



Drinking Water State Revolving Fund

# Construction Loan and Lead Service Line Loan Overview Q&A

331-734 • 11/13/2023

## Do Tribes have to be recognized as an entity by Washington State?

Tribes must be federally recognized to be eligible for State Revolving Fund (SRF) funding.

## Is there formal guidance on what chemicals are considered "emerging contaminants"?

EPA has five finalized Contaminant Candidate Lists (CCL) and one draft CCL. You can find these on [EPA's Drinking Water Contaminant Candidate List \(CCL\) and Regulatory Determination webpage](#). Any contaminant on any one of these lists that do not have a national primary regulation (maximum contaminant level, action level, or maximum contaminant goal) qualifies as an emerging contaminant.

## Washington State Priorities

1. PFAS.
2. Cyanobacteria.
3. Manganese above the EPA Health Advisory Level.
4. Other contaminants.

EPA presentation: [EPA Bipartisan Infrastructure Law \(BIL\)/Infrastructure and Investment Jobs Act \(IIJA\) Emerging Contaminant Funding \(PDF\)](#).

## Can construction funds be used for connection fees?

Only if connection fees are part of a construction project (water main replacement, consolidation).

## Is WALT used after the loan is made, too?

WALT (Washington Loan Tracking online application) is used for receiving, reviewing, and scoring applications. Once applications are processed, they are moved to Contract Managers in Financial Services.

**Are we able to have multiple staff access our organization's application in WALT?**

Yes. Multiple staff, consultants, and technical assistance providers may have access to a community’s application. Contact [Sara J. Herrera](#) and let her know which water system applications you will work with.

**Do applicants need to submit the EZ-1 form for each project in the separate applications?**

Yes, submit an EZ-1 form with each application that describes that project.

An EZ1 is needed for all projects unless you have previously completed a Section 106 Cultural Review for that project with DWSRF or a Federal agency. The environmental review process follows the SEPA process and is separate from the cultural review. If you have completed the cultural and environmental reviews through DWSRF, we will send you a letter. If the project you are submitting is the same as the project you completed your cultural review for, you will not need to submit a new EZ1.

**Can you discuss when a separate Median Household Income (MHI) study needs to have been completed?**

If a water system does not think the county MHI applies to their community, they may complete an Income Survey following the IACC Income Survey Method. Data must be within 18 months of application submittal and have a 90 percent participation rate.

**Does the 30-year loan term have to be a disadvantaged community?**

Not necessarily. SRF underwriters may offer a reduced interest rate and consider longer payback periods of up to 30 years, even if a project does not qualify as a disadvantaged community.

**When is the next funding cycle open for people who are not ready for the November 30 deadline?**

We have annual construction loan funding cycles. If a water system is not ready for this year’s deadline of November 30, 2023, they can apply next year. We will accept applications October through November 30, 2024.

**What time on October 2 does this application online process open?**

We will accept applications starting at 8 a.m. October 2, 2023.

## **When are applications due through the online process?**

We will accept applications through the Construction Loan application and the Lead Service Line Loan application until 11:59 pm PST on November 30, 2023. Please do not wait until the last day to submit your application.

## **How specifically does the planning document have to detail the proposed project?**

Please work with your [regional planner](#). This is a great question to ask during the pre-plan meeting BEFORE you write your planning document. The planning document must identify the project (water main replacement on specific streets, new 500,000-gallon reservoir, drill a new well) in the narrative and be included in the Capital Improvement Plan or project list.

## **If my planning document is under review by the regional office, how do I answer the question on the Lead Service Line Loan application, “Is your Water System Plan (WSP) or Small Water System Management Program (SWSMP) approved and current?”**

Answer: No. You can provide narrative in your scope of work that the planning document is under review.

## **How do I determine if my planning document is current and approved?**

Contact your [regional planner](#) to determine if your planning document is current and approved. The Water System Plan must not expire on or prior to November 30, 2023. If your Small Water System Management Program is more than 6 years old, contact your regional planner. Please note that some regional planners require a Pre-plan meeting prior to acceptance of a planning document.

## **How do I find out who my regional planner is?**

We have [three regional offices](#). Each office has two regional planners, we list them in this [Regional Engineer and Planner map](#).

## **How do I use the Construction Loan or the Lead Service Line Loan to install or replace service meters?**

DWSRF cannot pay for meter-only projects. If you are replacing a water main, you may install or replace the water meters along the main line. If you are replacing lead service lines, you may replace meters that predate the June 1986 federal lead ban, and the meters contain lead components.

## **Can I include the loan fee in my loan request?**

Yes. The maximum loan request is \$12 million. You can add the 1 percent loan fee to the loan request. Total maximum request is \$12,120,000.

## **For the question, applicant has no outstanding audit findings related to technical, managerial, or financial capacity?**

The answer should be Yes. If you have an audit finding, please contact [Michael Copeland](#) or call 360-263-3083 to determine if the finding makes you ineligible.

## **Is my water system required to do an audit?**

Audits that we see most often are triggered when a recipient spends more than \$750,000 in federal funds in a year. The federal funds can be a combination of DWSRF and any other federally funded grant/loan.

## **What technical assistance is considered for help with the application?**

If Rural Community Assistance (RCAC), Evergreen Rural Water of Washington (ERWOW), Small Communities Initiative, or your engineering consultant helped you complete the application (fill out, provide documentation for uploading, etc. ) then list them on the application.

Consultant work on your Water System Plan or engineering design does not qualify as technical assistance since a professional engineer licensed in the state of Washington is required to complete these documents.

## **Does the word “company” in the application apply to all applicants?**

Yes. Where it says company, it means the water system.

## **What does it mean to “restructure” a water system to get the restructuring/consolidation bonus points?**

Restructuring a water system means the water system changes ownership. Consolidation means a water system physically connects to a Group A water system. The system to be consolidated is no longer an active water system.

## **Is the water system required to have a set amount of reserves to be eligible?**

The water rates must cover operations and maintenance of the water system, loan repayment of the DWSRF loan, repayment of any other outstanding debt, and a reserve to replace the infrastructure. Existing debt service is reviewed during the underwriting process.

## **Is loan principal forgiveness a grant?**

No. Loan principal forgiveness occurs once the project is completed. You are expected to make annual loan payments every October 1 after signing the loan agreement. Upon completion of the construction project, we will forgive the remaining principal. You must successfully go through underwriting in order to sign your loan agreement. DOH must be able to loan you money.

## **What questions are on the application?**

Please download the Application Worksheet for the [Construction Loan](#) or the [Lead Service Line Loan](#). Each worksheet provides each question and box from the online application and identifies where you need to upload supporting documents. Please save your online application frequently.

## **How do I know I submitted my application?**

Once your online application is complete, click "Submit". If you do not receive a confirmation email from WALT within 24 hours, contact [DWSRF@doh.wa.gov](mailto:DWSRF@doh.wa.gov) so someone can determine why the application did not submit correctly.

## **Which Median Household Income (MHI) is used to determine affordability?**

DWSRF uses the 2022 Projection for the county MHI from the [Office of Financial Management's \(OFM\) spreadsheet](#). A water system may submit an income survey if the reported is dated within 18 months at the time of application. The income survey data, if accepted, will be used instead of the OFM MHI projection.

## **What are the terms for the Construction Loan? The Lead Service Line Loan?**

The standard interest rate for the Construction Loan and the Lead Service Line Replacement Loan is 2.25 percent for 20 years. For water systems with affordability issues, the interest rate may be reduced to 1.75 percent. Loan fee is 1 percent. This fee is waived if the water system receives subsidy (loan principal forgiveness). The design engineer can certify the life of the

infrastructure is greater than 20 years and the loan payback period can be extended to the life of the infrastructure, but no more than 30 years.

The standard interest rate for the Lead Service Line Inventory Loan is zero percent for 10 years. There is a 2 percent loan fee. With potential loan subsidy.

## **How do I apply for loan subsidy or a specific pot of funding such as the Emerging Contaminant funding?**

You do not apply for specific funding. You describe the project, the reason for the project, and the budget. DWSRF Leadership will determine which pots of funding will be used to pay for the project. We will review the financial need of the water system and determine if any loan principal forgiveness will be awarded and how much. Loan principal forgiveness will be from zero percent up to 100 percent. Few water systems will receive 100 percent loan principal forgiveness.

## **Can I use the DWSRF loan to build a new warehouse, maintenance shop, or operations building?**

No. DWSRF can pay for buildings that house active water infrastructure – well house, treatment building, booster pump station, pump house, treatment building with a lab, and inventory storage area as part of an infrastructure building. The building must be part of a DWSRF eligible project and not a stand alone project.

## **When do I have to start paying back the loan?**

Your first loan payment is due October 1 after signing the loan agreement. The first payment includes interest, principal, and the loan fee.

## **Why do I have to make loan payments if I receive subsidy?**

All loan recipients will be billed for interest (unless waived) and principal each September with payment due October 1, even during design and construction of the project. Once construction is completed, loan principal forgiveness will be applied to the remainder of the principal.

## **How is interest calculated?**

Interest is simple interest calculated annually.

## **How can I learn more about the requirements of the loan and my responsibilities as a borrower?**

Please read the [Drinking Water State Revolving Fund Loan Customer Handbook 331-586 \(PDF\)](#).

**In the DWSRF application, the question asking if there is a "treatment technique" issue—would we select "yes" if the facility's existing treatment train is incapable of treating EC's (e.g. cyanobacteria)?**

If there is an issue, Office of Drinking Water (ODW) staff members send a letter stating that a treatment technique was issued. Upload a copy of that letter as part of your application.

In the example in the question, the water system would select "No" if they did not receive a letter from ODW.

**What water rates do I use in filling out the rate table in the application?**

Use the average base rate for your residential connections if there are multiple base rates. Use an average usage rate based on average usage for your residential connections. Do the best you can to complete the water rate information.

**If a customer/property owner refused to have the private side of the lead service line replaced, can I replace the utility side of the lead service line?**

No. A water system shall not replace the utility side of the lead service line only if a property owner or customer refuses to have the private side of the lead service line replaced. Document the refusal. Try to convince the property owner/customer to have the service line replaced due to the health impacts of lead in the drinking water. If utility customer outreach does not work, the water system may request technical assistance by contacting [Chelsea Cannard](#) or 564-233-1799.



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