

# Washington State Drinking Water State Revolving Fund

Intended Use Plan  
For Year 26  
Federal Capitalization Grant  
DOH 331-534 • June 2022



**On the cover:** Judy Reservoir to Mount Vernon Transmission line replacement project – photo credits  
Public Utility District No.1 of Skagit County.



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# Year 26 Federal Capitalization Grant

## Intended Use Plan

### 1. Introduction

Congress established the Drinking Water State Revolving Fund (DWSRF) in August 1996 as part of the reauthorized federal Safe Drinking Water Act (SDWA). The DWSRF Program finances drinking water projects and activities to protect public health and achieve or maintain compliance with the SDWA.

The Safe Drinking Water Act authorizes the U.S. Environmental Protection Agency (EPA) to award annual capitalization grants to each state for a revolving construction loan program and other assistance to public water systems. Each state must provide matching funds of 20 percent of the federal capitalization grant.

#### **EPA awards federal DWSRF capitalization grants to states for:**

- **Set-Asides.** Funds for DWSRF Program administration and non-construction projects used to ensure compliance with the SDWA.
- **Capital Loan Fund.** Helps eligible water systems achieve or maintain compliance and protect public health by funding drinking water infrastructure improvement projects, such as treatment or a new source.

To access the funds, each state must submit a capitalization grant application to EPA. In addition, each state's capitalization grant application must include an annual Intended Use Plan (IUP), which describes how the state intends to use available funds. As the agency responsible for ensuring compliance with the SDWA in Washington, the state Department of Health (Health) submits the grant application to EPA.

### Washington's Year 26 Intended Use Plan

In federal fiscal year 2022 (FFY 2022), Congress appropriated \$1,126,088,000 to EPA for the national DWSRF Program but subtracted from those funds \$397,766,044 for STAG—Drinking Water SRF. EPA then appropriated funds to the states based on their statewide needs' assessment. Washington will receive approximately \$15,655,000 from EPA to fund capital improvement projects that were ranked and placed on the priority list for state fiscal year (SFY) 2023 (July 1, 2022–June 30, 2023) and set-aside projects. Washington uses 74 percent of the capitalization grant for new construction loans and designates the remaining 26 percent of the capitalization grant for non-construction set-aside projects, such as special studies and technical assistance. Excluding set-aside funds, but including the 20 percent state contribution, the state has about \$80 million to award for new construction projects based on the updated predictive model.

As of March 31, 2022, Washington has a cash balance of approximately \$3.8 million (generated from loan origination fees) for ongoing administration of the revolving fund loan program. The loan

origination fee remains at 1.0 percent. The standard interest rate is 1.75 percent and reduced to 1.25 percent for those projects receiving subsidy.

**Washington used public participation to develop this year's loan list for the IUP, which includes:**

- Status of Washington's DWSRF Program.
- Washington's process and allocation of capital construction and set-aside funds.
- Washington's determination of loan eligibility and funding prioritization.
- Intended uses of additional subsidization.
- Prioritized-project funding list from DWSRF 2021 Construction Loan cycle.

## 2. Congressional priorities

Congress established guides for states to use, to the maximum extent possible, to prioritize project spending. Below, Health explains how Washington complies with the priorities in each guide.

**Projects that address the most serious public health risk.** We base our priority ranking of projects on public health risk. We rank projects that address acute risks higher than projects that remedy chronic risks. While eligible, we consider infrastructure replacement projects the lowest priority for funding.

**Projects necessary to ensure compliance with SDWA requirements.** We review all applications with respect to compliance with the SDWA. If the applicant is out of compliance, the proposed project must resolve the compliance issue, or the applicant must satisfactorily show that another project will return the water system to compliance.

**Assistance should be provided to systems most in need, on a per household basis, according to state affordability criteria.** We allow all eligible community water system applicants to request consideration for subsidy based on affordability of their rates. To calculate affordability, we use the Affordability Index, a formula that considers an applicant's water rates and median household income. We also allow school districts that own and operate a public water supply to be subsidy-eligible based on corresponding free and reduced lunch metrics. For kindergarten through grade 12 schools that own and operate a Group A water system, we use the following information to determine subsidy:

- Up to 30 percent principal forgiveness awarded if 30 to 49 percent of the student population receive free and reduced lunch.
- Up to 50 percent principal forgiveness awarded if 50 percent or more of the student population receive free and reduced lunch.

All other noncommunity systems were deemed subsidy-ineligible. Noncommunity water systems do not supply water to households; and therefore, they can't meet the federal requirement to base affordability on a "per household basis."

**Provide at least 26 percent of the DWSRF Capitalization Grants as loan subsidy to eligible recipients.** We have given needy systems about \$45 million in subsidies since 2010 (Table 1, page 5).

For the 2021 funding cycle (SFY 2023), the basic loan rate (as advertised in the 2021 DWSRF Construction Loan Guidelines) is a twenty-year fixed-rate loan with 1.75 percent interest. However, those projects meeting the disadvantaged criteria or receiving subsidy (awarded as principal

forgiveness) are assigned a lower interest rate of 1.25 percent. DWSRF program staff decided to maintain these lower interest rates in response to the current economic challenges statewide due to COVID 19. For SFY 2023, a goal of 35 percent of the capitalization is to be awarded as subsidy. This amount equates to \$4,040,400.

Starting with the highest scoring applicants, the program awarded subsidy using the following criteria:

- Water systems with an affordability index of 2.01–3.50 percent will receive 30 percent principal forgiveness on their loan.
- Water systems with an affordability index of 3.51 percent or more will receive 50 percent principal forgiveness on their loan.
- Restructuring and consolidation projects that involve acquiring other noncompliant, failing, or struggling public water systems that have water quality problems or deteriorated infrastructure will receive 50 percent principal forgiveness on their loan. Note that in future years, all consolidation projects will need to meet the affordability criteria to receive subsidy.

The criteria listed above is the standard method the program has used to determine, the minimum subsidy award. This year’s subsidy was increased to 50 percent for one project, this was necessary to meet our expected grant subsidy requirements. We had already notified recipients of their subsidy award prior to receiving notification of the reduced grant amount. We awarded \$6,160,371.

The following projects will receive subsidy.

<b>Project Applicant</b>	<b>Project Name</b>	<b>Funded Amount</b>	<b>Subsidy Award</b>
<b>Kitsap Public Utility District #1</b>	Bill Point, Island Utility, South Bainbridge Consolidation Phase 2	\$2,434,454	\$1,217,227
<b>Boistfort Valley Water</b>	Boistfort Surface Water Intake	\$3,612,972	\$1,806,486
<b>Liberty Lake Sewer and Water Dist No. 1</b>	Eastside Consolidation Phase 4	\$1,075,801	\$537,900
<b>City of Bainbridge Island</b>	Fernclyff Water Main Extension	\$800,000	\$400,000
<b>Woodland Heights Maintenance Association</b>	Pump House and Water Distribution System Upgrade	\$560,072	\$280,036
<b>Pend Oreille Public Utility District</b>	Sunvale Acres Distribution Replacement Project	\$591,282	\$295,641
<b>Mason County PUD No 1</b>	Lake Arrowhead Mainline Replacement	\$ 2,533,340	\$1,266,670
<b>Total</b>			<b>\$6,160,371</b>

Final subsidy awards are also listed by project in Appendix B.

Table 1

Summary of Washington Subsidy Awards							
SRF/SFY Year	Cap Grant Amount	Subsidy Required	Subsidy Awarded	% Subsidy Awarded	Subsidy Expended	% Subsidy Expended	Notes
16/2013	\$22,914,000	20-30%	\$6,147,175	27%	\$6,147,175	27%	Subsidy Met
17/2014	\$21,499,000	20-30%	\$4,381,590	20%	\$4,381,590	20%	Subsidy Met
18/2015	\$19,741,000	20-30%	\$3,849,645	20%	\$3,849,645	20%	Subsidy Met
19/2016	\$19,600,000	20-30%	\$4,060,444	21%	\$4,060,444	21%	Subsidy Met
20/2017	\$18,233,000	20-50%	\$3,764,308	21%	\$3,764,308	21%	Subsidy Met
21/2018	\$18,233,000	20-50%	\$4,446,769	24%	\$4,446,769	24%	Subsidy Met
22/2019	\$24,815,000	20-50%	\$5,878,205	24%	\$388,640	1%	Four projects open, still drawing
23/2020	\$24,583,000	26-56%	\$6,451,900	26%	N/A	N/A	Contracts executed
24/2021	\$24,598,000	20-50%	\$7,004,400	29%	N/A	N/A	Contracts executed
25/2022	\$24,576,000	20-50%	\$5,593,526	23%	N/A	N/A	Contracts executed
26/2023	\$16,576,000	26-49%	\$6,160,371	50%	N/A	N/A	Contracts need to be executed.
<b>Total</b>	<b>\$293,086,000</b>		<b>\$76,749,795</b>		<b>\$44,372,175</b>		

### 3. Washington’s program goals

We developed the following goals to sustain our DWSRF Program over time and to ensure compliance with the performance standards in EPA’s Environmental Results Goals.

**DWSRF Mission:** The DWSRF Program helps water systems by providing affordable financing to eligible entities for planning, designing, and constructing public water facilities that provide safe and reliable drinking water.

**Vision:** Washington state is a national leader in providing comprehensive financial and technical support to water systems.

**Goals:** Washington state’s public water systems are safe, reliable, and sustainable, and water is affordable for all citizens.

**Philosophy:** The overall philosophy of the Washington state DWSRF is to maximize the availability of DWSRF funds for project construction.



## Short-term goals

- **Assess our fund management system for opportunity.**
  - Continue to work with Public Financial Management consultants (PFM) on the predictive model and provide financial updates to PFM twice a year.
  - Adjust interest rates to address long-term inflation and provide for fund sustainability.
- **Continue to grow and expand programs that improve readiness to proceed and improve use-rate of construction money awarded.**
  - Contact construction loan recipients experiencing delays with their projects to review options that would allow their project to reach construction. If needed, convert the construction loan to a preconstruction loan to allow the entity to continue with preconstruction activities.
  - Conduct an annual review of readiness-to-proceed criteria for construction loans and improve the criteria to better identify “shovel ready” applicants.
  - Consider new loan eligibility criteria to include past performance on DWSRF loans. For instance, jurisdictions that have needed multiple time extensions on current open DWSRF loans may be deemed ineligible for a new loan until construction on all existing loans is completed.
- **Ensure that at least 15 percent of the available funds provide financial assistance to small systems that have projects ready for construction.**
  - Technical assistance providers and DWSRF staff are available to help systems prepare for construction loans, such as assistance with rate setting, training on DWSRF construction loan funding, and income surveys.
- **Provide financial and technical assistance to help public water systems increase technical, financial, and managerial capacity.**
  - Continue to provide technical assistance through two contracts: Rural Community Assistance Corporation and Small Community Initiatives. These technical providers assist systems with board training, funding applications, rate setting, and asset management.
  - Offer asset management training.
  - Continue to collaborate with other funding partners on small system training on infrastructure funding. Three trainings were offered this past year via webinars: regionalization, value planning, and asset management.
- **Review and implement process improvement efficiencies**
  - Improve water system contact information and determine whether invoicing can be done electronically.
  - Provide training and resources on DWSRF online application (WALT) to internal and external stakeholders.
  - Continue to implement construction site visits and inspections during construction. Also develop the ability to conduct remote construction site visits.
  - Provide one-on-one contract training with each applicant approved for a construction loan.

- Encourage funding applicants to coordinate water main replacement projects with other infrastructure projects, such as transportation improvement, fish-passage barrier removal, or sewer-line replacement projects. DWSRF applicants that combine infrastructure projects will receive bonus points or, in some instances, a certain amount of guaranteed loan funding.

## Long-term goals

- **Strengthen the fiscal integrity of the fund.**

Solid and complete financial analysis is required to understand the implications of any particular DWSRF financial policy choice, such as leveraging the fund to provide additional cash flow. Washington has contracted with PFM to assist with developing a long-term financial strategy. Alternatives under consideration include increasing the interest rate and modifying how loan fees are assessed. In addition, PFM created and will oversee the predictive model for the loan program. A solid plan will protect the financial future of the DWSRF using all the relevant operating assumptions for the program.

- **Acknowledge and address household affordability constraints.**

Washington will regularly reevaluate the affordability criteria to ensure that public water systems in greatest need of help receive subsidy and technical assistance. DOH staff work internally and continue to collaborate with other funding agencies to identify hardship criteria and aid underserved communities.

- **Use DWSRF funds to promote resilient, energy-efficient infrastructure.**

- Encourage an investment-grade energy audit for construction loans where the project results in an increased energy demand (pumping or treatment plant projects) for water systems serving communities with a population of 10,000 people or more.
- To better promote resiliency projects (such as seismic upgrades, relocating sources, or installing generators), we now identify resiliency projects in Risk Category 4 for projects. Several resiliency construction loan projects have been funded to date, including seismic upgrades to finished reservoirs, installation of generators at main sources, and interties.
- A new risk category was created to address regional issues for water systems in the state experiencing declining aquifers and water shortages, such as portions of the Mid-Columbia Basin. Although the program did not receive any project applications to address this issue during the 2020 DWSRF Construction Loan cycle, we will continue to recognize this category of projects.
- Award bonus points for projects that reduce water loss or energy use.

- **Continuously improve the DWSRF Program so we are more efficient and better able to serve our customers.**

- Improve the online application process.
- Develop electronic invoicing and payments for our loans. ACH payments were accepted in the past two billing cycles and was used by many of water systems.
- Educate water systems about the DWSRF Construction Loan Program before each loan cycle.
- Maintain emergency funding to assist systems affected by unforeseen events and to ensure they continue to maintain public health protection.

- Maintain ability to award additional funding for existing DWSRF loans to address escalating construction costs that exceed funding amount and allow project completion.
- Continue to offer Preconstruction Loans available year-round to allow systems to better prepare for infrastructure improvements.
- **Continue offering Consolidation Feasibility Study Grant funding.**  
The Consolidation Feasibility Study Grant funding program was re-established in 2020 with a call for applications. We received nine applications and funded eight; one withdrew. We funded: Rochester Water Association, Paradise Estates Water Department, Mason County PUD No1, King County Water District No 90, City of Leavenworth, City of Tumwater, Public Utility District 1 of Kitsap County and Valley Water District. Our stakeholders found great value in these small grants (up to \$30,000 per project), which allowed the study of potential transfer of ownership and consolidation projects to address compliance or capacity issues with small, struggling water systems. This funding program uses our loan origination fee fund. We plan to offer these grants again in 2022 and increase the per project amount to a max of \$50,000.
- **Continue to promote asset management**
  - Bonus points are awarded for DWSRF applicants that have attended an asset management training, have an asset inventory, and have assigned criticality numbers to assets.
  - Offer DWSRF funding recipients to funding to develop an asset management program. DWSRF applicants that do not have an existing asset management program must develop an asset inventory, including expected life of assets and replacement costs for each asset. Applicants with an existing asset management program are provided the ability to improve their asset management program. Up to \$40,000 of additional funding will be awarded per jurisdiction for asset management efforts.

## Environmental Results Goals

Washington’s DWSRF project loan funds and set-aside work plans support EPA’s strategic planning Goal 2, “Protecting America’s Waters,” and strategic Objective 2.1, “Protect Human Health” by safeguarding human health through regulations and by protecting public drinking water. Our program provides funding to help achieve this federal performance standard. We intend to meet or exceed EPA’s annual performance targets.

We will use these performance measures to ensure the loan program achieves federal standards:

- **Annual percentage of assistance agreements to bring water systems into compliance.** Based on available funds, Washington proposes to fund 18 DWSRF-eligible projects from our fall 2021 loan cycle with 74 percent of the capitalization grant funding, for a total award of about \$69 million (see Appendix B). Two of the funded projects address compliance issues and the remaining funded projects improve system capacity through consolidation efforts or provide system resiliency.
- **Fund utilization rate (cumulative loan agreement dollars compared with the cumulative funds available for projects) for the DWSRF loan fund.** This indicator is commonly referred to as “pace” and it measures how well the state is putting its available funds into loans. States should target pace levels near or above 100 percent. States that are lagging in this measure, or have declining pace levels, may need to review loan policies and procedures, and outreach techniques. Nationally, pace

was 97 percent for the DWSRF in 2021 (cumulative). States with pace levels greater than 100 percent are generally practicing advanced loan commitment. Pace does not measure how quickly funds are disbursed after the loan agreement has been signed. The table below shows the fund utilization rate for Washington state, our Region 10, and the nation for the past four state fiscal years.

Loans as a Percentage of Funds Available for Loans (Fund Utilization Rate)					
SFY	Total Project Funds Available	Total Loans	Washington	Region 10	U.S.
2017	\$ 662,399,237	\$ 887,473,473	134%	111%	96%
2018	\$ 714,204,567	\$ 887,473,473	124%	109%	96%
2019	\$ 784,408,132	\$ 928,241,191	118%	106%	95%
2020	\$847,871,539	\$948,200,820	112%	103%	96%
2021	\$914,757,820	\$981,702,698	107%	101%	97%

#### 4. Set-aside activities

The primary focus of the DWSRF Program is to fund capital construction projects that help to protect public health and ensure SDWA compliance. However, states also may use 31 percent of their annual capitalization grant for various non-construction activities that accomplish the same purposes. Funds for these non-construction activities are called set-asides.

There are four set-aside categories. The federal DWSRF Program limits the amount states can use for each category and specifies the types of activities we can fund:

- Program administration (4 percent plus two new options as described below).
- State program management (10 percent).
- Small system technical assistance (2 percent).
- Local assistance and other state programs (15 percent).

Our staff, third-party contractors, or direct funding to public water systems are examples of set-aside assistance. Washington will use funds from these capitalization grants to fund activities during more than one state fiscal year. However, to keep unliquidated obligations at a minimum, the state strives to fully spend each set aside within a two-year period. If there is a time when the state can't spend down an approved set-aside work plan within two years, as we have in the past, we will amend work plans, ask for additional time to spend, or transfer that set-aside funding to be disbursed through the loan program.

The state will not use funds for set-asides, other than program administration, until EPA approves detailed work plans. We anticipate completing this process and having funds available in SFY 2023. Washington intends to use 26 percent of its Year 26 capitalization grants for current and future set-aside activities. We will begin using program administration set-aside funds in SFY 2023. Any remaining

set-aside funds will be used in SFY 2024. The subsections below describe how Washington intends to use these set-aside funds.

We use set-aside funds for work plans that contribute to achieving EPA's Strategic Goal 2, sub-objective 2.1.1 Water Safe to Drink: Percentage of the population served by community water systems that receives drinking water that meets all applicable health-based drinking water standards through effective treatment and source water protection.

To carry out the set-aside activities below, we often rely on contractors with specialized skills and qualifications. We will use a contractor from the state's contractor list or use a competitive bid process to purchase these services.

## **Program administration set-aside**

Washington plans to cover direct and indirect expenses associated with program administration activities. We often supplement this SRF set-aside with DWSRF loan origination fees because the set-aside does not provide sufficient funding for this activity.

Washington will use 4 percent of the capitalization grant for program administration.

## **State program management set-aside**

When Congress reauthorized the SDWA, it recognized that federal funding for state drinking water programs was inadequate in states that assumed primacy for enforcing the SDWA. To help resolve that state funding issue, Congress gave states the option of using up to 10 percent of their annual DWSRF allotment for program management. Washington uses the full 10 percent allotment to manage the state drinking water program.

Health uses this set-aside to fund a significant number of positions that:

- Administer the state Public Water System Supervision (PWSS) Program.
- Maintain and improve the computer systems at Health's Office of Drinking Water.
- Collaborate with staff, public water suppliers, and government agencies to help them understand regulatory requirements and assist them when water quality contamination occurs.
- Provide notification, compliance, financial, and technical assistance, which helps to ensure systems meet Public Notification, Consumer Confidence Report, and various water quality monitoring requirements.

## **Small system technical assistance set-aside**

This set-aside funds technical assistance for water systems that serve fewer than 10,000 people. We will use our full 2 percent allotment from this set-aside to support small system technical assistance activities.

## **Local assistance and other state programs set-aside**

A state may fund several categories of activities to help develop and/or implement local drinking water protection initiatives under Section 1452(k) of the 1996 SDWA amendments. States may use up to 15 percent of the annual capitalization grant for the local assistance and other state program set-asides,

with a maximum of 10 percent for any one category of assistance. We intend to use 10 percent of this set-aside this year for activities related to system capacity development.

## Capacity Development and Water System Sustainability

Washington state's Capacity Development Program is one of the strongest in the nation due to the internal and external partnerships we have developed and continue to maintain. We continue to use tools that prove successful and create new tools, as needed, to accomplish our goals. We continue to focus on training and technical assistance resources as much as possible for water systems willing and able to build capacity to sustain themselves. We will rely on our graduated compliance approach to direct water systems when they are unable or unwilling to maintain sufficient capacity. We strive for innovative approaches to help struggling small systems succeed or get out of the water business and mitigate the impending financial burden on customers of those systems.

As we move into a new phase of the COVID-19 pandemic, we continue to nurture relationships and develop forward-thinking strategies with partners to help meet our mutual goal of providing safe and reliable drinking water to the people of Washington state now and into the future. Washington state will use 10 percent of the Local Assistance and Other State Programs set-aside to provide DWSRF capacity development assistance in the form of financial assistance, technical assistance, sanitary surveys, and other types of program support to drinking water systems. Capacity development activities include, but are not limited to:

- Providing outreach and communication tools on technical, managerial, and financial capacity on our website and other media outlets.
- We will look to reenergize our efforts to conduct sanitary surveys, including virtual surveys, that allow us to follow safety measures to minimize the spread of COVID-19.
- Providing specific technical assistance (such as coliform monitoring and follow-up requirements) to help water systems achieve and maintain compliance.
- Maximizing public health protection through problem identification, correction, and performance optimization of existing surface water treatment plants.
- Partnering with state and federal agencies to support and maintain water system emergency response capacity.
- Helping public water systems research and determine whether their groundwater source is under the direct influence of surface water.
- Offering technical assistance to water systems to develop and implement source-water protection programs, set rates, train new board members, and seek funding for projects.
- Providing training across the state for water system operators, owners, and decision makers to increase knowledge of operations and improve performance.
- Collaborating with other funding and technical assistance agencies to provide technical team meetings for jurisdictions developing water infrastructure projects anytime during the year. The technical meetings allow jurisdictions the ability to learn about available funding sources, how to apply for funding, and technical assistance that can be provided for project development.

- Implementing a coordinated approach to water system asset management programs with other state and federal agencies to encourage strong financial and managerial capacity in every water system. Activities include asset management and rate setting training for operators, decision-makers, and other stakeholders; improved education and training for state staff on assessing financial capacity of public water systems to improve technical assistance and plan review; and encouraging regionalization activities to achieve economies of scale and improve utility sustainability through training and outreach efforts. In addition, the DWSRF Program awards bonus points for asset management and requires DWSRF construction loan recipients without an asset management program to develop an asset management program as part the funding package. The program offers additional funding, up to \$40,000, to loan recipients to develop the asset management program.
- Increasing our emphasis on workforce development as we move closer to 2028 when 50 percent of our 4,000 certified operators have stated they will be eligible to retire. We will look to partner with our technical assistance providers and professional organizations to develop new strategies and initiatives to avoid the potential crisis of a depleted workforce.

## 5. Capital Loan Funding

In November 2021, we received, reviewed, and ranked 28 construction loan applications with a total request of over \$73 million. We also offered funding to entities with eligible projects from our 2020 loan cycle, two projects were added to the Priority Project List (PPL). Nine applications were withdrawn. Health funded all remaining projects on our PPL totaling approximately \$69 million dollars. Eligible entities for DWSRF Construction Loan funding are:

- Community water systems, including publicly and privately owned systems. For-profit community water systems are eligible for a construction loan but are not eligible for subsidy.
- Not-for-profit noncommunity water systems.

Appendix B shows Washington’s recommended 2021 Fall DWSRF Draft Priority Project List for Year 26 DWSRF funding. We executed loan contracts for these projects prior to May 14, 2022

The list in Appendix B is subject to change for the following reasons.

- 1. Applicants receive alternative funding.** Applicants may receive grant or loan assistance from other funding sources, such as Rural Development, and no longer need DWSRF money.
- 2. Applicants are “bypassed.”** The Office of Drinking Water underwriter reviews DWSRF applications for ability to repay the loan, ability to secure the loan, and readiness for the project to proceed. Applicants that fail to meet these criteria are “bypassed” (no longer considered for funding).
- 3. Applicants withdraw from the process.** Applicants may choose to withdraw from the loan process for other reasons.

The Washington DWSRF Program will continue to make funding available to assist systems when the bid amount exceeds the initial project cost estimate. Due to recent escalation in construction materials, particularly pipe and steel products, we decided to reserve \$5 million to assist loan holders with increased costs. We will use the following criteria to assist systems in need of additional money for construction overruns:

- Award money on a first-come basis.
- Additional amount awarded cannot exceed \$500,000. We will award additional funding at 1.75 percent interest and 1.0 percent loan origination fee.
- The scope of work cannot be modified.
- Bid tabs must be provided to document construction costs.
- Loan holders must provide an explanation for the increased costs.
- Additional funding will also be provided for increased costs for COVID-19 safety plan implementation.

Department of Health will continue to support its DWSRF Emergency Loan Program. Health allocated \$1 million for emergency funding.

**Table 2**

<b>Washington State Drinking Water State Revolving Fund Financial Status and Intended Uses of Funds Year-26 Federal Capitalization Grants</b>		
<b>CATEGORY</b>	<b>AVAILABLE FUNDS APPLICATION YEAR 26</b>	<b>INTENDED USE (\$)</b>
<b>Total Available</b>		
Federal Capitalization Grant	\$15,655,000	\$15,655,000
20% State Match	\$3,131,000	\$3,131,000
<b>Total</b>	<b>\$18,786,000</b>	<b>\$18,786,000</b>
<b>Set-Asides</b>		
<b>Program Administration (4%)</b>	\$626,200	\$626,200
<b>State Program Management (10%)</b>	\$1,565,500	\$1,565,500
<b>Small System Technical Assistance (2%)</b>	\$313,100	\$313,100
<b>Local Assistance &amp; Other State Programs (10%)</b>	\$1,565,500	\$1,565,500
<b>Total Set-Asides</b>	<b>\$4,070,300</b>	<b>\$4,070,300</b>
<b>Project Funds Available from Year 26 Capitalization Grant + Match</b>	\$14,715,700	\$14,715,700
<b>Total Available for New Project Loans</b>	<b>\$14,715,700</b>	<b>\$14,715,700</b>
<b>Total Project Funds and Set-Aside Funds</b>	<b>\$18,786,000</b>	<b>\$18,786,000</b>



## 6. Amounts transferred between DWSRF and CWSRF

A state governor may elect to transfer up to 33 percent of the DWSRF capitalization grant to the Clean Water State Revolving Fund (CWSRF) or an equivalent amount from the CWSRF to the DWSRF project fund.

Washington does not intend to transfer funds between these programs during Year-26 of the DWSRF Program.

## 7. Criteria and Method for Distributing Capital Loan Funds

1. Money in the DWSRF Project Fund can be used for:
  - New construction project loans. We allocated about \$80 million.
  - Construction over-run costs. We allocated \$5 million.
  - Emergency loans. We allocated \$1 million.
  - Preconstruction Loans. We allocated \$3 million.
  - Reimbursements for executed construction loan activities.

### 7A. Construction Loans

#### Loan applications

We accepted applications for the Year 26 DWSRF Loan Program from October 1 to November 30, 2021. We received 28 applications requesting about \$73 million.

DWSRF staff provided information and technical assistance on the application process at multiple professional conferences and DWSRF-sponsored webinars. We notified stakeholders on construction loan availability through emails and updates to the DWSRF webpage. All information related to the 2021 DWSRF Construction Loan cycle was posted to the DWSRF webpage.

#### Washington's eligibility and threshold review

Washington's eligibility criteria included all federal eligibility criteria plus several state criteria (Appendix A). Our DWSRF staff reviewed applications for eligibility and assigned a preliminary score based on information in the application, and an initial review of system compliance status.

Nine applicants withdrew their applicants. Some withdrew because they did not receive subsidy, while others weren't ready to proceed. We determined that six projects were ineligible. See withdrawn projects in Appendix C.

#### Washington's prioritization process

After assigning a preliminary score based on information in the applications and an initial review of each system's compliance status, our DWSRF and regional staff met December 15, 2021, to discuss projects and scores, we assigned final scores after this meeting. Staff reviewed compliance files from regional offices and discussed the merits of each project. Regional office files contain considerable

background information on each system’s operational and compliance history, which was valuable in assessing the true public health significance of each proposal.

As noted in the 2021 DWSRF Construction Loan Guidelines, water main replacement projects that coincide with other infrastructure improvement projects are automatically funded until the available \$3 million allocated for these projects is exhausted. We did not receive any project that met these conditions.

As previously described, we assessed each project for its ability to receive principal forgiveness, or subsidy. We awarded more subsidy than required on projects, as shown in Appendix B.

We will consider comments received during the public review when finalizing this IUP and the Priority Project List.

## Ranking eligible applications

Using the criteria in Washington’s fall 2021 DWSRF Guidelines to score eligible loan applications, we awarded basic points and bonus points.

We awarded basic points by the:

- Level of public health risk the proposed project would eliminate.
- Type of project proposed to solve the problem(s) identified in the application.

We gave bonus points to project applicants that:

- Involved restructuring or consolidation benefits.
- Were ready to proceed because of a preconstruction grant, consolidation grant, or preconstruction loan.
- Had an asset inventory, attended an asset management training, or assigned criticality ratings to assets.

## Water System Capacity Review

Water system capacity is an eligibility requirement for DWSRF loans.

Water system capacity is the operational, technical, managerial, and financial capability of the water system to achieve and maintain compliance with all relevant local, state, and federal plans and regulations. Water systems lacking the capacity to maintain compliance with the SDWA are not eligible for funding unless the system owner or operator agrees to initiate feasible and appropriate changes, or the financial assistance will ensure long-term compliance.

DWSRF applicants must demonstrate water system capacity. To do so:

1. The applicant must have a current, Health-approved Water System Plan (WSP) or Small Water System Management Program (SWSMP). The WSP approval must not expire on or before the close of the funding cycle (November 30, 2021 for the current funding cycle).
2. The applicant's current, Health-approved WSP or SWSMP must include the proposed project.

3. The water system must have a satisfactory operating permit status at application or on completion of the proposed project.
4. The system must be in compliance with any active enforcement actions (including departmental orders, penalties, bilateral compliance agreements, or federally issued administrative orders or stipulated penalties).
5. The board or council that oversees the water system must have the majority of positions filled, meet regularly, and provide meetings minutes for review.
6. The water system must verify that it maintains operational and maintenance records.
7. The water system must have a properly certified operator.

Projects ranking high enough to be considered for funding, yet not currently meeting capacity requirements 3 and 4 above, may still qualify for a loan if the applicant documents and ensures the proposed project will address these compliance and capacity requirements.

## Financial Capacity

To protect the federal and state interest in the long-term viability of the loan program, Washington considers the applicant's ability to repay the loan. The financial evaluation includes reviewing three years of documentation (such as tax returns, budgets, balance sheets, bank statements, and business references) and conducting a detailed financial capacity analysis.

All recipients must dedicate a source of revenue to repay the loans. Some applicants will dedicate part of their general funds, and others will propose establishing or increasing user fees.

## Readiness to Proceed

Applicants must bid their project within 18 months of contract execution and complete DWSRF-funded projects within 48 months of contract execution. We use the following questions to evaluate a project's readiness to proceed:

- Is the scope of work clearly defined?
- Are water rights in hand? If not, what is the timeline for securing water rights?
- Is preliminary engineering complete?
- Have project permits been obtained or are they in process?
- Is land acquisition or easements part of the project? If so, have rights of way and easements been secured?
- Is the project located near or on a known archaeological site or environmentally sensitive area?

## 7B. Preconstruction Loans

Starting in January 2021, the DWSRF Preconstruction Loan is available on a year-round basis. Community water systems and not-for-profit noncommunity water systems are eligible for a Preconstruction Loan. This program is intended to assist our water systems with preparing for a construction project. The general terms of the Preconstruction Loan are:

- Approximately \$3 million available through June 30, 2022.
- Maximum award per jurisdiction is \$500,000.
- Funding is awarded on a first-come basis until funding exhausted.
- Zero percent annual interest rate. No subsidy available.
- Two percent loan origination fee (non-refundable)
- Two-year time of performance
- Ten-year repayment period

We will also make preconstruction loans available to existing construction loan holders that have difficulty making progress. In these instances, we will terminate the construction loan and replace it with a preconstruction loan. Bonus points are awarded on a DWSRF Construction Loan application to entities that received a preconstruction loan from any funding program. A list of loans executed this year is included in Appendix D.

## 7C. Emergency Loan Program

The DWSRF Program guidelines allow states to use funds for emergency recovery activities according to established emergency funding procedures. The emergency rule became final on April 1, 2016.

Emergency loans are available to not-for-profit community and non-community water systems serving fewer than 10,000 people. During the period of this IUP, Washington intends to make \$1 million available to eligible water systems. To date, we have executed one emergency loan. In the event of a large-scale disaster, DWSRF will modify the availability of emergency loans and funding amount.

For purposes of this program, “emergency” refers to an event like a natural disaster or other event that damages or disrupts normal public water system operations and requires immediate action to protect public health and safety. A failure to maintain, replace, reconstruct, upgrade, or make necessary infrastructure improvement does not constitute an emergency.

Our primary goal is to respond to and assist public water systems in recovering from public health threats. The emergency loan program ensures we are ready and able to award loans to water systems experiencing an emergency, so they can restore water service as quickly as possible. The emergency loan program will help water systems that lose critical drinking water services or facilities during an emergency and demonstrate substantial financial need according to DWSRF criteria. These funds will be available for construction, reconstruction, replacement, rehabilitation, temporary repair, rental of equipment, or improvement necessary to continue or restore operation of a public water system that is in violation of health and safety standards due to an emergency as defined above.

Applicants will submit a completed emergency application package to Health. All application material is available online. The emergency program will follow all general Office of Drinking Water administrative program policies and DWSRF grant and loan guidelines. We have made recent modifications to the emergency loan program to align with Department of Ecology’s emergency loan program. The loan terms are:

- Ten-year repayment period.
- Project must be completed within two years.
- Maximum amount of \$500,000 per entity.

- Zero percent annual interest rate.
- One-point-five percent loan origination fee.

## 8. Year 26 Construction Loan Process and List

### Bypass Process

We reserve the right to fund lower priority projects if higher priority projects are not ready or willing to proceed. In such instances, the state will comply with established bypass procedures. We may add projects to the List of Fundable Projects due to emergencies, such as an unanticipated system failure or a project needed to prevent an imminent health threat.

We *bypass*, or do not recommend funding for, applicants unable to demonstrate ability to repay the loan, applicants with insufficient loan security, or projects not ready to proceed.

We offer technical assistance to help bypassed applicants meet the program requirements, so they can reapply in a future funding cycle, or provide information about other funding opportunities.

### Amending the Project Priority List

We coordinate closely with loan applicants that make the project priority list. Some entities decline the loan due to factors, such as securing more favorable funding. If an approved project withdrew from the list, we move the highest-ranking unfunded project to the project priority list.

### Loan Fees

Like many other states, Washington charges a nonrefundable 1.0 percent fee and we incorporate the loan fee into the total loan request. For example, we assess a loan fee of \$5,000 on a loan request for \$500,000—bringing the total loan to \$505,000. Washington retains the loan fee when the borrower makes the first loan draw. We structured our loan fee payment this way to have minimal effect on the size of annual loan payments. We waive the loan fee for subsidy recipients.

Washington deposits loan fees into a sub-account within the DWSRF dedicated account. On March 31, 2021, the cash balance of the loan fee account (Fund 05R) was approximately \$3.8 million. By statute, interest or other investment income accrued in this account remains in this account. We may withdraw funds from this account to reimburse state loan program administration. However, if the state determines that the balance of the loan fee account exceeds short- and long-term program administration needs, we may transfer a portion of the funds to the project loan account to be used for project loans.

We modified existing rules to allow the loan fees to be used for consolidation grants and other eligible set-aside activities.

## Affordability Index

Affordability Index is one criterion used for determining subsidy eligibility for a project. The Affordability Index is based on actual median household income (MHI), existing average monthly water rate, proposed loan amount, and total connections. The following table provides more details on how subsidy, or principal forgiveness, can be awarded for projects.

**Table 3**

### Loan terms for 2021 Construction Loan applications

<b>Income Level of Households</b>	<b>Interest Rate and Forgiveness</b>	<b>Loan Fee</b>	<b>Loan &amp; Fee Repayment Period</b>
Water system is not economically disadvantaged	1.75% interest on loan	1.0% at loan execution	20 years or life of the project, whichever is less
Water system with an affordability index (AI) between 1.5% and 2.0%	1.25% interest on loan	1.0% at loan execution	20 years or life of the project, whichever is less
Water system with an AI between 2.01% and 3.5%	1.25% interest on loan, 30% principal forgiveness	No loan fee	20 years or life of the project, whichever is less
Water system with an AI of 3.51% or greater	1.25% interest on loan, 50% principal forgiveness	No loan fee	20 years or life of the project, whichever is less
Eligible restructuring, consolidation, and receivership projects	1.25% interest on loan, 50% principal forgiveness		20 years or life of the project, whichever is less

## Restructuring and Consolidation Projects

Small water systems often face technical, managerial, and financial challenges. Many small water systems struggle to meet minimum state and federal requirements for providing safe and reliable drinking water for a variety of reasons.

Municipal Group A water systems are eligible for DWSRF funding for restructuring and consolidation projects that involve a change of ownership. Restructuring and consolidation projects acquire other noncompliant, failing, or struggling public water systems that have water quality problems or deteriorated infrastructure. Applicants also must demonstrate a history of sound drinking water utility management and meet the following criteria:

- Own at least one Group A public water system.
- Have a minimum of five years of experience as a Group A water system.
- Have an approved water system plan for the applicant system or be an approved satellite management agency.
- Have had no state or federal civil penalties in the past five years.
- Have received no unilateral enforcement orders from EPA or Health in the past five years.
- Have not had a system's operator license suspended or revoked in the past five years.
- Are current with our fee payment schedule.

We may consider other eligibility criteria on a case-by-case basis, including operating permit history, prior contract performance, and history of audit findings.

We use a portion of our infrastructure loan program to provide low-interest subsidized loans to help publicly owned water utilities acquire and rehabilitate troubled water systems. These loans fund activities such as:

- Repair or replacement of existing infrastructure, such as distribution piping, storage, backflow devices, or service meters.
- Construction of new water mains and connections necessary to acquire a small system.
- Installation of treatment, disinfection, or filtration.
- Developing a new water source or source rehabilitation.

For future consolidation projects, the affordability index criteria will be applied to all consolidation projects to determine subsidy eligibility.

## Environmental and Cultural Review Process

All funded construction loan projects undergo environmental and cultural reviews.

The DWSRF Program modified the State Environmental Review Process to better align with the State Environmental Policy Act (SEPA) process the Department of Ecology administers. The revised process will require SEPA checklists associated with DWSRF projects to be on Ecology’s SEPA website for public review and comment for 14 days. SEPA-exempt projects will continue to be required to perform public notification concurrent with the cultural review public notification. DWSRF construction loan recipients will still be required to perform public notification for all cultural reviews.

### Prioritized Project List

See Appendix B for Washington’s final Prioritized Project List for Year 26 of the DWSRF loan program. The list includes 18 eligible projects totaling \$69,372,685.72.

It may take additional months for funded applicants to address all loan requirements before each applicant signs its contract. Applicants will be contractually required to issue notice-to-proceed for construction within 18 months of contract execution and have 48 months following contract execution to complete their projects.

See Appendix C for loan applications not funded due, applicant withdrew, or applicant declined the loan offer.

### Federal Financial Accountability and Transparency Act reporting

Washington is required to identify projects used to satisfy capitalization grant reporting requirements under the Federal Financial Accountability and Transparency Act (FFATA). See Table 4. As EPA requested, we will report only on DWSRF projects in an equivalent amount of each capitalization grant.

**Table 4**

<b>Federal Fiscal Year 2021                      State Revolving Fund Year 26 Capitalization Grant                      Federal Funding Accountability and Transparency Act Reporting List</b>				
<b>Total Federal Capitalization Grants</b>				\$15,655,000
<b>Projects and set-asides used for FFATA reporting</b>				\$15,655,000
<b>Loan #</b>	<b>Recipient</b>	<b>Project</b>	<b>Award</b>	<b>FFATA Reporting Amount</b>
2021-3977	Public Utility District No 1 of Skagit County	Judy Reservoir to Mount Vernon Transmission Line – Phase 2	\$13,130,000	\$13,130,000
Total Projects to Report			\$13,130,000	\$13,130,000
Set Asides Reserved				\$4,070,300



## 9. Public participation

To advertise the availability of the 2021 fall Draft DWSRF Funding List, we will email stakeholders on the availability of the IUP. Stakeholders include all regulated water systems, tribal entities, and state associations (such as water and sewer districts). We will post the IUP on our [DWSRF webpage](#) and make it available for public comment for 30 days.

## 10. Assurances and Certifications

### 1. The state has authority to establish a fund and operate the DWSRF Program according to the SDWA.

#### State Law

In 1995, the “drinking water assistance account” was created in the state treasury to allow the state to accept federal funds available for safe drinking water (RCW 70.119A.170). In 1997, this statute was refined to conform to the amended SDWA.

Health is authorized to establish the framework for DWSRF program administration and manage the program in Washington (RCW 70.119A.170).

#### DWSRF fund structure

The Legislature established a separate drinking water assistance account in the state treasury dedicated solely to using federal funds for the DWSRF. Health is authorized to establish subaccounts as necessary.

Health will use this drinking water assistance account solely for the DWSRF and account for all funds in the subaccounts separately, including capitalization grants, state match, loan repayment, and interest.

### 2. The state will comply with state statutes and regulations.

In addition to requirements in the SDWA, the state agrees to comply with all state statutes and regulations applicable to DWSRF funds, including the federal capitalization grant funds, the state match, interest earnings, repayments, and funds used for set-aside activities.

### 3. The state has the technical capability to operate the program.

Health will continue to employ program staff qualified to administer the DWSRF. Health staff includes a program manager experienced in water system design, operation, and regulation for the capital projects part of the program and a program manager with fiscal and contracting experience for the set-asides. The rest of the staff provide technical support (engineers, planners, or environmental specialists), and clerical or agency administrative support.

### 4. The state will accept capitalization grant funds according to a payment schedule.

The state agrees to accept grant payments according to payment schedules included with each grant application or grant amendment package. Each grant will include a separate payment schedule covering all funds used over the life of the grant. Staff will review and

update these payment schedules at least annually. The state will receive federal funds according to EPA guidelines.

**5. The state will deposit all capitalization grant funds into the project fund or set-aside account.**

The state will deposit the capitalization grant into the project fund or the set-aside account and maintain identifiable and separate accounts for all parts of the capitalization grant (RCW 70.119A.170).

**6. The state will provide at least a 20 percent match of the capitalization grant.**

The state will provide this match directly from the Public Works Assistance Account or from state bond proceeds.

**7. The state will deposit net bond proceeds, interest, and repayments into the project fund.**

The state will deposit all interest, dividends, earnings, repayments, and other proceeds into the project fund.

**8. The state will use Generally Accepted Accounting Principles.**

The state agrees to use Generally Accepted Government Accounting Standards for the DWSRF Program. The state's accounting and auditing procedures conform to the most current *Governmental Accounting and Financial Reporting Standards*, Governmental Accounting Standards Board, and the *Government Auditing Standards*, Government Accountability Office.

**The fiscal management of the DWSRF Program will properly measure:**

- (1) Revenues the DWSRF Program earns and other receipts, including, but not limited to, loan repayments, capitalization grants, interest, and state match deposits.
- (2) Expenses the DWSRF Program incurred, including, but not limited to, loan disbursements and other expenditures.
- (3) Assets, liabilities, and capital contributions made to the DWSRF Program.
- (4) The maintenance of federal and state capital contributions to the DWSRF Program.
- (5) DWSRF performance on short- and long-term goals.

**9. The state will have the fund and set-aside account audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.**

The Office of the Washington State Auditor or an external Certified Public Accountant will audit the project fund and set-aside account activities the Capitalization Grant funds annually to ensure there are provisions and guidance to prevent waste, fraud, and abuse of funds. The auditor will use U.S. Comptroller General auditing standards.

**10. The state will adopt policies and procedures to ensure that each borrower has a dedicated revenue source for repayments (or if it is a privately owned system, demonstrate adequate security).**

The state developed policies and procedures to ensure that borrowers have a dedicated source of revenue and that privately owned systems have adequate security. We discuss them in the state project loan guidelines. See Appendix A.

**11. The state will commit and expend funds as efficiently as possible, in an expeditious and timely manner.**

The Intended Use Plan directs the way the state will use funds. The state will commit and spend grant and state matching funds as efficiently as possible, in an expeditious and timely manner. Within one year of the grant payment, the state will enter binding commitments with the recipients equal to the total amount of each grant payment and proportional state match.

**12. The state will use the funds according to the Intended Use Plan.**

The Intended Use Plan directs the way the state will use the grant. The state opened the IUP up to public review and comment and considered each comment before developing the final IUP. All comments are in the final IUP.

**13. The state will provide EPA with a Biennial Report.**

Health will produce annual reports on the uses of the DWSRF funds. The reports will cover both the project fund and the set-aside account activities. The annual reports submitted to EPA meet the biennial report requirements.

**14. The state will comply with all federal crosscutting authorities.**

We will perform all set-aside activities according to the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, and the Age Discrimination Act of 1975, and adhere to all other crosscutters applicable to the set-aside activities.

The state developed policies and procedures to ensure that the state and all project fund loan recipients conform to applicable federal crosscutter requirements. Required documentation will be provided for each of these requirements. To the extent necessary, crosscutter requirements will be incorporated as conditions in the loan contracts.

**15. Authorization and uses of the DWSRF Program**

DWSRF fund authorization and uses are in:

- EPA Federal DWSRF Program guidelines.
- Washington State statute (Chapter 218, Laws of 1997, RCW 70.119A.170, RCW 43.155.050).
- Washington State DWSRF Loan Guidelines, Application, and Rule (WAC Chapter 246-296).



Appendices

Appendix A: Washington 2021 DWSRF Program Guideline

[2021 DWSRF Construction Loan Guideline and Application 331-196.](#)

Appendix B: Year 26 Funded DWSRF 2026 Construction Loan Applicants List – Project Priority List

Health Application	Water System ID	Final Score	Applicant Name	Project	County	Population	Loan Request Amount	Loan Total w/ 1.0 % loan fee (if applicable)	Subsidy Award	Comments	Project Description
2021-3976	06790	118	Kitsap Public Utility District #1	Bill Point, Island Utility, South Bainbridge Consolidation Phase 2	Kitsap	2103	\$2,434,454	\$2,434,454	\$1,217,227	Consolidation project qualifies for 50% principal forgiveness. *	This scope of work is for the construction of Phase 2 of a project previously funded through the #2020-3845 DWSRF Consolidation Grant, and the #2020-3904 DWSRF Construction Loan. The project will consolidate the Bill Point Water System into Kitsap PUD's Island Utility and South Bainbridge water systems. This project includes replacing distribution lines within Bill Point Water System; manganese treatment at South Bainbridge's well; and new well for South Bainbridge to support serving Bill Point, and a new 500,000-gallon reservoir. At the end of the project, Bill Point will be permanently owned, operated, and maintained by Kitsap PUD, providing a higher level of TFM oversight for the system.
2021-4009	28970	113	City of Grandview	Source Well Improvements and Rehabilitation	Yakima	11,010	\$3,542,900	\$3,578,329	0	AI=1.0, does not qualify for subsidy.	This project is intended to address the City of Grandview's source capacity reduction issue. The project includes drilling a new source well on City-owned property. The new source will draw water from the higher yielding Wanapum Basalt Aquifer (WBA) approximately 1,200 feet below grade level. The new source well improvements will include a new wellhouse building, well pump and VFD, chlorine disinfection equipment, all necessary apparatus to make the well functional, and piping to the existing distribution system. The project will also include rehabilitation of at least one of the City's wells in order to increase source capacity.
2021-3979	07610	85	Boistfort Valley Water	Boistfort Surface Water Intake and Adna Water Treatment Plant	Lewis	2,389	\$3,612,972	\$3,612,972	\$1,806,486	AI=3.2, qualifies for 30% principal forgiveness.**	Boistfort's existing Adna surface water treatment plant needs to be relocated out of the floodplain. This project will allow relocation of the treatment plant along with flood-proofing the facility. This treatment plant is vital to have on-line to allow Boistfort to meet maximum daily demands. Boistfort obtained a new surface water right withdrawal location on the Chehalis River to allow full utilization of the Adna surface water treatment plant. This project allows construction of the new intake and transmission main for the new water right withdrawal location
2021-3988	47150	71	Liberty Lake Sewer and Water District No. 1	Eastside Liberty Lake Consolidation Project, Phase 4	Spokane	10,645	\$1,075,801	\$1,075,801	\$537,900	Consolidation project, qualifies for 50% principal forgiveness.*	This project includes replacement of 2,500 LF of deteriorated and undersized water mains in the Eastside Liberty Lake Improvement Club water system and is needed to facilitate the consolidation of Eastside Liberty Lake Improvement Club into the Liberty Lake Water and Sewer District. Some lead joint pipes are expected to be uncovered and will be replaced as part of this project.
2021-3997	66400	69	City of Pasco	West Pasco Water Treatment Plant Improvements Phase 2	Franklin	77,540	\$9,656,692	\$9,753,259	0	AI=0.79, does not qualify for subsidy.	This project is intended to add resiliency to the City of Pasco's West Pasco Water Treatment Plant. It will add a 6 MGD pump station, auxiliary power, modifications to the clearwell to allow for more operational flexibility, and relocation of the infiltration basin.
2021-3977	79500	68	Public Utility District No. 1 of Skagit County	Judy Reservoir to Mount Vernon Transmission Line Phase II	Skagit	82,542	\$13,000,000	\$13,130,000	0	AI=1.53 does not qualify for subsidy.	The Judy Reservoir is the only permanent water source for the Skagit County PUD #1's Judy Reservoir system. This project will replace an aging and undersized transmission line 5.3 miles in length from the District's Water Treatment Plant (WTP) at Judy Reservoir to the City of Mount Vernon. Other improvements will also be installed in the open trench including new fiber optic conduit, new distribution lines within the Old Day Creek Road right of way, and a new source meter.
2021-4016	97650	67	City of Bainbridge	Ferndale Water Main Extension Consolidation	Kitsap	12,384	\$800,000	\$800,000	\$400,000	Consolidation project, qualifies for 50% principal forgiveness.*	This project is intended to facilitate system consolidation between an isolated City-owned water system known as Casey Street and the non-City owned Ferndale Water Association Group A water system. This will be done through the construction of 2,200 linear feet of 8-inch water main from the City of Bainbridge's service area to Casey Street and Ferndale Water Systems.

2021-3998	AB183	65	Port of Walla Walla	Walla Walla Water System Consolidation	Walla Walla	146	\$2,500,000	\$2,525,000	0	AI=0 does not qualify for subsidy.	To support consolidation of the Wallula water service area, the Port needs a more sustainable source of supply. This will be done by drilling a new deep well and rehabilitating an existing shallow well to drinking water standards. The proposed project will also include installing approximately 16,850 linear feet of old 18-inch diameter distribution main connecting the existing reservoir to the distribution system.
2021-3989	23581	59	Woodland Heights Maintenance Association	Woodland Heights Pump House and Water Distribution System upgrade	King	108	\$560,072	\$560,072	\$280,036	AI=3.93, qualifies for 50% principal forgiveness.*	The entire system is deteriorated and causing reliability concerns. This loan is intended to revitalize the system by the replacement of the distribution system, pump house rehabilitation, storage tank rehabilitation, and the installation of backup power.
2021-3974	86294	55	Pend Oreille Public Utility District	Sunvale Acres Distribution Replacement Project	Pend Oreille	65	\$591,282	\$591,282	\$295,641	AI=3.53, qualifies for 50% principal forgiveness.*	This proposed project includes replacement of 4,620 LF of deteriorating and undersized distribution mains.
2021-3982	68900	55	City of Port Orchard	Well 11 Development, Treatment, and Booster Pump Station	Kitsap	2,760	\$8,000,000	\$8,080,000	0	AI=1.14 does not qualify for subsidy.	The project is intended to help with source reliability and includes bringing an existing drilled well up to drinking water standards. This includes construction of a pump house, booster pumps, chlorination, potential fluoridation, and any other treatment needed to meet drinking water quality standards. An estimated 500,000-gallon storage tank will be required to make an expected well production rate of 750 gpm functional for the utility.
2021-4017	66578	53	City of Bainbridge	Reservoir 1 and 2 Seismic Upgrades	Kitsap	12,074	\$6,763,665	\$6,831,302	0	AI=1.63 does not qualify for subsidy.	There are two reservoirs that act as the primary supply for the City's water system and are critical for domestic water supply. A recent study indicated that both reservoirs are seismically deficient. This project will help the system be more resilient by replacing one reservoir and retrofitting the second with seismic upgrades. This project is partially funded by the Public Works Board.
2021-4008	95123	50	Western Ranchettes	Western Ranchettes system repairs	Pierce	250	\$1,745,267	\$1,762,720	0	AI=0.78 does not qualify for subsidy.	This proposed project includes replacement of roughly 8,500 LF of deteriorating and undersized distribution mains within the entire Western Ranchettes distribution system.
2021-3984	94350	48	City of Wenatchee	2020 AC Main Replacement on 8 <sup>th</sup> & 7 <sup>th</sup> , Chelan Ave and 1 <sup>st</sup> Street	Chelan	27,286	\$1,317,150	\$1,330,321	0	AI=0.68 does not qualify for subsidy.	This proposed project includes replacement of roughly 3,000 LF of deteriorating and undersized asbestos distribution mains. Construction will include a full overlay of the roads for complete restoration.
2021-4001	43600	45	Mason County PUD No. 1	Lake Arrowhead Mainline Replacement	Mason	330	\$2,533,340	2,533,340	\$1,254,129	AI=3.82, qualifies for 50% principal forgiveness.*	This proposed project includes replacement of 24,000 LF of deteriorating and undersized distribution mains to replace the entire distribution system of the Lake Arrowhead water system.
2021-3983	83100	41	City of Spokane	Thorpe Reservoir #2	Spokane	227,509	\$7,750,000	\$7,827,500	0	AI=1.23, project does not qualify for principal forgiveness.	This project is intended to provide redundancy in the Low-Pressure Zone and the SIA Pressure Zone. It includes the construction of a new 3.5-million-gallon water reservoir adjacent to the existing Thorpe Road tank in southwest Spokane.
2021-3999	72620	41	Mason County PUD No. 1	Ripplewood Mainline Replacement	Mason	45	\$712,820	\$712,820	\$356,410	AI=3.68, qualifies for 50% principal forgiveness.*	This proposed project includes replacement of 6,300 LF of deteriorating and undersized distribution mains to replace the entire distribution system of the Ripplewood Tract Water System.
2021-4011	92430	40	Port of Walla Walla	Walla Walla Airport Water System Improvements	Walla Walla	280	\$1,980,000	\$1,999,800	0	AI=0.0, project does not qualify for principal forgiveness	This proposed project includes replacement of approximately 10,550 LF of deteriorating and undersized distribution mains focused on the airport terminal and norther area of the water system.
<b>TOTALS</b>							<b>\$68,807,815</b>	<b>\$69,372,686</b>	<b>\$6,160,371</b>		

\*All projects with subsidy receive reduced interest rate of 1.25 percent and have the loan origination fee waived.

\*\*All project that were eligible for subsidy received 50% to meet subsidy requirements for Washington's projected capitalization grant and a reduced interest rate of 1.25 percent.

## Appendix C: Year 26 Withdrawn or Declined DWSRF 2021 Construction Loan Applicants

Health Application	Water System ID	Score	Water System Name	Project	County	Population	Request	Project Description
2021-3992	00650	96	City of Airway Heights	Contaminated Water Resource Replacement Project	Spokane	9489	\$8,000,000	This project would replace the City's drinking water source that was contaminated by PFAS. <b><i>This project was withdrawn by applicant because they were not ready to proceed, instead they obtained a preconstruction loan.</i></b>
2021-4000	04852	56	Mason County PUD No 1	Bay East Manganese Treatment	Mason	94	\$1,067,929	Design and install manganese removal treatment. The Bay East water system exceeds the secondary MCL for manganese. <b><i>This project was withdrawn by applicant because they were not ready to proceed.</i></b>
2021-4002	02857	56	Mason County PUD No 1	Arcadia Estates Manganese Treatment	Mason	108	\$1,067,929	Design and install manganese removal treatment. The Arcadia Estates water system exceeds the secondary MCL for manganese. <b><i>This project was withdrawn by applicant because they were not ready to proceed.</i></b>
2021-4003	31572	56	Mason County PUD No 1	Harstene Retreat Manganese Treatment	Mason	72	\$1,067,929	Design and install manganese removal treatment. The Harstene Retreat water system has elevated manganese. <b><i>This project was withdrawn by applicant because they were not ready to proceed.</i></b>
2021-4013	50700	56	Manchester Water District	Well 10 Manganese Treatment System Design and Engineering	Kitsap	9955	\$934,250	Design and install manganese removal treatment for Well 10. <b><i>This project was withdrawn by applicant because they were not ready to proceed.</i></b>
2021-4015	34100	41	Mason County PUD No 1	Hoodsport Mainline Replacement	Mason	353	\$102,281	Replace approximately 1,500 linear feet of transmission/distribution main located along N Lake Cushman Road between 580 - 680 N Lake Cushman Rd. <b><i>This project was withdrawn by applicant because they were not ready to proceed.</i></b>
2021-4005	51920	41	Mason County PUD No 1	Union AC Mainline Replacement	Mason	623	\$716,797	<b><i>this project was combined into 4014</i></b>
2021-4006	51920	41	Mason County PUD No 1	Hwy 106 to Union Mainline Replacement	Mason	623	\$211,282	<b><i>this project was combined into 4014</i></b>
2021-4014	51920	41	Mason County PUD No 1	Union AC Mainline Replacement	Mason	623	\$1,020,347	Replace 3 segments of Asbestos Concrete mainline along HWY 106 and Main St. <b><i>We offered to fund this project, but project funding was declined.</i></b>
2021-4004	06689	41	Mason County PUD No 1	Canal Beach Tracts Mainline Replacement	Mason	102	\$126,127.38	Replace approximately 1,500 linear feet of transmission/distribution main located along N US HWY 101. <b><i>We offered to fund this project, but project funding was declined.</i></b>
2021-4007	01050	41	Mason County PUD No 1	Alderbrook Mainline Replacement	Mason	1,781	\$2,990,272	Replace approximately 43,142 linear feet of transmission/distribution main throughout the distribution. <b><i>We offered to fund this project, but project funding was declined.</i></b>
2020-3910	43400	17	Town of LaCrosse	Water Meter Replacement Project	Whitman	297	\$233,714	The project replaces all water meters with remote read meters with backflow protection. <b><i>We offered to fund this project, but project funding was declined.</i></b>
<b>Total</b>							<b>\$17,538,857</b>	



## Appendix D: Year 26 Funded DWSRF 2026 Pre-Construction Loan Applicants List

Health Application	Water System ID	Final Score	Applicant Name	Project	County	Population	Loan Request Amount	Project Description
2021-3963	24643	10	<b>Faranda Community Water Assoc</b>	Faranda Community Water Assoc upgrade	Island	28	\$51,000	Complete planning and engineer for system improvements.
2021-3944	63907	10	<b>Onamac Maintenance Association Inc</b>	Onamac Maintenance Association - Water System Improvements	Island	185	\$158,937	Complete water system plan, develop engineering reports for system improvements, secure permits.
2021-3947	07610	42	<b>Boistfort Valley Water</b>	Adna WTP Improvements and Chehalis River Intake	Lewis	2389	\$510,000	Complete water system plan, design Adna Water Treatment Plant Improvements, and design new Chehalis River Intake.
2021-3973	00650	24	<b>City of Airway Heights</b>	Water Source Replacement Project	Spokane	8697	\$510,000	Complete engineering design and construction, cultural & environmental review and permits for new source to address PFAS contamination
2021-3946	40529	18	<b>City of Port Orchard</b>	Well 11 Treatment and Booster Station Design	Kitsap	2610	\$510,000	Complete water system plan, design treatment for new Well #11 and booster pump station.
2021-3952	43290	42	<b>Lummi Island Scenic Estates Community Club</b>	LISECC Water Treatment Plant Replacement Project	Whatcom	195	\$405,960	Complete pilot testing of a membrane treatment plant with LISECC's raw water source to confirm it will be able to successfully treat the water and to determine optimum operating parameters that will inform the full-scale design.
2021-3959	04397	10	<b>Thurston PUD</b>	Tanglewood-Thompson Place Water System Plan Update and Phase 1 Project Report	Thurston	4466	\$390,660	Update Water System Plan and prepare Phase 1 Capital Improvement Replacement and Upgrades Project Report and Drawings.
2021-3986	94350	10	<b>City of Wenatchee</b>	Crawford Main Transmission Main Replacement	Chelan	27,286	\$241,740	Complete preliminary design, bid docs, C&E reports, public outreach / involvement.
2021-4012	13500	10	<b>City of Cle Elum</b>	Second St. & Rissotti Way Water Main Improvements	Chelan	1,820	\$331,500	Complete design engineering for a project to replace AC main.
2021-3968	19000	10	<b>Derbyshire Scenic Acres</b>	Waterline replacement	King	156	\$33,918	Complete planning and engineer for water line replacements.
2021-3960	34889	34	<b>Hunter Water District</b>	Arsenic Treatment	Stevens	290	\$23,256	SWSMP, engineering design and construction, cultural & environmental review and permits for arsenic treatment.
<b>Total</b>							<b>\$3,166,971</b>	