Agency Recommendation Summary

The Washington State Department of Health (DOH) has identified critical resource needs to support the state’s Drinking Water State Revolving Fund. DOH requests additional spending authority from the Drinking Water Assistance Administration Fund to use existing fund balances to address these crucial needs.

Fiscal Summary

Dollars in Thousands

<table>
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<th>Operating Expenditures</th>
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Package Description

The Drinking Water State Revolving Fund (DWSRF) program’s efficiency has resulted in a $4.3 million fund balance in the Drinking Water Assistance Administration Fund (Fund 05R). The Department of Health (DOH) has identified critical needs for supporting program implementation and administration. DOH requests an additional $400,000 of spending authority per biennium for this fund to further improve the program’s efficiency in three ways:

- Implement necessary enhancements to the state’s drinking water loan and grant database, the Washington Loans and Grants Tracking (WALT) system.
  - This will include the ability to issue electronic invoicing and accept electronic payments through bank transfers and use of credit cards. This would enable DOH to have new contracts on a twice-a-year billing and payment cycle and keep the current once-a-year invoicing for historic contracts.
- Increase funding available for consolidation feasibility grants to encourage utilities to consider consolidation options:
  - An additional $152,000 for the 2019-2021 biennium and $92,000 per biennium ongoing for consolidation feasibility grants would allow more utilities to explore consolidation and ultimately help reduce the number of small, challenged water systems in our state. Recipients would receive a maximum of $30,000 per proposal. Utilities receiving consolidation feasibility grants use these funds to determine the best path forward for consolidation. These feasibility studies are typically conducted three to four years prior to actual consolidation. If proven to be a feasible approach, the utility would then apply for funding through the DWSRF construction loan program.
- Increase staffing in the Financial Services section to better administer invoicing and revenue collection of the program.
  - Additional staff are needed to cover invoicing, collection, and accounting duties of the business area. The number of loan agreements are expected to grow over the next two years, further increasing the workload.

Assumptions and Calculations

Expansion or alteration of a current program or service:

Fund 05R History:

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• Loan fees increased from one percent to 1.5 percent with the 2019 loan cycle.
• DOH projects the loan cycle to increase from $23 million per year in to $33 million per year starting with the 2021-2023 biennium resulting in $300,000 additional revenue per biennium.

Detailed assumptions and calculations:
• Washington Loans and Grants Tracking (WALT) upgrade: 0.2 FTE IT Business Analyst –Journey and $94,000 ($64,000 of which is for contracting) in fiscal year 2021. Additional services will be required from the WALT vendor, Integrated Networks (IN). WALT will need significant enhancements to allow invoices to be sent and payments received electronically. This is necessary before invoicing can be performed twice a year. WALT is currently a stand-alone system and is not integrated with DOH revenue.
• Consolidation Feasibility Grants of $152,000 in fiscal year 2021 and $46,000 in fiscal year 2022 and ongoing. These grants would have a cap of $30,000 per grant.
• Commerce Specialist 4 (CS 4) 1.0 FTE, $154,000. A CS 4 is needed in fiscal year 2021 and ongoing to:
  ○ Create, review, and mail approximately 650 invoices twice a year: 433 hours;
  ○ Follow up on unpaid or late invoices twice a year: 160 hours;
  ○ Update, review, print, send amortization schedules to water systems: 130 hours;
  ○ Answer questions from water systems regarding their annual financial statements: 38 hours;
  ○ Track, report, and update loans on EPA’s database (PBR). Track and monitor draws, current and projected for cash flow modeling: 120 hours;
  ○ Track and monitor draws, current and projected for cash flow modeling: 480 hours; and
  ○ Misc. reporting, presenting, meetings as needed: 380 hours.

Workforce Assumptions:
See attached financial calculator (FNCAL)

Strategic and Performance Outcomes

Strategic framework:
A prosperous local economy relies on safe and reliable drinking water to maintain healthy communities. Providing additional appropriation authority for the DWSRF program will lead to program improvements resulting in more efficient, effective and accountable government.

This request supports Results Washington outcome measures tied to a clean environment and healthy and safe communities.

Agency Activity Funding: Requesting authorization to spend available funds in current fund balance. New revenue of 300,000 per biennium is expected beginning with the 2021-2023 biennium from an increase in the loan cycle.

Performance outcomes:
Improved invoicing will result in long-term increases in revenue intake and cash flow.

Lean: Continue with the Lean decision to transfer SRF from Commerce to DOH.
Reduce staff hours with amortization schedules and electronic billing, allowing staff to prioritize other critical activities.

**Other Collateral Connections**

**Intergovernmental:**
Improvement in systems and staffing will increase customer service to tribal, regional and city loan recipients.

A number of our drinking water partners, such as Public Utility Districts (PUDs), have requested we continue to offer the consolidation feasibility grants. These grants provide the opportunity to study possible consolidations of small, struggling water systems with minimum risk to the PUD or other governmental entities contemplating a consolidation project.

No impacts are expected to other state agencies.

**Stakeholder response:**
The Washington Association of Public Utility Districts (PUDs) has requested DOH offer the consolidation feasibility study grants again. The PUDs have received a number of these grants in the past and have stated these grants provide a low risk approach to studying consolidation projects. In the absence of this funding, the PUD would not be able to adequately assess the costs and benefits of a potential consolidation project.

**Legal or administrative mandates:**
This request is not a response to legal or administrative mandates.

**Changes from current law:**
This request does not require any changes to statutes or rules. Future contractual agreements with other public health entities will be impacted if this request is funded.

**State workforce impacts:**
This request does not impact existing collective bargaining agreements.

**State facilities impacts:**
This request does not impact facilities and workplace needs.

**Puget Sound recovery:**
This request is not related to Puget Sound recovery efforts.

**Reference Documents**
- PL BC Improve Drinking Water System-FNCAL.XLSM
- PL BC Improve Drinking Water System-IT Addendum.docx

**IT Addendum**
Does this Decision Package include funding for any IT-related costs, including hardware, software, (including cloud-based services), contracts or IT staff?
Yes

PL BC Improve Drinking Water System-IT Addendum.docx