



# Drinking Water State Revolving Fund

Karen Klocke  
Office of Drinking Water

**PUBLIC HEALTH**  
ALWAYS WORKING FOR A SAFER AND  
HEALTHIER COMMUNITY



# Office of Drinking Water Mission

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We work with others to protect the health of the people of Washington State by ensuring safe and reliable drinking water.



# Background and Purpose

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- Increase public health protection and compliance with drinking water regulations
- Reimbursements through low-interest loans
- Funded through the U.S. Environmental Protection Agency and loan repayments

# DWSRF Contact Information

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- Janet Cherry 360-236-3153
- Mike Copeland 360-236-3083
- Karen Klocke 360-236-3116
- Sara Herrera 360-236-3089
- Heather Walker 360-236-3106
- Dennis Hewitt 360-236-3017
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# Current Funding Opportunities

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## Construction loans:

October 1 – November 30, 2017

We are currently taking construction applications to demonstrate demand for \$\$\$ to EPA for the IUP as a requirement to receive the capitalization grant.



# Funding Opportunities that got caught in the Capital Budget

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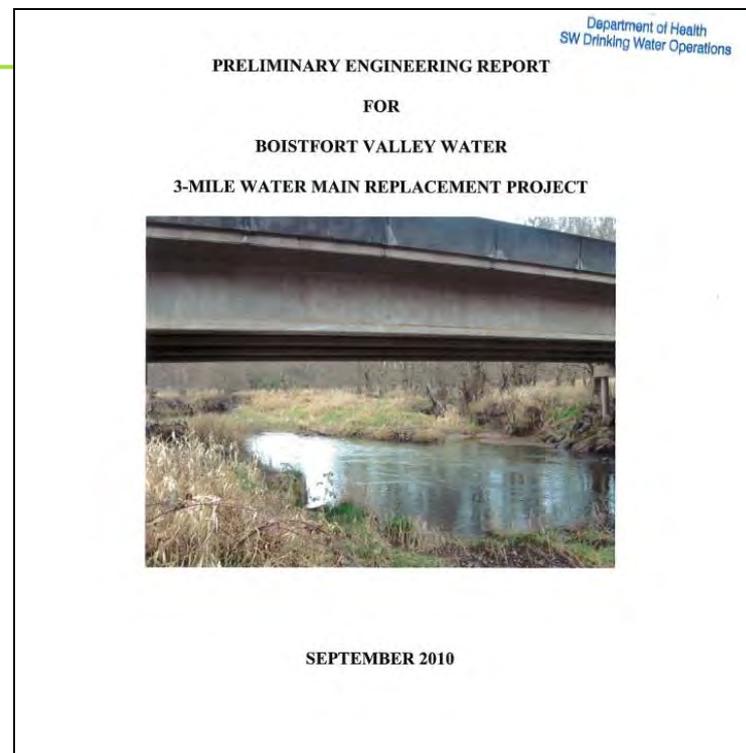
Until the state capital budget passes, we cannot process any of the following grants and loans:

- Preconstruction grants
- Consolidation grants
- Preconstruction loans
- Emergency loans
- 2016 construction loans on hold
- Other grants/loans on hold

# Preconstruction Grants

## Eligible Activities

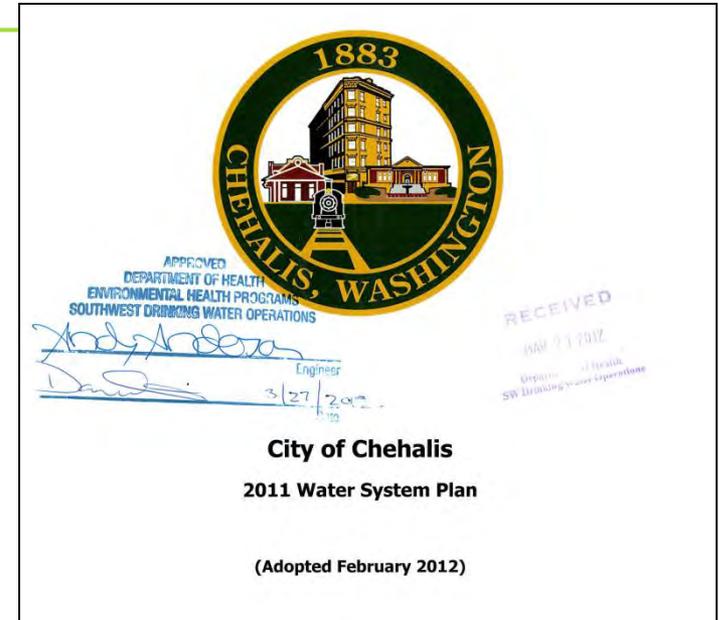
- Water System Plans
- Small Water System Management Program
- Design work
- Cultural review documents
- Environmental review documents
- Asset inventory and management



# Consolidation Grants

## Eligible activities

- Feasibility studies
- Water System Plan updates for consolidation
- Design water main extensions
- Meetings
- System development charges and materials



# Consolidation Grants

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- Ground-disturbing and construction activities not eligible.
- In 2015, funded 47 projects with potential to eliminate 60 small public water systems.
- In 2016, received 35 applications. Funded 6 projects.

# Consolidation Grant Example Projects

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- Kitsap PUD South Bainbridge/Crystal Springs feasibility study
  - Crystal Springs well hydraulically connected to surface water
  - Low pressure in distribution system
  - Examined existing infrastructure, cost to improve infrastructure, meetings to obtain Crystal Springs interest, costs to connect systems
  - DWSRF construction loan with 50 % subsidy

# Consolidation Grant Example Projects

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- Lewis County Water District 3/Tatoosh Motel Consolidation
  - Tatoosh Motel had multiple issues in the sanitary control area of the well
  - LCWD3 willing to connect the motel
  - Grant covered system development fees  
Provide documentation of fees
  - Construction and ground-disturbing costs not eligible

# Combined Grants in 2017

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- We received 53 grant applications.
- We had \$330,000 available for Preconstruction Grants and Consolidation Grants.
- We were able to fund 11 projects but they are on hold until we get the capitalization grant.

# Preconstruction Loans

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- In the future when funding is available, the preconstruction loan applications will be available year-round until we exhaust funding.
- We will allocate \$1.5 million annually.
- \$300,000 limit per jurisdiction.
- 1.5 % interest rate, 6-year loan term.
- Eligible entities: Group A not-for-profit community water systems and noncommunity water systems owned by nonprofit organizations.
- Applications and guidelines will be online once funding becomes available.

# Preconstruction Loans

## Eligible activities

- Feasibility studies
- Water System Plan
- Design work
- Prepare bid document
- Cultural and environmental reviews
- Asset management and inventories



# Construction Loans

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- Application available October 1 to November 30, 2017
- About \$20 million available
- \$3,000,000 limit per jurisdiction
- 1.5 % interest rate, 20-year loan term if no subsidy
- Up to 50 % subsidy based on affordability index or for a consolidation project – not all applicants that are eligible for subsidy will receive subsidy due to the limited funding
- Applications and guidelines are online



# General Requirements

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- Submit each project separately.
- Meet Water System Plan submittal and approval deadlines. Planning documents must be approved no later than November 30, for 2017 applications.
- Install service meters if not already totally metered.
- Comply with National Historic Preservation Act (Section 106 or 05-05).
- Comply with Federal and State Environmental Policy Acts (NEPA and SEPA).

# Construction Loans

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## Eligible Applicants

- Group A community systems
- Group A nonprofit noncommunity systems
- Group B systems converting to Group A
- Tribal systems not receiving SRF tribal set asides

# Construction Loans

## Eligible Projects

- Projects that address a public health risk
- Projects that upgrade deteriorated facilities
- Reimbursement for eligible preconstruction activities (design, cultural report, permits)



# Construction Loans

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## Ineligible Applicants

- Group B systems **not** converting to Group A
- Group A noncommunity, for-profit systems
- Federally and state-owned systems

# Construction Loans

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## Ineligible Projects

- Operations and maintenance
- Future growth or fire flow
- No construction component

# Construction Loans

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- 20-year loan repayment term. Special exemptions may allow distressed water systems to extend their contracts to 30 years.
- Construction must be completed within 48 months.
- Lower interest rate for projects completed in 24 months if not already receiving subsidy.

# Construction Loan

- 1 % loan fee
- 1 to 1.5 % interest rate, based on community income level
- First payment due October 1 of contract year unless awarded subsidy
- We are accepting paper applications -- they are available on-line. Sara is presenting this during the next presentation.



# Construction Loan Financial Viability

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- Able to repay the loan?
- Rates appropriate?
- Reserve account?
- Other debt?
- System budget, 6-year plan.
- *Financial viability for small water systems fact sheet (DOH 331-405).*

# Construction Loan: Financial Viability

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# Cultural/Historical and Environmental Review

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- **All** projects with federal links:
  - Permit, license, approval
  - Federal lands
  - Funding (in whole or part)
- **All** DWSRF-funded projects with:
  - Construction
  - Ground disturbance
  - Potential to affect historic structures
  - Potential to affect the environment

# Cultural/Historical and Environmental Review

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- Projects reach compliance after DOH issues a written final completion notification letter
- If unsure, ASK!



May lose funding if activities are not approved

# DWSRF Environmental and Cultural Review Coordinator

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**Heather Walker**

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# Emergency Loan Program

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- **Open:** Year-round – currently not available due to capital budget issues
- **Limit:** \$100,000 per entity
- **Pays for:** Recovery from drought, wind damage, floods, landslides, wildfires
- **Eligible entities:** Group A publicly and privately owned not-for-profit community systems (up to 10,000 people) and noncommunity systems owned by nonprofits

# Emergency Loan Program

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- Eligible activities
  - Construction, reconstruction, replacement, or rehabilitation
  - Temporary repair or improvement needed to continue or restore service
- No minimum amount
- Maximum amount is \$100,000 per occurrence

# Emergency Loan Terms

- **Interest rate:** 1 to 1.5 %
- **Forgiveness:** Up to 75 %
- **Loan term:** Six years
- **Time of performance:** Two years from contract execution to project completion
- **Repayment:** Starts the first October after contract execution



# Emergency Loans

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# Asset Management

# What Is Asset Management?

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- The process of monitoring and maintaining facilities' systems with the objective of providing the best possible service to users (appropriate for public infrastructure assets).
  - From Wikipedia
- Asset management is the building block for utility performance improvement: Where to focus and what to strive for.
  - From EPA

# Benefits of Asset Management

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- Prolongs asset life and aids in rehabilitation, repair, and replacement decisions through efficient and focused operations and maintenance.
- Meets consumer demands with a focus on system sustainability.
- Sets rates based on sound operational and financial planning.

# Benefits of Asset Management

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- Budgeting focused on activities critical to sustained performance.
- Meeting service expectations and regulatory requirements.
- Improving emergency response.
- Improving asset security and safety.



# Asset Management Best Practices

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- Prepare an asset inventory and system map.
- Develop a condition assessment and rating system.
- Assess remaining useful life by consulting projected-useful-life tables or decay curves.
- Determine asset values and replacement costs.
- Water system boards and managers need to draw on and support asset management, long-term business planning, and continual improvement systems.

# Why We Do Asset Management

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- Water utilities that pay attention to asset management are more likely to perform well.
- Nationally, EPA is giving less money to DWSRF funders. So, we must use our money more wisely.

# Asset Management

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- In 2017, DWSRF construction loan applicants can receive 1 point for attending asset management training.
- In 2017, DWSRF applicants can receive two additional points if they submit a completed asset inventory
- An asset inventory needs to include a list of all the assets, age of the assets and expected life.

# Tools to Help You!

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- RCAC can help you develop an asset inventory.
- We have free thumb drives with forms and background information for your water system.



# Asset Management Information

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