

Financial Hardship for Wastewater **Construction—State** Fiscal Year 2021 (SFY21)

SFY21 Applicant Workshops--Wastewater Breakout Session--Financial Hardship for Wastewater Construction



Contact Information

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Financial Hardship Analysis Basis

- Basis of the hardship analysis
 Current costs of the system + project costs
 Examine the impact on <u>existing residential</u> ratepayers
 - Assumes no growth
 - Assumes all Ecology funding requested is covered with a standard interest rate, 30-year loan

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Population <25K paying for the project</p> Without subsidy the project will result in sewer fees of >2% of the Median Household Income (MHI) of the community

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Subsidy Options and Limits

Subsidy is:

- Only for existing residential needNot for growth
- Not for commercial customers
- **Subsidy options:**
 - Centennial grant
 - Forgivable loan
 - Further reduced interest rates—potentially 0%
- Limit of \$5M grant/forgivable loan per project



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SFY21 Interest Rates & Subsidy Eligibility

Sewer Fee ÷ MHI =	<2%	2%-3%	3%-5%	>5%
Hardship Designation =	Non-hardship	Moderate	Elevated	Severe
5-year Term Interest Rates:	1.0%	0.7%	0.3%	0.0%
20-year Term Interest Rates:	2.0%	1.3%	0.7%	0.0%
30-year Term Interest Rates:	2.7%	2.0%	1.3%	0.7%
Grant/Forgivable Loan Eligibility:	Not eligible	50% (\$5M max)	75% (\$5M max)	100% (\$5M max)



Financial Hardship Form

Must complete the Financial Hardship Form in order to be considered for eligibility

Obtain the form via the Funding Request-Wastewater Project form

Answer YES to the question, "Is this a Step 3 or Step 4 project, and is the population of the community that will pay for the project less than 25,000, and do you want to be considered for Financial Hardship subsidy?"



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Financial Hardship Form Sections

Other Secured Loans Annual Facility Costs Current and Design Population **Existing Ratepayers** Sewer Fee & Median Household Income (MHI)



Other Secured Loans

Are other loan funds committed to this Project? * O Yes O No

If yes, provide details on the amounts of secured/committed loan funding for your project from the "Cost estimate and project funding table". Do not include loans for which the annual debt service is included in the Estimated Annual Facility Costs entered below.

Year	Source	Amount Borrowed	Interest Rate	Years until Maturity	Annual Debt Service
	×		<u>%</u>		
	Total	\$0			\$0

Only include if secured



Estimated Annual Facility Costs

*Estimated Annual Facility Costs

Annual costs for the facility paid by the ratepayers responsible for paying for the project.

Annual Facility Costs = Total Operating Expenses - Depreciation + Existing Debt Service.

Costs = existing facility cost + proposed facility costs - any cost savings from the proposed facility.

The costs provided are the costs that will be paid by the ratepayers responsible for paying for the project. Usually this will be the ratepayers of the entire facility. However, some projects are only for a specific area, and only ratepayers in the specific area will be responsible for paying the costs of the project. An example is a project supported through Local Improvement District assessments or similar special rate districts. For such projects, include only the portion of the costs that will be paid by the affected ratepayers.

Upload additional documentation or provide explanation as necessary.

Only include the costs for those paying for the project





Current and Design Population

* Population of Area Served by Project

Provide an estimate of the population for the area served by the project at the time of application and the population the project is designed to serve according to the current Facility Plan.

Current population of the area served by the project

Design population of the area served by the project

•Used to determine the % of project costs for growth



Existing Ratepayers

*Existing Ratepayers

Provide information on the number of existing ratepayers responsible for paying for the project.

The information provided in the table is for the ratepayers responsible for paying for the project. Usually this will be the ratepayers of the entire facility. However, some projects are only for a specified area, and only ratepayers in the specified area will be responsible for the paying for the project. An example is a project supported through Local Improvement District assessments or similar special rate districts. For such projects, include only information for the affected ratepayers.

Generally, one single family residential sewer account is one equivalent residential unit (ERU). Calculating ERUs for non-single family residences can be done in many ways, including by costs. For example, multi-family residences, local public facilities, commercial customers, and industrial customers may pay more for sewer service than a typical residential ratepayer. In such cases, you can calculate the number of ERUs based on the typical sewer bill. For example, an industrial customer who pays 5 times the sewer bill of a typical residential ratepayer would be reported as 5 ERUs.

"Residential" includes: Single Family Residences; Multi-family Residences; Local Public Facilities such as schools, fire stations, community centers, police stations, and city halls; and Small Commercial Customers with a wastewater flow of <3,500 gallons/day. Small Commercial Customers may include public lodging (e.g., motels, hotels, bed and breakfasts) and small restaurants, stores, or taverns.

Attach additional documentation or explanation as necessary.

To access a simple Excel tool to calculate ERUs for the purposes of completing this form, please see: <u>https://ecology.wa.gov/About-us/How-we-operate/Grants-loans/Find-a-grant-or-loan/Water-Quality-grants-and-loans/Facility-project-resources</u>.

Existing Ratepayers	Sewer Account	ERUs	
Residential			
Commercial, Industrial & Institutional			
Total			

Simple tool to calculate equivalent residential units (ERUs) for Ecology hardship is available (link on final slide)



Monthly Sewer Fee & MHI

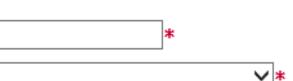
Monthly Sewer Fees

What is the current basic monthly sewer fee for a single family household?



Median Household Income (MHI)

What is the current estimated MHI for Project Area?



Source

See the current Water Quality Financial Assistance Guidelines available for download on the Forms Menu

If Income survey, please attach

MHI via Funding Guidelines or approved Income Survey



For Additional Information

For the ERU calculation tool: https://ecology.wa.gov/About-us/How-weoperate/Grants-loans/Find-a-grant-or-loan/Water-**Quality-grants-and-loans/Facility-project-resources** To see this and other workshop presentations: https://ecology.wa.gov/About-us/How-weoperate/Grants-loans/Find-a-grant-or-loan/Water-**Quality-grants-and-loans/General-resources**