

Washington State Drinking Water State Revolving Fund

Intended Use Plan

For Year 21

Federal Capitalization Grant

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Washington State, Department of Commerce
Local Government & Infrastructure Division
Public Works Board

On the cover: The City of Tacoma Green River Water Filtration Treatment Project

Photo provided by Washington Public Works Board



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Year 21 Federal Capitalization Grant

Intended Use Plan

1. Introduction

Congress established the Drinking Water State Revolving Fund (DWSRF) in August 1996 as part of the reauthorized federal Safe Drinking Water Act (SDWA). The DWSRF Program finances drinking water projects and activities to protect public health and achieve or maintain compliance with the SDWA.

The Safe Drinking Water Act authorizes the U.S. Environmental Protection Agency (EPA) to award annual capitalization grants to each state for a revolving construction loan program and other assistance to public water systems. Each state must provide matching funds of 20 percent of the federal capitalization grant.

EPA awards federal DWSRF capitalization grants to states for:

- **Set-Asides:** Funds for DWSRF Program administration and non-construction projects used to ensure compliance with the SDWA.
- **Capital Loan Fund:** Helps eligible water systems achieve or maintain compliance and protect public health by funding drinking water infrastructure improvement projects, such as treatment or a new source.

To access the funds, each state must submit a capitalization grant application to EPA. In addition, each state's capitalization grant application must include an annual Intended Use Plan (IUP), which describes how the state intends to use available funds. As the agency responsible for ensuring compliance with the SDWA in Washington, the state Department of Health (Health) submits the grant application to EPA. Health administers the DWSRF Program jointly with the Public Works Board (Board) and the Department of Commerce (Commerce).

Washington's Year 21 Intended Use Plan

In federal fiscal year 2017 (FFY 2017), Congress appropriated \$855,381,000 to EPA for the national DWSRF Program. EPA then appropriated funds to the states based on their statewide needs assessment. Washington State will receive \$18,553,000 from EPA to fund capital improvement projects that were ranked and placed on the priority list for state fiscal year (SFY) 2018 (July 1, 2017–June 30, 2018) and non-construction projects. Washington uses 69 percent of the capitalization grant for new construction loans and the remaining 31 percent of the capitalization grant is designated for non-construction set-aside projects, such as special studies and technical assistance. Washington has approximately \$43 million available for new construction loans, new preconstruction loans, emergency loans, construction overruns, and construction reimbursement payments. The \$43 million consists of money from the EPA capitalization grant, state matching funds, interest, deobligations, and loan repayments. Including set-aside funds, the state has about \$49 million to use for construction and non-construction activities.

Health plans to award capital construction funds and preconstruction funds to eligible water systems during the summer of 2017. See Table 2 for detailed information. Washington will use \$5,721,430 (generated from the 1 percent loan origination fees) for ongoing administration of the revolving fund loan program.

Washington used public participation to develop this year's loan list for the IUP, which includes:

- Status of Washington's DWSRF Program.
- Washington's process and allocation of capital construction and set-aside funds.
- Washington's determination of loan eligibility and funding prioritization.
- Intended uses of additional subsidization.
- 2016 DWSRF prioritized-project funding list.

2. Congressional priorities

Congress established guides for states to use, to the maximum extent possible, to prioritize project spending. Below, Health explains how Washington complies with the priorities in each guide.

Projects that address the most serious risk to public health. We base our priority ranking of projects on public health risk. We rank projects that address acute risks higher than projects that remedy chronic risks. While eligible, we consider infrastructure replacement projects and municipal refinance projects the lowest priority for funding.

Projects necessary to ensure compliance with SDWA requirements. We review all applications with respect to compliance with the SDWA. If the applicant is out of compliance, the proposed project must resolve the issue or the applicant must satisfactorily show that another project will return the water system to compliance.

Assistance should be provided to systems most in need, on a per household basis, according to state affordability criteria. We allow all eligible community water system applicants to request consideration for subsidy based on affordability of their rates. We do not allow noncommunity systems this consideration because, by definition, they don't supply water to households; and therefore, they can't meet the federal requirement to base affordability on a "per household basis." To calculate affordability bonus points, we use the Affordability Index, a formula that considers an applicant's median household income, operational expenses, and water rates.

Provide at least 20 percent of the DWSRF Capitalization Grants as loan subsidy to eligible recipients. We have given needy systems nearly \$48 million in subsidies since 2010 (Table 1, page 3).

For the 2016 funding cycle, the basic loan was a 20-year fixed-rate loan with 1.5 percent interest. Starting with the highest scoring applicants:

- Water systems with an Affordability Index of 2.01–3.50 percent will receive 30 percent of their loan as principal forgiveness.
- Water systems with an Affordability Index of 3.51 percent or more will receive 50 percent of their loan as principal forgiveness.
- Water systems with a Debt Service Coverage Ratio of less than 1.20:1 may also be considered for subsidy if subsidy dollars are still available after using the first two screening methods above.

To sustain water systems in Washington over time, the highest scoring municipal Group A water system applicants that demonstrate a history of sound drinking water utility management will receive 50 percent principal forgiveness for:

- Restructuring and consolidation projects that involve a change of ownership.
- Restructuring and consolidation projects that involve acquiring other noncompliant, failing, or struggling public water systems that have water quality problems or deteriorated infrastructure.

Table 1

Washington State DWSRF Subsidy Summary									
SRF YR	FFY	Cap Grant Amount	Subsidy Required	Minimum Subsidy	Subsidy Committed	% Subsidy	Subsidy Expenditure	Current Subsidy %	Notes
14	2010	\$ 34,650,000	30%	\$10,395,000	\$ 11,502,685	33.20%	11,406,799	32.92%	Subsidy Met
15	2011	\$ 24,044,000	30%	\$7,213,200	\$ 7,665,374	31.88%	6,701,751	27.87%	6 projects still open & drawing, 1 loan will not fully utilize loan amount, we do not anticipate any issues meeting subsidy requirement
16	2012	\$ 22,914,000	20-30%	\$4,582,800	\$ 6,462,213	28.20%	5,507,371	24.03%	Subsidy Met
17	2013	\$ 21,499,000	20-30%	\$4,299,800	\$ 4,468,676	20.79%	1,834,827	8.53%	3 open projects, 3 adjustments made, monitoring closely
18	2014	\$ 19,741,000	20-30%	\$3,948,200	\$ 3,993,399	20.23%	2,228,095	11.29%	6 open projects, 3 adjustments made, monitoring closely
19	2015	\$ 19,600,000	20-30%	\$3,920,000	\$ 4,558,075	23.26%	2,089,195	10.66%	5 open projects still drawing, watching subsidy carefully and will make an adjustment if necessary
20	2016	\$ 18,553,000	20-50%	\$3,710,600	\$ 4,182,424	22.54%	-		All projects open, will monitor closely and adjust as needed
21	2017	\$ 18,553,000	20-50%	\$3,710,600	\$ 4,990,781	26.90%			2016 Loan list in process, approx \$5million awarded as subsidy
Total DWSRF Subsidy		\$ 179,554,000			\$ 47,823,627	26.63%			

As Table 1 shows, we have corrected past shortfalls with the subsidy award and are now meeting all subsidy requirements.

3. Washington's program goals

We developed the following goals to sustain our DWSRF Program over time and to ensure compliance with the performance standards in EPA's Environmental Results Goals.

DWSRF Mission: The DWSRF Program helps water systems by providing affordable financing to eligible entities for planning, designing, and constructing public water facilities that provide safe and reliable drinking water.

Vision: Washington State is a national leader in providing comprehensive financial and technical support to water systems.

Goals: Washington State's public water systems are safe, reliable, and sustainable, and water is affordable for all citizens.

Philosophy: The overall philosophy of the Washington State DWSRF is to maximize the availability of DWSRF funds for project construction.

Long-term goals

- **Strengthen the fiscal integrity of the fund.**
Solid and complete financial analysis is required to understand the implications of any particular DWSRF financial policy choice, such as leveraging the fund to provide additional cash flow. Washington will seek the services of a financial adviser who specializes in state revolving funds to conduct a complete financial analysis of the DWSRF and create a long-term financial strategy. A solid plan would protect the financial future of the DWSRF using all of the relevant operating assumptions for the program.
- **Acknowledge and address household affordability constraints.**
Strategically use the DWSRF subsidy provision and any applicable set-aside funds to maximize the program's impact on achieving affordable compliance. Washington will regularly reevaluate the affordability criteria to ensure that public water systems in greatest need of help receive subsidy and technical assistance.
- **Use DWSRF funds to promote resilient, energy-efficient infrastructure.**
 - Require an investment-grade energy audit for each construction loan.
 - Add a resiliency project category to the risk categories used to score and rank construction loans.
- **Continuously improve the DWSRF program so we are more efficient and better able to serve our customers.**
 - Improve the online application process.
 - Educate water systems about the DWSRF construction loan program before each loan cycle.
 - Expand preconstruction grant and loan programs to assist small systems preparing for construction, and improve the use-rate of construction money awarded.
 - Maintain emergency funding to assist systems affected by unforeseen events and ensure they continue to maintain public health protection.

Short-term goals

- **Ensure successful transition of loan and fund management functions from the Department of Commerce to the Department of Health.**
 - Health's new Washington Loans and Tracking (WALT) will begin deployment in June 2017, and we are now in Phase 2 of the transition.
 - Amend and transfer all loan agreements since inception of the program.
 - Establish effective reconciliation processes and internal controls.
- **Assess our fund management system for opportunity.**
 - Acquire a new predictive model to assess needs and opportunities.
 - Monitor our lending rate policy closely and adjust interest rates for long-term inflation.
 - Monitor effects of loan repayment changes recently implemented.
- **Continue to grow and expand programs that improve readiness to proceed and improve use-rate of construction money awarded.**
 - Expand preconstruction funding programs to help systems get ready for construction.
 - Contact loan recipients experiencing delays with their projects to review options that would allow their project to reach construction.

- Conduct an annual review of readiness-to-proceed criteria for construction loans and improve the criteria to better identify “shovel ready” applicants.
- **Ensure that at least 15 percent of the grant provides financial assistance to small systems that have projects ready for construction.**
 - New preconstruction funding programs are limited to systems serving 10,000 or fewer people in an effort to better prepare systems for construction.
 - Technical assistance providers are available to help systems prepare for construction loans, such as assistance with rate setting and income surveys.
- **Provide financial and technical assistance to help public water systems increase technical, financial, and managerial capacity.**
 - Continue to provide technical assistance through two contracts: Rural Community Assistance Corporation (RCAC) and Small Community Initiatives. These technical providers assist systems with board training, funding applications, rate setting, and asset management.
 - Offer asset management training.
- **Review and implement process improvement efficiencies**
 - Consolidate program management exclusively under the Department of Health in collaboration with the Public Works Board and Department of Commerce.
 - Provide sufficient information technology system infrastructure to manage the loan and grant program while creating efficiencies for our loan recipients.
 - Conduct construction site visits and inspections at the start of construction.
 - Conduct construction inspections at the end of the project for the larger projects.
 - Provide one-on-one contract training with each applicant approved for a construction loan.

Environmental Results Goals

Washington’s DWSRF project loan funds and set-aside work plans support EPA’s strategic planning Goal 2, “Protecting America’s Waters,” and strategic Objective 2.1, “Protect Human Health” by safeguarding human health through regulations and by protecting public drinking water. Our program provides funding to help achieve this federal performance standard. We intend to meet or exceed EPA’s annual performance targets.

We will use these performance measures to help ensure the loan program achieves federal standards:

- **Annual percentage of assistance agreements to bring water systems into compliance.** Based on available funds, Washington proposes to fund 20 DWSRF-eligible projects from our fall 2016 loan cycle for a total award of about \$33.5 million. All projects intend to address compliance or public health issues.
- **Fund utilization rate (cumulative loan agreement dollars compared with the cumulative funds available for projects) for the DWSRF loan fund.** We will calculate this at the end of each state fiscal year (June 30). We expect Washington’s fund utilization rate to exceed national performance targets.

4. Set-aside activities

The primary focus of the DWSRF Program is to fund capital construction projects that help to protect public health and ensure SDWA compliance. However, states also may use up to 31 percent of their

annual capitalization grant for various non-construction activities that accomplish the same purposes. Funds for these non-construction activities are called set-asides.

There are four set-aside categories. The federal DWSRF Program limits the amount states can use for each category and specifies the types of activities we can fund:

- Program administration (4 percent plus two new options as described below)
- State program management (10 percent)
- Small system technical assistance (2 percent)
- Local assistance and other state programs (15 percent)

There is a federal limit on the amount of funds used for each category and the types of activities funded. Our staff, third-party contractors, or direct funding to public water systems may provide set-aside assistance. Funds from these capitalization grants will be used to fund activities during more than one state fiscal year. However, in accordance with keeping unliquidated obligations at a minimum, the state is currently on a track that spends each set aside fully within a two year period. If there is an instance where the state can't spend down an approved set aside work plan within two years, as we have in the past, we will amend work plans and transfer that set aside funding to be disbursed through the loan program.

The state will not use funds for set-asides, other than program administration, until EPA approved detailed work plans. We anticipate completing this process and having funds available in SFY 2018. Washington intends to use 31 percent of its 21st year capitalization grants for current and future set-aside activities. We will begin using program administration set-aside funds in SFY 2018. Any remaining set-aside funds will be used in SFY 2019. The subsections below describe how Washington intends to use these set-aside funds.

We use set-aside funds for work plans that contribute to achieving EPA's Strategic Goal 2, sub-objective 2.1.1 Water Safe to Drink: Percentage of the population served by community water systems that receive drinking water that meets all applicable health-based drinking water standards through effective treatment and source water protection.

To carry out the set-aside activities below, we often rely on contractors with specialized skills and qualifications. We will use a contractor from the state's contractor list or use a competitive bid process to purchase these services.

We will not spend the funds for set-asides, other than the program administration set-aside, until EPA staff approve the detailed work plans we submit to them. We anticipate completing this process and having funds available in SFY 2018.

Program administration set-aside

Washington plans to divide this set-aside between Health and Commerce to cover direct and indirect expenses associated with program administration activities. We often supplement this SRF set-aside with DWSRF loan origination fees because the set-aside does not provide sufficient funding for this activity. EPA has recently modified the amount states can designate for program administration and states can now elect the greatest of one of the following for program administration:

- 4 percent of the capitalization grant,
- Flat \$400,000, or
- 1/5th of 1 percent of the total valuation of the state revolving fund balance.

State program management set-aside

When Congress reauthorized the SDWA, it recognized federal funding for state drinking water programs was inadequate in states that assumed primacy for enforcing the SDWA. To help resolve that state funding issue, Congress gave states the option of using up to 10 percent of their annual DWSRF allotment for program management. Washington uses the full 10 percent allotment to manage the state drinking water program.

Health uses this set-aside to fund a significant number of positions that:

- Administer the state Public Water System Supervision (PWSS) program.
- Maintain and improve the computer system at Health's Office of Drinking Water.
- Collaborate with staff, public water suppliers, and government agencies to help them understand regulatory requirements and assist them when water quality contamination occurs.
- Provide notification, compliance, and financial and technical assistance, which helps to ensure systems meet Consumer Confidence Report and various water quality monitoring requirements
- Develop technical regulations, program plans, policies, and guidelines

Small system technical assistance set-aside

This set-aside funds technical assistance for water systems that serve fewer than 10,000 people. We will use our full 2 percent allotment from this set-aside to support small system technical assistance activities.

Local assistance and other state programs set-aside

A state may fund several categories of activities to help develop and/or implement local drinking water protection initiatives under Section 1452(k) of the 1996 SDWA amendments. States may use up to 15 percent of the annual capitalization grant for the local assistance and other state programs set-aside, with a maximum of 10 percent for any one category of assistance. We intend to use 15 percent of this set-aside this year. We'll use these funds for a number of activities related to system capacity development or source water protection.

Capacity Development and Water System Sustainability

Washington will reserve 10 percent of the Local Assistance and Other State Programs set-aside to provide DWSRF capacity development assistance in the form of grants to drinking water systems, technical assistance, sanitary surveys, and other types of program support. Capacity development activities include, but are not limited to:

- Providing outreach and communication tools on technical, managerial, and financial capacity on our website and other media outlets.
- Conducting sanitary surveys and providing related technical assistance to small systems.
- Providing specific technical assistance (such as coliform monitoring and follow-up requirements) to help water systems achieve and maintain compliance. Helping public water systems research and determine whether their groundwater source is under the direct influence of surface water.

- Providing technical assistance to water systems as they develop and implement source water protection programs.
- Providing preconstruction planning, design, and permit assistance grants to help water systems apply for DWSRF and improve readiness to proceed.

Preconstruction Grant Program. Health initiated a preconstruction grant program to help systems better prepare for construction projects. This program is limited to publicly and privately owned not-for-profit water systems serving fewer than 10,000 people. The grant limit is \$30,000 per entity. For SFY 2015, we awarded a total of \$510,000 in preconstruction grants to 21 entities. For SFY 2016, we awarded a total of \$150,000 in preconstruction grants to six entities. For SFY 2017, we awarded a total of \$180,000 in preconstruction grants to six entities. Set-asides fund this program.

Consolidation Grant Program. Health initiated a consolidation grant program to reduce the number of small public water systems with compliance issues. Community public water systems are eligible to apply for this grant and must demonstrate they are eliminating one or more public water system serving fewer than 10,000 people. The maximum grant amount of \$30,000 can be used for assessing the feasibility of consolidating or restructuring small water systems. For SFY 2015 and 2016, there were 57 contracts executed for about \$1.3 million. For SFY 2017, we awarded a total of \$150,000 in consolidation grants to five entities. To date, the consolidation grants have eliminated 64 small, struggling water systems. Set-asides fund this program.

Washington modified its planning program to help all systems do appropriate level of planning. We are developing new guidance to help system owners and operators work together to address the technical, managerial, and financial capacity needs of the system.

Washington continues to expand the financial technical assistance offered through third parties. We are also increasing our internal financial viability expertise and conducting financial training for small systems. For example, DWSRF and RCAC staff started doing asset management training.

Washington amended the DWSRF Rule to allow limited principal forgiveness for restructuring and consolidation projects and for disadvantaged communities. These changes support our goal to encourage strong water system management and they will provide lower-cost loans in areas needing the most assistance.

Source Water Protection

Washington will reserve 5 percent of the Local Assistance and Other State Programs set-aside to provide DWSRF project assistance in the form of technical assistance to increase substantial implementation of source water protection.

Source water protection activities include, but are not limited to:

- Resources for developing, deploying and enhancing source water protection Intranet and Internet applications; and providing source water protection data, information, mapping, analysis, and GIS support.
- Technical assistance and support to Health, utilities, and local entities on source water protection.
- Assistance to local governments and municipal water systems to carry out source water protection projects to better protect high priority Group A sources.

5. Capital Loan Funding

In September 2016, we received, reviewed and ranked 34 construction loan applications. We offered DWSRF loans only to applicants that ranked high enough to be placed within the available funding target of \$35 million for the fall 2016 construction loan cycle. Appendix B shows Washington's recommended 2016 Fall DWSRF Draft Priority Project List for year 21 SRF funding. We intend to execute loan contracts and disburse funds to these projects in July 2017.

The list in Appendix B is subject to change for the following reasons:

1. **Applicants receive alternative funding.** Applicants may receive other grant or loan assistance from other funding sources, such as Rural Development, and no longer need DWSRF money.
2. **Applicants are "bypassed."** The Office of Drinking Water underwriter reviews DWSRF applications for ability to repay the loan, ability to secure the loan, and readiness for the project to proceed. Applicants that fail to meet these criteria are "bypassed" (no longer considered for funding).
3. **Applicants withdraw from the process.** Applicants may choose to withdraw from the loan process for other reasons.

The Washington DWSRF Program intends to continue designating up to \$1.5 million each year to assist systems when the bid amount exceeds the initial project cost estimate. We will continue to use the following criteria to assist systems in need of additional money for construction overruns:

- Award money on a first-come basis.
- The additional amount awarded cannot exceed \$300,000, plus 1 percent loan origination fee.
- The additional funding cannot cause an entity to exceed the funding ceiling established for the year the project funding occurred.
- The scope of work cannot be modified.
- Bid tabs must be provided to document construction costs.
- Explanation for the engineer's construction cost estimate not accurately reflecting the bids.

In SFY 2017, we received and fulfilled the following requests for additional funding for construction completion:

1. Hartstene Pointe Water Sewer District loan contract DM12-952-126 amendment for \$192,420.
2. Kitsap PUD Crystal Springs loan contract DM16-952-043 amendment for \$91,673.
3. Kitsap PUD Green Mountain Acres loan contract DM 15-952-048 amendment for \$150,000.
4. City of Chehalis loan contract DM13-952-180 amendment for \$303,000.
5. Lake Whatcom Water and Sewer District loan contract DM13-952-136 amendment for \$303,000.

Table 2

Washington State Drinking Water State Revolving Fund Financial Status and Intended Uses of Funds Year-21 Federal Capitalization Grants		
CATEGORY	AVAILABLE FEDERAL FUNDS APPLICATION YEAR 21	INTENDED USE (\$)
Total Available		
Federal Capitalization Grant	\$18,553,000	\$18,553,000
20% State Match (PWAA)	\$3,710,600	\$3,710,600
Total	22,263,600	22,263,600
Set-Asides:		
Program Administration		
Public Works Board/Commerce	\$371,060	\$371,060
Department of Health	\$371,060	\$371,060
Total	\$742,120	\$742,120
State Program Management	\$1,855,300	\$1,855,300
Small System Technical Assistance	\$371,060	371,060
Local Assistance & Other State Programs	\$2,782,950	\$2,782,950
Total Set-Asides	\$5,751,430	\$5,751,430
Project Funds Available		
From Year 20 Capitalization Grant + Match	\$16,512,170	\$16,512,170
From Investment Earning (thru 6/30/16)	\$179,991	\$179,991
From repayments including loan interest in hand	\$19,091,177	\$19,091,177
 From current de-obligations of previous loans	 \$7,681,196	 \$7,681,196
Total Available for New Project Loans	\$43,464,534	\$43,464,534
Total Project Funds and Set-Aside Funds	\$49,215,964	\$49,215,964

6. Amounts transferred between the DWSRF and the CWSRF

A state governor may elect to transfer up to 33 percent of the DWSRF capitalization grant to the Clean Water State Revolving Fund (CWSRF) or an equivalent amount from the CWSRF to the DWSRF project fund.

Washington does not intend to transfer funds between these programs during Year-21 of the DWSRF Program.

7. Criteria and Method for Distributing Capital Loan Funds

Money in the DWSRF loan account can be used for:

- New construction project loans. We allocated about \$35 million.
- Construction over-run costs. We allocated \$1.5 million.
- Emergency loans. We allocated \$1.7 million.
- Preconstruction loans. We allocated \$1.5 million.
- Reimbursements for executed construction loan activities.

Table 2 shows the estimated value of the Project Fund. This amount includes 69 percent of the anticipated \$18,553,000 EPA allocation, the entire 20 percent state grant match, loan repayments, investment earnings, and de-obligated loan funds.

7A. Construction Loans

Loan applications

The application period for the Year-21 DWSRF Loan Program ended September 30, 2016. Our Project Fund has about \$35 million available for new construction project loans (Table 2) and we received 34 applications requesting about \$53 million. The Project Fund includes the Year-21 grant award, a 20 percent state match, fund investment earnings, earned and expected repayments, and de-obligation of previous loans.

DWSRF staff provided information and technical assistance on the application process at workshops in multiple locations. We sent an email about the workshops and the 2016 DWSRF guidelines and application to all eligible public water systems and placed a notice in our *Water Tap* newsletter. Systems could get the guidelines online, request hard copies, or get them as electronic email files.

Washington's eligibility and threshold review

Washington's eligibility criteria included all federal eligibility criteria plus several state criteria (Appendix A). Our DWSRF staff reviewed applications for eligibility and assigned a preliminary score based on information in the application, and an initial review of system compliance status.

We determined that five projects were ineligible. Four applicants did not have the proper planning documents. The fifth duplicated another application to address the same health risk. We gave those applicants 10 days to appeal our determination; we received no appeals. See ineligible projects in Appendix C.

Washington's prioritization process

After assigning a preliminary score based on information in the applications and an initial review of each system's compliance status, our DWSRF and regional staff met January 10, 2017, to assign final scores. Staff reviewed compliance files from regional offices and discussed the merits of each project. Regional office files contain considerable background information on each system's operational and compliance history, which was valuable in assessing the true public health significance of each proposal.

We scored projects that provided information that would qualify them for subsidy under our criteria with all other projects. Then we pulled the highest scoring subsidy projects into a separate list until we had more than sufficiently met the mandated funding threshold.

We will consider any comments received during the public review when finalizing the draft IUP and the Priority Project List.

Ranking eligible applications

Using the criteria in Washington’s fall 2016 DWSRF Guidelines to score eligible loan applications, we awarded “basic points” and “bonus points.”

We awarded basic points by the:

- Level of public health risk the proposed project would eliminate.
- Type of project proposed to solve the problem(s) identified in the application.

We gave “bonus” points to project applicants that:

- Demonstrated existing or potential SDWA compliance problems.
- Involved restructuring benefits.
- Provided regional benefits.
- Were ready to proceed because of a preconstruction grant, consolidation grant, or preconstruction loan.
- Provided solutions for multiple areas of public health risk.
- Included service meter installations.
- Had an asset inventory or attended an asset management training program.

Water System Capacity Review

“Water system capacity” is an eligibility requirement for DWSRF loans.

“Water system capacity” is the operational, technical, managerial, and financial capability of the water system to achieve and maintain compliance with all relevant local, state, and federal plans and regulations. Water systems lacking the capacity to maintain compliance with the SDWA are not eligible for funding unless the system owner or operator agrees to initiate feasible and appropriate changes, or the financial assistance will ensure long-term compliance.

DWSRF applicants must demonstrate water system capacity. To do so:

1. The applicant must have a current, Health-approved Water System Plan (WSP) or Small Water System Management Program (SWSMP). The WSP must be less than 6 years old on September 30, 2016.
2. The applicant's current, Health-approved WSP or SWSMP must include the proposed project.
3. The water system must have a satisfactory operating permit status at application or on completion of the proposed project.
4. The system must be in compliance with any active enforcement actions (including departmental orders, penalties, bilateral compliance agreements, or federally issued administrative orders or stipulated penalties).

Projects ranking high enough to be considered for funding, yet not currently meeting capacity requirements 3 and 4 above, may still qualify for a loan if the applicant documents and ensures the proposed project will address these compliance and capacity requirements.

Financial capacity

To protect the federal and state interest in the long-term viability of the loan program, Washington considers the applicant's ability to repay the loan. The financial evaluation includes reviewing three years of documentation (such as tax returns, budgets, balance sheets, bank statements, and business references) and conducting a detailed financial capacity analysis.

All recipients must dedicate a source of revenue to repay the loans. Some applicants will dedicate part of their general funds, and others will propose establishing or increasing user fees. See Appendix A for further details.

Readiness to proceed

Applicants must complete DWSRF-funded projects within 48 months of contract execution. We use the following questions to evaluate a project's readiness to proceed:

- Is the scope of work clearly defined?
- Are water rights in hand? If not, what is the timeline for securing water rights?
- Is preliminary engineering complete?
- Have project permits been obtained or are they in process?
- Is land acquisition part of the project? If so, have rights of way and easements been secured?
- Is the project located near or on a known archaeological site or environmentally sensitive area?

7B. Preconstruction Loans

Preconstruction loans are limited to water systems serving 10,000 and fewer people that do not have up-front capital funds to pay for preconstruction activities (planning, engineering, and project designs) before receiving a DWSRF construction loan. In most cases, preconstruction activity costs are 15 to 20 percent of an infrastructure improvement project's total cost.

Preconstruction loans help us meet EPA's goal of using the funding within two years of award. They also help ensure water systems are "construction ready" as soon as we award a DWSRF infrastructure loan. Awarding preconstruction loans makes the DWSRF construction loan program more effective because infrastructure projects that are ready to proceed to construction move more funds through the program at a quicker pace. We currently reserve \$1.5 million each year to invest in this program.

We use the same five scoring categories used for construction loans, based on the public health risk the project will address, to rate and rank preconstruction loans, and then score each application based on the type of project(s) proposed (source, treatment, storage, distribution). This will allow Washington to fund projects with the greatest chance of scoring highly in subsequent construction loan applications.

We intend to allow entities to convert preconstruction loans into DWSRF construction loans if we award them a DWSRF construction loan. The DWSRF Program will continue to work on this process.

The DWSRF Program intends to make the following changes to the preconstruction loan starting January 1, 2018 in an effort to better facilitate execution of DWSRF construction loans:

- Preconstruction loans will be available for 1) not-for-profit community water systems, public utility districts, and satellite management agencies (regardless of population); and 2) nonprofit noncommunity water systems serving fewer than 10,000 people.

- Preconstruction loans will be available year-round until \$1.5 million is obligated for these loans. We will process applications and award funds in the order received.
- For the DWSRF construction loan cycle, we will offer a preconstruction loan to applicants that rank high enough for funding but aren't ready to proceed. We will fund the construction loan application and project during the following year's construction loan cycle if we believe they are ready to proceed.

Appendix D contains a list of preconstruction loan applicants and recipients. Future DWSRF construction loan funding cycles will grant bonus points to entities that received a preconstruction loan.

7C. Emergency Loan Program

The DWSRF Program guidelines allow states to use funds for emergency recovery activities according to established emergency funding procedures. The emergency rule became final on April 1, 2016.

Our primary goal is to respond to and assist public water systems in recovering from public health threats. The emergency loan program ensures we are ready and able to award loans to water systems experiencing an emergency, so they can restore water service as quickly as possible. The emergency loan program will help water systems that lose critical drinking water services or facilities during an emergency and demonstrate substantial financial need according to DWSRF criteria.

For purposes of this program, emergency refers to an event like a natural disaster that damages or disrupts normal public water system operations and requires immediate action to protect public health and safety. A failure to maintain, replace, reconstruct, upgrade, or make necessary infrastructure improvement does not constitute an emergency.

When we determine an emergency exists and emergency funding is available, we may award an emergency loan to an eligible public water system. These funds will be available for construction, reconstruction, replacement, rehabilitation, temporary repair, or improvement necessary to continue or restore operation of a public water system that is in violation of health and safety standards due to an emergency as defined above. To date, we have not executed an emergency loan; but we want to continue to make this loan available if needed during an emergency.

Availability of Emergency funds

Emergency awards will be available to eligible communities for projects that achieve the greatest mitigation of health risk. During the period of this IUP, Washington intends to make \$1.7 million available to water systems. Up to 75 percent subsidy will be available to water systems. We will base subsidy on actual median household income (MHI), proposed loan amount, annual expenses including operation and maintenance, existing debt and revenues, and total connections.

Emergency Fund Application process

Applicants will submit a completed emergency application package to Health. We will post application material online.

Emergency Loan terms

The emergency program will follow all general Office of Drinking Water administrative program policies and DWSRF grant and loan guidelines. The loan terms are:

- Six-year repayment period.

- Project must be completed within two years.
- Maximum amount of \$100,000 per entity.
- 1.5 percent annual interest rate, with the ability to reduce to 1 percent based on the affordability index.
- Principal forgiveness is available based on the affordability index.

8. Federal financial accountability and Transparency Act reporting

Washington is required to identify projects used to satisfy capitalization grant reporting requirements under the Federal Financial Accountability and Transparency Act (FFATA). See Table 3. As EPA requested, we will report only on DWSRF projects in an equivalent amount of each capitalization grant.

Table 3

Federal Fiscal Year 2017 State Revolving Fund Year 21 Capitalization Grant Federal Funding Accountability and Transparency Act Reporting List				
Total Federal Capitalization Grants				\$18,553,000
Projects and set-asides used for FFATA reporting				\$12,801,570
Loan #	Recipient	Project	Award	FFATA Reporting Amount
2016-026	Snohomish County PUD No. 1	Warm Beach Water Association Consolidation	\$3,532,862	\$3,532,862
2016-025	King County Water District No. 90	West Lake Kathleen Water Main Project	\$2,181,500	\$2,181,500
2016-023	City of Olympia	Elliott Reservoir Seismic Upgrades	\$1,500,000	\$1,500,000
2016-024	City of Olympia	Fir Street Reservoirs No. 1 & No 2 Seismic Upgrades	\$1,500,000	\$1,500,000
2016-038	Spokane County Water District No. 3	WSA 1-2 Intertie	\$3,675,573	\$3,675,573
2016-046	Skagit County PUD No 1	Mountain View Estates Consolidation Project	\$1,224,221	\$359,820
Total Projects to Report			\$13,665,971	\$12,801,570
Set Asides Reserved				\$5,751,430

Set Aside Projects - Draft FFATA List				
Contract #	Contractor Name	Description	Set aside	Amount
TBD	TBD	Provides assistance to local governments and municipal water systems (counties, cities, incorporated towns, and special purpose districts) to carry out source water protection projects to better protect high priority Group A sources.	5 of 15%	\$300,000
TBD	Preconstruction Grants - TBD Multiple recipients	Provide small water systems an opportunity to work through steps necessary to enter the project construction phases sooner.	10 of 15%	\$150,000
TBD	Consolidation Grants - TBD Multiple recipients	Develop feasibility studies, complete planning and/or engineering documents, or defray the administrative costs directly associated with transfer of ownership and/or connection fees	10 of 15%	\$150,000
		FFATA Set Asides Total		\$600,000

9. Year 21 Construction Loan Process and List

Bypass Process

We reserve the right to fund lower priority projects if higher priority projects are not ready or willing to proceed. In such instances, the state will comply with established bypass procedures. We may add projects to the List of Fundable Projects due to emergencies, such as an unanticipated system failure or a project needed to prevent an imminent health threat.

We *bypass*, or do not recommend funding for, applicants unable to demonstrate ability to repay the loan, applicants with insufficient loan security, or projects that are not ready to proceed. We did not bypass any applicants this year.

We offer technical assistance to help bypassed applicants meet the program requirements so they can reapply in a future funding cycle, or provide information about other funding opportunities.

Amending the Project Priority List

We coordinate closely with loan applicants that make the project priority list. Some entities decline the loan due to factors, such as securing more favorable funding. In the past, if an approved project withdrew from the list, we moved the highest-ranking unfunded project to the project priority list. We elected not to use this award model this year in an effort to reserve more funds for next year's construction loan cycle. To date, two entities declined their loan offer. See Appendix C.

Loan fees

Like many other states, Washington charges a nonrefundable 1 percent fee and we incorporate the 1 percent loan fee into the total loan request. For example, we assess a loan fee of \$5,000 on a loan request for \$500,000—bringing the total loan to \$505,000. Washington State retains the loan fee when the borrower makes the first loan draw. We structured our loan fee payment this way to have minimal impact on the size of annual loan payments. The loan fee is waived for subsidy recipients.

Washington deposits loan fees into a sub-account within the DWSRF dedicated account. On February 28, 2017, the cash balance of the loan fee account (Fund 05R) was \$5,342,747. By statute, interest or other investment income accrued in this account remains in this account. We may withdraw funds from this account only to reimburse state loan program administration. However, if the state determines that the balance of the loan fee account exceeds short- and long-term program administration needs, we may transfer a portion of the funds to the project loan account to be used for project loans.

Affordability Index

The Affordability Index is based on actual median household income (MHI), proposed loan amount, annual expenses including operation and maintenance, existing debt and revenues, and total connections.

Table 4
Loan terms for 2016 project loan applications

Income Level of Households	Interest Rate & Subsidy	Loan Fee¹	Loan Repayment Period
Water system is not economically disadvantaged	1.5% fixed	1% at loan execution	20 years or life of the project, whichever is less
Projects with basic interest rate of 1.5% that are completed within 24 months of contract execution	1% fixed at project closeout	1% at loan execution	20 years or life of the project, whichever is less
Water system with Affordability Index of 1.5 and 2.0%	1% interest on loan	1% at loan execution	20 years or life of the project, whichever is less
Water system with Affordability Index between 2.01 to 3.5% or debt service coverage of 1.20 or less.	30% principal forgiveness & 1% interest on loan	N/A	24 years or life of the project, whichever is less
Water system with an Affordability Index of 3.51 or higher	50% principal forgiveness & 1% interest on loan	N/A	24 years or life of the project, whichever is less
Eligible restructuring or consolidation projects proposed by municipal Group A water systems. Projects must result in a change in ownership	50% principal forgiveness & 1% interest on loan		24 years or life of the project, whichever is less
Maximum Award²			
The maximum of \$3,000,000 can be awarded to each water system or entity applying this loan cycle. ² Multiple owners of one project (shared facilities) or satellite management agencies that are restructuring (combining) systems may combine loan limits up to a maximum of \$6,000,000.			
Local Match Requirement			
No local match is required.			

Restructuring and Consolidation Projects

Small water systems often face technical, managerial, and financial challenges. Many small water systems struggle to meet minimum state and federal requirements for providing safe and reliable drinking water for a variety of reasons.

Municipal Group A water systems are eligible for DWSRF funding for restructuring and consolidation projects that involve a change of ownership. Restructuring and consolidation projects acquire other noncompliant, failing, or struggling public water systems that have water quality problems or deteriorated infrastructure. Applicants also must demonstrate a history of sound drinking water utility management and meet the following criteria:

- Own at least one Group A public water system.

¹ The state retains the loan fee when the system makes the first loan draw. Loan fees are nonrefundable. Systems receiving subsidies are not required to pay the loan fee.

² The maximum limit does not include the loan fee. For a project budgeted at \$3 million, the applicant can apply for a \$3,030,000 loan—\$3 million for the project plus the \$30,000 loan fee.

- Have a minimum of five years of experience as a Group A water system.
- Have an approved water system plan for the applicant system or be an approved satellite management agency.
- Have had no state or federal civil penalties in the past five years.
- Have received no unilateral enforcement orders from EPA or Health in the past five years.
- Have not had a system's operator license suspended or revoked in the past five years.
- Are current with our fee payment schedule.

We may consider other eligibility criteria on a case-by-case basis, including operating permit history, prior contract performance, and history of audit findings.

We use a portion of our infrastructure loan program to provide low-interest subsidized loans to help publicly owned water utilities acquire and rehabilitate troubled water systems. These loans fund activities such as:

- Repair or replacement of existing infrastructure, such as distribution piping, storage, backflow devices, or service meters.
- Construction of new water mains and connections necessary to acquire a small system.
- Installation of treatment, disinfection, or filtration.
- Developing a new water source or source rehabilitation.

Environmental and Cultural Review Process

All funded construction loan projects undergo environmental and cultural reviews.

The DWSRF Program is modifying the State Environmental Review Process to better serve loan recipients and stakeholders. DWSRF construction loan recipients have been required to publish the final environmental review determination in the legal section of the local newspaper for a 30-day public comment period. The DWSRF Program is modifying this process to better align with the State Environmental Policy Act (SEPA) process the Department of Ecology administers. The revised process will require SEPA checklists associated with DWSRF projects to be on the Department of Ecology SEPA website for public review and comment for 14 days. SEPA-exempt projects will continue to be required to perform public notification concurrent with the cultural review public notification. DWSRF construction loan recipients will still be required to perform public notification for all cultural reviews.

Prioritized Project List

See Appendix B for Washington's final Prioritized Project List for Year 21 of the DWSRF loan program. The list includes 20 eligible projects totaling \$33.5 million.

It may take additional months for funded applicants to address all loan requirements before each applicant signs its contract. Applicants will be contractually required to issue notice-to-proceed for construction with 18 months of contract execution and have 48 months following contract execution to complete their projects.

See Appendix C for loan applications not funded due to ineligibility, that withdrew their application, or declined the loan offer.

10. Public participation

To advertise the availability of the 2016 fall Draft DWSRF Funding List and the date and time of the public hearings, we placed legal notices in *The Olympian*, *The Seattle Times*, *Yakima Herald-Republic*, and *The Spokesman-Review* newspapers on May 12, 2017.

We published the availability of the IUP for public comment on May 12, 2017. A public hearing was held on June 12, 2017, in Room 225, TC3, 243 Israel Road, Tumwater, Washington. We did not receive any written or verbal public comments throughout the comment period or at the public hearing.

The IUP is online at <http://www.doh.wa.gov/Portals/1/Documents/pubs/331-534.pdf>

11. Assurances and Certifications

1. The state has authority to establish a fund and operate the DWSRF Program according to the SDWA.

State Law

In 1995 the “drinking water assistance account” was created in the state treasury to allow the state to accept federal funds available for safe drinking water (RCW 70.119A.170). In 1997, this statute was refined to conform to the amended SDWA.

Health, the Board, and Commerce are authorized to establish the framework for DWSRF program administration and manage the program in Washington (RCW 70.119A.170).

Memorandum of Understanding (MOU)

An MOU is in place to address recent legislation that will transfer all Department of Commerce functions to Department of Health by July 1, 2018. A copy of the MOU is available on request.

DWSRF fund structure

The Legislature established a separate drinking water assistance account in the state treasury dedicated solely to using federal funds for the DWSRF. Health is authorized to establish sub-accounts as necessary.

Health will use this drinking water assistance account solely for the DWSRF and account for all funds in the sub-accounts separately, including capitalization grants, state match, loan repayment, and interest.

2. The state will comply with state statutes and regulations.

In addition to requirements in the SDWA, the state agrees to comply with all state statutes and regulations applicable to DWSRF funds, including the federal capitalization grant funds, the state match, interest earnings, repayments, and funds used for set-aside activities.

3. The state has the technical capability to operate the program.

Health will continue to employ program staff qualified to administer the DWSRF. Health staff includes a program manager experienced in water system design, operation, and regulation for the capital projects part of the program and a program manager with fiscal and contracting experience for the set-asides. The rest of the staff provide technical support

(engineers, planners, or environmental specialists), and clerical or agency administrative support.

4. The state will accept capitalization grant funds according to a payment schedule.

The state agrees to accept grant payments according to payment schedules included with each grant application or grant amendment package. Each grant will include a separate payment schedule covering all funds used over the life of the grant. Staff will review and update these payment schedules at least annually. The state will receive federal funds according to EPA guidelines.

5. The state will deposit all capitalization grant funds into the project fund or set-aside account.

The state will deposit the capitalization grant into the project fund or the set-aside account, and maintain identifiable and separate accounts for all parts of the capitalization grant (RCW 70.119A.170).

6. The state will provide at least a 20 percent match of the capitalization grant.

The state will provide this match directly from the Public Works Assistance Account. Washington uses the grant-specific cash draw proportionality option of 20-percent-state to 80-percent-federal spending.

7. The state will deposit net bond proceeds, interest, and repayments into the project fund.

The state will deposit all interest, dividends, earnings, repayments, and other proceeds into the project fund. The state does not currently sell bonds to support the DWSRF Program.

8. The state will use Generally Accepted Accounting Principles.

The state agrees to use Generally Accepted Government Accounting Standards for the DWSRF Program. The state's accounting and auditing procedures conform to the most current *Governmental Accounting and Financial Reporting Standards*, Governmental Accounting Standards Board, and the *Government Auditing Standards*, Government Accountability Office.

The fiscal management of the DWSRF Program will properly measure:

- (1) Revenues the DWSRF Program earns and other receipts, including, but not limited to, loan repayments, capitalization grants, interest, and state match deposits.
- (2) Expenses the DWSRF Program incurred, including, but not limited to, loan disbursements and other expenditures.
- (3) Assets, liabilities, and capital contributions made to the DWSRF Program.
- (4) The maintenance of federal and state capital contributions to the DWSRF Program.
- (5) DWSRF performance on short- and long-term goals.

9. The state will have the fund and set-aside account audited annually according to Generally Accepted Government Auditing Standards.

The Washington State Auditor's office will audit the project fund and set-aside account activities the Capitalization Grant funds annually to ensure there are provisions and guidance to prevent waste, fraud, and abuse of funds. The auditor will use U.S. Comptroller General auditing standards.

10. The state will adopt policies and procedures to ensure that each borrower has a dedicated revenue source for repayments (or if it is a privately owned system, demonstrate adequate security).

The state developed policies and procedures to ensure that borrowers have a dedicated source of revenue and that privately owned systems have adequate security. We discuss them in the state project loan guidelines. See Appendix A.

11. The state will commit and expend funds as efficiently as possible, in an expeditious and timely manner.

The Intended Use Plan directs the way the state will use funds. The state will commit and spend grant and state matching funds as efficiently as possible, in an expeditious and timely manner. Within one year of the grant payment, the state will enter binding commitments with the recipients equal to the total amount of each grant payment and proportional state match.

12. The state will use the funds according to the Intended Use Plan.

The Intended Use Plan directs the way the state will use the grant. The state opened the IUP up to public review and comment, and considered each comment before developing the final IUP. All comments are in the final IUP.

13. The state will provide EPA with a Biennial Report.

Health will produce annual reports on the uses of the DWSRF funds. The reports will cover both the project fund and the set-aside account activities. The annual reports submitted to EPA meet the biennial report requirements.

14. The state will comply with all federal crosscutting authorities.

We will perform all set-aside activities according to the Civil Rights Act of 1964, section 504 of the Rehabilitation Act of 1973, and the Age Discrimination Act of 1975, and adhere to all other cross-cutters applicable to the set-aside activities.

The state developed policies and procedures to ensure that the state and all project fund loan recipients conform to applicable federal cross-cutter requirements. Required documentation will be provided for each of these requirements. To the extent necessary, cross-cutter requirements will be incorporated as conditions in the loan contracts.

15. Authorization and uses of the DWSRF Program

DWSRF fund authorization and uses are in:

- EPA Federal DWSRF Program guidelines
- Washington State statute (Chapter 218, Laws of 1997, RCW 70.119A.170, RCW 43.155.050)
- Washington State DWSRF Loan Guidelines, Application, and Rule (WAC Chapter 246-296)
- Memorandum of Understanding between Health, the Board, and Commerce.

12. Appendices

Appendix A: Washington 2016 DWSRF Program guidelines

The 2016 fall DWSRF program guidelines and application are online at

<http://www.doh.wa.gov/Portals/1/Documents/Pubs/331-196.pdf>

Appendix B: Year 21 Funded DWSRF Loan Applicants List

2016 Fall DWSRF Proposed Loan List												
\$5,000,000 Subsidy Available												
Health Application	WS ID	Water System Name	Project	County	Region	Population	Loan Amount	Client Loan Total w/1% loan fee if applicable)	Final Score	Possible Subsidy Granted (\$)	Comments	Project Description
2016-009	80915	City of Snohomish	Aldercrest Water Users Association - Water System Consolidation Project	Snohomish	NW	9,385	\$260,470	\$263,073	47	\$	AI=1.28	The City of Snohomish is applying for a 2016 SRF Construction Loan on behalf of the Aldercrest Water Users Association for the construction of the necessary water system infrastructure and payment of associated utility connection fees to become City of Snohomish water utility customers and thereby dissolve the Aldercrest Water Users Association. The project involves construction of approximately 425 LF of 8-inch ductile iron water main with associated appurtenances and water service connections.
2016-012	08200	City of Bremerton	West 580 Zone Storage Reservoir	Kitsap	SW	53,507	\$2,600,000	\$2,626,000	44	\$	AI=0.77	The City of Bremerton (City) developed the West 580 Zone (W580) in 2009. In order to reduce capital cost at the time the City entered into an Interlocal Agreement with the City of Port Orchard to connect to their water system and utilize Port Orchard’s existing storage reservoir located on Old Clifton Road. This project, in conjunction with a concurrent transmission main project, will complete the City's development of the W580 Zone with construction of a 1,000,000 gallon water storage reservoir.
2016-020	19906	Keller Lane Property Owners Association (KLPOA)	Water Quality Improvements Project	Lincoln	EA	38	\$777,000		121	\$388,500	AI=4.31	The water system exceeds the MCL for nitrates. KLPOA received a Notice of Violation for Nitrate MCL and is working under a Bilateral Compliance Agreement to return to compliance. The project includes developing a new well and installing necessary treatment.
2016-021	43296	Public Utility District No. 1 of Clallam County	Deer Park Road Pumping Project--Phase 2	Clallam	SW	8,500	\$643,500	\$649,935	58	\$	AI=1.41	This project directly relates to a Bilateral Compliance Agreement with the Department of Health. The water system currently serves 1500 connections in an area east of the City of Port Angeles. The primary source of water to the upper water system is Morse Creek that is unavailable under low-flow conditions during summer months. A backup water supply is needed during low-flow periods. In 2015, two new wells were constructed to provide a more reliable groundwater source in the lower system. The wells and associated improvements were funded by three DWSRF loans (2010, 2011 and 2012). The funding for this project will allow construction of booster pump stations on Deer Park Road to convey water from the new wells to the upper zone.
2016-023	63450	City of Olympia	Elliott Reservoir Seismic Upgrades	Thurston	SW	59,550	\$1,500,000	\$1,515,000	56	\$	AI=0.57	Project to include seismic upgrades to the existing 2.0 MG Elliott Reservoir located at the NW corner of Elliott Avenue and Cooper Crest NW, in the City of Olympia’s 298 Pressure Zone. Improvements may include, depending on structural analysis and final design: Adding columns under the roof slab to reduce unsupported spans, and adding drilled-in dowel bars between the roof slab and wall to transfer all lateral loads of the roof slab into the wall.
2016-024	63450	City of Olympia	Fir Street Reservoirs No. 1 & No. 2 Seismic Upgrades	Thurston	SW	59,550	\$1,500,000	\$1,515,000	56	\$	AI=0.57	Project to include seismic upgrades to the existing 2.5 MG Fir Street Reservoirs No. 1 and No. 2, located at the NW corner of Fir Street and 7th Avenue in the City of Olympia’s in the 226 Pressure Zone. Improvements may include, depending on structural analysis and final design: <ul style="list-style-type: none">Adding new seismic cables and roof chord reinforcing steel in perimeter walls on all four sides of each reservoir.A collar will be added at the top of each column to repair cracking and spalling of concrete and eliminate bearing induced cracking.
2016-025	41150	King County Water District No. 90	West Lake Kathleen Water Main Improvement Project	King	NW	19,100	\$2,181,500	\$2,203,315	58	\$	AI=0.66	Completion of this project will provide a significant increase in reliability to the north 744 Zone, increase water main pressure to meet the DOH standard and will add operational flexibility (redundancy) to this area. This project will add approximately 2,870’ of 12” DI main in order to provide looping to the north end of the 744 zone (along 128th St), which currently only has one main to feed the zone. The looping on this project is necessary to increase reliability and operational redundancy. This

												project also replaces 450’ of 6” AC pipe and 390’ of 8” steel pipe that is restricting the flow. In addition, this project will replace approximately 4,900’ of 4”, 6” & 8” leaking steel main with 8” DI pipe along with the replacement of existing fire hydrants, approximately 70 services (eight that will be moved to the higher pressure zone to meet DOH pressure requirements) meters, and appurtenances.
2016-026	23111	Snohomish County PUD No. 1	Warm Beach Water Association Consolidation	SNOHOMIS H	NW	918	\$3,532,862		65	\$1,766,431	AI=3.23	Consolidate and add resiliency to the Warm Beach Water Association system by connecting with Sno PUD 1 - Kayak water system, improving treatment and SCADA, replacing a well pump, extending approx. 2,450 LF of 8" and 12" pipe, replacing approx. 12,050 LF 6" AC with 8" and 12" pipe, installing a pressure reducing station, abandoning unused tanks and pump station, replacing 10 hydrants and all service meters, and paying off WBWA's existing debt.
2016-029	14050	City of College Place	Christ Community Fellowship Water System Consolidation	WALLA WALLA	EA	7,818	\$3,000,000		124	\$1,500,000	AI=1.28	The City will construct a new well and water main (4,500 feet of 12-inch main) to connect Christ Community Fellowship (CCF) to its water system. The CCF well has experienced increased nitrate concentration levels in recent years, with the most recent eight samples since October 2013 ranging between 12.3 and 16.3 mg/L. The water system has issued notices regarding the elevated nitrate levels to warn water users that the water shall not be consumed, and has removed drinking water fountains from the building. Once the proposed improvements are completed, a reliable supply of high-quality water will be provided to the CCF property by City of College Place.
2016-030	00333	Grays Harbor County	Reservoir and Booster Station Upgrades	GRAYS HARBOR	SW	813	\$1,320,000	\$1,333,200	58	\$	AI=1.04	The project will replace an existing below grade concrete reservoir with an above ground concrete storage tank with a capacity of 99,200 gallons. This will eliminate the threat of contamination of the below grade reservoir from surface activity and subsurface piping at the wastewater treatment plant site. The project also includes treatment for removal of iron and manganese that accumulates as sediment and iron bacteria on the wall of distribution pipes. A new booster pump station is proposed that will reduce the accumulation of air within the distribution system. This project will upgrade the disinfection system to provide more consistent application of sodium hypochlorite and provide redundant control to protect against overfeed.
2016-032	14600	City of Connell	Well No. 6	FRANKLIN	EA	5,150	\$1,282,300	\$1,295,123	117	\$	AI=0.82	One of the City’s main wells exceeds the nitrate MCL. This project will include drilling and equipping of a new well to replace the high-nitrate well.
2016-035	02938	Public Utility District No 1 of Thurston County	Cedar Ridge Estates Manganese Reduction Treatment	THURSTON	SW	186	\$232,900	\$232,900	65	\$116,450	AI=1.09	This project is for the installation of new treatment to reduce the high manganese levels in the raw water. Reducing the manganese levels, that are three time over the MCL, that are clogging meters, service lines and fixtures, causing low pressure in homes. Thurston PUD recently assumed ownership of Cedar Ridge.
2016-038	93350	Spokane County Water District No. 3	WSA 1 - 2 Intertie	SPOKANE	EA	5,540	\$3,675,573	\$3,712,329	47	\$	AI=0.58	This project includes construction of a new water main to connect and consolidate SCWD#3's two largest water systems: Water Service Area 1 (WSA 1) and Water Service Area 2 (WSA 2). These two water service areas serve an estimated 5,600 connections or over 17,000 people. This physical connection between the systems eliminates the storage deficit in WSA 1 because WSA 2 has available storage capacity that can be shared with WSA 1.
2016-039	12300	City of Chelan	Apple Acres and Airport Consolidation	CHELAN	EA	7,380	\$3,000,000	\$3,000,000	56	\$800,000	AI=0.93	Install approximately 13,750 feet of 18-inch water main from a City water connection to consolidate both Apple Acres and the Chelan Airport water systems. Both the Apple Acres and the Airport water systems would cease to exist as separate entities. The Apple Acres water system has had four instances of total coliform or e coli positive tests over the last two years. The system operator is remote from the site and is not able to adequately monitor the system. Replacement of the existing supply, including three active sources (groundwater wells) and a reservoir, with a pipeline providing City water, will eliminate these problems.

2016-040	59700	Nob Hill Water Association	Minnesota Reservoir Replacement	YAKIMA	EA	29,624	\$3,000,000	\$3,030,000	44	\$	AI=0.66	Nob Hill Water Association's (NHW) 2015 Water System Plan identified the need to replace the two existing Minnesota Reservoirs with a single reservoir on the same site with a larger storage volume. The existing reservoirs were constructed with an overflow elevation 6 feet lower than the other reservoirs located in the same pressure zone (identified as NHW's Low Zone), resulting in approximately 500,000 gallons of storage being unusable. Completion of this project will ensure that the Low Zone has a sufficient storage volume to meet DOH's minimum storage recommendations and provide Low Zone customers an adequate stored volume of water.
2016-043	88300	City of Tieton	Well No. 3	YAKIMA	EA	1,254	\$141,000	\$142,410	53	\$	AI=1.47	The City's Well Source No. 3 is in need of improvements to maintain reliable production of drinking water for 1,253 people in the City of Tieton service area. Currently the City does not have emergency power at either of its well sites. The scope of improvements proposed includes a new engine generator and transfer switch and associated electrical and control improvements.
2016-044	68045	Plymouth Water District	Drilling & Equipping Well No. 1	BENTON	EA	222	\$1,398,000		116	\$419,400	AI=3.41	The drilling and equipping of Well No. 1 for the Plymouth Water District will help mitigate the nitrate issues the water district is currently facing. The existing well has nitrates over the MCL at 10 mg/l.
2016-045	08236	Holiday Hideaway Association	Aeration Tank 2 (AT2) and Booster Pumps	SKAGIT	NW	140	\$387,500	\$391,375	58	\$	AI=0.92	Installation of new 59,200 gallon capacity concrete reservoir and booster pump station to increase storage capacity and enhance water quality. Increased storage is designed to protect against sea water intrusion; to regulate withdrawal rates from wells 2,4 and 5; and to satisfy water right permits conditions. Treatment is designed to reduce iron and manganese concentrations.
2016-046	79500	Skagit County PUD No. 1	Mountain View Estates Consolidation/Restructuring Project	SKAGIT	NW	65,118	\$1,212,100	\$1,224,221	45	\$	AI=0.85	Design and build approximately 1 mile of 12 inch diameter potable water main, the construction of a pump station and the installation of electrical service to the pump station. The public health concern with this project is that the existing system infrastructure is old and failing and the infrastructure is not easily accessible to maintain.
2016-050	88850	City of Toppenish	Well No. 5 Rehabilitation	YAKIMA COUNTY	EA	8,950	\$1,375,236	\$1,388,988	44	\$	AI=1.33	The City's Well No. 5 is in need of substantial improvements to increase system reliability and safe production of drinking water for 8,949 people in the City of Toppenish service area. This source well is located in the City Limits at Olney Park. At a current capacity of 1,200 GPM, Well No. 5 is one of the City's largest sources of supply, and a loss of this production capacity would have a serious impact the City's ability to satisfy peak demands. The proposed improvements will provide separate rooms for the well and piping, chlorine equipment, fluoridation equipment, generator, and electrical gear. All areas will be properly ventilated, safety and reliability will be improved, and the risk of well contamination will be reduced.
TOTALS							\$33,314,941	\$33,528,682		\$4,990,780		

Appendix C: Year 21 Ineligible, Unfunded or Withdrawn DWSRF Loan Applicants

Health Application	WS ID	Water System Name	Project	County	Region	Population	Request	Comments
2016-008	91850	Kitsap Public Utility District # 1	Viewside Community Improvements and Consolidation	Kitsap	SW	155	\$1,227,725	Loan awarded, applicant declined.
2016-011	14000	City of Colfax	Water Capacity Improvements & Riverside Main Replacement Project	Whitman	EA	2,841	\$867,189	Applicant withdrew before projects were ranked and scored.
2016-014	81500	City of South Bend	Fliess Creek Source Activation Project	Pacific	SW	1,630	\$1,388,750	Fell below funding line after scoring and ranking.
2016-016	08200	City of Bremerton	West 580 Zone Transmission Main	Kitsap	SW	53,507	\$2,020,000	Fell below funding line after scoring and ranking.
2016-017	83100	City of Spokane	Indian Trail In-Line Booster	Spokane	EA	227,509	\$1,335,050	Ineligible- No current approved water system plan.
2016-018	83100	City of Spokane	Five Mile Twin Booster	Spokane	EA	227,509	\$2,686,175	Ineligible-No current approved water system plan.
2016-022	77620	City of Sequim	W. Fir Street Water Improvements	Clallam	SW	5,409	\$830,129	Fell below funding line after scoring and ranking.
2016-027	23111	Snohomish County PUD No. 1	McKee’s Beach Consolidation	Snohomish	NW	918	\$2,467,138	Loan awarded, applicant declined.
2016-033	18250	City of Dayton	2017 Priority 1 Water Main Improvements	Columbia	EA	2,740	\$694,001	Fell below funding line after scoring and ranking.
2016-034	14600	City of Connell	South Side Water Mains	Franklin	EA	5,150	\$1,376,933	Fell below funding line after scoring and ranking.
2016-036	47128	Christ Community Fellowship	Nitrate Treatment	Walla Walla	EA	0	\$118,000	Duplication of College Place funding request.
2016-041	06900	City of Bingen	Water System Improvements	Klickitat	EA	735	\$1,234,220	Fell below funding line after scoring and ranking.
2016-042	72250	City of Richland	Lorayne J Water System Consolidation	Benton	EA	53,080	\$1,663,300	Ineligible-Did not identify the project in their water system plan.
2016-047	50700	Manchester Water District	Harper Estuary Restoration Water Main Relocation Project	Kitsap	SW	8,148	\$247,433	Ineligible-No current approved water system plan.
2016-049	88850	City of Toppenish	2017 Water Main Improvements	Yakima	EA	8,950	\$1,103,509	Fell below funding line after scoring and ranking.
Total							\$19,259,552	

Appendix D: Preconstruction Loans

Health Application	WS ID	Water System Name	Project	County	Region	Population	Loan Amount	Status
2016-002	35600	Town of Index	Town of Index standby Chlorination	Snohomish	SW	350	\$29,990	Funded
2016-003	63050	Town of Odessa	Water System Improvement and Metering Project	Lincoln	EA	905	\$52,414	Funded
2016-004	81500	City of South Bend	Fliess Creek Source Activation Project	Pacific	SW	1630	\$270,300	City declined loan
2016-005	63200	City of Okanogan	Water System Consolidation Feasibility Study/Water System Plan Amendment	Okanogan	EA	2539	\$20,402	City declined loan
2016-006	62700	Town of Oakesdale	Small Water System Management Plan (SWSMP)	Whitman	EA	420	\$25,500	Funded
2016-007	12750	City of Chewelah	New Well, Pump Station, Transmission Main, & Booster Station	Stevens	EA	2170	\$244,800	Funded
Total of Executed Preconstruction Loan Contracts							\$352,704	

