



Potential Revisions to:

- **Chapter 173-98 WAC (CWSRF)**
- **Chapter 173-95A WAC (Centennial)**

Meeting 2



Abbreviations and Acronyms Used on Slides

AS = Additional Subsidization	MHI = Median Household Income
CEA = Cost and Effectiveness Analysis	NPS = Nonpoint Source
Centennial = Centennial Clean Water Fund	OSS = Onsite Sewage System
CWA = Clean Water Act	PCI = Per Capita Income
CWSRF = Clean Water State Revolving Fund	PWAA = Public Works Assistance Account
DEP = Designated Equivalency Projects	PWB = Public Works Board
DOH = Department of Health	SAO = State Auditors Office
DWSRF = Drinking Water State Revolving Fund	SERP = State Environmental Review Process
EAGL = Ecology Administration of Grants and Loans	SFAP = Stormwater Financial Assistance Program
FAC = Financial Assistance Council	Step 1 = Planning Project
FCA = Financial Capability Assessment	Step 2 = Design Project
FP = Forgivable Principal	Step 3 = Construction Project
Funding List/IUP = Funding Offer List and Intended Use Plan	Step 4 = Design and Construction Project
GAAP = Generally Accepted Accounting Principals	SWF = Stormwater Facility
GASB = Governmental Accounting Standards Board	TBD = To Be Determined
GC/CM = General Contractor/Construction Manager	TIB = Transportation Improvements Board
GMA = Growth Management Act	WAC 173-95A = Centennial Rule
GPR = Green Project Reserve	WAC 173-98 = CWSRF Rule
I/O = Initiation of Operations	WQ = Water Quality
IGEA – Investment Grade Efficiency Audit	WSECU = Washington State Employee’s Credit Union
IUP = Intended Use Plan	WWF = Wastewater Facility



Bid Overruns and Change Orders

■ Currently:

- WAC 173-98-520(5)(a) & WAC 173-95A-520 (4)(a) limit bid overruns to 10% of “*engineer’s original estimate*”
- WAC 173-98-520(6)(a) & WAC 173-95A-520 (5)(a) limit change orders to 5% of construction contract

■ Issues:

- Limits funding we can provide even if available and legitimately needed

■ Suggestions:

- Remove caps and base on need and availability of funds
- If language remains, specify bid overruns are based on bid documents, not engineer’s estimate in application
- Revise caps
- Keep current approach; leave it to applicants/recipients to address via “contingency clauses”

■ Decisions:

- Clarify that the “*engineer’s original estimate*” is based on the bid documents
- Continue discussion on caps at 10/06/16 meeting



Hardship—Criteria

■ Currently:

- WAC 173-98-300 & WAC 173-95A-400 limit consideration for hardship funding to projects where the population paying for the project is $\leq 25,000$

■ Issues:

- Large communities may have low MHI and high wastewater fees

■ Suggestions:

- Use PCI rather than MHI
 - Same information source but less variability
- Eliminate population cap
- Maintain cap but adjust annually
- Base on the % increase in sewer rates resulting from the project

■ Decisions:

- Keep using MHI
- Look at DOH's "Affordability Index" to see if Ecology's approach is consistent
- Continue discussion of population cap at 10/06/16 meeting



Publicly-owned Industrial Facilities

■ Currently:

- WAC 173-98-110 lists as ineligible funding for “6) Commercial, institutional or industrial wastewater pollution control activities or facilities or portions of those facilities that are solely intended to control, transport, treat, dispose, or otherwise manage wastewater; 7) Commercial, institutional or industrial monitoring equipment for sampling and analysis of discharges from municipal water pollution control facilities; 8) Commercial, institutional or industrial wastewater pretreatment”
- WAC 173-95A-120 lists as ineligible funding for, “3) Commercial, institutional or industrial wastewater pretreatment; 6) Facilities intended solely to control, transport, treat, dispose, or otherwise manage commercial, institutional, or industrial wastewater; 14) Monitoring equipment for sampling and analysis of commercial, institutional, or industrial discharges”

■ Issues:

- Rules, not statutes, prohibit funding for publicly-owned industrial facilities

■ Suggestions:

- Allow funding for publicly-owned industrial facilities

■ Decisions:

- Continue discussion at 10/06/16 meeting



Repayment Dates

■ Currently:

- WAC 173-98-430(2) requires loan repayments begin 1 year after project completion or I/O date, whichever occurs first

■ Issues:

- For recipients with multiple loans (e.g., King County), tracking becomes very difficult because the payment dates vary

■ Suggestions:

- Standardize repayment dates—e.g., July 31 & January 31—regardless of the project completion or I/O date
 - Would simplify tracking for recipients with multiple loans
- Establish an amortization schedule to accomplish this providing the 1st payment occurs no later than 1 year after the project completion or I/O date

■ Decisions:

- Didn't discuss during 07/21/16 meeting; discuss at 10/06/16 meeting



Repayment Period

■ Currently:

- WAC 173-98-430(2) requires loan repayments to begin 1 year after project completion or I/O, whichever is first

■ Issues:

- Pace of money in/out of fund could be much faster if the beginning of repayment was tied to the first disbursement or a specific project activity instead

■ Suggestions:

- Begin repayment based on the 1st disbursement—e.g., 1 year after 1st disbursement
- Delay repayment until 1 year after project completion or I/O for hardship communities

■ Decisions:

- Didn't discuss at 07/21/16 meeting; discuss during 10/06/16 meeting



Reserve Account

■ Currently:

- WAC 173-98-450 requires “*revenue obligation secured loans*” to build a reserve account of 1 year of repayments within 1st 5 years of repayment

■ Issues:

- This may be useful for some communities, but it’s a burden on others who don’t have repayment issues and could use the funds for other projects

■ Suggestions:

- Eliminate requirement; only impose if the FCA or other information suggests it’s needed
 - If removed, consider making removal retroactive

■ Decisions:

- Didn’t discuss at 07/21/16 meeting; discuss at 10/06/16 meeting



Step 4 Projects—Maximum Amount

■ Currently:

- WAC 173-98-520(3)(c) and -530(4) & WAC 173-95A-540(3) cap the total project cost for Step 4 projects at \$5M

■ Issues:

- \$5M today is worth less than when limit was established

■ Suggestions:

- Increase cap and adjust annually

■ Decisions:

- Didn't discuss at 07/21/16 meeting; discuss at 10/06/16 meeting



Step Process

■ Currently:

- **WAC 173-98-530 & WAC 173-95A-540 require the “Step Process” for facility projects**
 - Each step requires Ecology approval of documents developed during the prior step

■ Issues:

- **Very little flexibility**
- **Technically applies to SWFs, too, but not being enforced**
- **SERP may be more meaningful during Design step rather than Planning step**
- **Must apply for each step separately (except Step 4 which combines Design/Construction)**

■ Suggestions:

- **Build in more flexibility**
- **Either apply to SWFs, too, or specify it only applies to WWFs**
- **Allow SERP approval during Design**
- **Delete requirements for Ecology “approval” to apply, but establish a timeframe for approval**
- **Delete section from WAC 173-95A because facilities can only apply for loans, not Centennial grants**
- **Consider TIB’s allowance to apply for multiple years of related projects at once**
 - Knowing in advance about projects could help predict demand & cash flow modeling and provide a degree of funding certainty for applicants

■ Decisions:

- **Didn’t discuss at 07/21/16 meeting; discuss at 10/06/16 meeting**



Land Acquisition 2

■ Currently:

- WAC 173-95A-110(3) allows Centennial loans to acquire land for “*wetland habitat preservation*”; the Funding Guidelines broaden definition to include “*riparian area preservation*” and “*drinking water source protection*”

■ Issues:

- No option for Centennial grants to acquire land for wetland habitat preservation, riparian area preservation, or drinking water source protection

■ Suggestions:

- Allow Centennial grants to acquire land for: (a) wetland habitat preservation, (b) riparian area preservation, and (c) drinking water source protection

■ Decisions:

- New topic; discuss at 10/06/16 meeting



Funding Allocation 2

■ Currently:

- WAC 173-98-510 limits offering CWSRF funding to no more than 50% of the GPR, Facility, and Activity categories and 20% of the Preconstruction category per applicant

■ Issues:

- It's possible for 2 projects or even 1 combined-funded project to take all the available funds under the GPR, Facility, and Activity categories

■ Suggestions:

- Add language ensuring that at least several projects will obtain funding offers in each category

■ Decisions:

- New topic; discuss at 10/06/16 meeting



30-year Loan Terms

■ Currently:

- CWA and Chapter 90.50A RCW allow loans “...at terms not to exceed the lesser of 30 years and the projected useful life (as determined by the State) of the project to be financed...”

■ Issues:

- WAC 173-98-300(5), -310(3)-(4), and -400(3) & WAC 173-95A-200 and -400(7) limit to 20 years

■ Suggestions:

- Offer to everyone
- Only offer to a certain % of agreements
- Only offer to “hardship” communities
- Base interest rate on the “Revenue Bond Index”
 - 25 revenue bonds that mature in 30 years; rates ~ half a percentage point higher than 20-year loans
 - Make rates even higher in order to make available to more recipients

■ Decisions:

- After modelling is completed, combine with Interest Accrual and Interest Rates topics and discuss at 10/06/16 meeting



Interest Rates

■ Currently:

- WAC 173-98-400(2) and WAC 173-95A-200 establish criteria for standard rates
- WAC 173-98-300(5), WAC 173-98-310(2), and WAC 173-95A-400(7) establish criteria for hardship rates
- WAC 173-98-400(4) describes process for reducing standard rates
 - Reductions apply across the board

■ Issues:

- No flexibility
 - Example: Spokane returned \$30M in SFY15 and didn't pursue many more millions in funding because they were able to get a nearly equal bond rate
 - Example: PWB previously reduced their rates just before making funding offers because bond rates had decreased
 - Example: OR and OH reduce rates for NPS sponsorship projects
 - Example: DEPs must do extra work in order to meet specific federal requirements; this costs more

■ Suggestions:

- Allow rate reductions on a case-by-case basis
- Allow option to adjust rates just prior to publishing the Funding List/IUP
- Lower rates for a facility project if recipient also sponsors a NPS project
- Implement "floating rates" (e.g., 0.5 point below market) that allow a recipient to lock-in a rate when they are ready to sign
 - Would allow recipients a guarantee interest rate will be less than market rate, thereby making CWSRF loans more desirable than bonds—regardless of the time of signing
- Reduce rates for NPS projects

■ Suggestions:

- Combine with 30-year Loan Terms and Interest Accrual topics and continue discussing at 10/06/16 meeting



Interest Accrual

■ Currently:

- WAC 173-98-400(1) requires interest accrual on loan funds as they are disbursed (“deferred interest” is added to principal at completion)

■ Issues:

- Some recipients wait until near completion to submit payment requests to avoid accruing deferred interest
 - Impacts our cash-flow modelling

■ Suggestions:

- Charge interest on funds that are “committed” (like issuing a bond)
 - Could encourage drawing funds more rapidly & closing-out projects sooner
- Enforce/strengthen agreement condition requiring submittal of payment requests regularly
- Consider increasing interest rates for slow progress and decreasing them for fast progress

■ Decisions:

- Keep current approach of charging interest on disbursed amount
- Combine with 30-year Loan Terms and Interest Rates topic and continue discussion at 10/06/16 meeting