



DRINKING WATER STATE REVOLVING FUND

Office of Drinking Water

Construction and Lead Service Line Loans Overview

Webinar 1

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Learning Expectations

- Post questions in the chat.
- There will be future training that covers the cultural and environmental review process and more details about the loan cycle.
 - October 11 and November 8
 - Various conferences including IACC in October
- Current information about the DWSRF program is located at www.doh.wa.gov/DWSRF - we regularly update the webpage.

Agenda

- Applications and Eligibility
- Funding Specifics
- WALT
- Emergency Rule
- More Information
- Questions
- Contacts

Applications and Eligibility



Two Separate Applications



Construction Loan

Standard construction projects – new or replacement sources, storage, treatment, or water mains

Emerging Contaminant projects such as PFAS treatment

Standard consolidations



Lead Service Line Loan

Service line inventories

Lead and galvanized service line replacements

Applications

- Accepted October 2 to 11:59 p.m. November 30, 2023
- Submit each project separately
 - One application for treatment project
 - One application for storage project unless the storage tank is required as part of the treatment system
 - One application for source
 - One application for each water main section
 - One application for lead service line replacement

Eligible Applicants



Construction Loans

Group A Community

Group A Noncommunity
– not-for-profit

Group A Tribal

Group B systems
becoming Group A
Community



Lead Service Line Loans

Group A Community

Group A Noncommunity
– not-for-profit

Group A Tribal

Planning Document for Eligibility

- **Approved and current** planning document.
Contact your Regional Planner
 - Either a Water System Plan or Small Water System Management Program
 - Project in the application must be identified in the planning document.
- For LSL loan projects, include planning document in scope of work if you do not have a current and approved document.

Regional Planner Contacts

Eastern Regional Office

Jamie.Clark@doh.wa.gov or 509-329-2137

Brenda.Smits@doh.wa.gov or 509-329-2122

Northwest Regional Office

Krista.Chavez@doh.wa.gov or 564-669-0757

Crystal.Nuno@doh.wa.gov or 253-395-6750

Jennifer.Kropack@doh.wa.gov or 253-395-6769

Southwest Regional Office

Meredith.Jones@doh.wa.gov or 360-236-3030

Benjamin.Majors@doh.wa.gov or 360-236-3030

Water Rights for Eligibility

- Water Right permit or certificate is required for the area to be served – contact Regional Ecology office. Water rights are required for:
 - Source projects (point of withdrawal)
 - Consolidations and Interties (point of use)
 - Infill projects increasing capacity within the service area (point of use)
- Area to be served must match service area map in the approved planning document.

How to be Eligible for a Loan

- Dedicated water fund to pay back the loan – separate rates and assessment from other funding.
- If the water system has an audit, there should be no findings. Not all audit findings make an entity ineligible.
- Governing body must approve the submittal of the application for the specific project and loan amount – submit signed meeting minutes.
- Cash flow must be POSITIVE and show you can pay off the loan.
- Be a legal entity with the state of [Washington Secretary of State](#).

How to be Eligible for a Loan

- Have control of the property – obtain ownership, lease, or easement for the life of the infrastructure for a construction loan.
- Signed construction agreement with property owner for lead service line replacement or potholing.

Funding Specifics



Funding Pots to be Offered for Standard Construction

1

DWSRF Loan Repayments

12% to 35% subsidy to Small (less than 10,000 people) or Disadvantaged Communities (DAC)

Additional 14% as subsidy

\$70 million available

2

DWSRF Standard Capitalization Grant

12% to 35% subsidy to Small (less than 10,000 people) or DAC

Approximately \$11.3 million available

3

Bipartisan Infrastructure Law (BIL) Stimulus

Exactly 49% as subsidy to Small (less than 10,000 people) or DAC

Approximately \$48.2 million available

Project Specific Funding Pots to be Offered



BIL Emerging Contaminants

Construction Loan application

100% loan principal forgiveness

25% of total funding must go to Small (less than 25,000 people) or DAC

Approximately \$17.5 million available



BIL Lead Service Line

Lead Service Line Loan application

Exactly 49% as subsidy to Small (less than 10,000 people) or DAC

Approximately \$28.7 million available



e-SV

GOULDS
e-SV
WATER TECHNOLOGY

GOULDS
e-SV
WATER TECHNOLOGY

Construction Loan

- | | | |
|--|---|--|
| 1 Award
\$12 Million
Max Award Per
Jurisdiction
Competitive | 2 Overview
October and
November
\$120 Million Total
Standard
Construction and
\$17 Million For
Emerging
Contaminants
From Fees, Loan
Repayments, and
EPA Grants | 3 Loan Terms
2.25%
Standard
Interest
1% Service Fee
20-Year Loan
Term
Complete in 4
Years
Subsidy based
on need |
|--|---|--|

Eligible Construction Project Priorities

1. Projects that address a public health risk.
2. Projects that upgrade deteriorated facilities.
3. Projects that replace aging infrastructure.



Construction Loan – **Eligible Projects**

- All preconstruction work except required planning document
- Updating a planning document after consolidation
- Capacity analysis after improvements constructed
- Cultural and Historical Review
- Infrastructure replacement
 - Source, Treatment, Storage, Booster Pumps, Water Mains
- New infrastructure to meet existing customer demands
 - Source, Treatment, Storage, Booster Pumps, Water Mains
- Consolidations
 - Main connection, meter installation, control valves
- Asset management

Construction Loan – **Eligible Projects**

- Water main relocation or replacement that coincides with another infrastructure project.
- Consolidation Projects – must change ownership!
- Emerging Contaminants – 100% principal forgiveness
 - Prioritize PFAS
 - Other potential contaminants – cyanotoxins, perchlorate, manganese, *Legionella pneumophila*, chloride (seawater intrusion)
- Climate Resiliency

Ineligible Construction Projects

- Operations and maintenance
- Future growth
- Fire flow (piping and storage)
- Service meters only
- No construction component



Lead Service Line Inventory Loan

- 1 Award**
 - \$25,000 Min Per Project
 - No Max Award
 - First Come, First Served
- 2 Overview**
 - October and November
 - \$28 Million Total
 - From BIL Lead Service Line Funding
 - 49% Loan Principal Forgiveness for DAC
- 3 Loan Terms**
 - 0% Standard Interest
 - 2% Service Fee
 - 10-Year Loan Term
 - Complete in 2 Years

Lead Service Line Inventory Loan – **Eligible Projects**

- All work associated with developing the service line inventories required by EPA's Lead and Copper Rule Revision
 - Staff time to review records
 - Customer surveys
 - Connection or Meter box inspections including using a vacuum truck to clean out meter boxes
 - Inspections of customer's service lines into homes and businesses
 - Online portal development for self-reporting or sharing public information about service lines

Lead Service Line Inventory Loan – **Eligible Projects**

- If system does not have a current and approved planning document
 - Create or update the Small Water System Management Program (SWSMP)
- or
- Develop, update, or amend the Water System Plan (WSP)
- Include planning document in scope of work



Lead Service Line Replacement Loan

- | | | |
|--|---|--|
| 1 Award
\$25,000 Min
Per Project

No Max Award

Competitive | 2 Overview
October and
November

\$28 Million Total

From BIL Lead
Service Line
Funding

49% Loan
Principal
Forgiveness for
DAC | 3 Loan Terms
2.25%
Standard
Interest

1% Service Fee

20-Year Loan
Term

Complete in 4
Years |
|--|---|--|

Lead Service Line Replacement Loan – **Eligible Projects**

- Potholing to identify service line materials
- Replace identified lead service lines or galvanized-requiring-replacement from water main to building, unless
 - Water system side has been replaced in the past 5 years
 - Customer side has been replaced in the past 5 years
- Meter replacement if predates 1986 AND has lead components
- Surface restoration
- Requires cultural and environmental reviews
- Must obtain signed agreement with property owner to do construction on private property

Lead Service Line Replacement Loan – **Eligible Projects**

- If system does not have a current and approved planning document
 - Create or update the Small Water System Management Program (SWSMP)
- or
- Develop, update, or amend the Water System Plan (WSP)
- Include planning document in scope of work

Lead Service Line Loan – **Ineligible Projects**

● Ineligible LSL Inventory Projects:

- Any other non-inventory work besides the planning document
- LSL replacement
- Potholing

● Ineligible LSL Replacement Projects:

- Main line replacement
- Service line replacements that are not lead or galvanized
- Meter replacements unless the meter predates the 1986 lead ban AND has lead components

Washington Loan Tracker (WALT)



WALT

1. Applications accepted in WALT October 2 to 11:59 pm November 30, 2023.
2. Applicants must contact **Sara J Herrera at 360-236-3089** or DWSRF@doh.wa.gov to get preregistered with WALT or you will not be able to access WALT successfully.
3. Register with [Secure Access Washington](#) (SAW) with the **same email address** as you gave Sara J Herrera for the WALT preregistration.
4. A complete application includes all attachments.
5. Submit the application.
6. Applicants will receive a confirmation email if the application is fully submitted. If you do not receive the e-mail within 24 hours, **contact Sara J Herrera.**

Washington Loan Tracking (WALT) External User Guide

Drinking Water State Revolving Fund (DWSRF)



WALT Demonstration

Emergency Rule



Disadvantaged Community (DAC) Definition WAC 246-296-020 (9)



DWSRF Emergency Rule

Emergency Rule effective August 30, 2023, then expires December 27, 2023. Rule will be extended until all contracts are signed in 2024.

- Disadvantaged Community definition
- Loan Terms
- Loan Eligibility
- Project Rating

Emergency Rule WAC 246-296-020(9)

(9) "**Disadvantaged community**" means a *qualifying service area of a project serving residential connections within a public water system that is disproportionately impacted by economic, health, and environmental burdens. Potential qualifying areas will be assessed by indicators established in state guidance including population served, social vulnerability, environmental health disparities, and affordability of average water charges.*

DAC Verification

Appendix B of the Construction Loan Guidelines – must meet **one of the three criteria** to be eligible as a DAC:

1. Affordability Index Greater Than 2 Percent

- a. Average Annual Water Rates divided by Median Household Income multiplied by 100

2. Average Rank of Environmental Health Disparity of 7 or More

- a. Sum of rank for Environmental Exposures, Environmental Effects, and Sensitive Populations
- b. Divide sum by 3 to get average rank.

3. Average Rank of Social Vulnerability Index of 7 or More

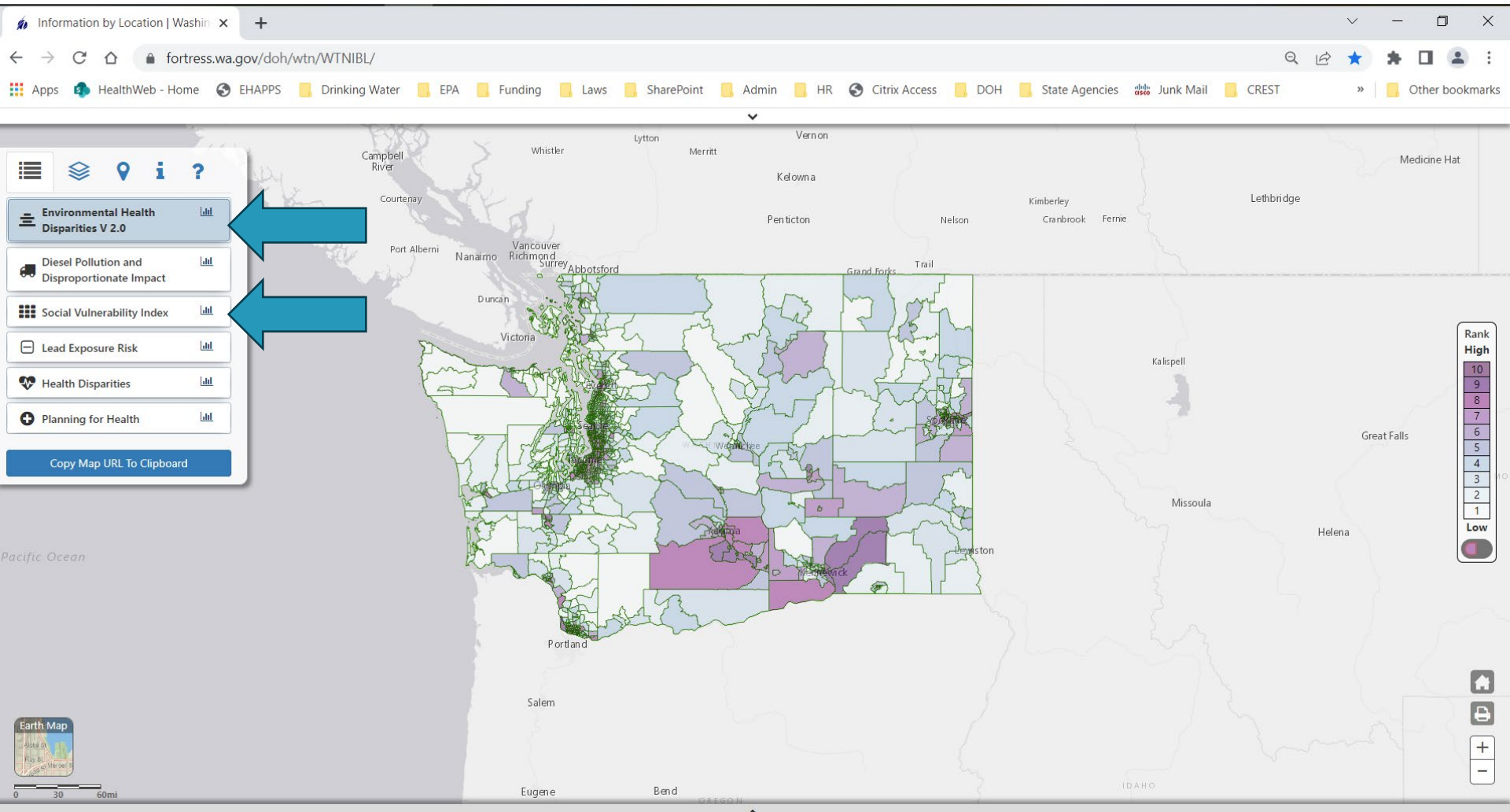
- a. Sum of rank for Household Composition & Disability, Housing Type & Transportation, and Socioeconomic Determinates
- b. Divide sum by 3 to get average rank.

EXAMPLE CENSUS TRACT

DISADVANTAGED COMMUNITY VERIFICATION

Washington Tracking Network Map

<https://fortress.wa.gov/doh/wtn/WTNIBL/>



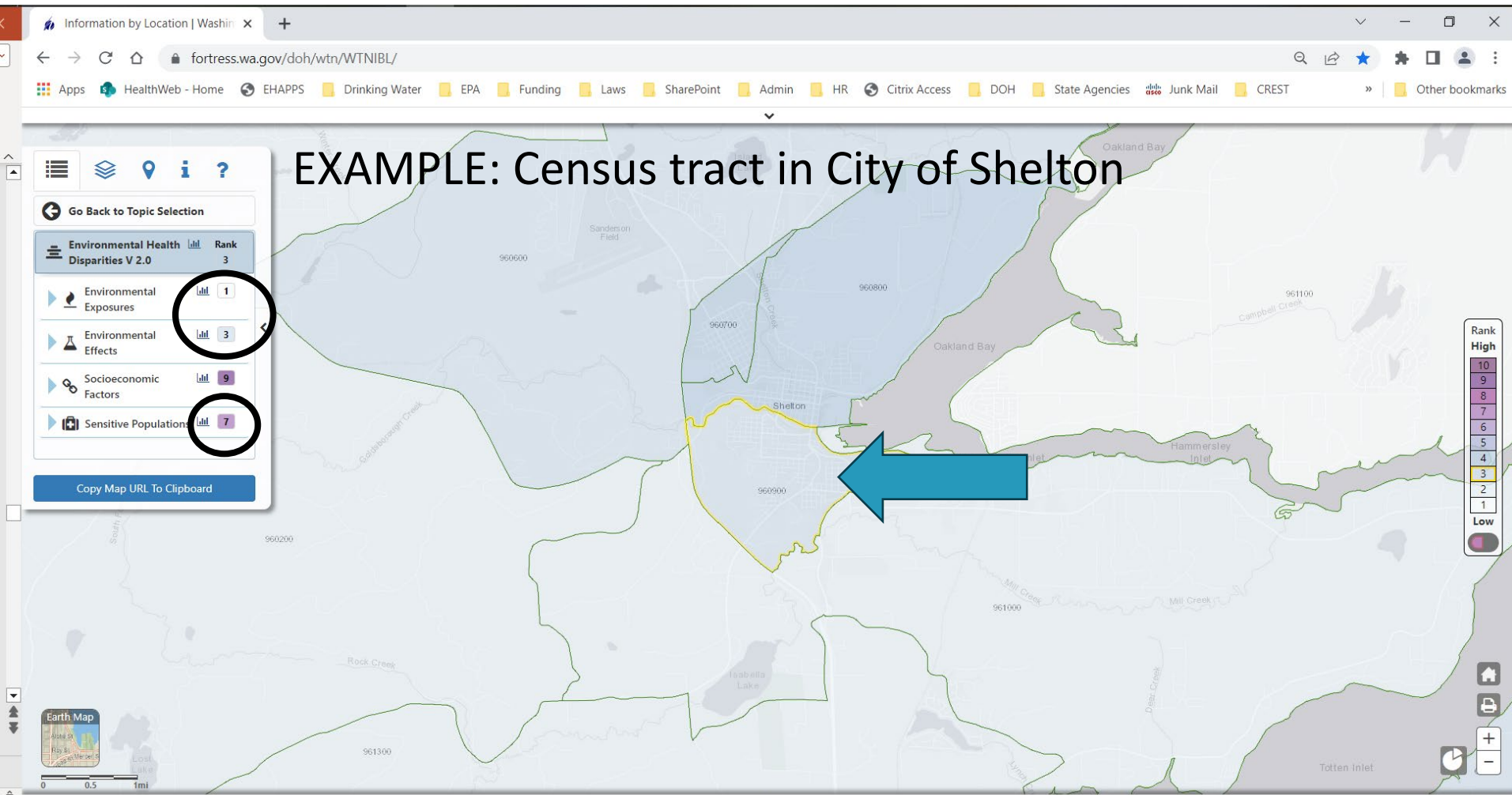
Environmental Health Disparities V 2.0

Rank 1 + Rank 3 + Rank 7 = 11

11 divided by 3 = **3.7 = Average EHD Rank**

Not eligible as a disadvantaged community.

EXAMPLE: Census tract in City of Shelton



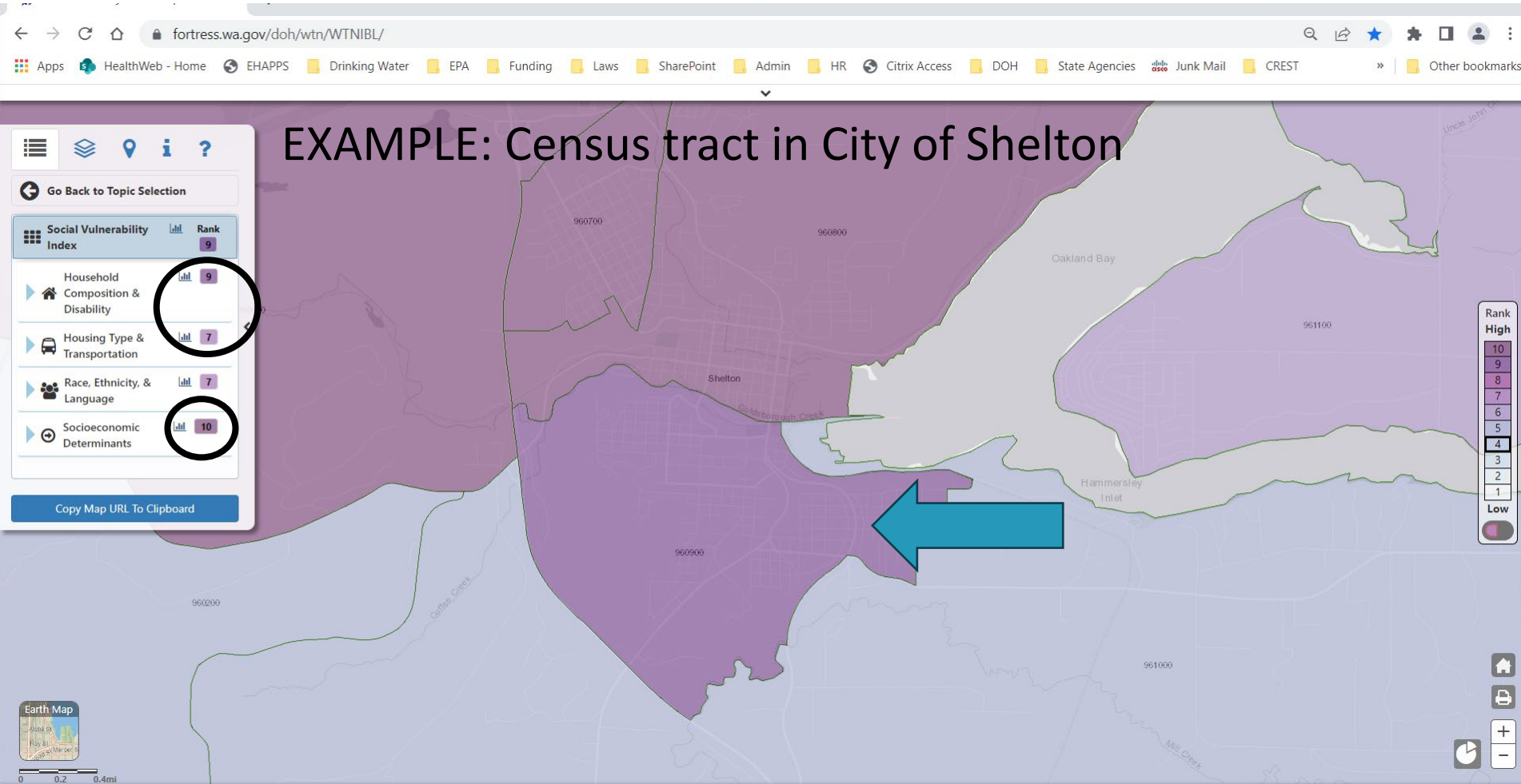
Social Vulnerability Index

Rank 9 + Rank 7 + Rank 10 = 26

26 divided by 3 = **8.7 = Average SVI Rank**

May be eligible as a disadvantaged community.

EXAMPLE: Census tract in City of Shelton



Affordability Index Greater Than 2 Percent

- Average Annual Water Rate for the community including increase to pay back the loan
- Median Household Income (MHI) – typically based on county MHI from the [Washington State Office of Financial Management](#)
 - [Median Household Income Table \(Excel\)](#)
 - The table was updated in May 2023.
 - The most current column “Projection 2022”.

Affordability Index Less Than 2 Percent

● Example:

- AAWR = \$45 per month times 12 months = \$540 per year
- MHI for Mason County = \$77,936 per year
- \$540 divided by \$77936 = 0.00692
- Multiply the answer (quotient) by 100
- 0.00692 multiplied by 100 = **0.69 percent less than 2 percent**

● Is NOT eligible as a disadvantaged community.

Affordability Index Greater Than 2 Percent

- Example:
 - AAWR = \$145 per month times 12 months = \$1740 per year
 - MHI for Whitman County = \$54,236 per year
 - \$1740 divided by \$54,236 = 0.0321
 - Multiply the answer (quotient) by 100
 - 0.0321 multiplied by 100 = **3.2 percent is greater than 2 percent**
- **May be eligible for subsidy as a disadvantaged community.**

DAC Permanent Rulemaking Process

- The **permanent rulemaking** process is in progress and will be completed by September 2024.
- We are conducting an **Environmental Justice Assessment** for this rulemaking under the Healthy Environmental for All (HEAL) Act.
- Part of the process is focused on **community engagement**:
 - We want to hear from you! Weigh in on the definition of DAC and indicators used in the final rule!

Community Engagement Opportunities

There are **three ways to get involved** in the rulemaking process:

- Share input through a **brief survey**
 - bit.ly/DOHDrinkingWaterSurvey-English
- Attend a **virtual listening session**
 - Register here: bit.ly/DOHDrinkingWaterCall
 - Wednesday, October 4, 2023 from 4:30pm to 6:30pm
 - Wednesday, November 1, 2023 from 4:30pm to 6:30pm
 - Wednesday, December 6, 2023 from 4:30pm to 6:30pm
- **Email us directly** at DWSRF@doh.wa.gov

Stay up to Date on DAC Rulemaking

- **Sign up to receive email updates** about this rulemaking and environmental justice assessment (EJA), including information about community engagement opportunities.
- After completion of the EJA, there will be a **public comment period** on the proposed rule language from April through May 2024.
- For questions about this rulemaking or the EJA, email DWSRF staff at DWSRF@doh.wa.gov

Loan Terms



Emergency Rule WAC 246-296-050

DWSRF loan terms. (1) The department may approve a DWSRF loan for a project that will not serve a disadvantaged community:

- a) *That partially or fully forgives the principal amount of the loan;*
or
- b) *At an interest rate at or below market interest rates for a maximum of 20 years from project completion.*

(2) The department may approve a DWSRF loan for a project that will serve a disadvantaged community:

- a) *That partially or fully forgives the principal amount of the loan;*
or
- b) *At an interest rate at or below market interest rates for up to 30 years, as long as the DWSRF loan does not exceed the useful life of the project.*

Longer Loan Term

- To qualify for 30-year repayment period, design engineer must complete and sign the Engineering Certification in the loan contract.
- The certification form must state the infrastructure life span is 30 years or more.
- Length of the loan term CANNOT exceed the life of the infrastructure.

Loan Principal Forgiveness

- Underwriter determines who is eligible for subsidy (loan principal forgiveness)
- Applicant must pass underwriting
- If eligible for funding AND identified as DAC,
 - DWSRF leadership will determine who much, if any, subsidy is assigned to each DAC project.
- Subsidy may be
 - Up to 100 percent loan principal forgiveness OR
 - Partial loan principal forgiveness OR
 - Not offered

Loan Eligibility



Emergency Rule WAC 246-296-100 (2)

DWSRF loan eligibility and applications requirements. To be eligible for a DWSRF loan, an applicant shall:

- 2) *Except when applying for a DWSRF loan that addresses lead service line identification or lead service line replacement, the applicant shall have a current department-approved WSP or SWSMP that:*
 - a) Includes the proposed project; and
 - b) Addresses any difficulties with system capacity

Project Rating



Emergency Rule WAC 246-296-130 (2)

Project priority rating and ranking criteria.

- 2) Additional points based on the type of project being proposed, if the project:
 - a) *Is ready to proceed to construction;*
 - b) *Completes projects previously funded by DWSRF grants or loans;*
 - c) *Is to consolidate or restructure a public water system;*
 - d) *Creates a sustainable regional public health benefit;*
 - e) *Is a water main replacement project that coincides with other infrastructure projects;*
 - f) *Qualifies as a green project; or*
 - g) *Has an affordability index equal to or greater than one percent.*

More Information



information

Timeline

1. Applications received: October 2 to November 30, 2023
2. Application eligibility review: December 2023
3. Application review and scoring: December 2023 to January 15, 2024
4. Project Priority List to legislature and Public Works Board: February 1, 2024
5. Applicants notified of funding status: February 2024
6. Scopes of work developed: March to May 2024
7. Contracts executed and money available: July 2024

Online Training

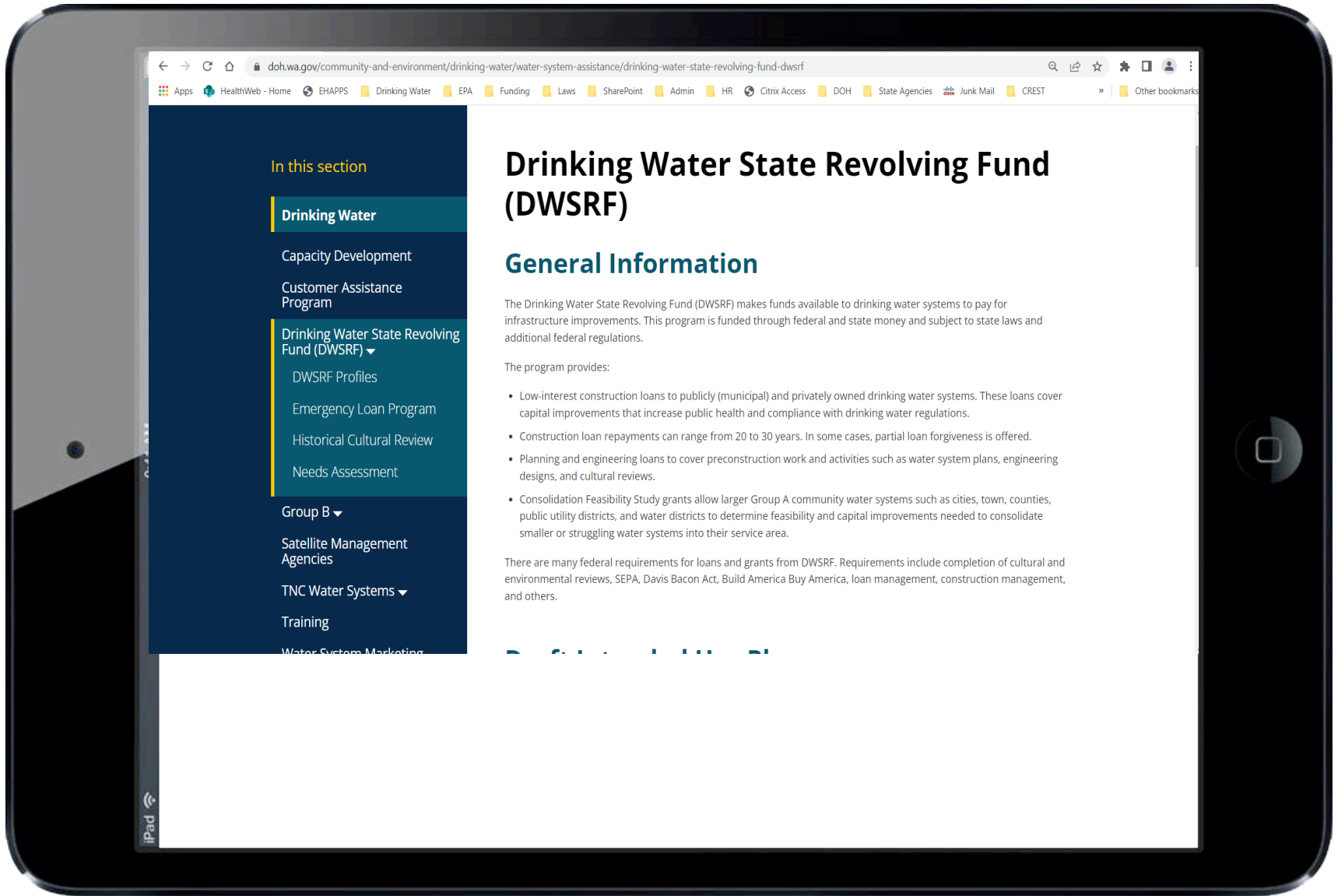
October 11 at 10am: Overview Webinar 2

November 8 at 8am: Q&A Session

Webinar link will be posted at
www.doh.wa.gov/dwsrf under Construction.

Meetings held on Microsoft Teams

Session slides will be posted online a week later.



Questions?

DWSRF Staff Contacts

Program Manager

Chris.Pettit@doh.wa.gov or 564-233-1408

Scope of Work, Funding Cycles, and Technical Questions

Jocelyne.Gray@doh.wa.gov or 564-669-4893

WALT Application and General Questions

Sara J Herrera at DWSRF@doh.wa.gov or 360-236-3089

Cultural, Historical, and Environmental Review

Scott.Kugel@doh.wa.gov or 360-480-7617

Technical Assistance Coordination

Chelsea.Cannard@doh.wa.gov or 564-233-1799

DWSRF Financial Services Contacts

Underwriting and For-Profit Eligibility (Mike)

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