

# Department of Ecology – Water Quality Financial Assistance Council Meeting

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November 15, 2018

*In Attendance: Jeff Nejedly, Shelly McMurry, Brian Cochrane, Brad Daly, Bob Armine, James Kelly, Randy Freeby, Daniel Thompson, Dan Kaplan, Bruce Lund, Max Webster, Clayton Verellen, Melia Paguirigan, David Haas, Bruce Lund, Kim Wagar, David Carcia, Don Seeberger*

## Legislation and Budget update, [Jeff Nejedly](#)

- WQ program is not sponsoring any legislation requests this legislative session.
- Water Resources have advertised and received applications for [Streamflow restoration implementation grants](#). This is a new grant program that came from the Hirst decision agreement. The grant cycle opened October 1, 2018 and closed October 31, 2018. Grants will be announced in 2019. Water Quality is coordinating review of those applications. One of our WQ section managers worked with them through the process. The projects do not have to be in low flow areas. Some projects are moving water. Some are buying water rights. They developed interim guidelines (using WQ guidelines as a starting point). They are striving for consistency.
- Federal [America's Water Infrastructure Act of 2018 \(S.2800\)](#). This is a policy bill with no money until the federal budget is passed.
  - It re-authorizes WIFIA-loans at market rate. It would earmark \$5M to cover the loan loss reserve which allows them to leverage the funds. State SRF could fund up to 100% of a project in the IUP or other project to augment available funds.
  - There is a section that authorizes \$225M for FY19-20 to fund grants focused on Combined Sewer Overflows (CSO). This would be \$4-5M per state.
  - It forms a Stormwater infrastructure funding taskforce. The need for stormwater retrofit funding is a high nationwide.
  - They clarified the onsite septic eligibility.
  - It also adds significant money for increasing Drinking Water SRF cap grants.

## Budget Update, [Jeff Nejedly](#)

- Our 19-21 budget was submitted to the Governor's office. The Governor's budget will be out in December. It includes:
  - \$60 for Centennial
  - \$60 for SFAP
  - \$216M for SRF. \$56M is cap grant and the rest is principal and interest

- Ecology asked for more match also anticipating that we may get higher cap grants in the future.
- Ecology received a higher cap grant for FFY18 then expected and ended up being short the state match needed to access the full cap grant. Ecology included just under \$200,000 in the supplemental budget request to make up the shortage.
- Ecology tied our Stormwater Financial Assistance Program (SFAP) request to the Orca initiative.
- Brad Daly asked what is happening with the SFAP money that is declined/deobligated. Some projects made it on the lists multiple times and are coming in under budget or local priorities have changed. Ecology is tracking deobligated funds and looking for flexibility to address bid overruns. Some are asking for us to fund the project they went ahead and did but timing is an issue. Ecology cannot cover costs incurred before retroactive date identified in the budget, July 1, 2017.
- All MTCA funds are projected to have plenty of money due to the increased cost of oil. The deficit issue was resolved. Programs did not over allocate, held vacancies. Many programs moved funding to the State Building Construction Account (SBCA) which freed up MTCA.
- Ecology had a Legislation Report is due to the legislature by 12/1/18 with an update on the SRF Administration Charge. It has been submitted to OFM and will go to the Ways and Mean's Commission. SRF charges a 1% administrative charge on the declining balance of the principal loan amount. There was a transition period where Ecology was still using the federal cap grant administrative funds but revenue from the admin charge is enough to fund our administrative costs so Ecology has switched to using Fund 564 (admin charge account). Currently the 1% is higher than we need. Ecology will be evaluating reducing the amount to .5% but is authorized to transferring any excess to account 727 (the account that funds projects). Norma Smith wanted this report so Jeff and Kim should make sure she gets a copy.

### SYNC System Improvement Team Update, [Jeff Nejedly](#) and [David Dunn](#)

- The system improvement team was created by the Legislature in HB 1677 to “identify, implement, and report on improvements” to the water/wastewater/stormwater funding programs to maximize their value. The Public Works Board along with the departments of Commerce, Ecology and Health are synchronizing their efforts to create a more efficient structure for infrastructure financing programs.
- Ecology, Commerce and Health have been working together to produce a legislative report to come up with improved infrastructure funding and coordination. It is set up as a 3 year process to work together to produce 3 reports. The first report is drafted and moving through editing to go to OFM by 11/16/18. A lot of the focus is on helping smaller communities building the right infrastructure at the right time. Value added planning is a big focus and they have already created tools that were distributed at the IACC conference.
- The legislature felt the agencies were not coordinating. The agencies feel like they are coordinating but this workgroup is a avenue of showing the legislature that they are coordinating.

- Some of the workgroups working on aligning 1. Coordinating hardship determination 2. Asset management 3. Income survey's 4. Tech teams. 5. "Gap app" 6. Workforce development. 7. Regionalization
- For more information, you can look on the website at <https://www.commerce.wa.gov/building-infrastructure/sync-systems-improvement-team/>

### FY20 Funding Cycle Summary, [Daniel Thompson](#)

- Please see the meeting materials, "State Fiscal Year 2020--Water Quality Combined Funding Program Funding Requested"
- List of WQC SFY2020 applications submitted can be found on the [WQ Funding Cycle page](#).
- There was a higher demand than funds available.
- The applications are currently in the evaluation process. The draft IUP will be out by January 2019.
- Loan requests were down relative to last year.
- FAC members said that the application for the SFAP is more rigorous than others such as DOT. With the delayed funding a lot of communities don't want to put the effort towards the application because they think there won't be funds available so why make the effort.
- How is Ecology getting feedback on the application? There is a survey that goes out after an application is submitted but we have a low response rate. Can we remind people to do the survey after the fact?
- Maybe ask reviewers for feedback on what they saw applicants struggle with, ie, duplicate answers, etc.

### Council of Infrastructure and Finance Authority (CIFA), [Jeff Nejedly](#)

- Ecology staff attended the national CIFA conference in New Mexico this November.
- Ecology submitted a project for the Pisces award, City of Bellingham Squalicum Creek. It was recognized but didn't win. One of Ecology's projects won last year so they probably didn't want to have the same state win two years in a row.
- When recipients put in waivers for American Iron and Steels often times a supplier comes forward to say they do have a product that meets their need made with American iron and steel.
- EPA is looking into allowing State's who have a state prevailing wage to certify and not also have to do Davis Bacon. There was a lot of excitement about this possibility to relieve a federal requirement since Washington does have a state prevailing wage.

### Impact of Leveraging on SRF Account, [David Dunn](#)

- Leveraging of the SRF would be pledging future loan revenue as your repayment on a market rate (tax-exempt) bond. The SRF are rated well by the bond industry. There is an expense to issuing bonds. You have to start making the bond repayment immediately.

- If we choose to do this, Ecology would have to make up the difference between the higher bond interest rate and our lower interest rate somehow. Ecology may provide less subsidization or have to charge a higher base rate. Ecology would need to consider the perpetuity of the fund.
- 21 states have used leveraging at one point or another
- It is done when a program has more demand than funds available and they leverage to cover that gap.
- It is complicated, we have never done it. There are costs to running. Staff time, bond attorney's, etc. Ecology would have to maintain a relationship with your bond holders, interested parties.
- Ecology would need to truly evaluate the costs and impact to the account.
- Alternatives would be 1. to over match and have the state treasury issue the bonds. 2 Utilize WIFIA.
- Do we want to have a policy in place to use it or are we wanting to do this now?
- Other State's have had success, Illinois and Texas. State's that have had leveraging programs have grown significantly. They do not think we need WIFIA. The demand will be there in the future.
- Nutrient removal will result in a wave of need. Now is the time to prepare for this and do the modeling and prepare for meeting the future need.
- Is there a way through CIFA metrics on Leveraged vs not-Administrative costs, loan rates, how have they managed through that and what is the result?
- Ecology is educating ourselves and talking to others.
- Other States that do this have finance authorities.
- Department of Health is looking to do this in 2 years. Ecology and Health should coordinate

## SRF Non-point Sponsorship Program Development, Daniel Thompson

- When Ecology revised its rule provisions were included to allow for a sponsorship program. FAC discussed this option at its last meeting and there was support for further discussion and exploring this option. Daniel developed some suggestions for discussion today.
- Please see the attached Meeting Materials "CWSRF Nonpoint Sponsorship Program-Suggestions for FAC Meeting 11.15.18"
- The idea is to augment what we already have and not to negatively affect the fund.
- We have to have a cap so we do not affect the perpetuity of the fund.
- Try to be as consistent as possible as we treat non-point projects.
- Provide similar funding options to what we offer for grant.
- It was put into the rule for future use. This would be the last option to fund nonpoint when we exhaust other funding options.
- Our rule only allows us to provide 25% forgivable for GPR projects.

- Why are these a separate category? To encourage partnership, wouldn't you want to put it in the same category and give bonus points?
- DOH is looking for partnering with a drinking water and nonpoint project. A lot of drinking water is high in nitrogen due to agricultural practices.
- Two suggested caps. Maximum cap on total of SRF used of \$5M and a max on \$500K per project.
- The intent is 1. To fund more nonpoint projects. 2. To foster communication between people working within a watershed.
- This would include Stormwater facility projects.
- Further work on the details and bring it back to FAC. FAC would like to hear how it is working in Ohio and Iowa.
- What is the timeline for when it be implemented? The goal is to include this in the next funding cycle, FY21.
- At what point would it be ok to promote this? Probably after the next FAC meeting.

### SRF Emergency Funding Program Development, [Daniel Thompson](#)

- Please see attached meeting materials and the PowerPoint, "Possible Emergency Funding & Sponsorship Programs--FAC Meeting--07.18.18"
- Would there be help available to write the grant application? Small communities cannot afford grant writers.
  - Have it be a simple application
  - Not competitive
- Emergencies come in groups so there would be multiple available.
  - \$500,000 per year is the cap
- Who would be the first foot forward?
  - The community would need to be the first to apply.
- Ecology needs to be clear what is considered "deferred maintenance".
- The local jurisdiction can declare an emergency not just health jurisdictions. If the local jurisdiction declares the emergency, they can waive the competitive bid process.
- FAC supports the idea of limiting it to communities under 5,000. This includes 67% of the communities in Washington.
- Why can't we use the same application with Health and make it easier for applicants?
- DOH uses their affordability criteria to determine eligibility.
- Are there any federal requirements exemptions for emergency funding? No.
- There could be an alternate or expedited process though. Put in a waiver for some of the items.
- Is there an exemption in SEPA?
- DAHP has an expedited process.
- In the IUP, you put a placeholder. It is first come first serve and reported in the annual report.
- If you used forgiveness, you have to use it within that year.
- Public Works Board has guidelines Ecology should review also.
- There should be some exclusions through SEPA.

- Should be set up as a zero interest loan. That way if they end up getting insurance money or paid for through another source, there is a method of repayment
- Daniel will put together something for the group to review at the next FAC meeting.

## Roundtable

- Ecology has a new grant and loan public map where anybody can see Ecology funded grants and loans funded since 2014. <https://fortress.wa.gov/ecy/eaglmap/>
- Reporting requirements for grant closeouts. Provide shapefile guidance. The recipients who are providing are not technical. They are trying to talk to technical folks and need help providing the details to the people producing the Shapefiles on what is needed.
- Project outcome summary report 2 page needs to better template. They were having trouble inserting pictures in the right size. Maybe more instructions geared towards people that are not experts at word and formatting.
- Capacity grants 2-page summary report needs to be different. Jeff said it should not be required. Talk to Kyle. Financial managers need to be clear in the scope of work which projects they are required for and which are not (planning projects don't need the 2 pager)
- Lewis County CD wants to know what the timeframe would be to get funded if they are on the cusp. They want to know if they should reapply. September
- Bruce Lund is looking for local government rep on a Stormwater public/private workgroup. Report is due to legislature in December.

## Future agenda items

- Consistency of riparian buffer implementation. Bring Ben Rau in.
- Stormwater Public Private Finance, Tom Gilmore.