

DEPARTMENT OF
ECOLOGY
State of Washington

Potential Revisions to Chapter 173-98 WAC (CWSRF) and Chapter 173-95A WAC (Centennial)



Acronyms Used on Slides

- **ASR = Additional Subsidization Reserve**
- **Centennial = Centennial Clean Water Fund**
- **CWA = Clean Water Act**
- **CWSRF = Clean Water State Revolving Fund**
- **DWSRF = Drinking Water State Revolving Fund**
- **EAGL = Ecology Administration of Grants and Loans**
- **FCA = Financial Capability Assessment**
- **FP = Forgivable Principal**
- **GAAP = Generally Accepted Accounting Principals**
- **GC/CM = General Contractor/Construction Manager**
- **GMA = Growth Management Act**
- **GPR = Green Project Reserve**
- **MHI = Median Household Income**
- **NPS = Nonpoint Source**
- **OSS = Onsite Sewage System**
- **PCI = Per Capita Income**
- **PWAA = Public Works Assistance Account**
- **S&P = Standard and Poor's**
- **Step 4 = Combined Design and Construction Project**
- **TIB = Transportation Improvements Board**
- **WQ = Water Quality**
- **WWF = Wastewater Facility**



“Housekeeping”

■ Examples:

- **Wording errors**
- **Update CWA references**
- **Remove references to non-EAGL application**
- **Correct error on required % for GPR**
 - **Consider eliminating entirely**
- **Correct error on allowed % for ASR**
 - **Consider eliminating entirely**
- **Clarify interest rate calculations for local OSS repair/replacement programs**
- **Clarify GMA applicability**
 - **Only for facility projects in jurisdictions required to or choosing to plan under the GMA**



30-Year Loan Terms

- **CWA now allows loan terms of the lesser of 30 years or projected useful life of project**
- **Rules and statute limit terms to 20 years**
- **Currently working on statute change**
- **Suggestions (pending statute change):**
 - **Possibly only offer to “hardship” communities**
 - **Possibly base rates on the “Revenue Bond Index”**
 - 25 various revenue bonds that mature in 30 years
 - Average rating ~Moody's A1 and S&P's A-plus
 - Rates would be ~0.5% higher than 20-year loan rates



Accounting Practices

- **CWSRF says, “*Recipients must maintain accounting records in accordance with RCW 43.09.200 Local government accounting—Uniform system of accounting.*”**
- **CWA requires use of “GAAP” standards**
- **Suggestion:**
 - **Add requirement to use GAAP standards for accounting**
 - **Would affect all recipients with cash-based accounting**



Bid Overruns and Change Orders

- Bid overruns capped at 10% of “*engineer’s original estimate*”
 - **Suggestions:**
 - Remove cap and base on need and available funds
 - Base any cap on estimate in bid documents
- Change orders capped at 5%
 - **Suggestion:**
 - Remove cap and base on need and available funds



Capacity for Growth

- Rules say, *“Loans for up to twenty years capacity for water pollution control facilities. Capacity in excess of the twenty year design capacity are not eligible”*
- Suggestion:
 - **Allow loans for up to thirty years capacity**



Definition of Perpetuity

- CWSRF defines as, *“Perpetuity means the point at which the revolving fund is earning at least fifty percent of the market rate for tax-exempt municipal bonds on its loan portfolio.”*
- Suggestion:
 - Consider redefining so that it’s not linked with the interest rate since it fluctuates so much



Design-Build vs. GC/CM

- **CWSRF defines requirements for projects using “*Design-Build*” and “*Design-Build-Operate*”**
 - **Statutory requirements are in RCW 39.10.300-330**
- **GC/CM is similar, but significantly different**
 - **Statutory requirements are in RCW 39.10.340-410**
- **Suggestion:**
 - **Add new section for GC/CM requirements**
 - **Alternatively, clarify that the WAC 173-98-600 requirements do not apply to GC/CM**



Eligible Public Bodies

- Rules and statute limit funding to *“public bodies”*
- Rules define as *“a state of Washington county, city or town, conservation district, other political subdivision, municipal corporation, quasi-municipal corporation, those Indian tribes recognized by the federal government, or institutions of higher education when the proposed project is not part of the school's statutory responsibility”*
- Suggestion:
 - Consider allowing funding for other state agencies, departments, and offices (e.g., the State Conservation Commission)



Emergency Funding Process

- Have no process to provide “emergency” funding
- Suggestion:
 - Add new section for an Emergency Funding Process— e.g., to address WQ problems resulting from drought, floods, fires, volcanic eruptions, earthquakes, etc.



Funding Applicant Workshops

- Required to, *“Conduct at least one application workshop in each of ecology's four regions.”*
- Suggestions:
 - *Revise to say “Conduct application workshops” and allow workshops to be onsite or web-based*
 - Make decisions based on recipient input



Grants for Preconstruction

- **Centennial grants are only allowed for WWF construction in hardship communities and NPS activities**
- **Suggestion:**
 - **Allow Centennial grants for preconstruction projects in hardship communities**



Hardship Criteria

■ Assess based on:

- Population (<25K)
- MHI
- Unemployment rate
 - Required by 2014 CWA amendments
 - Use as 4th tie-breaker

■ Have a grant/FP loan cap of \$5M per project

■ Suggested changes:

- Eliminate population caps
- Use PCI rather than MHI
 - Same information source but less variability
- Allow separate projects for collection and treatment systems
 - Would allow maximum grant/FP loan for each



Interest Accrual

- **Interest accrues on loan funds disbursed**
- **Suggestion:**
 - **Charge interest on funds that are committed (like issuing a bond)**
 - **This could encourage recipients to draw funds more rapidly and close out projects sooner**



Interest Rates

- Interest rates are standard for all projects, depending on loan term and hardship status
- Rate reductions are allowed, but they apply across the board
- Suggestions:
 - Allow rate reductions on a case-by-case basis
 - Allow 0% interest rate for preconstruction in hardship communities if they obtain a loan/grant for construction
 - If no Construction loan, apply standard rate
 - To better “market” loans for NPS projects, consider Oregon’s or Ohio’s “sponsorship” option that lowers interest rates for a facility project if recipient also sponsors an NPS project



Land Acquisition

- CWA now allows loans to acquire land for siting a facility
- CWSRF allows loans to acquire land for: (1) land treatment; (2) *“wetland habitat preservation”*
- Centennial allows loans, but not grants, to acquire land for: (1) land treatment, (2) siting a facility; (3) *“prevention of water pollution”*; (4) *“wetland habitat preservation”*
- **Suggestions:**
 - Add option for CWSRF loans to acquire land for siting a facility and *“prevention of water pollution”*
 - Add option for Centennial grants to acquire land for siting a facility and land treatment for hardship recipients
 - Clarify in both rules that funds can be used to acquire land for *“riparian area preservation”* and *“drinking water source protection”* as well



Prior Authorization

- **CWSRF describes a process for obtaining prior authorization for incurring costs for funded projects**
- **Suggestion:**
 - **Delete section entirely because it's obsolete**
 - **“Prior authorization” is already provided in the loan agreement if we're providing interim refinance**



Repayment Period

- **Loan repayment starts 1 year after project completion or initiation of operations, whichever comes first**
- **Suggestion:**
 - **Begin repayment based on the 1st disbursement—e.g., 1 year after 1st disbursement**
 - **Could greatly speed up the pace that money is repaid into the fund, increasing our loan capacity**
 - **Could delay repayment until 1 year after project completion for hardship communities**



Reserve Account

- CWSRF requires that “*revenue obligation secured loans*” build a reserve account of 1 year of repayments within the first 5 years of repayment
- **Suggestions:**
 - Eliminate requirement entirely and only impose if the FCA suggests it’s needed
 - Consider Oregon’s DWSRF requirement of requiring a reserve of 120% of amount disbursed



Step 4 Projects—Maximum Amount

- **Maximum total cost is \$5M, and design must be completed within 1 year**
 - **Rationale: needs to be small to ensure project completion within 5 years**
- **Suggestion:**
 - **Increase maximum amount because \$5M in current \$ is a lot less than when limit was determined**
 - **Continue to require design be completed within 1 year**



Step Process

■ Required for all facility projects

- Prerequisites depend on project category

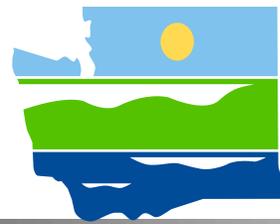
■ Suggestions:

- Add provisions allowing more flexibility

- Could help avoid situations such as that created when the PWAA funding was swept and numerous projects were required to seek Ecology funding but did not meet the prerequisites

- Consider TIB's approach that allows communities to apply for multiple years of projects at a time—e.g., an application could include design of project A this year, design of project B and construction of project A next year, and construction of project B the following year

- Knowing in advance about potential large projects could be very useful for predicting demand and cash flow modeling
- Some degree of certainty for applicants about funding would be valuable



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QUESTIONS?