DWSRF Construction Loan Webinar

Thank you for joining us this morning. The webinar will start at 10:00.

All training materials are available at doh.wa.gov/dwsrf
We work with others to protect the health of the people of Washington State by ensuring safe and reliable drinking water.

DRINKING WATER
STATE REVOLVING FUND
Washington State Department of Health
Office of Drinking Water
DWSRF Construction Loan Webinar
September 2020

Janet Cherry
Drinking Water State Revolving Fund Program
Background and Purpose

- Increase public health protection and compliance with drinking water regulations.
- Reimbursements through low-interest loans.
- Funded through the U.S. Environmental Protection Agency, state match, and loan repayments.
Construction Loans

- Applications accepted October 1–November 30, 2020.
- Submit each project separately.
- Planning documents must be current and include proposed project.
Construction Loans

- Must have all easements or right-of-ways secured or ability to do so upon release of funding.
- If project requires water rights, must have ability to secure water rights.
- No outstanding audit findings.
- Must include meeting minutes with the application that show governing body approved submittal of the DWSRF application, proposed project, and estimated amount for funding.
Construction Loans

- Eligible Applicants:
  - Group A community systems.
  - Group A nonprofit noncommunity systems.
  - Group B systems converting to Group A due to a consolidation project.
  - Tribal systems not receiving SRF tribal set asides.
Construction Loans

- Eligible Projects:
  - Projects that address a public health risk.
  - Projects that upgrade deteriorated facilities.
Construction Loans

- Ineligible Applicants:
  - Group B systems **not** converting to Group A.
  - Group A noncommunity, for-profit systems.
  - Federal and state-owned systems.
Construction Loans

- Ineligible Projects:
  - Operations and maintenance.
  - Future growth or fire flow.
  - No construction component.
Construction Loans

- About $35 million available.
- $5,000,000 limit per jurisdiction.
- 1.75 percent interest rate.
- 20-year loan term.
Construction Loans

- Up to 50 percent subsidy based on affordability index or for a consolidation project.
- Affordability index is ratio of average monthly water rate to monthly median household income.
- If affordability index greater than 2.0 percent, can receive subsidy.
Construction Loans

- Projects receiving subsidy:
  - Can have up to 30 years for repayment.
  - Receive 1.25 percent interest rate.
Construction Loans

- Construction must start within 18 months of funding agreement execution.
- Project must be completed within 48 months of funding agreement execution.
- Lower interest rate of 1.25 percent for projects completed within 24 months of funding agreement execution.
Construction Loans

- ALL projects required:
  - Receive regional office approval of construction documents prior to start of construction.
  - Complete cultural and environmental reviews prior to start of construction.
Construction Loans

- Timeline of funding.
  - Applications received: October 1–November 30.
  - Applications reviewed: December 1–January 31.
  - Applicants notified on funding status: February 2020.
  - Scopes developed: March to May 2020.
  - Contracts executed and money available: July 2020.
What is New This Year?
Construction Loan

To be eligible to apply and receive funding, applicant must have:

- Approved planning document that remains current through November 30, 2020.

OR

- Submitted planning document for review to the regional office by November 30, 2020 and receive approval by March 30, 2021.
Construction Loan

- 1.0 percent loan origination fee, collected at loan execution.
- 1.25 percent for projects receiving subsidy, 1.75 percent for all other projects.
Construction Loans

- Projects that address water shortages associated with a declining aquifer placed in Risk Category 2
  - Connell, Ephrata, Kahlotus, Lind, Mesa, Moses Lake, Othello, Quincy, Ritzville, Washtucna.
  - A water shortage response plan will be a required project submittal as part of the scope of work.
Construction Loans

- Water main relocation or replacement that coincides with another infrastructure project.
  - $3 million allocated for this type of project.
  - $1.5 million maximum per project.
  - Eligible entities: Group A community not-for-profit water system.
  - Provide letter from jurisdiction requesting water main relocation.
Construction Loans

- Consolidation projects ranked based on compliance issues within the past five years.
- Consolidation projects must provide signed transfer agreement at time of application.
Construction Loans

- Asset management program will be part of the scope of work if water system currently lacks an asset management program.

- We will make up to $40,000 available for this effort:
  - Purchase of software.
  - Professional services.
Project Scoring
Construction Loans

- All projects scored and ranked based on health risk being addressed.
- Five risk categories.
- Can also receive bonus points for asset inventory, approval of plans and specifications, completion of cultural or environmental review, having all funding secured.
Construction Loans

- See Appendix A of the guidelines for scoring information.
  - Guidelines available online at doh.wa.gov/DWSRF.
Construction Loans

- Based on project score and ranking, the highest scoring projects are funded until all funds have been exhausted.
  - If needing multiple projects, should submit separately.
- Subsidy is awarded based on the score and ranking until subsidy has been exhausted.
  - Required to award 20 percent of EPA grant award as subsidy.
Construction Loans: Risk Category 1

- Up to 120 points awarded in this risk category.
- Documented microbial contamination.
- Treatment technique violation for Total or Revised Total Coliform Rule, groundwater, or surface water treatment rules.
- *E. coli* detected in a well.
Construction Loans: Risk Category 1

- Hydraulically connected to surface water.
- EPA health advisories for microbials.
  - Legionella.
  - Cyanotoxins (blue-green algae).
    - 0.3 micrograms per liter for microcystins.
    - 0.7 micrograms per liter for cylinderspermopsin.
Construction Loans: Risk Category 2

- Up to 110 points awarded in this risk category.
- Documented primary inorganic contaminant MCL.
  - Nitrate or arsenic.
- Documented lead or copper action level violation.
- PFOS and PFOA combined above 70 ppt.
Construction Loans: Risk Category 2

- Corrosion control projects for lead and copper
- Projects that address water shortages associated with a declining aquifer for the following communities: Connell, Ephrata, Kahlotus, Lind, Mesa, Moses Lake, Othello, Quincy, Ritzville, Washtucna.
Construction Loans: 
Risk Category 3

- Up to 95 points awarded in this risk category.
- Other primary chemical risks include:
  - Radionuclides, disinfection byproducts, volatile and synthetic organic chemicals.
- Sanitary survey significant deficiencies:
  - Must also have a compliance order.
  - Example: Reservoir roof failing, allows entry of contaminants.
Construction Loans: Risk Category 3

- Removal and replacement of lead service lines and goosenecks.
  - Provide documentation through historic records, age of house.
  - All work eligible for reimbursement if done within 500 feet of lead service line or gooseneck replacement. Includes water mains, replacement of service line from main to meter, hydrants, valves.

- Receiverships.
Construction Loans: Risk Category 3

- Required to install disinfection for activities not covered in risk Category 1.
  - Example: Unsatisfactory coliform samples for groundwater system.

- EPA health advisory for chemicals.
  - Manganese: 0.3 milligrams per liter (secondary MCL is 0.05 milligrams per liter).
Construction Loans: Risk Category 4

- Up to 60 points awarded in this risk category.
- Secondary MCLs.
  - Iron or manganese.
- Seawater intrusion.
Construction Loans: Risk Category 4

- **Resilience:** Ability of water infrastructure to withstand and recover from natural and man-made disturbances to their normal functioning.
  - Project must benefit 51 percent or more of population served.
  - Examples: Seismic upgrades, intake upgrades for drought and flood conditions, intertie, and generators.
Construction Loans: Risk Category 4

- Sanitary survey significant finding.
  - Must also be under a compliance order.
  - Example: Spring or well at risk of physical damage and need to construct an enclosure.

- Eighty percent of arsenic or nitrate MCL.
  - Assist systems to proactively address public health issue.

- Consolidation and restructuring projects.
  - If project not captured in risk Category 1, 2, or 3, it will score in risk Category 4 and receive bonus points for number of systems consolidated.
Construction Loans:  
Risk Category 5

- Up to 40 points awarded in this risk category.
- Projects not captured in previous risk categories:
  - New reservoir or pipe replacement.
  - New pump station.
Construction Loans: Bonus Points

- Attend asset management training or view recorded asset management training posted on DWSRF webpage.
- Submit asset inventory with age, expected life, criticality, and replacement cost.
- Water main replacement coincides with another infrastructure project.
- Green project.
Additional Funding for Construction
Construction Loan

- Entities can receive up to $300,000 in additional funding.
  - Award under the same terms per loan contract, however may not have subsidy.
  - Project must be within same scope as in the loan contract.
  - Provide bid tabs and reason for bids being higher than budgeted.

- $1.5 million budgeted this year and funds awarded on a first-come basis.
Construction Loan

- 2020 DWSRF Construction Loan Guidelines and other resources available on our webpage.
  
  doh.wa.gov/DWSRF

- Question and Answer webinars, 10 am to noon:
  - October 14
  - November 4
  - November 10
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Questions?
Safe, reliable drinking water isn't free. Clean and consistent drinking water requires commitment, hard work, and investment. We want everyone to know how water systems provide safe, reliable drinking water to their customers. Investing in infrastructure today ensures safe and reliable drinking water for our future generations.

We Value Water