

**Washington DWSRF
Intended Use Plan
Capitalization Grant under the
American Recovery and Reinvestment Act of 2009**

May 1, 2009

I. Introduction

This Intended Use Plan (IUP) accompanies the Washington's application for a \$41,806,000 capitalization grant for its DWSRF under the American Recovery and Reinvestment Act (ARRA) of 2009

II. DWSRF Program Goals

Washington is committed to using the capitalization grant for which it is applying to provide assistance to water systems for capital improvement projects which will proceed quickly to construction, creating jobs and furthering the public health protection objectives of the Safe Drinking Water Act. Washington's goal is to enter into binding commitments for projects which will proceed to construction or award of construction contracts by February 17, 2010. Washington intends to award all assistance available under this capitalization grant in full conformance with the deadlines established under the ARRA and the terms and conditions of the capitalization grant award.

Washington recognizes that the goal of the ARRA is to expeditiously fund eligible projects that simultaneously will create jobs, promote economic recovery, and generate long-term benefits from infrastructure investment. In this grant, the State is being called upon to accomplish goals that may not previously have been priorities in its base SRF program. Some priorities and activities in the State's base program that may not practically be attainable within the timeframes associated with the ARRA will be pursued using funds made available through the base DWSRF program.

III. Sources and Uses of Funds

Washington has applied for a capitalization grant in the amount of \$41,806,000. This represents the amount that USEPA Region 10 informed the State is eligible to receive under the State's allocation from the supplemental appropriation enacted under the ARRA. Note that the ARRA has waived the State match that the State is normally required to provide in order to receive a capitalization grant.

Washington intends to take a set-aside of 4% for DWSRF program administration; a set-aside of 2.0% for small system technical assistance and a set-aside of 2% to support PWSS program implementation. The PWSS program support will be exclusively directed to assisting and overseeing ARRA infrastructure projects. We will provide the required 1:1 match for this 2% from a credit for the State 1993 PWSS program expenditures and direct expenditures during this grant period.

Workplans for the small system technical assistance set-aside and the state program management set-aside will be developed and put into effect consistent with the grant conditions required by USEPA guidance for the ARRA. The following table summarizes the sources and uses of the capitalization grant for which the State is applying:

Table 1 Source and Uses of Capitalization Grant

SOURCES	Amount
Capitalization Grant	\$41,806,000
USES	Amount
4% DWSRF Program Administration	\$1,672,000
2% Small System Technical Assistance	\$836,000
2% State Program Assistance for PWSS Program	\$836,000
Infrastructure Assistance Agreements	\$38,462,000

IV. Criteria and Methods for Distribution of Funds

A. Loan Terms and Fees

Under Washington’s traditional DWSRF program, the repayment period for loans is 20 years except for loans to recipients who qualify as disadvantaged communities, for whom the repayment period is extended to 30 years. Below is a table demonstrating our interest rate structure from last year’s loan cycle.

Loan Terms from 2008

Applicant Income Level	Interest Rate	Loan Fee*	Loan Repayment Period
Water system is not located in a distressed county.	1.5% fixed	1% at loan execution*	Twenty (20) years or life of the project, whichever is less
Water system is located in an economically distressed county. (See Attachment A)	1% fixed	1% at loan execution*	Twenty (20) years or life of the project, whichever is less
Applicant's income survey or census data demonstrates that 51% of the water system households are at 80% or below the county's median income. (See Attachment A)	.5% fixed	1% at loan execution*	Twenty (20) years or life of the project, whichever is less
Applicant's survey demonstrates that 51% of the water system households are at 50% or below the county's median income. (See Attachment A)	0.0% fixed	1% at loan execution*	Thirty (30) years or life of the project, whichever is less

Maximum Award

A maximum of \$3,000,000 can be awarded to each water system applying this loan cycle. Multiple owners of one project (shared facilities) or satellite management agencies that are restructuring (combining) systems may combine loan limits up to a maximum of \$6,000,000.

For loan assistance provided using funds made available from the ARRA, the State will use the same process for determining loan repayment periods. However, the maximum interest rate will be lowered to 1%. The State will also provide additional subsidy to identified assistance recipients as described in section IV.B and as demonstrated in the table below.

Loan Terms for ARRA

Income Level of Households	Interest Rate	Loan Fee	Loan & Fee Repayment Period
Water system not located in economically distressed county	1%	1%	20 years
Water system located in economically distressed county	At least 50% Principal Forgiveness & 1 % interest on loan	1%	20 years
51% of the water system households in the community served by the project are at or below 80% of the county's median income	100% Principal Forgiveness	1%	Loan fee is paid back over 5 years
Maximum Award			
The maximum loan limit for the Economic Recovery Funding Program is \$6 million.			
Loan Fee			
DOH charges a 1 percent loan fee for all DWSRF funding to pay for program administration. We will add the fee to your funding request. The fee will be taken on the first loan draw, and is non-refundable. The loan fee is amortized and repaid over the life of the loan. If you receive 100 percent principal forgiveness, the loan fee is paid back over five years.			

B. Additional Subsidization

The ARRA requires that at least 50% of assistance provided be in the form of additional subsidies. Washington filed an emergency rule on March 6, 2009, providing us administrative authority to offer principal forgiveness. The following is the process and criteria the Department of Health will use:

If the water system is located in a disadvantaged community, a project will be awarded a loan with principal forgiveness for the entire loan amount. Disadvantaged community means the service area of a public water system where at least fifty-one percent of the customers are at or below eighty percent of the county median household income as defined annually by the Federal Department of Housing and Urban Development.

If the water system is located in a distressed county, the project will be awarded a loan with principal forgiveness for at least one-half of the loan amount. Distressed county means a county that is designated by the Washington State Employment Security Department as distressed, based on unemployment rates.

The attached Fundable Project Priority List includes 18 projects that qualify for subsidies with a total subsidy amount of \$21.32 million. Projects on the list that qualify for subsidies are designated with an S and indicates what percentage of the award amount is anticipated be subsidized.

C. Green Infrastructure

The ARRA requires that, to the extent there are sufficient eligible project applications, not less than 20% of the funds provided for projects be used for water efficiency, energy efficiency, green infrastructure, or other environmentally innovative activities. The attached Fundable Project Priority List includes 4 projects with a total assistance amount of \$13.6 million. Projects are designated on the List as meeting one or more of the specific objectives required by this provision. Where it is not clear that a project or component qualifies to be included as counting towards the 20% requirement, the files for such project will contain documentation of the business case on which the project was judged to qualify, as described in Attachment 8 to the USEPA guidance for the ARRA. Projects on the List meeting one or more objectives are designated as follows: Green Infrastructure = G; Energy Efficiency = E, Water Efficiency = W, Other Environmentally Innovative Activity = O.

The four projects on the attached Fundable Project Priority list have been identified as qualifying as green infrastructure projects for purposes of this requirement, based upon USEPA guidance. The State has determined that the components of the projects that qualify towards the green project reserve total \$13.6 million. As the 20% requirement for Washington amounts to \$8.36 million, the State has exceeded the 20% requirement.

D. Priority for Projects Ready to Proceed to Construction in 12 Months/ Preference for Expedient Activities

Washington has a priority system for its DWSRF program that ranks projects in accordance with criteria associated with public health, compliance and economic need. However, the ARRA requires that priority be given to projects that will be ready to proceed to actual construction within 12 months of the date of enactment. Therefore any applications received that could not proceed to construction within 12 months were deemed ineligible for consideration.

Washington solicited for new projects in February 2009 in anticipation of ARRA funding. These systems have been given priority, and that priority is reflected in the ranking the project receives on the Fundable Project Priority list

In addition, ARRA section 1602 requires that “recipients shall give preference to activities that can be started and completed expeditiously, including a goal of using at least 50 percent of the funds for activities that can be initiated not later than 120 days after ... enactment” of the ARRA. Washington worked to implement this preference requirement by first selecting projects that, as far as it's possible to determine, appear most likely to be able to start construction by June 16.

E. Avoidance of Reallotment/Relationship to Base Program

In order to meet the requirements and deadlines of the ARRA for the expeditious and timely commitment and expenditure of funds, Washington will regularly review the data reported to USEPA on the progress of assistance recipients under the statutory deadlines specified in this IUP to identify any issues with the timeliness of this progress. If such issues are identified, Washington intends to work with USEPA to resolve such issues as may place the State at risk of reallotment if not timely resolved. The State will include conditions in its binding commitments to ensure that assistance recipients make timely progress with respect to entering into contracts and/or construction. If a recipient fails to maintain progress with these conditions, the agreement may be terminated and that ARRA funding will be provided to a project that is ready to proceed.

The State understands that the USEPA may deobligate grant funds from States that fail to meet requirements on use of funds. Washington intends to avoid deobligation. If the State is eligible for additional funds made available from other States that fail to meet deadlines, the State will provide USEPA with a list of projects from its priority list that are ready to proceed to construction, and will also provide a certification through an amendment to this IUP that all funds received for these projects will be under contract for construction within 120 days of reallotment.

V. Public Review and Comment

In compliance with the requirement in SDWA sec. 1452(b)(1) to provide for public review and comment, Washington posted this Intended Use Plan in draft form at <http://www.doh.wa.gov/ehp/dw/economic-rec.htm> and in public libraries in the State beginning on March 23rd 2009. The State also provided notice of the availability of this IUP the public by announcements on that date in newspapers with a total circulation of 986,000, and all organizations and individuals on its distribution list by email, with a request that all comments be submitted by April 6, 2009. Comments and additional information we received was taken into consideration in developing this final IUP. Seventy comments were received in total, the majority of which were support of projects on the funded list.

During the comment period four systems that were on our draft IUP fundable list withdrew because of the additional requirements of the ARRA, such as Davis-Bacon, Buy American and additional reporting. We have included a list of alternate projects to fund, in case other projects withdraw before signing loan agreements.

VI. List of Projects to be Funded

SYSTEM NAME	COUNTY	PROJECT NAME	AWARD AMOUNT	SUBSIDY OR GREEN DESIGNATION
REPUBLIC, CITY OF	FERRY	CITY OF REPUBLIC/PINE GROVE SYSTEM CONSOLIDATION PROJECT	2,400,000	S=100%
WALLULA WATER DISTRICT	WALLA	ARSENIC REMEDIATION PROJECT	328,400	S=100%
HUNTERS WATER DISTRICT	STEVENS	ARSENIC, IRON & MANGANESE REMEDIATION PROJECT	1,078,000	S=100%
ROCK ISLAND WATER DEPT, CITY OF	DOUGLAS	ARSENIC COMPLIANCE PROJECT	460,000	S=100%
WILKESON WATER DEPARTMENT	PIERCE	WATER SOURCE REHABILITATION	34,000	S=100%
KEPPS ACRES ASSOCIATION	FRANKLIN	NEW WELL FOR NITRATE REMEDIATION	160,000	S=50%
METALINE WATER DEPT	OREILLE	WATER TANK AND WATER TREATMENT PLANT IMPROVEMENTS	600,000	S=100%
EVERGREEN RETREAT MOBILE HOME PARK	WHATCOM	DISINFECTION SYSTEM	44,500	
BRIDGEPORT, CITY OF	DOUGLAS	CHLORINE CONTACT CHAMBER PROJECT	158,000	S=100%
CAMAS MUNICIPAL WATER SEWER SYSTEM	CLARK	WELL #14 CONSTRUCTION	1,200,000	S=50%, W&E
SKATE CREEK TERRACE ASSOCIATION	LEWIS	COPPER CORROSION CONTROL TREATMENT	710,000	S=50%
PATTONS RETREAT WATER ASSOCIATION	ISLAND	ARSENIC TREATMENT/EMERGENCY GENERATOR INSTALL	27,500	
KITTITAS COUNTY WATER DISTRICT NO 5	KITTITAS	ARSENIC TREATMENT FACILITY	310,000	
NORTH SLOPE ESTATES PROPERTY	FRANKLIN	ARSENIC REMEDIATION	247,000	S=50%
WELCHS WATER ASSOCIATION	KING	CORROSION CONTROL FOR COPPER	54,000	
OAK PARK	MASON	FAILING RESERVOIR REPLACEMENT	400,000	S=50%, W
MADRONA BEACH SUPPLY	MASON	MADRONA BEACH RESERVOIR REPLACEMENT	181,700	S=50%
SEATTLE PUBLIC UTILITIES	KING	MAPLE LEAF RESERVOIR BURIAL PROJECT	6,000,000	W & O
TACOMA WATER DIVISION, CITY OF	PIERCE	MCMILLIN RESERVOIR RECONSTRUCTION PROJECT	6,000,000	W, E & O
LEWIS CO WATER DIST NO 1	LEWIS	PHASE II WATER SYSTEM IMPROVEMENTS	250,000	S=100%
BREMERTON, CITY OF	KITSAP	UV TREATMENT AND CHLORINATION DISINFECTION UPGRADES	6,000,000	S=100%
OCEAN SHORES WATER DEPT	HARBOR	SHALLOW AQUIFER WATER TREATMENT PLANT	6,000,000	S=50%
DEXTER BY THE SEA	PACIFIC	WATER STORAGE TANK REPLACEMENT	673,057	S=50%
STARTUP WATER DISTRICT	SNOHOMISH	WATER MAIN REPLACEMENT	5,145,843	S=100%
			38,462,000	

VII. List of alternate projects to fund if funded if projects identified in VI withdraw prior to signing a loan agreement.

SYSTEM NAME	COUNTY	PROJECT NAME	AWARD AMOUNT	SUBSIDY OR GREEN DESIGNATION
DRY CREEK WATER ASSOCIATION	CLALLAM	GREEN CROW WELL SITE DEVELOPMENT & WATER TRANSMISSION MAIN	2,752,286	S=50%
LONGVIEW WATER DEPARTMENT	COWLITZ	MINT FARM WATER TREATMENT FACILITIES	6,000,000	S=50%, W&E
CLARK PUBLIC UTILITIES	CLARK	SOUTH LAKE WELLFIELD AND TREATMENT FACILITY	6,000,000	S=50%
MONTERRA	CLALLAM	DISINFECTION TREATMENT PROJECT	120,460	S=50%, W
NASELLE	PACIFIC	SAND FILTER MEDIA REPLACEMENT	100,000	S=50%, W
LYNDEN WATER DEPARTMENT	WHATCOM	WATER TREATMENT PLANT REPLACEMENT PROJECT	6,000,000	W & O
CASTLE ROCK MUNICIPAL WATER	COWLITZ	WATER TREATMENT PLANT IMPROVEMENTS	300,000	S=50%
KALAMA, CITY OF	COWLITZ	LOWER GREEN MOUNTAIN RESERVOIR & BOOSTER PUMP STATION	899,300	S=50%, W&E
CHINOOK WATER DISTRICT	PACIFIC	RAW WATER IMPOUNDMENT REPAIRS/RECONSTRUCTION	60,000	S=50%, W
METALINE FALLS, TOWN OF	PEND OREILLE	METALINE FALLS SYSTEM IMPROVEMENTS	448,164	S=50%, W
CANAL MUTUAL WATER	MASON	CANAL MUTUAL DISTRIBUTION SYSTEM IMPROVEMENTS	802,000	S=50%
COLVILLE WATER DEPARTMENT	STEVENS	UPPER PRESSURE ZONE IMPROVEMENTS	1,250,000	S=50%, W&E