

**Procurement of Professional Services for  
Cesspool Conversion Finance Research**

**Solicitation No. WWB 19-02**

**April 29, 2019**

**Proposals Due on or Before June 4, 2019**

**Department of Health  
Wastewater Branch  
2827 Waimano Home Road, Room 207  
Pearl City, Hawai'i 96782**

## **RELEVANT DATES AND DEADLINES**

Solicitation Date	April 29, 2019
Deadline to Submit Written Questions (by 4 pm HST)	May 9, 2019
Public Posting of Responses to Questions	May 21, 2019
Proposal Submittal Deadline	<b>June 4, 2019 4:00 p.m., HST</b> Hawai'i State Department of Health Wastewater Branch 2827 Waimano Home Road, Room 207 Pearl City, Hawai'i 96782
Best and Final Offer Discussions (if applicable)*	June 14, 2019
Best and Final Offer Submittal Deadline (if applicable)**	June 20, 2019**
Award Notification	July 12, 2019
Contract Commencement (estimated)	January 14, 2020***

**\* Best and Final Offer discussions and submissions are optional and at the discretion of the RFP Evaluation Committee. Award notification may occur earlier if the evaluation committee does not hold Best and Final Offer discussions and submissions.**

**\*\* Offerors are encouraged to be available to meet (in person or via teleconference) during the Best and Final Offer discussions, should the RFP Evaluation Committee deem a Best and Final Offer discussion is necessary.**

**\*\*\*The contract commencement date will depend on developing and executing a contract with the awardee and may be affected by a lengthy administrative review process from multiple State agencies.**

**TABLE OF CONTENTS**

**SECTION ONE: INTRODUCTION..... 3**

    1.1 Background and Purpose..... 3

        Dates and Deadlines..... 4

    1.2 Written Questions..... 5

    1.3 Procurement Officer and Contact Information..... 5

    1.4 Confidentiality..... 5

    1.5 Notification of RFP Amendments or Cancellation..... 6

**SECTION TWO: PERIOD OF PERFORMANCE..... 6**

**SECTION THREE: SOURCE OF FUNDING, CONTRACT TYPE, AND PAYMENT..... 6**

**SECTION FOUR: SCOPE OF SERVICES..... 6**

    4.1 Introduction..... 6

    4.2 Scope of Services..... 7

**SECTION FIVE: PROPOSAL REQUIREMENTS..... 8**

    5.1 Introduction..... 8

    5.2 Original Proposal and Copies to be Submitted..... 8

    5.3 Proposal Format and Content..... 8

**SECTION SIX: EVALUATION PROCESS AND CRITERIA FOR SELECTION OF CONTRACTORS..... 10**

    6.1 Process for Contractor Selection..... 10

    6.2 Evaluation Criteria..... 11

**SECTION SEVEN: AWARD NOTIFICATION AND OTHER INFORMATION..... 12**

    7.1 Award Notification..... 12

    7.2 Insurance..... 12

    7.3 Overview and Authority..... 12

**ATTACHMENTS**

Attachment 1: Offeror’s Cover Sheet..... 13

Attachment 2: Offeror’s Form Letter..... 14

Attachment 3: Cesspool Financing- Preliminary Research..... 15

## **SECTION ONE: INTRODUCTION**

### **1.1 Background and Purpose**

Act 132, approved by the Governor on July 5, 2018, establishes a cesspool conversion working group to develop a long-range, comprehensive plan for cesspool conversion statewide of all cesspools by 2050. The cesspool conversion working group is established with the Department of Health for administrative purposes. The working group has the following objectives:

- (1) Develop a long-range, comprehensive plan for cesspool conversion statewide of all cesspools by 2050, to be known as the cesspool conversion plan;
- (2) Consider and recommend means by which the Department of Health can ensure that cesspools are converted to more environmentally-responsible waste treatment systems or connected to sewer systems;
- (3) Identify areas where data is insufficient to determine a priority classification of cesspools for conversion and determine methods and resources needed to collect that data and conduct analysis of those areas;
- (4) Modify, amend, and develop definitions and criteria for priority upgrade areas, as identified in the Department's report conducted pursuant to Act 125, Session Laws of Hawaii 2017, identify the preferred alternative waste treatment systems or sewerage connections for these priority areas, and consider and make recommendations on whether cesspools in these priority areas should be required to convert sooner than 2050;
- (5) Examine financing issues and the feasibility of various mechanisms, including grants, loans, tax credits, fees, special assessment districts, requirements for conversion at point of sale, and any other appropriate mechanisms for accomplishing and funding cesspool conversion, or any combination of these mechanisms;
- (6) Consider owners' ability to pay for cesspool conversions, and, especially how assistance can be provided for lower-income homeowners;
- (7) Consider the most cost-effective approach to cesspool conversion;
- (8) Identify physical, practical, and financial impediments that may be encountered by land owners who are required to connect pre-existing cesspools to a sewer system or convert cesspools to individual waste treatment system and recommend solutions to those impediments;
- (9) Consider best policies, practices, and laws from other jurisdictions related to cesspool conversions, including but not limited to Rhode Island and New Jersey that have undertaken large efforts to phase-out cesspools in their jurisdictions;
- (10) Include feedback from each county's community members, wastewater divisions, and boards of water supply;
- (11) Consider alternative wastewater equipment and technologies appropriate to the various areas where cesspools are located that may better protect the environment at lower or comparable cost and how the equipment or technologies can be incorporated as part of the long-term solution to wastewater treatment issues. These alternatives may include, without limitation, graywater systems, constructed wetlands, and other available technologies;
- (12) Research and recommend measures to encourage and stimulate research and innovation for new wastewater technologies, including systems that treat waste not only for bacteria but also to remove nutrients and contaminants that impact the environment;
- (13) Evaluate mandatory versus voluntary participation in the cesspool conversion plan;

- (14) Consider whether exemptions should be granted for some mandatory conversions based upon geology, topography, soil type, availability of land, or other relevant factors and make recommendations to the department relating to establishing rules for those exemptions; and
- (15) Consider any other information deemed necessary or appropriate by the department, the cesspool conversion working group, or any third-party consultants.

Act 132 also specifies that a working group may arrange the services of a contractor to provide any assistance required in establishing a cesspool conversion plan or otherwise fulfill its responsibilities. Any contract executed pursuant to Act 132 shall be exempt from chapter 103D, Hawaii Revised Statutes.

After deliberations within the Cesspool Conversion Working Group (CCWP) it was found that a contractor will be required to further research potential financial mechanisms to be included in the final long-range cesspool conversion plan. This request for proposals is seeking contractor assistance in researching and understanding the technologies that will help Hawaii reach the 2050 conversion target.

1.2 Dates and Deadlines

Solicitation Date	April 29, 2019
Deadline to Submit Written Questions (by 4 pm HST)	May 9, 2019
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Proposal Submittal Deadline	<b>June 4, 2019 4:00 p.m., HST</b> Hawai'i State Department of Health Wastewater Branch 2827 Waimano Home Road, Room 207 Pearl City, Hawai'i 96782
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**\*\*\*The contract commencement date will depend on developing and executing a contract with the awardee and may be affected by a lengthy administrative review process from multiple State agencies.**

### 1.3 Written Questions

The Wastewater Branch shall accept written questions regarding this Professional Services RFP. Inquires shall be made in writing by email to Ms. Sina Pruder ([sina.pruder@doh.hawaii.gov](mailto:sina.pruder@doh.hawaii.gov)) by the close of business on May 9, 2019 (telephone calls will not be acknowledged). In order to facilitate a meaningful response, questions should reference the page and section number to which the questions relate. Responses to properly submitted questions shall be posted on the WWB website (<http://health.hawaii.gov/wwb>) by the close of business on May 21, 2019. Inquires received after the deadline will not be reviewed. The WWB will not be responsible for delays or non-receipt of responses.

### 1.4 Procurement Officer and Contact Information

The Procurement Officer is responsible for overseeing the RFP process. The State's WWB Procurement Officer is:

Ms. Sina Pruder  
Hawai'i State Department of Health  
Wastewater Branch  
2827 Waimano Home Road, Room 207  
Pearl City, Hawai'i 96782

Phone: (808) 586-4294

Email: [sina.pruder@doh.hawaii.gov](mailto:sina.pruder@doh.hawaii.gov)

All communication and mail for this RFP shall be addressed to the Procurement Officer, except in the specific instances noted in this RFP. After this RF is awarded, the WWB will provide the awardee with contact information of the Contract Administrator, who will oversee the awarded Contractor's performance, manage deliverables, and process payments.

### 1.5 Confidentiality

All information, data, or other material provided by the applicant or the awarded Contractor to the State shall be subject to the Uniform Information Practices Act, Chapter 92F, HRS (UIPA). The applicant shall designate in writing to the Procurement Officer the portions of its proposal or any subsequent submittals that are trade secrets or other proprietary data that the applicant desires to keep confidential, subject to Hawai'i Administrative Rules Chapter 3-122-58. The applicant shall state in its communication to the Procurement Officer, the reason(s) for designating the material as confidential. The applicant shall submit the material designated as confidential in such manner that the material is readily separable from the proposal in order to facilitate inspection of the non-confidential proportion of the submission.

Pursuant to Chapter 3-122-30, HAR, the head of the purchasing agency or designee shall consult with the State's Attorney Genal and make a written determination in accordance with UIPA. If the request for confidentiality is denied, such information shall be disclosed as public information, unless the applicant appeals the denial to the Office of Information Practices in accordance with Section 92F-15.5, HRS.

Unless identified as confidential, the information submitted under the RFP may be used by the State for informational purposes and will also be open for public inspection once the RFP process is concluded.

## 1.6 Notification of RFP Amendments or Cancellation

The State reserves the right to amend this RFP at any time prior to the closing date. Furthermore, the State reserves the right to cancel this RFP and to reject any and all proposals in whole or in part, when it is in the best interests of the State. The State shall not be liable for any expenses, loss of profits, or damages incurred by an applicant in the event that this RFP is cancelled, or a proposal is rejected. Amendments or cancellation will be communicated through an Addendum to the RFP and uploaded to HANDS and WWB websites.

## **SECTION TWO: PERIOD OF PERFORMANCE**

The initial period of the contract shall be for twelve (12) months. Requests for extensions of up to an addition six (6) months from the original contract termination date may be approved at the sole discretion of the State, subject to availability of funding, satisfactory performance, and on-going need. The maximum contract period shall not exceed 1.5 years total. The WWB may terminate the contract or formally modify the contract at any time per the contract's General Conditions (Form AG-008 103D General Conditions). Modifications may include extending the term of the contract, revising the contract's scope of work, and/or increasing or decreasing the amount of funding, subject to the allotment and availability of funds.

## **SECTION THREE: SOURCE OF FUNDING, CONTRACT TYPE, AND PAYMENT**

Funding is provided through the State's General Fund. The award shall be based on negotiated rates, the number of hours to be worked in each labor category, and other associated expenses necessary to complete the work. Furthermore, payments shall be made in accordance with the rates, hours, and expenses negotiated on a reimbursement basis (i.e., the awarded contractor, will be reimbursed by the State for eligible costs expended on the project on a monthly basis). The WWB anticipates that this RFP will result in a "time and materials" contract and not a "fixed-price" contract. The WWB reserves the right to structure the contract in any manner it believes to be in the best interest of the State as consistent with the State's procurement law.

## **SECTION FOUR: SCOPE OF SERVICES**

### 4.1 Introduction

The legislature has found that public health and the quality of Hawaii's drinking water, streams, ground waters, nearshore marine areas, and ocean are being harmed by water pollution from cesspools. Act 125 of July 2017 requires that all cesspools in Hawaii are to be upgraded, converted to a septic system, or connected to a sewer system by January 1<sup>st</sup>, 2050. The CCWP was developed to help create a plan for these conversions while taking into consideration the financial burden that converting cesspools will have on local residences.

This Request for Proposal was designed to acquire assistance on researching potential financial mechanisms for converting cesspools in Hawaii. The awarded contractor will assist the CCWP in understanding the best way forward to incentivize and finance converting cesspools to more sustainable wastewater treatment systems. Funding opportunities need to be identified, researched, and vetted for feasibility and a marketing strategy for outreach needs to be identified. For a brief overview of preliminary financing research please see Attachment 3. Understanding the position of homeowners who have cesspool systems is critical to identifying the best route

forward for conversion. Homeowners have counted on cesspools for decades, and strategies to influence change must consider all factors that are preventing homeowners from converting. For financial motivations, a list of funding options should be established along with details, feasibility, and incentives and disincentives of each source.

#### 4.2 Scope of Services

The awarded Offeror shall provide the following services to WWB.

- A. Develop a detailed matrix of funding mechanisms available for cesspool conversions. Include eligibility, requirements, amount available, timeline, who the fund is appropriate for, challenges, and benefits for each mechanism. Include any other factors as appropriate.**
  - a. Include grants, loans, tax credits, rebates, and any other funding form.
  - b. Consider funding mechanisms used in other states for cesspool conversions, septic tank conversions, or other conversions as appropriate. Annotate where the funding sources have been used previously. Also identify other programs in the State of Hawaii that have been effective at setting up funding mechanisms addressed at homeowners such as the Solar Tax Credit Program.
  - c. Develop a 'funding options' summary describing the most feasible funding options based on your experience and the information you have researched for these findings. Include what is existing as well as what can be created. For what can be created, outline the policy changes and resource needs to accomplish the new program considering the current landscape.
  
- B. Provide a list of potential avenues for equitably distributing funds to homeowners.**
  - a. Include details, challenges, benefits, etc. as appropriate.
  - b. Considering equity and affordability, provide recommendations on how to provide financial assistance to lower income families.
  - c. Research what other states have done and annotate.
  
- C. Research other factors inhibiting cesspools conversions.**
  - a. Create a write-up of any other factors (besides financial) that might be inhibiting cesspool conversions in Hawaii. This should be based on local knowledge but should also include factors that other states have had to overcome.
  - b. Describe any marketing techniques for overcoming these barriers.

### **SECTION FIVE: PROPOSAL REQUIREMENTS**

#### 5.1 Introduction

One of the objectives of this RFP is to give Offerors an ample opportunity to highlight their qualifications but the evaluation process must also be manageable and effective.

Proposals should be straightforward and concise, describing the Offeror's capabilities and approach to the project as completely as possible according to the required format outlined in Section 5.3, below. Offerors are cautioned that reviewers may reject confusing and unclear items(s) to avoid any errors in interpretation during the evaluation process.



Part, or all, of this RFP and the awarded proposal may be incorporated into the contract.

## 5.2 Original Proposal and Copies to be Submitted

One (1) hard copy marked "Original," stapled and printed double-sided, four (4) additional hard copies, stapled and printed double-sided, and one (1) digital copy of the proposal on a USB flash drive or compact disc (CD) shall be submitted. The digital copy shall be merged into a single electronic document (Microsoft word file or Adobe .PDF), and not a collection of separate digital documents. Any materials the applicant deems confidential shall be marked "Confidential" and submitted separately, in the quantities and formats listed above. See Section 1.5 above, for more information on Confidential Information.

It is imperative that Offerors submit the required number of proposals. Please note that faxed or emailed material will not be accepted. The State will not reimburse Offerors for any costs associated with developing, submitting, presenting, or negotiating proposals in response to this Professional Services RFP, however, Offerors may retrieve their USB flash drive at the WWB office after the award notification date. Proposals shall be submitted in a sealed envelope that is prominently marked "**Proposal Submitted in Response to RFP No. WWB 19-02**" on the front to:

Ms. Sina Pruder  
Hawai'i State Department of Health  
Wastewater Branch  
2827 Waimano Home Road, Room 207  
Pearl City, Hawai'i 96782

## 5.3 Proposal Format and Content

Proposals shall be typed or printed (not handwritten) on eight and one-half by eleven inches (8.5" x 11") paper (i.e., letter) using 10-point Arial font, with 1-inch margins and be single-spaced. Pages shall be double-sided and stapled or otherwise bound. The proposal shall not be longer than fifty (50) pages including all attachments. Each page of the proposal, including attachments, appendices, and other accompanying documents shall contain a header or footer identifying the Offeror's name and the page number.

Proposals shall be organized into sections described below:

### **A. Offeror's Cover Sheet (Attachment 1)**

The Offeror shall include the attached cover sheet that provides basic information about their proposal.

### **B. Offeror's Form Letter (Attachment 2)**

- a) The Offeror shall include the attached form letter that provides the Offeror's exact legal name as registered with the Hawai'i State Department of Commerce and Consumer Affairs. Failure to do so may delay execution of the contract; and
- b) The Offeror's authorized signature shall be an original signature in ink and the signatory must have the authority to make such offers on behalf of the Offeror.

### **C. Proposed Scope of Services**

**D. Special Qualifications and Experience of the Offeror(s) Related Specifically to this Professional Services RFP**

At a minimum, the Offeror shall include the following:

- a) The firm's principal place of business and locations of its offices, the age of the firm, and the average number of employees over the past three (3) years;
- b) The education, training, and qualifications of key employees;
- c) The proposed primary point of contact for the WWB regarding the RFP;
- d) The proposed primary point of contact for the WWB regarding the Contract (if different);
- e) Specific experiences working with the design and construction of wastewater systems;
- f) Contract information for a minimum of three (3) clients who may be contacted as references, including a minimum of two (2) in the past year.

The proposal may also include a chart illustrating the project organization and identifying key members of the team.

If the Offeror plans to subcontract or utilize the assistance of other parties outside of the firm, a statement of intent to do so shall be submitted by the Offeror that includes the following information:

- a) Which required services from this RFP will be subcontracted;
- b) The identity, qualifications, and roles of the subcontracted parties (if available);
- c) The estimated percentage of assistance or subcontracting in relation to the Offeror's work; and
- d) The estimated rates for all subcontractors, including the cost to manage or oversee the subcontractors.

The Offeror shall include estimated (or actual, if available) price lists for each identified subcontractor. Additionally, the offeror shall include statements from each identified subcontractor, signed by an individual authorized to legally bind the subcontractor, that includes:

- a) The subcontractor's name, address, telephone number, and contact person;
- b) The subcontractor's general scope of work to be performed; and
- c) Attestation that the subcontractor will perform the work indicated.

**E. Labor Category, Professional Level, Rate Schedule, and Price List**

- a) Offerors shall clearly identify the individuals on their project team, the areas of expertise of these individuals, their professional level/job title in the firm, and their pay rate; and
- b) Offeror shall also include rates for equipment and supplies and for other expenses associated with the proposal, including all costs for known subcontractors.

**F. Certificate of Vendor Compliance**

Offerors shall submit a **compliant** Hawai'i Compliance Express (HCE) certificate (Certificate of Vendor Compliance) with their proposal. HCE expedites proof of compliance as required in Hawai'i Revised Statutes (HRS) 103D-310(c). Please see <https://vendors.ehawaii.gov/hce/splash/welcome.html> for more information.

**G. Additional Information (if necessary)**

The Offeror may include any additional information as part of their proposal, including promotional literature, work samples, etc.

The WWB shall evaluate proposals using the criteria detailed in Section 6 of this RFP. Offerors are advised to review the evaluation criteria and provide all the information necessary, in sufficient clarity and detail, to allow the WWB to evaluate their proposal based on the criteria.

**SECTION SIX: EVALUATION PROCESS AND CRITERIA FOR SELECTION OF CONTRACTORS**

**6.1 Process for Contractor Selection**

An evaluation committee will be used to evaluate proposals in accordance with the criteria described in Section 6.2. Each proposal will be reviewed and assigned a numerical score by each member of the evaluation committee. The scores of all evaluators will be averaged and the average scores will be used to provide a rank ordering of the proposals. The evaluation committee shall identify a priority Offerors list comprised of the three (3) Offerors receiving the highest scores. The WWB will select the contractor for this project from the priority Offerors list.

**A. Priority List Offerors**

The evaluation committee shall review each proposal according to the evaluation criteria in Section 6.2 and assign a numerical score to each proposal. The three (3) highest-ranked Offerors will constitute the Priority List Offerors. The priority list will then be given to the selection committee to further evaluate the Priority List Offerors. From the Priority List Offerors, the selection committee will select one (1) awardee with which to enter into a contract to perform the work described in Section Four.

**B. Discussions with Priority List Offerors**

At its discretion, the selection committee may discuss the proposals with the respective Priority List Offerors. Based on these discussions, the WWB may request that Priority List

Offerors submit a Best and Final Offer. Priority List Offerors will receive fair and equal treatment regarding any opportunity for discussion and revision of their original proposals. However, discussions are not required, and a Priority List Offeror may or may not be selected solely based on the original proposal submitted for this RFP.

C. Final Approval

Any agreement arising out of the selection process and subsequent Best and Final Offer negotiations is subject to the approval of the State Department of the Attorney General as to form, and to all further approvals required by statute, regulation, rule, order, or other directive. Project funds will be available to the selected contractor only after a contract between the contractor and the DOH has been fully executed and a Notice to Proceed is issued by DOH.

6.2 Evaluation Criteria

A. Minimum Criteria for Proposal Responsiveness

At the discretion of the WWB, the following may be justification for rejecting a proposal:

- a) Submitting incomplete documents or failure to submit one original proposal with an original signature;
- b) Failure to provide a price/rate list for material, labor, and/or equipment; and/or
- c) Unfavorable references. (NOTE: The WWB reserves the right to seek additional references in addition to those submitted in the proposal, if necessary).

B. Conflict of Interest

The Offeror shall disclose all potential conflicts of interest with the WWB. The Offeror shall also disclose all potential conflicts of interest of potential subcontractors to the WWB prior to hiring the subcontractor. The WWB may disqualify a potential subcontractor from assisting with this project based on a conflict of interest, however a subcontractor's conflict of interest will not be automatically disqualifying.

C. Proposal Evaluation Criteria

The proposal will be evaluated using the following evaluation criteria and weighting:

No.	Evaluation Criteria	Maximum Points
1	Previous experience, capability and proficiency that show a capacity for implementing the proposed project or program	30
2	The contractor shows a clear understanding of the problems being addressed	15
3	The contractor shows a demonstrated local knowledge of Hawaii	15
4	Project proposal	
	Methodology (10)	

	Timeline (10)	
	Expected Results (5)	
	Innovation (5)	
	Budget/ Price List (5)	
	Possible Shortfalls (5)	40
	<b>Total</b>	<b>100</b>

**SECTION SEVEN: AWARD NOTIFICATION AND OTHER INFORMATION**

It is the responsibility of the awarded applicant to meet all State and local rules and regulatory requirements.

7.1 Award Notification

Award(s) shall be made to the responsive, responsible applicant with a proposal determined by the Evaluation Committee to be the most advantageous to the State based on the specific evaluation criteria detailed in this RFP. All applicants shall receive written notification of the evaluation outcome. Unsuccessful applicants are encouraged to schedule a meeting with a representative of the evaluation committee to review their proposals after award notification(s).

The written notification of award does not serve as the State’s notice to proceed, which will be issued separately once all award documents and contract approvals have been made. Should the applicant commence work prior to being issued a notice to proceed by the State, the State shall not be held liable for any work, costs, expenses, loss of profits, or any damages incurred by the awarded applicant. **Please note that due to a shortage in staffing, contract execution and issuance of a notice to proceed can take up to eight (8) months after award.**

7.2 Insurance

The Offeror shall meet State insurance requirements for general liability insurance limits (no less than \$1,000,000 per occurrence; \$2,000,000 in the aggregate), as well as automobile insurance (no less than \$1,000,000 per accident). Please note that automobile insurance is mandatory, irrespective of whether the applicant or organization owns an automobile. The awarded Offeror shall be required to submit a valid Certificate of Insurance with the final signed contract.

7.3 Overview and Authority

This RFP is under the provisions of Chapter 103D, Hawai’i Revised Statutes (HRS). All applicants are charged with presumptive knowledge of all requirements of the cited authorities. Submission of a validly executed proposal by any applicant shall constitute admission of such knowledge on the part of the applicant.

Any contract arising out of this offer is subject to the approval of the Department of the Attorney General as to form, and to all further approvals including the approval of the Governor, required by statute, regulation, rule, order, or other directive.

Attachment 1

**Cover Sheet**

Name of Organization: \_\_\_\_\_

Contact Person & Title: \_\_\_\_\_

Email Address: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Federal Tax Identification Number: \_\_\_\_\_

State Tax Identification Number: \_\_\_\_\_

Attachment 2

**Transmittal Letter  
RFP No. WWB 19-02**

State of Hawai'i  
Wastewater Branch  
2827 Waimano Home Road, Rm. 207  
Pearl City, Hawai'i 96782

Dear Ms. Pruder:

The undersign has carefully read and understands the terms and conditions specified in this Request for Proposals No. WWB 19-01 and in the General Conditions (Form AG-008 103D General Conditions), included by reference and made a part hereof and available upon request, and hereby submits the following offer to perform the work specified herein all in accordance with the true intent and meaning thereof.

It is understood and agreed that the State of Hawaii (State) reserves the right to accept or reject any or all proposals, and to waive any defect in any proposal when in the opinion of the State such rejection or waiver will be in the best interest of the State.

By submitting this proposal, the applicant understands and agrees that:

1. The applicant shall be responsible for meeting and complying with the terms and conditions in the RFP;
2. The applicant is submitting the RFP in good faith for the completion of the work for which the award may be made;
3. The applicant certifies that the application is true and correct the best of their knowledge; and
4. Should a Best and Final Offer (BAFO) be necessary, this transmittal letter shall also apply to the BAFO proposal submitted.

Sincerely,

---

Applicant Signature and Date

---

Print Name and Title

---

Name of Organization, Agency, or Entity

---

Contact Information (Including Phone, Email and Mailing Address)

## Financing Cesspool Conversions in Hawaii

### What are cesspools?

Cesspools are underground holes used throughout Hawaii for the disposal of human waste. Raw, untreated sewage is discharged directly into the ground, where it can contaminate oceans, streams and ground water by releasing disease-causing pathogens and nitrates. They were installed to serve many homes and businesses in Hawaii. Some communities adjacent to beaches are known to have high levels of bacteria and nutrients in the water due to cesspool leakage.

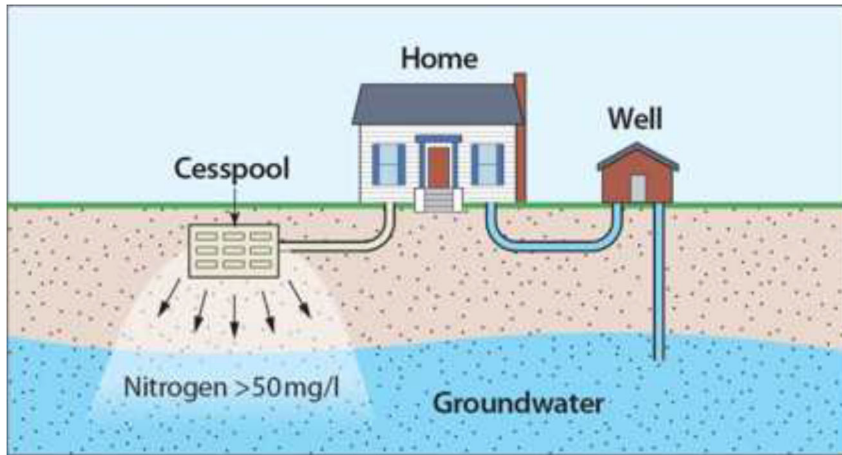


Figure 1: Cesspool Diagram

### Why is US EPA Region 9 Involved?

In 1999, EPA promulgated regulations under the Safe Drinking Water Act's Underground Injection Control (UIC) Program, which prohibited the construction of new Large Capacity Cesspools (LCCs) as of April 2000 and required the closure of all existing LCCs by April 5, 2005 (see 40 C.F.R. § 144.88).

Under federal regulations, an LCC is a cesspool which serves multiple dwellings, or for non-residential facilities has the capacity to serve 20 or more persons per day.

Hawaii has one of the highest levels of reliance on groundwater for drinking water as any State (95%) and competes economically on a global scale for tourism by marketing itself as a tropical paradise, making the elimination of cesspools critical to the State's health and welfare. The current Hawaii Water Quality Integrated Report identifies numerous impaired coastal water segments which do not meet state water quality standards for nutrients (nitrogen and phosphorus). These water quality impairments are attributed largely to nonpoint sources of pollution, including cesspools. A study conducted by the State of Hawaii identified 2,500 cesspools located within the capture zones delineated around public water supply wells.

Since 2002, US EPA Region 9 has implemented a LCC outreach, education, enforcement and monitoring program. To date, EPA has identified over 4,900 LCCs in Hawaii and monitored the closure/conversion of about 71%.

### Cesspool Alternatives

#### Options to close/convert cesspools:

- Replace cesspools with innovative septic tank alternatives (approved by the Hawaii Department of Health, see [HAR Chapter 11-62](#)) or septic systems/individual wastewater systems.
- Combine or connect properties with cesspools or malfunctioning septic systems into a cluster system
- Connect to a new or existing Wastewater Treatment Facility (WWTF)



## **Available Federal Funding**

**EPA's Clean Water State Revolving Fund (CWSRF)** may now provide financial assistance for the construction, repair, or replacement of decentralized wastewater treatment systems that treat municipal wastewater or domestic sewage. This is a change from what was previously eligible. Previously, the SRFs could only fund decentralized systems in cases where the project was correcting an existing nonpoint source problem. In effect, it only funded the repair or replacement of existing systems. In addition to what was previously eligible, we can now also fund new, publicly or privately owned decentralized systems. SRF assistance for decentralized systems can be provided to public entities, such as municipalities, county governments, and state agencies, as well as private entities such as homeowners associations, nonprofit organizations, and individual homeowners.

In general, the CWSRF grant program funds up to 80% of project costs and requires a 20% non-federal match. The Water Resources Reform and Development Act of 2014 (WRRDA) includes additional subsidizations such as principal forgiveness, negative interest loans and grants. Among its provisions are amendments to Titles I, II, V, and VI of the Federal Water Pollution Control Act (FWPCA). It also offers up to 30-year loan terms and new eligibilities. As amended, the FWPCA now includes section 603(c)(4), which states that each CWSRF may provide financial assistance: for the construction, repair, or replacement of decentralized wastewater treatment systems that treat municipal wastewater or domestic sewage.

- Publicly and privately owned decentralized wastewater treatment projects are eligible.
- Eligible projects include, but are not limited to, the construction of new decentralized systems (e.g., individual onsite systems and cluster systems), as well as the upgrade, repair, or replacement of existing systems.
- New decentralized eligibilities include: Decentralized projects do not need to address an existing NPS problem.
- Decentralized systems for new construction may now be funded as either individual or cluster onsite systems.
- Decentralized systems may be publicly or privately owned and serve either public or private purposes.

**HUD's Community Development Block Grant (CDBG)** can be used to fund alternatives to cesspools or connections for septic tanks as long as funding is applied to a low-moderate income family/beneficiary. CDBG could not be used to subsidize upper income households. The key caveat is the County would need to agree to use its CDBG funds towards this purpose.

**Veterans Affairs** can issue home loans to qualified applicants. In Hawaii, existing cesspools may be acceptable for VA Lending Purposes if the following conditions are met:

1. Lender must verify with the State of Hawaii, Department of Health, Wastewater Branch that the cesspool was properly permitted when installed. The Wastewater Branch keeps and can provide a copy of the Cesspool Registration Card. This Card must be kept in the Lender's loan file.
2. The cesspool must be tested/recertified in the following circumstances:
  - a. There has been an enforcement action due to a failure of the system.
  - b. The Appraiser notes obvious signs of failure of the cesspool during the inspection of the subject property.
  - c. There has been significant building modification (additions to the home, not remodeling) that increases either the living area or number of fixtures disposing waste water into the cesspool.
  - d. The cesspool is located in the groundwater table.
3. If one or more of the conditions listed under Item #2 apply, Lenders are responsible to order cesspool testing by a specialist acceptable to the Department of Health.
  - a. Should the cesspool require testing, the NOV must be conditioned in Block 5.  
**WATER/SEWAGE SYSTEM ACCEPTABILITY:** Evidence from the local health authority or other source authorized by VA that the individual sewage disposal systems are acceptable.

**USDA's Rural Development Program** offers low-income families housing repair loans of up to \$20,000 at 1% interest rate and/or grants to applicants of 62 years or older for up to \$7,500 in eligible rural areas. Loans can be used to improve or repair rural homes and cesspool replacement costs/conversion costs are eligible. Grants must be used to remove health and safety hazards and cesspool replacement costs/conversion costs are eligible. Larger direct home loans are also available to low and very low-income households and cesspool replacement costs/conversions are eligible. Additional USDA Rural Development Program links are listed below in the references section of this document.

[All of Kauai, Molokai and Lanai are considered rural areas. The maps below highlight ineligible areas on Oahu, Hawaii and Maui.](#)



[Figure 2. Map of Oahu. All of Oahu is considered rural except for those areas highlighted in pink.](#)



Figure 3. Map of Hawaii. All of Hawaii is considered rural except for those areas highlighted in pink.



Figure 4. [Map of Maui](#). All of Maui is considered rural except for those areas highlighted in pink.

#### State of Hawaii Wastewater Tax Credit

The Hawaii State Legislature passed a Wastewater Tax Credit that provides credits for homeowners who have cesspools upgrading to septic tanks, aerobic treatment units, sewer lines. Qualifying homeowners can receive up to \$10,000 in income tax credit.

Deadline: December 31, 2020

For more information visit the Department of Health's Website:

<http://health.hawaii.gov/wastewater/home/taxcredit/>

#### State Examples of Financial Program Options

The State of Hawaii needs to decide how to best utilize available funding. Here are several financial program options the State of Hawaii could create:

##### **Delaware: Loans**

The Delaware SRF program makes direct loans to homeowners for septic system repair and replacement. The loans are secured by a mortgage lien on the property being serviced. The program is managed by the Delaware Dept of Natural Resources and Environmental Control Environmental Finance which shares a partnership with First State Community Action Agency (FSCAA) to assist with the application process.

Delaware has 2 options for funding decentralized systems, based on income:

1. **The Septic Rehabilitation Loan Program(SRLP)** provides financial assistance to moderate to low income homeowners to replace failing septic systems.
  - On the financing side, up to \$35k for individual homeowners is available. The average loan is \$15k, and the minimum loan is \$1k
  - \$250k can be made available for mobile home parks
  - Interest rates are based on income
  - Loans have a 20 year term
  - Eligible loan costs include: Site evaluation, design, permits, construction costs, and closing and recording charges
  - Applicants that are in bankruptcy are not eligible, and applicants must pass a basic credit check.

- Poor credit and a high debt-to-income ratio can disqualify an applicant, however they may be eligible for the Septic Extended Funding Option.
  - The Septic Extended Funding Option, as described in the previous slide, provides 0% interest and no monthly payments. Loans are to be repaid if and when the property is sold.
2. **The Septic System Extended Funding Option (SEFO)** is used when an applicant is denied a SRLP loan due to the underwriting criteria. These are given a 0 percent loan with no monthly payments. The loans are forgiven after 20 years; however, principal must be repaid immediately if the property is sold or the mortgage loan is refinanced. This program is funded by an annual allocation of \$500,000 that comes from a 1 percent fee charged on CWSRF municipal wastewater loans.

**Washington: Pass-Through Entities/ Regional On-Site Sewage System Loan Program (RLP)/Craft3**

- Provides financing to individual residents for repair of septic systems
- County or health department (pass-through entity) is responsible for loan servicing
- \$15 million in CWSRF loans has been provided for the program since 1990, and over 600 homeowners have participated since 2007.
- Since 1994, Craft3 has conserved or treated 1.4 billion cumulative gallons of wastewater.
- CWSRF loans are signed with several Washington counties and conservation districts to address nonpoint water quality problems. These counties/ conservations districts act as “pass-through entities”. The pass-through entities then provide sub-loans to local homeowners for repair and replacement of septic systems.
- Additionally, the Washington CWSRF funds a pass-through program with 15 counties or local health departments in the Puget Sound and marine counties, as well as the Spokane Conservation District, that provides financing to individual residents to repair failing septic systems.
- The loans may also pay for abandonment of septic systems and connection to sewer. The county or health department is responsible for local loan servicing, collecting payments, and payment tracking (but may contract these services to a lending institution).
- Through Craft3, the loan fund provides loan assistance to eligible property owners across a multi-county region to repair, upgrade, or replace failing or malfunctioning septic systems to protect public health and water quality. Craft3 works with the local authorities to ensure that every repair and replacement they fund is appropriate and approved. Craft3 assumes the financial risk associated with lending, and is obligated to repay the SRF funds. Structuring the RLP with a revolving loan fund component leverages grant-funded resources for reinvestment in local communities.
- This program is fiscally innovative. It directs more funds into the actual repair and replacement of failing septic systems than the individual county programs, and less money is spent on administration of the program.

Current Eligibility:

- Residential properties throughout Oregon and in many Washington counties.
- Loan-to-value and loan amount maximums apply to repayment types.
- One of the following must apply:
  - your septic system is at least 25 years old;
  - your system is failing;
  - you've been contacted by Health Officials; or
  - you are under orders to fix your septic system.
- Counties currently served by Craft3:
  - Residential Oregon: All
  - Residential Washington: Clallam, Clark, Cowlitz, Grays Harbor, Island, Jefferson, King, Kitsap, Mason, Pacific, Pierce, Snohomish, Thurston, Wahkiakum and Whatcom
  - Commercial septic systems: All in Oregon or Washington

CRAFT3 MAKES REPLACING SEPTIC SYSTEMS EASY

1. [Apply Online](#). Receive pre-approval in as soon as three business days.
2. Work with the contractor to design the system, receive permits and finalize project cost.
3. Sign loan documents electronically.
4. Begin the project. Make sure work is completed to the customer's satisfaction.
5. Authorize final payment to the contractor once the project gets final approval from local officials.
6. Loan payments, if required, will be automatically withdrawn from the customer's bank account.

### **Minnesota: Conduit Lending**

Minnesota has a Small Community Wastewater Treatment Program.

Funds for the program have been appropriated by the legislature from the Clean Water Fund via the Clean Water, Land and Legacy Amendment.

Administered by the Minnesota Public Facilities Authority, the program provides technical assistance grants and construction grants and loans for public subsurface sewage treatment systems.

Technical assistance grants up to \$60,000 may be used by communities to contract with licensed SSTS professionals, counties, the University of Minnesota on-site sewage treatment program, or qualified nonprofit organization to conduct preliminary site evaluations and prepare feasibility reports, provide advice on possible SSTS alternatives, and help develop the technical, managerial, and financial capacity to build, operate, and maintain SSTS systems.

The PFA provides construction financing up to \$2 million per year at 1 percent interest and grants up to 80 percent, based on affordability criteria. Disadvantaged communities may receive 50% grant/principal forgiveness. There are specific scoring protocol for projects in unsewered areas require applicants to establish a user charge system to pay for operation and maintenance costs. All unsewered communities seeking CWSRF funding for decentralized systems must create:

- Financing plan that provides a dedicated source of revenue for debt service and operation and maintenance (typically special assessments or user charges)
- Management Plan with a schedule for inspections, pumping, repair and replacement
- Alternatives analysis using the Wastewater Treatment Hierarchy "Wastewater Hierarchy". This Hierarchy encourages communities to focus on small, acute problem areas before deferring to a larger infrastructure solution to correct environmental or public health issues.

### **Rhode Island: Loans**

Through the Rhode Island Community Septic System Loan Program (CSSLP), loans are made to communities who then distribute to individual homeowners.

- Rhode Island Housing and Mortgage Financing Corporation (RI Housing) acts as the loan servicing agent and loan administrator
- RI Housing accepts applications from homeowners, coordinates payments to septic system installers; collects repayments from homeowners, credits repayments to the principal payment of the local government unit; makes monthly reports to both the CWSRF and the local government unit.
- Communities may only qualify for funding after completing an Onsite Wastewater Management Plan
- No income limits for program participants
- Can be used for residential properties with up to 4 units
- Financing up to \$25,000 at 2% for 10 years
- \$300 origination fee
- 1% service fee on outstanding loan balance

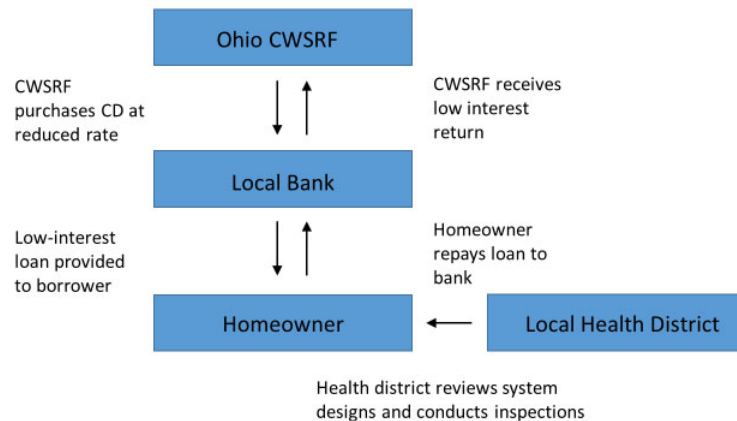
### **Rhode Island Sewer Tie-In Loan Fund (STILF)**

- Loans for homeowners to tie into the local sewer system and abandon individual septic systems
- Financing up to \$150,000 to sewer system owner
- Owner then directs funds to individual homeowners via RI Housing (as above)

### Ohio: Linked Deposit

- The Ohio CWSRF uses a linked deposit program to make low-interest loans available to individual homeowners in need of upgrading or replacing their decentralized systems.
- Under a linked deposit approach, a state works with their local banks at a reduced rate to provide assistance. This allows the borrower to receive a loan at under market rate. The CWSRF investment (deposit) is linked to a low-interest loan, hence the term “linked deposit”.
- This type of program benefits CWSRF programs, local banks, and borrowers.
  - CWSRF: high priority projects are supported, risk and financial management is placed on banks
  - Local banks: earn profits from linked deposit agreements and add an additional service for their customers
  - Borrowers: save money with low-interest loans, and they find comfort in working with local banks
- The Ohio CWSRF partners with local counties, health districts, and banks to offer this program.
- The homeowner obtains a permit from the local health district, which contains specifications on the proper installations, operation, and maintenance of the onsite system.
- The homeowner is then issued a certificate that he or she can take to any bank that participates in the Linked Deposit Program.
- The bank, using its own criteria, decides whether or not to offer the applicant a loan and at what interest rate and term.
- The lending institution then notifies the Ohio CWSRF, which then deposits the loan amount in the institution at a reduced interest rate. The savings from the reduced interest rate are then passed on to the loan applicant.

### Linked Deposit in Ohio



### Ohio: Special Purpose Grants

- Ohio Water Development Authority's Un-Sewered Area Assistance Program
  - Grants for the construction of a POTW for un-sewered areas that have failing on-lot systems. To assist local gov't agencies who are responsible for un-sewered areas to construct a POTW as affordably as possible.
  - To Qualify:
- Documented failing on-lot system (septic or cesspool)
- MHI < statewide average
- Permit-to-install for proposed improvements issued by OEPA
  - Eligible costs include
- Engineering

- Permit fees
- Land acquisition
- Construction Costs
  - Grant award amount:
- Grant award amount MHI < \$20,000 MHI \$20,001 - \$35,000 MHI \$35,001 to State
- < 100 customers \$1,000,000 \$750,000 \$500,000
- 100-200 customers \$750,000 \$500,000 \$250,000
  - 200 customers \$500,000 \$250,000 \$250,000

**Massachusetts: Property Tax**

- Funding nontraditional eligibilities with the CWSRF often involves identifying unconventional repayment sources. While “traditional” pipe and plant infrastructure projects often have a stable revenue source, many nontraditional projects lack these options. The property tax is a creative revenue source for funding nontraditional projects.

The Community Septic Management Program:

- was created in 1996 after the Massachusetts DEP recognized failing cesspools and septic systems as a leading cause of water pollution and drinking water contamination.
- allows municipalities to borrow funds at a below market rate (the Massachusetts Clean Water Trust provides up to \$5 million a year from the CWSRF program assets to fund municipalities’ needs). Municipalities in turn lend money to homeowners at a low interest rate for septic system repair or replacement.
- utilizes a “betterment agreement” that channels loans through a municipality to individuals for septic system improvements and allows the municipality to ensure that the loan is repaid as part of a property tax bill. The municipality can place a municipal lien on property if the homeowner defaults on the loan.

A Betterment is a Financial Agreement between a homeowner and the community. The "Betterment Agreement" outlines the rights and responsibilities of the community and the homeowner for the repair, replacement or upgrade of the homeowner's septic system

A Betterment Agreement between the community and a homeowner may be used for all costs necessary to repair or replace a failed septic system including:

- renovating the existing system
  - hooking up to existing sewer lines
  - replacing traditional septic systems with an approved Title 5 innovative/alternative system
- Since the implementation of the Community Septic Management Program, more than 4,000 systems have been replaced, repaired, or upgraded. Over \$22 million in low interest loans have been approved by the MA Clean Water Trust and the MA CWSRF program to communities.



## Property Tax in Massachusetts



### Research Methodology:

This paper is written as a compendium of key information about financing cesspool conversions in Hawaii. Resources and content come from government programs and websites. All information in this paper is public information and may be shared.

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10. U.S. Department of Agriculture Rural Development. (2018). Income and Property Eligibility. Retrieved March 15, 2019 from <https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>

Other U.S. Department of Agriculture Rural Development resources include:

<https://www.rd.usda.gov/programs-services/water-waste-disposal-loan-grant-program>

<https://www.rd.usda.gov/programs-services/emergency-community-water-assistance-grants>

<https://www.rd.usda.gov/programs-services/individual-water-wastewater-grants>

