

Washington Department of Ecology – Water Quality Financial Assistance Council

December 3, 2012

In Attendance: Nancy Aldrich, Mindy Ballinger, Pat Brommer, David Carcia, David Dunn, Don Gatchalian, Kahle Jennings, Tom Lienesch, Ty Meyer, Shelly McMurry, Jeff Nejedly, Alice Rubin, Lynn Schneider, Darwin Smith, Daniel Thompson, Ed Thorpe, Kim Wagar,

1. Welcome and Introduction, Jeff Nejedly/Shelly McMurry

2. FMS Staff Update, [Jeff Nejedly](#)

- Shelly McMurry is the new SRF Planner (*x-Cindy Price position*)
- Daniel Thompson is the new SRF Planner (*x-Joseph Coppo position*)
- Jeff is currently reviewing applications for the unit supervisor position (*x-Jeff Nejedly position*)

3. Budget Overview, [Kim Wagar](#)

- FAC asked Kim to send versions of budgets to them as they happen.

Water Quality Financial Assistance Budget Request for 2013-15 Biennium

11/28/2012

Decision Package	Amount	Summary
State Revolving Fund Admin Charge Request	\$130,000	Cost to implement new Charge. Gap funding of \$439.5K from State Toxics Control Account
SRF Loan Budget Request	\$181.0M	\$131 million from repayments and \$50 million Cap grant
Federal Cap Grant Match	\$15.5M	Treasurer's transfer from the Public Works Assistance Account
Centennial Grant Budget Request	\$60.0M	\$10 million to Spokane EPG and \$50 million statewide water quality grants

General discussion regarding Ecology's budget submittal

4. SRF Discussion – Administrative Charge Bill, [Jeff Nejedly](#)

- The Problem:

- Ecology faces deficit in the 2013-15 biennium in the administrative fund it uses to manage the SRF.
- Ecology is currently allowed to use four percent of the federal capitalization grant to cover its costs to administer the SRF. The Clean Water Act (CWA) does not allow Ecology to use any repayment of principal and interest to administer the Revolving Fund.
- If no changes, Ecology expects deficit in SRF admin funds in SFY 2014.
- The Solution:
 - Allow Ecology to adopt a charge to pay for its costs to administer the SRF.
 - The charge would not increase the debt service (cost to borrowers).
 - To prevent additional costs to borrowers, Ecology will lower interest rates on loans and add a loan administration charge calculated at 1.0 percent.

Example: The borrower's current loan rate is 2.4%

Ecology will lower loan interest rate to:	1.4%
Ecology will add adopted admin charge:	+ <u>1.0%</u>
Keeping borrowers rate at:	<u>2.4%</u>

No increased costs to borrowers.

- The administration account will be capped at no greater than four percent of the new capital appropriations passed in the biennial budget.
- Ecology would evaluate the account each biennium, any amount not needed for administration would be returned to the SRF to finance water quality improvement projects.
- How it works:
 - To implement the admin charge Ecology will go through a rule making process with its stakeholders.
 - The admin charge would be applied to each SRF loan prior to entering repayment status and would be due Ecology with each loan repayment made by the borrower for the life of the loan.
 - The first five years the charge would be calculated at 1.0 percent.
 - Ecology will evaluate the SRF loan program's costs to adjust the rate of the admin charge for loans entering repayment in year six and beyond.
- Benefits:
 - Eighty five percent of states have authorized loan admin charges to manage their SRF.
 - Keeping Washington's SRF loan program funded/supported helps protect public and environmental health.
- Discussion:
 - Ed said last year he testified and said that FAC had discussed and no one had concerns. He wanted to know if the group was ok with him doing that again.
 - Kahle Jennings said he is willing to testify but needs talking points.
 - It is important to stress local need.

Document #1: Focus Sheet – SRF Admin Charge

Document #2. SRF Admin Charge Table B

Document #3. Talking Points – Clean Water SRF Admin Charge 2013

Document #4. SRF Admin Charge Draft

5. Funding Cycle Update-Applicant List, [Daniel Thompson](#) & [Dave Dunn](#)

- Anticipated Funds:
 - ~\$125M for SRF
 - ~\$12M for Centennial
 - \$5M committed to Spokane for Rathdrum Prairie Aquifer Protection Project.
 - ~\$1.5M for Section 319
- Applications Received:
 - 88 applications from 67 jurisdictions, including a few non profits (fundable via Section 319 only).
 - 31 applicants requested SRF loans.
 - 64 applicants requested Centennial and/or Section 319 grants.
- Amounts Requested:
 - ~\$159M total amount requested:
 - ~\$143.8M SRF loans requested.
 - ~\$15.1M Centennial and/or Section 319 grants requested.
- Type of Projects Proposed and Loan/Grant Amounts Requested:
 - 22 Wastewater Treatment Facilities:
 - ~\$128M requested
 - \$60M for Chambers Creek WWTF Expansion
 - 11 communities submitted Hardship applications with a combined total request of ~\$19.8M
 - Fundable with a combination of standard or reduced interest rate SRF loans, Centennial grants, and SRF forgivable principal loans.
 - At least two are planning/design projects not eligible for facility hardship consideration, but may be eligible for up to 50 percent forgivable principal loans for Preconstruction.
 - Some of the remaining nine projects may have components that are eligible for up to 50 percent forgivable principal for Preconstruction
 - Set-aside 5 percent (\$6,250,000) of total SRF fund to fund Preconstruction activities in smaller (<25K), less-affluent (<80% of state MHI) communities
 - 1 additional project may qualify for up to 50 percent forgivable principal loans for Preconstruction.
 - 9 Stormwater Facilities:
 - ~\$13.9M loan
 - ~\$1.7M grant
 - 6 Stormwater Activities:
 - ~\$1M grant
 - 49 Nonpoint Source Activities:
 - ~\$2.4M loan
 - Set-aside 20 percent (\$25M) of total SRF fund for this purpose.
 - ~\$10.3M grant
 - 2 Onsite Sewage System Replacement/Repair
 - \$500K loan
 - \$550K grant

Document #5: SFY14 Funding Cycle Update

6. SERP Update, [Alice Rubin](#)

- State Environmental Review Process (SERP) was reviewed and commented on by EPA. Ecology is awaiting approval.
- Here's the link to the environmental review documents:

<http://www.ecy.wa.gov/programs/wq/funding/GrantLoanMgmtDocs/Eng/GrantLoanMgmtEngRes.html>

Lunch 12:00 PM -1:00 PM

7. Stormwater Grant Update, [Pat Brommer](#)

- Developed 117 funding agreements for the \$67M provided through the 2012 Legislative session, as either proviso or grant dollars, for stormwater retrofit design/construct projects.
- Developing plans to use de-obligated funds from the FY11 SWRLID and FY12 Statewide Stormwater Grant Programs.
 - As outlined in our funding agreements, we are providing 10% bid overruns and 5% change order allowances as needed.
 - Working with the Attorney General (AG) to determine if we can provide the funds for a Pre-construction funding cycle.
 - Based on the AG's opinion, Ecology will either: 1) develop a pre-construction program with the a portion of the de-obligated funds, or 2) provide the funding for additional design/construct projects.
 - Will provide public notification on the final distribution decision in the early part of the year.

8. Ecology Lean: Grants and Loan and EAGL (Ecology Administration of Grants and Loans) Update, [Shelly McMurry](#)

Ecology Grant and Loan Lean Overview:

- Ecology has 20+ grant and loan programs totaling a fiscal obligation of \$220+Million annually.
- The agency has the Yellow Book to outline certain some policies but many of the policies and procedures vary from program to program with a lack of consistency.
- The agency is pursuing an electronic grant management system called EAGL, (Ecology Administration of Grants and Loans) that is driving a need for evaluation of process procedures and a move towards consistency (where possible).
- Polly Zehm is the sponsor for both the EAGL and Lean effort and I was asked to be the Lean lead.
- Ecology's grant and loan lean event occurred on November 13th-16th.
- We strived to have good cross programmatic representation while keeping the team size manageable. We were fortunate to have five external participants for portions of the event and two for the whole thing.

- What Ecology's clients said work:
 - Staff continuity.
 - Ecology staff are accessible and responsive.
 - Some programs have simple application and reporting.
- What Ecology's clients said doesn't work:
 - Key information and definitions are not easy to find on web.
 - Reporting requirements inconsistent across programs and sometimes grant officers.
 - Lack of justification for reporting.
 - Hard copy requirements take time and storage.
- What would Ecology's clients like to see:
 - Electronic submission of documents.
 - More consistency across regions.
 - Transparent roles and responsibilities within regions.
 - Tools to make it easier to understand program differences.
- What happened at the event:
 - Compiled Work Breakdowns (before the event).
 - Mapped the current state.
 - Identified potential waste points.
 - Identified process improvement ideas.
 - Mapped our future state.
 - Compiled a list of implementation tasks.
- Observations from the event:
 - There were a lot of similar processes.
 - Asking why each step of the review process showed points where multiple people are reviewing for similar things.
- Communication and training are key to project success:
 - Include our clients in the discussion.
 - Clear communication to grant and loan recipients – Before not after the fact.
 - Provide training on new system (EAGL).
 - Provide training on new processes.
 - Advertising campaign.
- Shelly McMurry is the lean lead and responsible for tracking progress. There are nine Implementation teams with a goal to resolve issues in 90 days from the event. There will be a “report out” to interested parties in March.

EAGL update:

- Ecology is pursuing the purchase of an “off the shelf” system to manage grants and loans.
- The system will manage the life of a grant and loan from advertising funds are available, provide an ability to apply on-line, workflows around agreement creation, on-line payment request and progress
- The Lean event helped focus Ecology's effort to identify one standard process for grants and loans that could be supported by EAGL. Ecology couldn't accommodate 20+ different processes. .
- Ecology will submit a request for proposal within the next year for contract.

Document 6-Lean and EAGL update

9. Marketing Plan Development, [Shelly McMurry](#)

- Ecology is developing and marketing a plan to increase demand for SRF loans.
- The plan will look at traditional and non-traditional projects eligible for funding.

Group Discussion

- Suggestions from FAC:
 - Need to market/educate legislature for support.
 - There's a new elected official workshop, possibly to present there?
 - AWC is responsible to educate new elected officials.
 - Technical Assistance can help educate people on SRF.
 - More time between IACC and application deadline.
 - Target different audiences (irrigation districts, conservation districts, etc.)
 - More outreach to small communities. Don't try to sell a funding program, but help people (clientele) understand what the SRF (Ecology) offers.
 - Go to AWC quarterly meeting.
- Seeing local level committees having problems borrowing money from state due to state budget.
 - They think if they don't borrow the money will go back to help balance budget.
 - On the flip side, others think since rates are low they should lock the money in now.

10.Action Items:

- Ecology will send out administration charge talking points and version of budgets as they occur.

Future FAC Meeting:

February 27, 2013 (schedule at Ecology HQ in R0A-36)

May 15, 2013

August 21, 2013

November 20, 2013

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