other sources).
- Cost overruns incurred during construction that were caused by engineering deficiencies and/or inadequate plan preparation.
- Cost overruns incurred as the result of contractor or project sponsor negligence or misfeasance.

Direct Disbursement Overview

1. MCIP funded projects shall be paid by the District based on the submission of design consultant invoices and construction contractor pay applications to the District, monthly or such other timing as contained in the MCIP Agreement, prior to payment for any costs incurred by the MCIP funding recipient, along with the consultant's or contractor's detailed invoicing itemizing all Project costs that are eligible for District payment by Direct Disbursement. The Direct Disbursement process shall apply to all MCIP Agreements entered into after the NEORSB Board of Trustees' authorization of this revised policy and may apply to those active MCIP Agreements entered into before such date with the concurrence of the MCIP recipient. Such concurrence may be provided via email or other written instrument.
2. All MCIP Direct Disbursement Requests for the project shall be documented to the District in reasonable satisfaction. All requests shall be submitted in a form sufficient to allow the District to review, inspect and approve materials, labor, and quantities installed for the project.
3. The District's award will represent a percentage of the project cost (the "Award Percentage"), based on the cost estimate provided in the project application.
4. The member community or eligible political subdivision must demonstrate that their percentage of the project (the "MCIP Applicant Percentage"), as identified in the application, has been paid. Under no circumstance shall the District's MCIP funding exceed the match commitment as stated in the proposal.

5. The member community or eligible political subdivision shall keep all records and documents relevant to the MCIP Project Agreement, including but not limited to, an accurate, current, and complete accounting of all financial transactions for the project. Such records and documents shall be available at reasonable times and places for inspection and copying by the District or any authorized representative thereof and shall be submitted to the District upon request together with any other compliance information which may be reasonably required.
6. The member community or eligible political subdivision is responsible for all payments related to the MCIP project and shall bear the risk and remain solely responsible for any payments.
7. Upon request the member community or eligible political subdivision will provide a copy of any final accounting report prepared in connection with and specific to the project.

MEMBER COMMUNITY INFRASTRUCTURE PROGRAM PROCEDURES

Request for Proposals

The District intends to offer an annual Request for Proposals (RFP) to member communities and eligible public entities for the MCIP. The RFP includes project requirements, evaluation criteria, and schedule of deliverables.

Eligible Projects

Within the annual RFP, the District will list eligible project categories. Project categories not listed can be discussed with the District for consideration.

Evaluation Criteria, Process, and Recommendations

Proposals must be submitted no later than the specified due date and time listed in the RFP. Any materials that are not included in the initial submission will not be considered. The proposals are checked for completeness, filed electronically, and disbursed to the selection committee for review.

Final recommendations for funding will be based on the value of the Project Evaluation criteria in the RFP and past performance. The selection of projects is solely at the District's discretion.

The final recommendations to the BOT must be approved by a Chief Executive Officer Committee consisting of the Chief Executive Officer, Chief Financial Officer, Chief Legal Officer, Director of Engineering and Construction, and Director of Watershed Programs.

Project Agreement

The District's Legal Department will send the MCIP Project Agreement to the primary project contact. The project commences under the MCIP when the MCIP Project Agreement is fully executed, and a purchase order number has been issued by the District.

Request for Budget Modification

Budget Modifications require the submission of a Request for Budget Modification form to the **Grant Programs** Administrator. Budget Modification must be submitted with substantiating documentation. If approved, the Member Community or Political Subdivision will be required to enter into an amendment to the MCIP Grant Agreement or Community Operating Lease Agreement.

A Request for Budget Modification must be fully executed prior to consideration of further reimbursement requests.

Progress Reports

Progress Reports will provide a summary of the project status with respect to objectives, degree of project completion, difficulties encountered, and next steps toward project completion. The Progress Report is located at <http://www.neorsd.org/mcip>.

Progress Reports will be submitted:

- Within 30 days of written request from the District
- As an attachment to all Direct Disbursement Requests

Direct Disbursement Request

For Direct Disbursement Requests, 100% of the MCIP funds must be used for activities and/or expenses directly related to the project, as approved by the District. These activities and expenses may include design, construction, materials, equipment, project performance verification, and signage specifically related to the MCIP eligible components of the project. Only project components described in the MCIP Project Agreement and/or approved Budget Modifications are eligible for payment. A Direct Disbursement Request for project costs cannot be submitted prior to a fully executed MCIP Project Agreement. Any Budget Modification must be documented by written District approval.

1. The Direct Disbursement Request forms can be found at <http://www.neorsd.org/mcip> or other location designated by the District.
2. A complete Direct Disbursement Request submission will include:
 - Payment Request Accuracy Verification and Progress Report Form
 - Project Expenditures Payment Request Form
Itemize all applicable project expenses on the Project Expenditures Payment Request Form. Include supporting documentation to justify the expenses recorded, such as an itemized bill, invoice, or timecard. For clarity, highlight the applicable expenditures on invoices as they pertain to the specific Direct Disbursement Request.

The Direct Disbursement Request shall be submitted to the Grant Programs Administrator. Send submissions to Linda Mayer, Grant Programs Administrator II, mayerl@neorsd.org.

Upon successful review of the submission by Grant Programs Administrator II and final review by the District's Director of Watershed Programs the Direct Disbursement Request approval process is complete.

The disbursement to the MCIP grant recipient can be anticipated within 30 days of the final approval of the Direct Disbursement Request.