Financial Assistance Council
May 4, 2005

In Attendance: Jeff Nejedly, Kimberly Ott (standing in for Sandy Boughton), Nancy Aldrich, Cindy Price, Brian Howard, Cheryl Witt, Dave Peeler, Ron Shavlik, Frank Boyle, Chris Castner, Dan Steinborn, Dave Campbell, Selden Hall, John Dorhmann, Ed Thorpe, Dan Filip, Mark Curtis, Kimberly Wagar, Steve Carley, Kathy Markos

Note: See Financial Assistance Council's Website for agenda and all handouts referenced in text at:
http://www.ecy.wa.gov/programs/wq/council/index.html

1. Meeting Agenda Overview and Introductions – Jeff Nejedly/Steve Carley
   - Introductions Around the Table
   - New Members Needed – Replacements for Harlan Elsasser and the Kitsap CD Representative

2. The 2005 Legislative Session and Its Impacts on the Program – Dave Peeler
   - Most of the Session spent fending off unbeneficial bills that would affect the WQ Account
     i. This was successful for the most part
   - HB1581 – Reclaimed Water Issues
     i. Allowed private entities to become involved in this process
   - Hood Canal was declared to be an aquatic rehabilitation zone
     i. HB2081 – says that all the land that drains into it is in the zone
     ii. HB2901 – management program Hood Canal Coordinating Council and the Action Team will work together to rehabilitate the Hood Canal, with various responsibilities to each group
   - AFOs and CAFOs – Giving the Department of Agriculture authority to have a Nutrient Waste Program
   - Cheryl Witt, Conservation Commission – Received distributions to deal with Conservation Districts and therefore land owners regarding these issues
   - Lifestyle Committee Group is trying to determine how to make this distribution from this biennium ($2.5 mil. for the land owners)
   - Algae control issues and lake control entities are alive and well and working hard to request appropriated funds for lake issues and protection of those waters (i.e., Long Lake, Wapato Lake)
   - Pressure for a set-aside within the Centennial Fund for lakes, so the funding of the above lakes was a compromise, as there is really not enough money to fund all of these programs
   - All the bills that are "dead" are not actually "gone", because we work on a biennial system – they will go back to the house of origin in the Legislature and may be reconsidered again in next year's Legislative session.
   - We as an agency are not asking for any vetoes of any of the bills that passed

3. Overview of 2005-07 Biennial Capital Budget – Kim Wagar, Water Quality Capital Budget Analyst
   - Not as much Centennial money as we'd hoped for
   - For new Centennial grant money, we have $38 million total appropriation
     i. Refer to handout from Kim for details of breakdown of funds (at Council's Website)
   - Question from Ed Thorpe regarding provisos
     i. What does this mean for Ecology as far as decision-making?
     ii. What is the Legislature saying regarding provisos?
     iii. Does this prevent these entities from re-applying and obtaining additional funds
       - Steve discussed how this has happened in the past, scenario of entities coming back to request more funds as needed (through the regular application process)
       - Ed suggested and Steve concurs that they should go through the legislative lobbying process to request more funds if they find themselves with further need
       - Considerations:
         a. Sometimes the community/entity initiates the request for a proviso
         b. Sometimes it is a government/Governor-initiated request for a particular need
   - The loss of $5 million in revenue has been the most painful part of the cut
     i. We did make a serious attempt to inform the Legislature and staff regarding funding, etc.
     ii. Efforts to provide information up front were made to inform Legislature of the impact of any cuts
     iii. Cuts made affected potential projects statewide, not just in one Region

- Second Handout – Water Quality Account History of Appropriations
  i. Can see the history of amounts we have received in recent biennia
  ii. Questions are being raised about the types of projects we're being asked to fund, type of monies appropriated (project vs. fund source/eligibility)
  iii. The provisos do direct us to spend from certain fund sources

4. FY 2006 Funding Cycle Update, Schedule, and Draft Priority List – Jeff Nejedly
   - Budget Impacts on the Draft Offer and Applicant List
     i. See Jeff's handouts for details and specifics regarding budget impacts and changes to the Draft Offer and Applicant List versus what was listed in the Draft Priority List
   - Estimated May 18th Issue Date for Draft Offer and Applicant List
     i. 30-day Public Comment Period starts that same date for applicant comments/questions
     ii. Public Meetings to be held on both sides of the state – May 31st, Spokane - June 1st, Tacoma
       - Talk about the List, and go over process of List development
       - Go over legislative process
       - Review Municipal Phase II Stormwater Grants Program appropriations that were provided ($3 million, with $300,000 direct proviso for Mason Co.) and process we are going through in order to develop a grant program to help communities develop capacities to complete needed projects
       - All projects that had to be cut because of the $5 million appropriation cut had rated fairly well (over 700 out of 900 points) and addressed TMDL issues, which are a priority, so the cuts will be difficult for applicants as well as Water Quality Program needs
   - Important to emphasize the need for advertising the benefits of these projects that occur throughout the state
     iii. What are the benefits?
     iv. What are the successes?
     v. What is being done out in the field as far as Water Quality Improvements?
- Question from Dave Campbell of the City of Chehalis regarding the outcome of the Draft List Public Meeting
  - Is there a difference made?
  - Does it change the amount of funding offered to communities, etc?
  - Minor errors and omissions are corrected and reported and discussion is opened up for comment
  - Steve: This is probably the most significant alteration of the List that has been done in recent history. Anticipating that this time there may be those who request comments on their application/evaluation, as this has not been requested often before, but entities do have this right to request
  - It may be difficult for entities/applicants to accept that they were cut by the Leg. based on the Preliminary Draft Priority List
  - The fact that we shared the information with the public in the Priority List may make this more of interest this particular year
  - Is it beneficial to put the proposed Governor's Budget on the List or to use the proposed numbers?
    i. Would it make more sense to just list a simple priority list with no particular numbers or cut-off (based on the Governor's budget) and not list the budget numbers, projections, etc.?
    ii. Even though it was indicated that this was not a FINAL list, but just a PROJECTION, so people were not advised to count on this money for their projects
    iii. Hopefully Legislature would see the impacts
    iv. Hopefully local communities and government would take initiative to approach State Government regarding the particular needs for the monies
    v. Encourage a different kind of coalition to approach Legislature, hopefully helping to shape a more successful outcome than what we've been able to affect up to this time
    vi. The right people to make contact with would be those from your jurisdiction or district OR those on the budget/appropriations committees OR those with influence
      - i.e., Mark Curtis and the Conservation Districts (6) in their area meet with Legislators from their District and communicate to them the particular grant monies for which they've applied and how important it was to communicate with the applicants, etc.
      - Frank Boyle says they do this in Liberty Lake as well – "squeaky wheel" belief
      - Message we should be sending overall is to "Fund water quality on the whole"
      - The provisos do have an impact on projects that were competed for – Leg. should understand that the maximum benefit is being compromised when the regular process (which is aimed at getting the most for your money) is circumvented

- John Dorhmann, PSAT: make it clear how preliminary this money is until a final state budget is passed…. Because up until that point, it's not an actuality; it's tentative (based on previous Gov's budget, new Gov's budget, political process, Senate budget, House budget, bills, vetoes, etc. – even till the midnight hour, when things can change. It was hard to predict this, so we did not have an opportunity to "rally the troops". i.e., the $5 million redirection is something that we didn't see coming, so we did not have time to deal with it, and counteract the impact.
- This time around, it's been a more surprising, last-minute cut
- In the future, it would be best to make our voices heard all throughout the Session
- It's better to be proactive instead of waiting for something "bad" to happen
- This year it looked as though the funding would be there for what we requested, but then the cuts happened at the last minute, and they felt freer perhaps to make cuts in our funds because they had not heard much from us (thought we were safe)

5. FY 2007 Funding Cycle – Guidelines and Application – "Plain Talk" – Jeff Nejedly

- Handed out Tentative Schedule for FY07
  i. Next year is a shorter session, so the list may be available earlier in the spring
  ii. Guidelines documents have gone through "Plain Talk" team review
    - Usability analysis done
    - Future usability testing by those with grant experience is anticipated
    - Wanting to make this document more understandable and usable

6. SRF Interest Rate Study Update – Request FAC Task Force – Brian Howard/Cindy Price

- Meeting with Consultant, Alan Dashen, tomorrow morning to discuss perpetuity of the fund issues
  i. Scope of work available now (handed out)
  ii. This is the fifth year we've had a fire sale on interest rates
  iii. We need to do something to bring this back up
  iv. Objective: How to define the word "perpetuity" as it relates to SRF? (Congress never did)
    - Based on the fiscal growth factor or the consumer price index?
    - Also, a third one is the construction cost estimate index
      a. The indexes (3) available all mean something different
      b. Consumer price index is the one we've used in the past
      c. Fiscal growth factor derived from percentage of population growth, not consistent with the consumer price index
  v. Going to ask Alan to plug the numbers in for all three and see what they find out
  vi. After determining which index will be used, Cindy will work with Chris Castner of the EPA-SRF to develop a model
  vii. Public Works Trust Fund (PWTF) is hard to compete with, as their interest rates are substantially lower… we need to keep the fund competitive while also keeping the SRF strong
  viii. By rule, five years ago, (in calendar year 2000), we established what the rates should be, but there was an exception allowed for cases such as this, if in fact the fund was robust we could do what we wanted, so at that time (given the then present economy and competition for loans rates of other government agencies) we substantially lowered interest rates
  ix. This cannot continue forever, as the buying power of the fund is being compromised/decreased
  x. Other factors:
    - our customers are more financially challenged
    - large volume of 0-percent loans and early repayments has been part of the challenge
    - PWTF doesn't have a consideration for hardship communities
    - Furthermore, the PWTF Board (around this time last year) rejected staff recommendations that they be allowed to issue grants to hardship communities
    - Our biggest competitor is the PWTF, who is loaning 95% of their money at 0.5% for wastewater (and projected stormwater in the future) projects
    - They have more secure funding, due to their reliable income…(annual infusion from the real estate excise tax)

- John Dorhmann – sees it as a public with a need and PWTF and WQA as funds available to allow assistance. What is our plan as a state to fund these types of activities – how can we appropriately fund from these various pots of money, so we're all just really making good public decisions.

- Rather than looking at Costco vs. Wal-Mart and their piece of the market - can we all work together?
- Is our plan to only pay for part of the need?
- Clean Watersheds Needs Survey may help us to realize what the market is over the next 20 years or so.
- Is it partitioning the market more based on the viability/standing of the applicant?
- How can we rationalize the use of the various funds and the monies used for?
- Hope after meeting with Alan Dashen is to bring a package back to the FAC
    i. The current SRF rule would be impacted, so now would be a good time to make these changes
        - This needs to be decided pretty quickly
        - Incorporate current necessary housekeeping changes at this time as well
- Preliminary report from the Contractor is expected within the next couple of weeks

Lunch Break – 12:00 to 1:00 p.m.

7. Phase II Stormwater Grant Update – FAC Task Force Recommendations – Bill Moore/Dan Filip

- Funding Provision from the Budget
    i. $3 million budget
    ii. $300,000 set-aside for Mason County
    iii. Essentially equals 2.7 million grant program
    iv. Stormwater Task Force has worked on
- 50% on Stormwater communities (about 100 communities) – base grant
- 50% allocated based upon need (greatest amt. of hardship get the funding) – need-based grant
    i. Now that it's a 2.7 mil. program, with funding scaled back, forces us to look at other assumptions
    ii. No longer seems to be practical to issue a small base grant, coupled with a need-based grant
- Financial Need Analysis based on five metrics
    i. See handout entitled "*Communities that may be considered for municipal Stormwater Phase II Grant Assistance in Fiscal Year 2006*" from Dan (printed landscape)
    ii. Second handout, entitled "*Potential Grants with Assumptions Explained and Funding Cutoff Lines with $2,700,000 Appropriated Under the 200507 Capital Budget – Passed April 22, 2005*"
    iii. This money is coming from the Toxics account (state and local)
    iv. Budget proviso solely for use for providing grants to communities to meet stormwater requirements – other than that, it's open. No restrictions or limitations.
    v. Nancy – the thought is that this money would go to communities to provide seed money to communities to help set up a utility – if they already have one, then they could use the money to come up with a stormwater plan
        - Lists various options 1-5
        - Intent was to spread the money around to the entities that could at least start a utility
        - Nancy: Intent is to offer a lower amount, maybe $40-50,000 apiece, with a 20% match, which would fund more of the entities, with the understanding that some of them may drop off of the list.
        - Some of the communities may not be able to afford a $25,000 match
        - Ideas:
            a. 100 auditable projects at $25,000 apiece
            b. How far down do you reach?
            c. A lot of the entities go together to do one rate study (smaller cities)
            d. Could pool the $ and hire one consultant to do a generic rate study and then tweak in-house to meet their needs – idea of partnering to stretch $
            e. $25,000 to $40,000 - $40,000 is a more useful amount of money
            f. Bill: Get a consensus from folks – spend $ wide and shallow or narrow & deep?
            g. Also: Should there be a match requirement?
            h. John Dorhmann – This is a federally-mandated exercise and the idea is to help some of the communities get over the hump to help them get started.
- Dave Peeler: We didn't get any administrative funds to support this program, so we want to keep these pretty simple (i.e., no-match grants only) and offering enough money to be helpful with the communities. Option 1 or somewhere in that neighborhood is good and will help about 1/3 of the cities.
- Selden Hall: From a recipient's perspective, admin. is the same no matter the size of the grant, but it would be good to have at least enough to make the grant worthwhile and not spend all of it on admin. Option 2 would be good.

- Dave Campbell: It looks like the Leg. thought that Mason county would need $150k/city for two cities, based on their $300k proviso to them
- Dan Steinborn: How about providing a larger chunk of money to a single entity to direct a grant program to cities in their area. This would help to avoid duplication of efforts by the various communities.
- Nancy: Some of these small cities don't need $100,000 to do this; some may be able to do this with $20,000
- Bill: Utility will ultimately fund activities, but for first couple of years, grant will help for project implementation
- Steve: We've encouraged partnering for wastewater efforts, but have seen problems in that arena, even though it's the right thing to do, but politically it's difficult to do – we cannot require this, but we can encourage it.
- Dave re: Bill's suggestion: Would it be good to take $100,000 off the top to set up a model community to show how this can effectively be done. Envision this allowing us to provide money to more cities. Develop a way to offer money based on geography and population and stretch the money further.
- Nancy: Eastern WA works well together; more than just the Phase II entities may take advantage of this if we develop a model program. Plus side.
- Dave: There was money set aside for the Stormwater Manual to work with a group from Eastern WA – would it be possible to work with the same group for this effort? Nancy thinks yes, because she is chairman of the group.
- Nancy: Can we decide upon this at the July meeting? Steve: When will the permits be issued? Bill: Around this time next year.
- Dave: Re: workload, we're closing out the FY05 agreements in the end of July. Then, we'll be doing the FY06 agreements (maybe prior authorizations) in July also, since the money will be available near that time.
- Suggestion: Find out who already has a plan in place (re: cities on the List) and what the costs would be to set one up. Bill Moore says we do have that information available and can provide it to the FAC.
- Steve: We need to show costs incurred toward an effort before we are able to cut the check, so some of these concepts may not be feasible. We can give the money, but there is administration that we need to consider in order to ensure government accountability. I.e., we can't just say "Here's some money", we have to show costs first. The auditor will not buy into this for us. We have to deal w/"risk-based" approach to funds management.
- Cut the grant amount for the amount of money that a community will need based on their application and Scope of Work. Need to use the appropriated money within the same biennium. Time line to identify need and amount. Do it based on Proposal.
- Consensus: Will work with Nancy, John, Don and Rick to come up with recommendations for next meeting

8. Returns on Investments on Water Quality – Responses to JLARC and EPA - Dan Filip/Mark Von Prause
   - Due to computer/technical difficulties, this presentation will not be available.

9. Review Meeting, Confirm Future Topics and Next Date, Adjourn
   - Stormwater Grant Program
   - Dan – Returns on Investments on Water Quality – Responses to JLARC and EPA
   - Discussion re: Communicating with Legislators (ready around September-ish) -
   - FY06/07 Funding Cycle Update
     i. September 1, 2005 – FY 2007 Funding Cycle Begins*
     ii. Application, Guidelines, etc. on the Internet at: www.ecy.wa.gov/programs/wq/funding/2006

Continued Discussion Topics for Future Meetings:
SRF Interest Rate Considerations
SRF Administrative Costs
AC/SA Pilot Rule Implementation
Minimum Threshold Evaluation Determination
FY06 and FY07 Funding Cycles
Stormwater Eligibilities
Water Reclamation Eligibilities
Outcome Funding Strategy Updates

2005 Scheduled FAC Meetings:
July 6, 2005 – Ecology (*ROA-32*)
November 2, 2005 – Ecology (*ROA-36*)