

Reclaimed Water Use Sub-Taskforce Long-Term Funding Options and Report to Legislature Meeting

August 8, 2007

Present: Michael Dixel (DOH); Hal Schlomann (WA Water & Sewer District Assoc.); Dave Lenning (DOH); Gary Chandler (Assoc. of WA Businesses); Tom Lienesch (King County); John Kounts (WA Public Utilities District Assoc.); Doug Raines (Dept of Corrections); Scott Redman (Puget Sound Partnership); Karla Fowler (LOTT Alliance); Mike Sohwisow (WA Water Policy Alliance)

Ecology Employees: Steve Carley, Bill Hashim (Facilitator), Jeff Nejedly, Kathy Cupps, Lynn Coleman, Nancy Winters, Melissa McEachron, Shawna Beers

Introductions:

The meeting opened with introductions of those in attendance.

Goals & Objectives of the Taskforce: Steve Carley

The goals of this taskforce are:

1. To build on the re-use bill and identify possible funding sources for Reclaimed Water Re-Use to propose to the Legislature by December 31, 2007.
2. Set meeting schedule to get the report together before December 31.

The objectives of this taskforce are:

1. Brainstorm ideas and concepts to build a funding source for Reclaimed Water Use.
2. Identify revenue sources to drive local governments to reuse reclaimed water.
 - Potential sources for revenue possibilities: Jim Thomas of Department of Revenue and Ecology's economic analyst.
3. Generate report to the Legislature with top priorities for funding sources.
4. Tasked to build funding in order to implement reuse of reclaimed water. This includes failing infrastructures and also new needs.
5. The report to the Legislature will include funding sources for reuse but also infrastructure.

Special Thanks:

Steve gave a shout out to Kathy Cupps and Melissa McEachron for organizing the meetings for the taskforce.

Questions/Comments:

Opened the floor for discussion/questions on goals and objectives.

1. Infrastructure

- Governor Gregoire has a taskforce looking into infrastructures. Will these funds go into that program?
 - We are one week into the failure of an infrastructure. There is a large backlog of maintenance. Reclaimed water is not maintenance, it's new. Funds are needed for maintenance and for new projects.
 - What would infrastructure be? How do we fund that?
2. Existing Funding Sources/New Funding Sources
- We need to find new sources of money to start these reclaimed water projects, not take from current programs. *There is currently double the demand for financing than funding available. Ecology is already over-taxed with how much we can offer to small communities.*
 - This taskforce's scope of work is to find new sources of funding? Do reclaimed water projects come out of the Water Quality account? Or is there not enough money?
 - Do we all agree that we don't use existing funding forces? Not ready to go there yet. Different uses of water need to be discussed with current projects and get them to start thinking that way. We know funding is declining. We should use what we have to build to what we need.
 - We should be careful how we fund these because of other projects.
 - Maybe it should be a dedicated fund so there isn't competition with existing projects.
3. Projects Needing Funding
- Are we looking for revenue sources for infrastructure only or also nonpoint? *Open for either.*
 - We are trying to set goals and find funding sources. But what is the money to be used for?
4. Financing
- When looking at the finances and finding funding sources, are there any expenditures that might be reduced? Anything on the reclaimed water side that can reduce expenditures?
 - Are reclaimed water facilities allowed tax benefits?
 - We need to identify possible funding sources we can tap into
 - What about innovative tax credits?
 - How do we solve the problem on least-cost? Look at the projects determining least-cost? Discuss project effectiveness?

Overview of Funding Sources: Jeff Nejedly

Jeff walked through the history of Water Quality funding sources: Centennial Clean Water Fund (Centennial), Washington State Water Pollution Control Revolving Fund (Revolving Fund), Clean Water Act Section 319 Nonpoint Source Fund (Section 319), and Historical Funding Sources. (see attached Power Point presentation)

Running separate funding programs for Centennial, Section 319, and Revolving Fund was difficult. Combining them into one application and one funding cycle made the process more efficient.

On average, funding of projects covers about 50% of financial demand.

Questions/Comments:

Opened the floor for discussion/questions.

1. Revolving Fund funds come from tobacco tax. With tobacco tax going down, the amount taken from the general fund is going up. Earnings earned on these accounts goes into the general fund. The Revolving Fund account must keep the earnings in order to provide funding.
2. If the Legislature is putting interest back into some accounts, could it go to a Reclaimed Water Use account? *At this time, interest is going into the general fund.*
3. Some loan recipients pay a percentage of the market rate (60%) to allow for smaller communities to receive zero-percent loans. The loan program needs to generate revenue.
4. If the unmet need is approximately 50% of available funding, what is Ecology seeing on the list of needs? Is the same requests year after year or new items? Or is it that projects are not fundable? *It's a mix. Some new things – more Stormwater and LID requests. There's a limit to nonpoint funding. LID construction is offered loans. Currently there is new Stormwater funding addressing that need, but it is an alternate funding source and a one-time deal.*
We need to look at the demand for new, emerging needs. Phase II Stormwater looking to build more infrastructures. How do we address Wastewater competition with Stormwater for emerging and on-going needs?
5. What are the policies on use of programs for system growth vs. replacing existing systems? *With the grant program, no growth on updated facilities. Section 319 allows for 20 years capacity for growth. At the current rate of population growth, when the structure is completed it's almost to capacity.*

What is the target? Amount?:

Open discussion.

1. Financing
 - How much do we need? There is no specific target amount given at this time. How much are we thinking we need? \$____million per biennium? Where do we find the funding?

- The first question is: What are we going to fund? Infrastructure at the end of a wastewater facility, purple pipe, reverse collection? It's pretty open.
- Create a separate pot able to fund projects needing a little more to make the system work. Don't put the burden on the rate payers.
- Some project grant, others loan? Maybe collection systems loans and infrastructure grants?

2. Needs Assessment

- Has a needs assessment been done? *A snapshot survey of Puget Sound was done, nothing detailed. Utilities/consultants asked about projects if funding available. About \$80M in projects.*
- What would it take to scope a credible survey? Get a sense of the level of need for these uses, and go to the Legislature with a list of what we would do with the finances.
- This year we need to report/make recommendations to the Legislature. Getting a more elaborate needs assessment by this year is difficult.
- Put in the report to the Legislature a recommendation for a needs assessment.
- Would the group agree to a recommendation to the Legislature for funding of analysis and survey?
- The legislature doesn't understand the cost of infrastructure, etc. Put the costs in the report.
- A needs survey is going to Congress in November. We can use the data to look at the needs that are out there. 30-40% of treatment facilities are to expand for re-use. We could look globally at these and get some data. If they go to re-use, the cost would be 30-40% more. Query the state and ask if entities are already doing this.
- Challenge: the Legislature defined what we should do but there isn't a lot of resources for analysis.

BREAK

Uses of Reclaimed Water: Should fund sources be tied back to the uses?:

Open discussion.

- Tough to tie it back to tie it back to use when a lot of uses have no way to get revenue. Who would be the funding source in those cases that we might be able to tab in those uses. I have a little struggle finding how to tie back to clear funding sources linked to the uses.

1. Survey Needs Assessment

- Can we get agreement that there be a better survey done? Feel better if we have potential projects before going to the Legislature. Does group support good survey done?
 - We need to survey broadly for possible funding sources because the benefits are broad. More than just water bottled. Perhaps fish and wildlife. Without tying to a specific project for funding.
 - Talk to senator Frasier about the need for surveys to find what needs to be funded, so we can make recommendations of funding sources. Extend the period of study.
2. Reclaimed Water Directive: Engrossed Second Substitute Senate Bill 6117 (www.leg.wa.gov/pub/BillInfo/2007-08/Pdf/Bills/Senate%20Passed%20Legislature/6117-S2.PL.pdf)
- Some of the directives of the bill are larger than this taskforce and the Water Quality financial management staff. Ecology staff had some discussions on the most difficult directives. Other agencies will help with all of this..
 - DOH is putting together some information on conservation plans to feed into this. We will take that information and put it together with other planning pieces and get input from the full rule advisory committee.
 - There are several planning-type requirements within this bill. The best strategy was to look at various segments of the planning, and then take it to the larger full-advisory committee.
 - We need more information on the directives before we can make decisions about funding.
3. Funding Sources
- We need examples on recommendations for funding sources.
 - Hard for me to agree to different types of funding sources without knowing what we are funding. You're asking us to say this is the funding source without knowing what needs to be funded. A lot needs to be done before agreeing to any funding source.
 - Why taxing bottle of water for recycled water? Places to tax, water being overused, surcharges for water not being conserved. Tax the wastewater systems. Water wasting or pouring down the drain will bring us into light that we need to conserve our water. Tax the users of water. If using too much water, tax them for funding the reuse.
 - One decision to make is to look at what funding is already out there for funding needs. Or do we look at guidelines and criteria to stimulate interest in reclaimed water. Build interest in new reclaimed water or cover already seen needs.
 - Ecology is moving forward on the \$4.5M that the Legislature appropriated. We need to look at new stuff and funding of on-going initiatives.

- As we move forward, we will see better evaluations of what the structures have and need.
- Funding sources shouldn't be seriously considered until we have more data.

Brainstorming Potential Funding Sources:

1. toilet paper
2. bottled water
3. golf balls
4. sales tax
5. excise tax
6. gas tax?
7. water bills
8. sewer bills
9. surcharges
10. impact fees
11. beverages (pop, beer, etc.)
12. pharmaceuticals
13. capital construction account – state bond sales (do we present this to the people again for referendum?) fishing licenses
14. tribal casinos
15. Property tax. Who is going to benefit or gain something from this? Everyone in the state. Put tax on purple pipe that isn't being used. Those with purple pipe not taxed, those without be taxed and encouraged to put in purple pipe system.
16. Income tax
17. Greens fee surcharge
18. Sales tax exemption – recover sales tax on environmental projects.
19. State is gaining revenue from distribution of water, collection and treatment of sewage. Have another tax like that on purple water? Move money out of general fund back.
20. Distribution tax. Need to be loans to keep building account.
21. Anyone doing reuse now – is water being redistributed paying more for reuse? Pay less for reused water, incentive.

22. Tax on products containing constituents exceeding TMDL limits (similar to the concept behind funding in RCW 70.105D.070, Model Toxics Control Act)

Agenda Items for September Meeting:

1. Preliminary info on Section 10, lines 5-19 of Senate Bill 6117. (*Kathy will contact DOH and others and see what's done.*)
2. Environmental Law Institute presentation
3. Bring information about priorities
4. Components – like purple pipe being loan
5. Loans vs. grants
6. Part of the survey – gather existing info about per unit costs from existing facilities. Get unit cost data.
7. Presentation by Tom Fox and Jim Hagstrom – looking at the idea of reclaimed water and green energy. Buy part of your water supply to support reclaimed water.
8. Hal or Karla give information on how much more it costs to do reuse. How many people doing it? (*Hal will bring engineering study that's been done.*)
9. How water supplies are paid for and water pricing done. Are there external costs to the amount per unit?

Next meeting:

Tuesday, September 4, 2007
9:00 a.m. – 3:00 p.m.
Place to be determined