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Revised

Fact Sheet

Drinking Water State Revolving Fund Program Preconstruction and Consolidation Grants and Loans

Capital improvements to our public water systems are critical to the long-term health and economic vitality of Washington's communities. Congress established a Drinking Water State Revolving Fund (DWSRF) loan program as part of its reauthorization of the federal Safe Drinking Water Act in 1996. The program provides low-interest loans to eligible public water systems to build, repair, and redesign infrastructure. Funds are also available for preconstruction and consolidation grants and loans to prepare for infrastructure construction projects. The Department of Health (Health) currently administers these programs.

Preconstruction grants

Preconstruction grants help small public water systems evaluate the feasibility of seeking a DWSRF infrastructure loan. Small public water systems that serve populations of 10,000 or less are vulnerable to a diminished level of service or unsafe water because of a lack of technical, managerial, or financial capacity. The small scale of their customer base is a significant contributor to this vulnerability. Unlike a preconstruction loan that must be paid back, the grant is financial assistance that is not paid back. Grants are available for preconstruction activities such as planning, feasibility studies, design and engineering, historical and cultural consultations, and environmental reviews, including the State Environmental Policy Act (a process to provide a comprehensive review of environmental impacts). Awarding preconstruction grants help small water systems to meet readiness to proceed criteria prior to obtaining a DWSRF infrastructure loan.

The next preconstruction grant cycle will be January 2-31, 2016.

Preconstruction loans

Preconstruction loans are specifically for small to medium sized water systems that do not have up-front capital funds to pay for preconstruction activities (planning, engineering, and project designs) before receiving a DWSRF loan. Preconstruction activity costs are typically fifteen to twenty percent of an infrastructure improvement project's total cost. Preconstruction loans help us meet the Environmental Protection Agency's goal of using the funding within two years of award. It also helps ensure water systems are "construction ready" as soon as a DWSRF infrastructure loan is awarded. Awarding preconstruction loans makes the DWSRF loan program more effective because infrastructure projects that are ready to proceed to construction moves more funds through the program at a quicker pace.

The next preconstruction loan cycle will be July 1-31, 2015.



HELPING TO ENSURE SAFE AND RELIABLE DRINKING WATER

Consolidation grants

Small systems that have water quality, monitoring, or treatment technique violations, suffer frequent water outages, experience high operator turnover rates, or demonstrate an insufficient response to sanitary survey deficiencies are all indicators of a lack of system capacity. This capacity is necessary to maintain a vital, sustainable water utility. We encourage these small water systems (systems typically fewer than 500 connections) with one or more of these indicators to consider consolidation with another system, restructure (transfer) of ownership to another larger utility, or secure a regional water supply. Unlike a consolidation loan that must be paid back, the grant is financial assistance that is not paid back. By going through the preconstruction grant process, small water systems have the information they need to decide whether restructuring, consolidation, or wholesale water supply through a regional water supplier is the most appropriate course of action. These alternatives help secure sustainable, reliable health protection, and a level of service expected of all water systems in Washington State.

The next consolidation grant cycle will be March 1-31, 2016.

Consolidation loans

DWSRF funds for consolidation loans are only available to eligible publicly and privately owned Group A public water systems for consolidation and restructuring projects that require a change of ownership before implementing the funding contract. These projects must acquire other non-compliant, failing, or struggling public water systems that have water quality problems or deteriorated infrastructure. Applicants must also demonstrate a track record of sound drinking water utility management.

The next consolidation loan cycle will be with our regular DWSRF loan cycle, September 2-30, 2015.

For more information:

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March 19, 2015

William Neal III
North Beach Water District
Post Office Box 618
Ocean Park, Washington 98640

SUBJECT: Consolidation and Restructuring Technical Assistance Grant
RFA C2015-029

Dear Mr. Neal III:

Thank you for submitting your 2015 Request for Application for a Consolidation and Restructuring Technical Assistance Grant. The Office of Drinking Water (ODW) is pleased to inform you that your project has been approved for funding.

We will continue to post information about the funding program on our website at <http://www.doh.wa.gov/Portals/1/Documents/4200/2015ConsolidationGrant.xlsx>

If you are interested in applying for the fall 2015 Drinking Water State Revolving Loan Fund, ODW encourages you to download and read the 2015 DWSRF Program Guidelines which will be available in June 2015. The guidelines will contain important information about the loan program and selection process.

Please do not hesitate to call me at (360) 236-3124 if you have any questions regarding your application or the review process.

Sincerely,

Eloise Rudolph

Eloise Rudolph
Infrastructure Funding Coordinator

Department of Health Problem:

- Too many water systems
- What they have done
- The direction and goals they have adopted

1



Too Many Systems

- Washington has the fourth highest number of community water systems (CWS) in the nation (2,270 systems).
 - 90 percent of these have fewer than 1,000 connections.
 - 66 percent have fewer than 100 connections.
- The legislature has expressed concern about small CWS financial sustainability (RCW 70.119A.060).

3



In Washington

- 90 percent of all CWS are small systems.
- Small CWS serve 10 percent of the population.
- 80 percent of small CWS are privately owned.

5



DOH reported in 2009 to the Washington State Legislature. . .

Small System Violations

- Small systems account for:
 - 99.5 percent of all coliform monitoring violations.
 - 95 percent of all nitrate monitoring violations.
 - 98 percent of all coliform MCL violations.
 - 100 percent of all nitrate MCL violations.
- 95 percent of formal compliance actions involved systems supplying 10 percent of the population.
- 85 percent of systems receiving formal compliance actions are small, privately owned systems.

7

“1974 Safe Drinking Water Act” From the Congressional Record

- ◆ “It is evident that what is a reasonable cost for large metropolitan (regional) public water systems may not be reasonable for a small system. . .”
- ◆ “The quality of the Nation’s drinking water can only be upgraded if the systems which provide water to the public are organized so as to be most cost-effective.”
- ◆ “Larger systems are to be encouraged and smaller systems discouraged.”
- ◆ “Some small water systems will be unable to promptly comply with all primary regulations. This period [of non-compliance] should be used to develop a regional water system which can afford to [comply].”

8

Small Systems Falling Behind

- ◆ EPA's 2011 Needs Assessment:
 - \$2.5 billion needed for Washington State's small community system infrastructure over the next 20 years.
 - \$1.2 million average infrastructure investment per small system over the next 20 years (\$45 per month per small system connection).

9

What's Been Done

- Coordination Act (late 1970s)
 - Steers water system applicants toward an existing water system and limits the creation of new water systems whenever possible.

10

What's Been Done (cont.)

- Receivership (early 1990s)
 - Provides a tool for us to permanently restructure a water system when the owner fails to provide basic safe and reliable water service.
 - The DOH has initiated receivership action only seven times.

11

What's Been Done (cont.)

- Satellite management requirement (early 1990s)
 - Directs new water system applicants to a satellite management agency that could own the newly created water system.

12

What's Been Done (cont.)

- Water System Acquisition and Rehabilitation funding (2003-2007)
 - The legislature appropriated \$8.75 million to fund 28 projects, addressing issues of microbial and chemical contamination, failing infrastructure, and water quantity shortages.
 - Recognizing the importance of this program, in 2008, the legislature passed Substitute Senate Bill 6340 (SSB 6340) establishing WSARP as an ongoing program.
 - There have been no new appropriations since 2007.

13

What's Been Done (cont.)

- In 2012, adopted Drinking Water State Revolving Loan Fund (DWSRF) rules providing for up to 50 percent loan forgiveness for consolidation projects.
- Since the early 2000s, we've funded \$1.1 million in consolidation studies with DWSRF grant funds.

14

What's Been Done (cont.)

- Since 1997, provided \$726 million in DWSRF loans to over 520 water systems.
- Small system planning and pre-construction grants to improve readiness to construct capital projects.
- Continuously invest in training and technical assistance.
- Implement a graduated, transparent compliance program.
- Conduct 900 sanitary surveys each year.
- Promote treatment optimization.
- Continuously engage in relationship-building.

15

DOH Direction

- Continue what we've done—continue to innovate.
- Create a viable, sustainable off-ramp for unwilling and unable purveyors:
 - Fund an additional \$1 million for consolidation studies and connections fees through June 2015 (30-35 projects total).
 - Fund another \$1 million for consolidation studies and connection fees between July 2015 and June 2016.
 - Establish a consolidation loan fund within our DWSRF program to pay for construction related to consolidation.

16

DOH Goals

- Continue funding the Water System Acquisition and Rehabilitation Program.
- Follow a transparent process that gets the most done for the least cost.
- Avoid rewarding bad management.
- Create a sustainable funding structure for consolidations.
- Create and sustain partnerships.