

**STATE OF IDAHO  
DEPARTMENT OF ENVIRONMENTAL QUALITY  
LEGISLATIVE SUPPLEMENTAL FUNDING OFFER, ACCEPTANCE AND AGREEMENT  
FOR WASTEWATER FACILITIES DESIGN AND CONSTRUCTION**

**SECTION I. INTRODUCTION**

The State of Idaho (State) is authorized by Title 39, Chapter 36 (Act), Idaho Code, IDAPA 58.01.12, and IDAPA 51.01.22 (Rules) to distribute funds to assist entities in the planning, design, and construction of wastewater facilities. The Idaho Legislature authorized the Department to receive Legislative Supplemental Funds (LSF) to distribute for the construction of drinking water and wastewater infrastructure improvements, pursuant to the Act (Idaho House Bill No. 455, Sections 4 and 5 of the first regular session of 2025).

The City of Sandpoint (Grantee) has applied for an LSF grant and is a public entity created for the purposes, among other purposes, of operating and maintaining the public wastewater system located in Sandpoint Idaho and taking all necessary actions to ensure that the public wastewater system meets all applicable laws. The Department has established eligibility for a LSF grant and hereby offers an LSF grant to the Grantee according to the terms and conditions contained in this document and the Rules.

**SECTION II. DESCRIPTION OF PROJECT**

This grant agreement is for design and construction of the following project:

- |    |                           |  |
|----|---------------------------|--|
| A. | LSF Grant Project Number: | WW2604LSF  |
| B. | Grantee Name and Address: | City of Sandpoint<br>1123 Lake Street<br>Sandpoint, ID 83864   |
| C. | Project Description:      | This grant is for phase one which consists of liquid treatment upgrades and supporting infrastructure including aeration basins, secondary clarifiers, and standby power generators. |
| D. | Terms:                    | \$2,527,566 at 0% all of which is grant funding, resulting in no repayment obligation.   |

E. Estimated Project Budget:\*

1.	Engineering Fees	\$6,754,594
2.	Construction	\$33,772,972
3.	Total	<u>\$40,527,566</u>

\*Note: The above project budget categories represent estimated expenses and may be adjusted with prior coordination with the Department.

**Amount to be Funded by DEQ State Revolving Funds                      \$38,000,000**

**Amount to be Funded by DEQ Legislative Supplemental Funds      \$2,527,566**

**SECTION III. GENERAL CONDITIONS**

This offer may only be accepted by signature by an authorized representative of the Applicant. Upon acceptance by the Applicant, this offer shall become a grant agreement (Agreement) and the Applicant shall become the Grantee. By accepting this offer, the Grantee agrees to all terms and conditions set forth in this document and the Rules:

The Grantee agrees:

- A. To not transfer, assign or pledge any beneficial interest in this Agreement to any other person or entity without the prior written consent of the Director of the Department of Environmental Quality (Director). To not enter into sale, lease or transfer of any of the property related to the Agreement. To not make any additional material encumbrances to the project without the prior written consent of the Director. To not delegate legal responsibility for complying with the terms, conditions, and obligations of this Agreement without the prior written consent of the Director. Notwithstanding any other provision of this paragraph, the Grantee may sell or otherwise dispose of any of the works, plant, properties and facilities of the project or any real or personal property comprising a part of the same which shall have become unserviceable, inadequate, obsolete or unfit to be used in the operation of the project, or no longer necessary, material or useful in such operation, without the prior written consent of the Director.
- B. To enter into such contractual arrangements with third parties as it deems advisable to assist it in meeting its responsibilities under this Agreement.
- C. To fulfill all declarations, assurances, representations and statements in the application and all other documents, amendments and communications filed with the Department, by the Grantee, in support of the request for this grant.
- D. To comply with applicable State and Federal employment requirements including, but not limited to, Equal Employment Opportunity and Civil Rights requirements.
- E. To provide the Department with documentation evidencing ownership of, and/or the

right of access or easements for real property on which the project is proposed to be constructed. Clear title or legal right to access all real property necessary for the successful operation of the facilities shall be guaranteed by the Grantee for the useful life of the project, prior to commencement of construction. Land acquisitions shall only be reimbursed by the Department if obtained from a willing seller.

- F. Grantee agrees that, in the event Grantee fails to meet its obligations under this Agreement, that the Department is entitled to seek specific performance of this Agreement.
- G. That any waiver by the Department at any time of the rights or duties under this Agreement shall not be deemed a waiver of any subsequent or additional rights or duties under this Agreement.
- H. That the use by the Department of any remedy specified in this Agreement for its enforcement is not exclusive and shall not deprive the Department of the right to seek any other appropriate legal or equitable remedy.
- I. That this Agreement is binding upon the Grantee and the Department, and any person, office or entity succeeding the Grantee or the Department.
- J. To comply with all applicable federal, state, and local laws.
- K. In the event any term of this Agreement is held to be invalid or unenforceable by a court, the remaining terms of this Agreement will remain in force.
- L. The Grantee understands that (i) each contract and subcontract related to the project is subject to audit by appropriate federal and/or state entities and (ii) failure to comply with the Clean Water Act and this Agreement may be a default hereunder that results in a repayment of the loan in advance of the maturity of the Bonds and/or other remedial actions.
- M. As per Executive Order 12549, 2 CFR 180 and 2 CFR 1532 the Grantee agrees to not enter into covered transactions with any contractors or subcontractors that have been suspended or debarred, and to include a similar term or condition in all lower tier covered contracts and transactions.

#### **SECTION IV. PROJECT MANAGEMENT**

The Grantee agrees to:

- A. Require the prime engineering firm(s) and their principals retained for engineering services to carry professional liability insurance to protect the public from the engineer's negligent acts and errors of omission of a professional nature. The total aggregate of the engineer's professional liability insurance shall be at least one hundred thousand dollars (\$100,000) or twice the amount of the engineer's fee, whichever is greater.

Professional liability insurance must cover all services rendered for all phases of the project, whether or not those services are state funded, until the certification of project performance is accepted by the Department.

- B. Comply with the Public Works Contractors License Act and the Public Contracts Bond Act, Title 54, Chapter 19, Idaho Code, including requiring the prime construction contractor retained for construction to carry performance and payment bonds equal to one hundred percent (100%) of the contract price. The bond will be released when the constructed facility is accepted by the Grantee.
- C. Assure that contracts related to the project, which provide for arbitration allow appeal of any resulting arbitration decision to a district court or allow the arbitration to be non-binding on both parties if either party desires not to use arbitration as a method of dispute settlement.
- D. Develop and adopt a sewer use ordinance prior to receiving final payment of grant funds.
- E. Provide to the Department for approval, an operation and maintenance manual for the project. The manual shall be approved by the Department prior to project startup.
- F. Provide adequate staffing and qualified operation and maintenance personnel as specified in the operation and maintenance manual approved by the Department.
- G. Assure that the treatment and collections systems are placed under the direct supervision of a licensed responsible charge operator(s) in accordance with the Idaho Wastewater Rules, IDAPA 58.01.16.203.
- H. Commence satisfactory operation and maintenance of the project infrastructure on completion of the project in accordance with applicable provisions, rules of the Department, and any other applicable law, rule, or regulation.
- I. Maintain project accounts in accordance with generally accepted accounting principles.
- J. Require one (1) year project warranty period and ensure that the project is performing in accordance with the design performance standards after the project has been in operation for one (1) year. If the project is unable to consistently meet these standards, the Grantee must submit a corrective action report and a schedule for ensuring the project meets performance standards to the Department.
- K. Require all construction bid documents and construction contracts incorporate State Revolving Fund Supplemental Specifications attached to this agreement in Attachment C.
- L. The Grantee shall not execute any construction contract without the prior written authorization to award the contract provided by the Department's Coeur d' Alene

Regional Office.

- M. The Grantee shall complete the attached project schedule and submit to the Department for approval on or before 60 days from the date of this funding offer. No funds shall be disbursed per this Agreement until a project schedule has been approved by the Department. The Department approved project schedule shall be attached to this Agreement as Attachment A and incorporated by reference as if fully set forth herein. The Grantee shall complete the project in accordance with the approved project schedule.
- N. All amendments to the project schedule must be approved by the project manager in the Department's Coeur d' Alene Regional Office, prior to becoming effective.
- O. Required Certifications:
  - 1. Boycott of Israel. Pursuant to Idaho Code section 67-2346, if payments under the Contract exceed one hundred thousand dollars (\$100,000) and Contractor employs ten (10) or more persons, Contractor certifies that it is not currently engaged in, and will not for the duration of the Contract engage in, a boycott of goods or services from Israel or territories under its control. The terms in this section defined in Idaho Code section 67-2346 shall have the meaning defined therein.
  - 2. Ownership or Operation by China. Pursuant to Idaho Code section 67-2359, Contractor certifies that it is not currently owned or operated by the government of China and will not for the duration of the Contract be owned or operated by the government of China. The terms in this section defined in Idaho Code section 67-2359 shall have the meaning defined therein.
  - 3. Boycott of Various Industries. Pursuant to Idaho Code 67-2347A, if payments under the contract exceed one hundred thousand dollars (\$100,000) and contractor employes ten or more persons, Contractor certifies that it is not currently engaged in, and will not for the duration of the contract engage in, a boycott of any individual or company because the individual or company: (a) engages in or supports the exploration, production, utilization, transportation, sale or manufacture of fossil fuel based energy, timber, minerals, hydroelectric power, nuclear energy, or agriculture; or (b) Engages in or supports the manufacture, distribution, sale, or use of firearms. The terms in this Section defined in Idaho Code 67-2347A shall have the meaning defined therein, including through reference to another section of Idaho code.

## **SECTION V. SPECIAL CONDITIONS**

- A. The Grantee shall apply the LSF funds to actual, reasonable and necessary Project costs in accordance IDAPA 58.01.12.
- B. If requested by the Department, the Grantee agrees to provide a monthly progress report to the project manager in the Department's Coeur d' Alene regional office. The progress report shall include at a minimum: updated schedule to completion, up to date project budget with final cost forecasts, and issues encountered in the reporting period.
- C. Prior to or concurrent with submission of project plans and specifications to the Department, the Borrower will submit cyber informed engineering (CIE) analysis committed to in the Letter of Interest for Department's review. The CIE analysis shall be developed according to the current guidance found in the Grants and Loans Program Customer Handbook and the project design and construction shall implement recommendations of the CIE analysis.

## **SECTION VI. FUNDING DISBURSEMENTS**

The Grantee agrees:

- A. This grant shall be used solely to aid in the financing of the Grantee's project described in Section II.
- B. Requests for actual disbursement of funds will be made by the Grantee using forms provided by the Department. Upon approval of the disbursement request by the Department funds shall be released to the Grantee.
- C. The costs set forth in Section II have been determined by the Department to be eligible costs for funding. Some of the costs however, have been estimated, and the actual costs may differ from such estimated costs. A project review by the Department will determine final eligible costs for the project.
- D. If the actual eligible cost of the project is determined by the Department to be lower than the estimated eligible cost, the funding amount may be reduced accordingly.
- E. An increase in the grant amount as a result of an increase in eligible project costs may be considered, provided funds are available. Documentation supporting the need for an increase must be submitted to the Department for approval prior to incurring any costs above the eligible cost ceiling.
- F. Payment of the final five percent (5%) of this grant shall be withheld until the following requirements are met:
  - 1. The Grantee's engineer certifies (a) a statement of material compliance that the project has been constructed according to plans and specifications previously

approved by the Department, or record drawings that discloses deviations, (b) an operations manual has been completed, and (c) that the project is fully operational; and

2. The Department has inspected the project and verifies the engineer's certification; and
  3. The Special Conditions in Section V have been met; and
  4. A responsible charge operator (RCO) has been designated in accordance with Section IV.
- G. This offer is subject to the existence of the offered sum of money in the Account at the time of payment. Should the offered sum of money not be available in the Account at the time of payment, the Department hereby agrees to pay the Grantee the offered sum of money based on the Grantee's priority position immediately upon the accrual of said sum in the Account.
- H. The Borrower agrees to provide all agreement amendments to DEQ prior to implementation.

#### **SECTION VII. SUSPENSION OR TERMINATION OF GRANT AGREEMENT**

- A. The Director may suspend or terminate this Agreement prior to final disbursement for failure of the Grantee or its agents, including engineering firm(s), contractor(s), or subcontractor(s) to perform. This Agreement may be suspended or terminated for good cause including, but not limited to, the following:
1. Commission of fraud, embezzlement, theft, forgery, bribery, misrepresentation, conversion, malpractice, misconduct, malfeasance, misfeasance, falsification or unlawful destruction of records, receipt of stolen property or any form of tortious conduct; or
  2. Commission of any crime for which the maximum sentence includes the possibility of one (1) or more years imprisonment or any crime involving or affecting the project; or
  3. Violation(s) of any term of this Agreement; or
  4. Any willful or serious failure to perform within the scope of the project, project schedule, terms of engineering subagreements, or contracts for construction; or
  5. Utilizing a contractor or subcontractor who has been suspended or debarred by order of any federal or state agency from working on public work projects funded by that agency.

- B. The Director will notify the Grantee in writing and by certified mail of the intent to suspend or terminate this Agreement. The notice of intent shall state:
  - 1. Specific acts or omissions which form the basis for suspension or termination; and
  - 2. Availability of a contested case hearing before the Board of Environmental Quality conducted as provided for in the Contested Case Rule and Rules for Protection and Disclosure of Records, IDAPA 58.01.23.
- C. If the Grantee does not initiate a contested case hearing before the Board by filing a petition within the time period specified by the Contested Case Rule and Rules for Protection and Disclosure of Records, IDAPA 58.01.23., the Department may thereafter terminate or suspend the Agreement by written notice to the Grantee. If the Grantee initiates a contested case, the termination or suspension shall be determined by the Board.
- D. The Grantee shall perform no work under the Agreement after receiving a notice of intent to suspend or terminate until all administrative proceedings and appeals therefrom are final or the Department reinstates the Agreement as provided herein.
- E. Upon written request by the Grantee with evidence that the cause(s) for suspension no longer exists, the Director may, if funds are available, reinstate the Agreement.
- F. No terminated grant shall be reinstated. If the grant is terminated prior to final disbursement, the Grantee shall immediately pay back to the Department all disbursed funds and accrued interest.
- G. That in the event there is a breach by the Grantee of any of the terms or conditions of this Agreement, the entire grant amount may be declared due and immediately payable to the Department. All expenses incurred by the Department, which may include costs and attorney's fees, may be required to be repaid by the Grantee to the Department.

#### **SECTION VIII. ACCESS AND INDEMNIFICATION**

The Grantee agrees to:

- A. Provide the Director, or his/her authorized agents, access to all files, records, accountings and books relating to the management and accountability of this grant.
- B. To the extent permitted by law, indemnify and hold harmless the State of Idaho, its agents and its employees from any and all claims, actions, damages, liabilities and expenses directly or indirectly connected to the Grantee or its agents, employees, contractors, or assignees actions related to the location, design, construction, operation, maintenance, repair, failure or deactivation of the project or any part of the project.

**SECTION IX. OFFER**

The offer set forth herein must be accepted, if at all, on or before 60 days from the date of this grant offer. An acceptance must be accompanied by a resolution of the Applicant's governing body authorizing the signator to sign on the Applicant's behalf for the purpose of this agreement.

**Jess Byrne** Digitally signed by Jess Byrne  
Date: 2026.04.09 12:01:45 -06'00'

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Jess Byrne  
Director  
Department of Environmental Quality

**04/09/2026**

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Date

**SECTION X. ACCEPTANCE**

The City of Sandpoint, by and through its undersigned representative(s), accepts the foregoing offer and agrees to discharge all obligations and to comply with all terms and conditions contained herein.

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Signature of Representative

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Name and Title of Representative - type or print

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Date