

## **GUIDELINES FOR DETERMINING ELIGIBLE EQUIPMENT AND CAPITAL EXPENDITURES FOR EDAP PROGRAMS**

The following information is designed to assist loan/grant recipients and their consultants in determining allowable equipment and capital expenditure costs for the Economically Distressed Area Program (EDAP). It is important that significant expenditures for equipment be identified in the Facilities Plan phase of each project and included in the budget for funding assistance. This does not preclude consideration and need for equipment during the design and construction phases of the project, but the recipient should be aware that such purchases are controlled by the contingency funds in the budget.

### A. TWDB Approval Required

**Since the TWDB establishes budgets by commitment and contract with recipients, all capital expenditures and equipment cost requests should be reviewed and approved by the Board prior to purchase.**

Circular No. A-87, federal circular for principles and standards for determining costs to projects, further defines capital expenditures as the cost of the asset including the cost to put it in place. Equipment is defined as a subset of capital expenditures and includes articles of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals the lesser of (a) the capitalization level established by the recipient for financial statement purposes or (b) \$5,000. Items of equipment with an acquisition of less than \$5,000 are considered to be supplies and allowable as direct costs of awards without specific agency approval assuming the budget allows for these costs.

### B. Allowable Costs

**The allowable and unallowable equipment and capital expenditure costs provided below are provided as guidance and are not meant to be all encompassing. Specific circumstances may dictate reasonable interpretations and judgment.**

1. The cost of a reasonable inventory of laboratory chemicals and supplies necessary to initiate plant operations and laboratory items necessary to conduct tests required for plant operation.
2. The cost of purchase and/or transportation of biological seeding materials required for expeditiously initiating the treatment process operation.
3. Cost of shop equipment installed at the treatment works necessary to the operation of the works. The need will depend on the specific item, its frequency of expected use, and the size and complexity of the treatment works.
4. The cost of necessary safety equipment provided the equipment meets applicable federal, state or local or industry safety requirements.

5. All or a portion of the cost of collection system maintenance equipment. If the equipment will be used on work outside the scope of the funded project, a frequency and prororation of need will have to be demonstrated. For example, the applicant may intend to use a portable winch for both the collection system and water distribution or treatment system. Any equipment needed to preclude the discharge or bypassing of untreated wastewater would also be eligible.
6. The cost of mobile equipment necessary for the operation of the overall wastewater treatment facility, transmission of wastewater or sludge, or for the maintenance of equipment such as:
  - (1) portable stand-by generators,
  - (2) large portable emergency pumps to provide pump-around capability in the event of pump station failure or pipe line breaks,
  - (3) sludge or septic tankers, trailers and other vehicles having as their sole purpose the transportation of liquid or dewatered wastes from the collector point (**including individual or onsite systems**) to the treatment facility or disposal site, and
  - (4) tractors, shredders, disc plows, front-end loaders, backhoes, smoke testing equipment, and sewer cleaners.
7. Replacement parts identified as necessary to assure uninterrupted operation of the facility. Parts that are not easily or rapidly obtainable would be considered eligible.
8. The cost of constructing or installing sewage flow metering devices used for billing intermunicipal flow are eligible costs. Meters constructed or installed for the primary purpose of billing commercial or industrial users are not eligible.

C. Unallowable Costs

1. The cost of furnishings including draperies, furniture, computers and software, and other office equipment. Such items as pictures, televisions, indoor plants, lamps, food preparation equipment, postage meters, and coffee tables are included. Desks, chairs and file cabinets associated with the operation of the laboratory or office building have in the past been determined to be eligible.
2. The cost of ordinary site and building maintenance equipment including items as rakes, shovels, hedge trimmers, lawnmowers, hand tools other than those which are specified by the equipment supplier and other transportable equipment used for routine maintenance. Judgment must be used since such equipment may be necessary in the day-to-day operation of the collection and/or treatment systems.
3. The cost of vehicles for the transportation of employees.
4. Items of routine programmed maintenance such as air filters, couplings, hose, bolts, etc.