

Washington State Drinking Water State Revolving Fund

Intended Use Plan

For Drinking Water State Revolving Fund (DWSRF) FFY2024

Bipartisan Infrastructure Law (BIL) Supplemental, Emerging Contaminant, and Lead
Service Line FFY2023

Federal Capitalization Grants

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On the cover: Nob Hill Water Association, Minnesota reservoir construction project.

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Federal Capitalization Grant

Intended Use Plan

1. Introduction

Congress established the Drinking Water State Revolving Fund (DWSRF) in August 1996 as part of the reauthorized federal Safe Drinking Water Act (SDWA). The SDWA authorizes the U.S. Environmental Protection Agency (EPA) to award annual capitalization grants to each state for a revolving construction loan program and other assistance to public water systems.

President Biden signed the Bipartisan Infrastructure Law (BIL) on November 15, 2021. The law invests an additional \$35 billion in support of safe drinking water over the next five years. The law includes four distinct sources of funding:

- ◆ Supplemental funding for infrastructure improvements through DWSRF.
- ◆ Lead service line identification and replacement through DWSRF.
- ◆ Addressing emerging contaminants through DWSRF.
- ◆ Addressing emerging contaminants through the Small and Disadvantaged Communities Grant.

The DWSRF Program finances drinking water projects and activities to protect public health and achieve or maintain compliance with the SDWA. Each state must provide matching funds of 20 percent of the federal base capitalization grant. States must also provide matching funds of 10 percent in years one and two of the BIL supplemental grant and 20 percent in subsequent years.

EPA awards federal DWSRF capitalization grants to states for:

- ◆ **Set-Asides.** Funds for DWSRF Program administration and non-construction projects used to ensure compliance with the SDWA.
- ◆ **Capital Loan Fund.** Helps eligible water systems achieve or maintain compliance and protect public health by funding drinking water infrastructure improvement projects, such as treatment or a new source.

To access the funds, each state must submit a capitalization grant application to EPA. In addition, each state's capitalization grant applications must include an annual Intended Use Plan (IUP), which describes how the state intends to use available funds. As the agency responsible for ensuring compliance with the SDWA in Washington, the state Department of Health (Health) submits the grant applications to EPA.

Washington's Intended Use Plan

In Federal Fiscal Year (FFY) 2024, Congress appropriated \$1,126,101,000 to EPA for the national DWSRF Program then subtracted from those funds \$631,659,905 for Congressionally Directed Spending Projects. In FFY 2023, Congress appropriated \$2,202,000,000 for the BIL DWSRF general supplemental, \$800,000,000 for the BIL Emerging Contaminants, and \$3,000,000 for the BIL Lead Service Line grants. EPA allocates the funds to the states based on their statewide needs assessment. Washington's allocations are \$10,672,000 from the base capitalization grant, \$48,214,000 from the BIL supplemental grant, \$17,495,000 from the BIL emerging contaminant grant, and \$28,650,000 from the BIL lead service line grant from EPA to fund capital improvement projects that were ranked and placed on the priority list for state fiscal year (SFY) 2025 (July 1, 2024–June 30, 2025) and set-aside projects. EPA allocated an

additional \$115,000 for the BIL emerging contaminant grant to Washington from the reallocation of Wyoming's allocation. Washington uses 69 percent of the base capitalization grant, 69 percent of the supplemental grant, 100 percent of the emerging contaminant grant, and 100 percent of the lead service line grant for new construction loans and designates the remaining 31 percent of the capitalization grant and 31 percent of the supplemental grant for non-construction set-aside projects, such as special studies and technical assistance.

Excluding these grant's set-asides, but including the 20 percent and 10 percent state match, the state has about \$166 million to award for new construction and lead service line inventory projects based on the updated predictive model.

As of February 29, 2024, Washington has a cash balance of approximately \$4 million (generated from loan origination fees) for ongoing administration of the revolving fund loan program. The loan origination fee remains at 1.0 percent for construction and lead service line replacement loan applications. Construction loans cover base, BIL supplemental, BIL emerging contaminants, and BIL lead service line replacement projects. The loan origination fee is waived for any system receiving subsidy. The standard interest rate is 2.25 percent and is reduced to 1.75 percent for those projects receiving subsidy. Construction loan terms are 20 years. The loan origination fee for the lead service line inventories is 2.0 percent with a zero percent interest rate over ten years.

Washington used public participation to develop this year's loan list for the IUP, which includes:

- ◆ Status of Washington's DWSRF Program.
- ◆ Washington's process and allocation of capital construction and set-aside funds.
- ◆ Washington's determination of loan eligibility and funding prioritization.
- ◆ Intended uses of additional subsidization.
- ◆ Prioritized project funding list from DWSRF 2023 Construction Loan cycle, fall 2023 Lead Service Line Loan cycle, winter 2024 Lead Service Line cycle, 2023 Consolidation Feasibility Study Grant cycle, and the 2023 Planning and Engineering Loan applications.

Congressional Priorities

Congress established guides for states' use, to the maximum extent possible, to prioritize project spending. Below, we explain how Washington complies with the priorities in each guide.

Projects that address the most serious public health risk. We base our priority ranking of projects on public health risk. We rank projects that address acute risks higher than projects that remedy chronic risks. While eligible, we consider infrastructure replacement projects the lowest priority for funding.

Projects necessary to ensure compliance with SDWA requirements. We review all applications with respect to compliance with the SDWA. If the applicant is out of compliance, the proposed project must resolve the compliance issue, or the applicant must satisfactorily show that another project will return the water system to compliance.

Assistance should be provided to systems most in need, on a per household basis, according to state disadvantaged community criteria. We allow all eligible community water system applicants to request consideration for subsidy based on affordability of their rates, average ranking on the [Washington Tracking Network](#) Environmental Health Disparities map or average ranking on the Washington Tracking Network Social Vulnerability Index map. To calculate affordability, we use the Affordability Index, a formula that considers an applicant's water rates and median household income.

The [Environmental Health Disparities \(EHD\) Map](#) evaluates environmental health risk factors by census tract. The average EHD ranking for disadvantaged community eligibility is calculated using the following formula:

$$(Environmental\ Exposures + Environmental\ Effects + Sensitive\ Populations) \div 3$$

The Washington Social Vulnerability Index (SVI) is based on the [CDC Social Vulnerability Index](#), providing rankings to identify census tracts that may need support before, during, or after disasters. The average SVI ranking for disadvantaged community eligibility is calculated using the following formula:

$$(Household\ Composition\ \&\ Disability\ Rank + Housing\ Type\ \&\ Transportation + Socioeconomic\ Determinates) \div 3$$

All other non-community systems were deemed subsidy-ineligible. Non-community water systems do not supply water to households and, therefore, they cannot meet the federal requirement to base need on a "per household basis."

Provide between 12 percent and 35 percent of the DWSRF Capitalization Grant and 49 percent of the BIL DWSRF Supplemental Grant and the BIL Lead Service Line Grant as loan subsidy to eligible recipients. We gave systems approximately \$90 million in total subsidies since 2010. We gave systems serving disadvantaged communities approximately \$122 million in subsidies since 2017 (Table 4).

Provide 100 percent of the BIL DWSRF Emerging Contaminant Grant as loan subsidy with at least 25 percent going to small water systems or disadvantaged communities. We provide the entire \$17,610,000 emerging contaminant capitalization grants as subsidy to those communities with qualifying projects. One hundred percent of the funds were awarded to small or disadvantaged communities for treatment of emerging contaminants.

To meet Health's subsidization goals to maximize subsidy for all capitalization grants, we established an emergency rule to allow up to 100 percent subsidy for water systems that meet the disadvantaged community definition. Water systems received 47.3 percent subsidy. Subsidy is calculated based on a maximum loan of \$12 million for Construction Loan and Emerging Contaminant projects. Any loan portion above \$12 million was not used in the subsidy calculation. Disadvantaged communities received 70 percent subsidy for Lead Service Line Inventory projects. We awarded \$4,268,800 (40 percent) as subsidy from the base grant, \$23,624,860 (49 percent) as subsidy from the BIL supplemental grant, \$633,259 (49 percent) as subsidy from the BIL lead service line grant, and \$17,610,000 (100 percent) as subsidy from the BIL emerging contaminant grants.

Final subsidy awards are also listed by project in Appendices B, C, and D.

The following projects will receive subsidy from the DWSRF Base and BIL Supplemental Grants.

Table 1

Project Applicant	Project Name	Total Funded Amount	Subsidy Award
Boistfort Valley Water	Chehalis River Surface Water Intake, Transmission Main, and Adna WTP	\$2,471,500	\$1,170,005
Boistfort Valley Water	Wildwood WTP Improvements	\$1,978,750	\$936,738
Seattle Public Utilities	Bitter Lake Reservoir	\$15,000,000	\$5,680,784 ¹
Pasco Water Department	West Pasco WTP Improvements (Phases 3 & 4)	\$13,032,000	\$5,680,784 ¹
City of Mattawa	Mattawa Wells, Telemetry, and Pressure Zone Improvements	\$7,140,000	\$3,380,067
Boistfort Valley Water	Replace Watermain on Curtis Hill Road South to Sleepy Hollow Reservoir	\$2,786,320	\$1,319,040
Ponderosa Park Water System	Red Cedar Pipeline Replacement	\$590,563	\$279,572
Hannah Heights Owners Association	Distribution System Improvements	\$958,108	\$453,567
Western Ranchettes	Water Main and Component Replacement	\$594,057	\$281,226 ²
Kittitas County Water District #7	Well 6 Improvements	\$2,928,000	\$1,386,111 ¹
City of College Place	Reservoir No. 4	\$10,000,000	\$3,776,301
City of College Place	Well No. 7	\$4,023,840	\$1,904,881
City of Pomeroy	High Pressure Zone Booster Pump Station	\$1,974,000	\$934,489
Port of Walla Walla	Burbank Business Park Reservoir Improvements	\$1,500,000	\$710,095
Total		\$57,837,138	\$27,893,660

¹Project received subsidy based on \$12 million loan per applicant.

²Project received \$150,000 state appropriation which reduced the subsidy award.

The following projects will receive subsidy from the BIL Emerging Contaminants Grant. All the projects are for installing treatment systems to remove PFAS from source water. The City of Vancouver qualifies as a disadvantaged community project while all of the Thurston Public Utility District projects are for small water systems serving less than 25,000 people. Therefore, 100 percent of the BIL Emerging Contaminant grant is going to small or disadvantaged communities.

Table 2

Project Applicant	Project Name	Total Funded Amount	Subsidy Award
Thurston Public Utility District	Lazy Acres PFAS Remediation	\$515,602	\$515,602
City of Vancouver	Water Station 4 PFAS Treatment System	\$12,000,000	\$12,000,000
Thurston Public Utility District	Tanglewilde Thompson Place 600 PFAS Remediation	\$3,531,219	\$3,531,219
Thurston Public Utility District	Burnsville 676 PFAS Remediation	\$400,929	\$400,929
Thurston Public Utility District	East Olympia 684 PFAS Remediation	\$295,261	\$295,261
Thurston Public Utility District	Whisky Hollow 670 PFAS Remediation	\$452,895	\$452,895
Thurston Public Utility District	Cooperfield 678 PFAS Remediation ¹	\$414,094	\$414,094
Total			\$17,610,000

¹Additional funding was provided for this project with the BIL supplemental grant. An additional \$39,596 was provided in loan for this community.

The following projects will receive subsidy from the BIL Lead Service Line Grant. All projects are for LSL Inventory completion. If the applicant did not have a current and approved planning document, the planning document was required to be part of the scope of work.

Table 3

Project Applicant	Project Name	Total Funded Amount	Subsidy Award
North Perry Avenue Water District	Lead Service Line Inventory	\$398,820	\$279,979
Cashmere Water Department	Cashmere—Lead Service Line Inventory	\$346,800	\$243,461
Coulee Dam Water Department	Lead Service Line Inventory ¹	\$156,427	\$109,819
Total		\$902,047	\$633,259

¹Updating the 2000 Small Water System Management Program added to the scope of work.

Table 4

Summary of Washington Subsidy Awards							
SRF/ SFY Year	Cap Grant Amount	Subsidy Required	Subsidy Awarded	% Subsidy Awarded	Subsidy Expended	% Subsidy Expended	Notes
17/ 2014	\$21,499,000	20-30%	\$4,381,590	20%	\$4,381,590	20%	Subsidy Met
18/ 2015	\$19,741,000	20-30%	\$3,849,645	20%	\$3,849,645	20%	Subsidy Met
19/ 2016	\$19,600,000	20-30%	\$4,060,444	21%	\$3,920,633	20%	Subsidy Met
20/ 2017	\$18,233,000	20-50%	\$3,764,308	21%	\$3,629,174	20%	Subsidy Met
21/ 2018	\$18,233,000	20-50%	\$4,446,769	24%	\$4,497,388	25%	Subsidy Met
22/ 2019	\$24,815,000	20-50%	\$5,878,205	24%	\$4,555,138	18%	3 Projects Open, Still Drawing
23/ 2020	\$24,583,000	26-56%	\$5,855,400	24%	\$4,119,065	17%	4 Projects Open, Still Drawing
24/ 2021	\$24,598,000	20-50%	\$5,776,940	24%	\$2,720,564	11%	8 Projects Open, Still Drawing
25/ 2022	\$24,576,000	20-50%	\$5,593,526	23%	\$783,383	1%	8 Projects Open, Still Drawing
26/ 2023	\$15,655,000	26-49%	\$6,160,371	39%	\$0.0	0%	8 Projects Open, Still Drawing
27/ 2024	\$68,466,000 ¹	26-49%	\$24,260,490	49% ²	\$0.0	0%	Contracts Executed
28/20 25	\$77,788,364 ¹	26-49%	\$46,163,918	49% ²			Contracts not executed
Total	\$340,909,394		\$120,191,606		\$32,456,580		

¹Includes both the DWSRF base, the BIL supplemental, BIL emerging contaminants, and BIL lead service line replacement capitalization grants received.

²Awarded 40% subsidy from the DWSRF base, 49% from the BIL supplemental, 100% from the BIL emerging contaminants, and 49% from the BIL lead service line replacement capitalization grants.

Washington's Program Goals

We developed the following goals to sustain our DWSRF Program over time and to ensure compliance with the performance standards in EPA's Environmental Results Goals.

DWSRF Mission: The DWSRF Program helps water systems by providing affordable financing to eligible entities for planning, designing, and constructing public water facilities that provide safe and reliable drinking water.

Vision: Washington State is a national leader in providing comprehensive financial and technical support to water systems.

Goals: Washington State's public water systems are safe, reliable, and sustainable, and water is affordable for all citizens.

Philosophy: The overall philosophy of the Washington State DWSRF is to maximize the availability of DWSRF funds for project construction.

Short-Term Goals

- ◆ Assess our fund management system for opportunity.
 - Complete development of an in-house predictive model to ensure a healthy revolving fund balance and ensure the ability to adaptively manage as federal funding environments change over time.
 - Adjust interest rates to address long-term inflation and provide for fund sustainability.
- ◆ Continue to grow and expand technical assistance and grant programs that improve readiness to proceed and improve use-rate of construction money awarded.
 - Improve consultation with potential applicants to determine the best use of technical assistance and planning and engineering funding increase the number of shovel ready projects.
 - Contact construction loan recipients experiencing delays with their projects to review options that would allow their project to reach construction. If needed, convert the construction loan to a planning and engineering loan to allow the entity to continue with preconstruction activities.
 - Conduct an annual review of readiness-to-proceed criteria for construction loans and improve the criteria to better identify "shovel ready" applicants.
 - Use technical assistance contracts to provide engineering and planning services directly to small and disadvantaged communities to develop "shovel-ready" projects.
- ◆ Ensure that at least 35 percent of the base grant, 49 percent of the BIL supplemental grant, 49 percent of the lead service line grant, and 25 percent of the emerging contaminants grant funds provide financial assistance to disadvantaged communities.
 - Use existing and additional technical assistance providers and DWSRF staff to help systems prepare for project applications, such as assistance with rate setting, training on DWSRF construction loan funding, and income surveys.
 - Coordinate with federal and state technical assistance providers to expand support and ensure funding eligibility for disadvantaged communities, which aligns with Healthy Environment for All (HEAL) Act and Justice40 initiatives.

- Refine and improve internal materials and assistance tools for staff to better offer resources and expertise to disadvantaged communities.
- Coordinate with regional staff and third-party technical service providers to improve in-person and online training series on how to develop a small water system management program (SWSMP), including the simplifying of the existing SWSMP template while meeting regulatory requirements.
- Coordinate with Health's Executive Office of Public Affairs and Equity (OPAE) to develop social media and educational campaigns to educate underserved communities about the DWSRF loan program and technical assistance available to support the community's infrastructure needs.
- ◆ Provide financial and technical assistance to help public water systems increase technical, financial, and managerial capacity.
 - Continue to provide technical assistance and increase funding through two contracts: Rural Community Assistance Corporation and Small Community Initiatives. These technical providers assist systems with board training, funding applications, rate setting, and asset management.
 - Continue to collaborate with other funding partners on small system training on infrastructure funding.
 - Offer planning and engineering assistance and procurement assistance through new technical assistance contracts.
- ◆ Review and implement process improvement efficiencies.
 - Improve water system financial contact information and update data system to allow for batched electronic invoicing.
 - Provide training and resources on DWSRF online application (WALT) to internal and external stakeholders.
 - Replace or update WALT for better user experience while still collecting vital application data necessary to determine project and loan eligibility requirements.
 - Identify metrics and other data already provided in water system plans that can be used to develop dashboards to better target technical assistance and project outreach.
 - Continue to implement construction site visits and inspections during construction. Also develop the ability to conduct remote construction site visits.
 - Continue to provide one-on-one contract training with each applicant approved for a construction loan.
 - Encourage funding applicants to coordinate water main replacement projects with other infrastructure projects, such as transportation improvement, fish-passage barrier removal, or sewer-line replacement projects. DWSRF applicants that combine infrastructure projects will receive bonus points.
 - Continue to refine the indicators utilized to implement the state's disadvantaged community definition to better identify and provide program benefits to affected communities.
 - Continue preparation and planning for BIL funding.
- ◆ Continue to promote asset management.
 - Bonus points are awarded for DWSRF applicants that have attended asset management training, have an asset inventory, and have assigned criticality numbers to assets.
 - Offer DWSRF funding recipients training and funding to develop an asset management program. DWSRF applicants that do not have an existing asset management program must develop an asset inventory, including expected life of assets and replacement costs for each asset. Applicants with an existing asset management program are provided with the ability

- to improve their asset management program. Up to \$40,000 of additional funding will be awarded per jurisdiction for asset management efforts.
- 💧 Use DWSRF funds to ensure water system resiliency against climate change and promote energy-efficient infrastructure.
 - Award bonus points for projects identified in the water system plan as climate readiness projects that protect the water system from extreme weather events.
 - Update planning guidebook to include requirements for climate resiliency.
 - 💧 Continue using set-asides to offer additional consolidation grants to support connection-fee only projects.
 - 💧 Explore utilizing other funding sources to support projects leading to consolidation.

Long-Term Goals

- 💧 Strengthen the fiscal integrity of the fund.
 - Solid and complete financial analysis is required to understand the implications of any particular DWSRF financial policy choice. A solid fiscal management plan will protect the financial future of the DWSRF program using all relevant operating assumptions for the program.
 - Expand loan availability above capitalization grants to spend down repayment account to target fund balance.
- 💧 Acknowledge and address household affordability constraints.
 - Continue to evaluate programs to address household affordability issues.
 - Pursuant to a state legislative appropriation, coordinate with other Health staff and interagency groups to examine rebate program opportunities to alleviate disproportionate impacts to individuals experiencing economic hardship.
- 💧 Continuously improve the DWSRF Program so we are more efficient and better able to serve our customers.
 - Develop electronic invoicing and increase use of electronic payments.
 - Maintain emergency funding to assist systems affected by unforeseen events and to ensure they continue to maintain public health protection. Work with fiscal and contracts staff to identify ways to streamline contracting process to ensure funding can be provided in timely and efficient manner to ensure continued access to safe and reliable drinking water.
 - Maintain ability to award additional funding for existing DWSRF loans to address escalating construction costs that exceed funding amount and allow project completion.
 - Continue to offer Planning and Engineering Loans and grants year-round to allow systems to better prepare for infrastructure improvements.
- 💧 Continue offering Consolidation Feasibility Study Grant funding.
 - Expand the Consolidation Feasibility Study Grant funding program.
 - Expand the ability to incentivize projects resulting in the consolidation of struggling and failing systems into larger well managed systems through a variety of funding and regulatory mechanisms.

Environmental Results Goals

Washington's DWSRF project loan funds and set-aside work plans support EPA's strategic planning Goal 5, "Ensuring Clean and Safe Water for All Communities" and strategic Objective 5.1, "Ensuring Safe Drinking Water and Reliable Infrastructure" by protecting public health from the risk of exposure to regulated and emerging contaminants in drinking and source waters by improving the reliability, accessibility, and resilience of the nations' water infrastructure to reduce impacts of climate change,

structural deterioration, and cyber threats. Our program provides funding to help achieve this federal performance standard. We intend to meet or exceed EPA’s annual performance targets.

We will use these performance measures to ensure the loan program achieves federal standards:

- ◆ **Annual percentage of assistance agreements to bring water systems into compliance.** Based on available funds, Washington proposes to fund 47 DWSRF-eligible projects from our fall 2023 and winter 2024 loan cycles with 69 percent of the base capitalization grant funding, 69 percent of the BIL supplemental capitalization grant, 100 percent of BIL lead service line replacement grant, and 100 percent BIL emerging contaminants grant with remaining funds coming from our loan repayment account, for a total award of about \$114.2 million (see Appendices B, C, and D). Three of the funded projects address compliance issues, eight projects address emerging contaminants, seven projects address lead service line inventories, and the remaining funded projects provide system resiliency or replace aging infrastructure.
- ◆ **Fund utilization rate (cumulative loan agreement dollars compared with the cumulative funds available for projects) for the DWSRF loan fund.** This indicator is commonly referred to as “pace” and it measures how well the state is putting its available funds into loans. States should target pace levels near or above 100 percent. States that are lagging in this measure, or have declining pace levels, may need to review loan policies and procedures, and outreach techniques. Nationally, the pace was 94 percent for the DWSRF in 2023 (cumulative). States with pace levels greater than 100 percent are generally practicing advanced loan commitment. Pace does not measure how quickly funds are disbursed after the loan agreement has been signed. The table below shows the fund utilization rate for Washington State, our Region 10, and the nation for the past six state fiscal years.

Table 5

Loans as a Percentage of Funds Available for Loans (Funds Utilization Rate)			
SFY	Washington	Region 10	U.S.
2018	124%	109%	96%
2019	118%	106%	95%
2020	112%	103%	96%
2021	107%	101%	96%
2022	112%	102%	98%
2023	106%	99%	94%

Set-Aside Activities

The primary focus of the DWSRF Program is to fund capital construction projects that help to protect public health and ensure SDWA compliance. However, states may also use 31 percent of their annual capitalization grant and BIL funds for various non-construction activities that accomplish the same purposes. Funds for these non-construction activities are called set-asides.

There are four set-aside categories. The federal DWSRF Program limits the amount states can use for each category and specifies the types of activities we can fund:

- ◆ Program administration (4 percent).
- ◆ State program management (10 percent).

- ◆ Small system technical assistance (2 percent).
- ◆ Local assistance and other state programs (15 percent).

Program staff, third-party contractors, or direct funding to public water systems are examples of set-aside assistance. Washington will use funds from the DWSRF Base Grant and BIL Supplemental Grant funding to fund activities during more than one state fiscal year. However, to keep unliquidated obligations at a minimum, the state strives to fully spend each set-aside within a two-year period. If there is a time when the state cannot spend down an approved set-aside work plan within two years, as we have in the past, we will amend work plans, ask for additional time to spend, or transfer that set-aside funding to be disbursed through the loan program.

The state does not use funds from the set-asides, other than program administration, until EPA approves detailed work plans. We anticipate completing the workplans and having funds available in late SFY 2025. Washington intends to use 31 percent of both its FFY24 base capitalization grant and FFY23 BIL supplemental capitalization grant for current and future set-aside activities. The subsections below describe how Washington intends to use these set-aside funds.

We use set-aside funds for work plans that contribute to achieving EPA's Strategic Goal 5, sub-objective 5.1.

To carry out the set-aside activities below, we often rely on contractors with specialized skills and qualifications. We will use a contractor from the state's contractor list or use a competitive bid process to purchase these services.

Program Administration Set-Aside

Washington plans to cover direct and indirect expenses associated with program administration activities. We often supplement this SRF set-aside with DWSRF loan origination fees because the set-aside does not provide sufficient funding for this activity.

Washington will use 4 percent of the capitalization grant for program administration and to fund several contracts including:

- ◆ External financial audit of the program.
- ◆ Replace and/or update Loan tracking and invoicing software.
- ◆ Third-party technical assistance providers.

State Program Management Set-Aside

When Congress reauthorized the SDWA, it recognized that federal funding for state drinking water programs was inadequate in states that assumed primacy for enforcing the SDWA. To help resolve that state funding issue, Congress gave states the option of using up to 10 percent of their annual DWSRF allotment for program management. Washington uses the full 10 percent allotment to manage the state drinking water program.

Health uses this set-aside to fund a significant number of positions that:

- ◆ Administer the state Public Water System Supervision (PWSS) Program.
- ◆ Maintain and improve data management at Health's Office of Drinking Water.
- ◆ Collaborate with staff, public water suppliers, and government agencies to help them understand regulatory requirements and assist them when water quality contamination occurs.

- ◆ Provide notification, compliance, financial, and technical assistance, which helps to ensure systems meet Public Notification, Consumer Confidence Report, and various water quality monitoring requirements.
- ◆ Support digitalization of paper files to support mobile work force.
- ◆ Continue to provide translation of information on drinking water and health education on drinking water matters.

Small System Technical Assistance Set-Aside

This set-aside funds technical assistance for water systems that serve fewer than 10,000 people. We will use our full 2 percent allotment from this set-aside to support small systems with planning, fiscal management, and engineering needs to support eligibility for DWSRF funding.

Local Assistance and Other State Programs Set-Aside

A state may fund several categories of activities to help develop and/or implement local drinking water protection initiatives under Section 1452(k) of the 1996 SDWA amendments. States may use up to 15 percent of the annual capitalization grant for the local assistance and other state program set-asides with a maximum of 10 percent for any one category of assistance.

We intend to use 10 percent of this set-aside from both the base and supplemental grant this year for activities related to system capacity development and 5 percent of this set-aside from both the base and supplemental grant for source water protection activities.

Capacity Development and Water System Sustainability

Washington state's Capacity Development Program is one of the strongest in the nation due to the internal and external partnerships we have developed and continue to maintain. We continue to use tools that prove successful and create new tools, as needed, to accomplish our goals. We continue to focus on training and technical assistance resources as much as possible for water systems willing and able to build capacity to sustain themselves. We will rely on our graduated compliance approach to direct water systems when they are unable or unwilling to maintain sufficient capacity. We strive for innovative approaches to help struggling small systems succeed or get out of the water business and mitigate the impending financial burden on customers of those systems.

Washington state will use 10 percent of the Local Assistance and Other State Programs set-aside to provide DWSRF capacity development assistance in the form of financial assistance, technical assistance, sanitary surveys, and other types of program support to drinking water systems. Capacity development activities include, but are not limited to:

- ◆ Provide outreach and communication tools for technical, managerial, and financial capacity on our website and other media outlets.
- ◆ Provide timely technical assistance while conducting sanitary surveys.
- ◆ Provide specific technical assistance to help water systems achieve and maintain compliance.
- ◆ Maximize public health protection through problem identification, correction, and performance optimization of existing surface water treatment plants.
- ◆ Partner with state and federal agencies to support and maintain water system emergency response capacity.
- ◆ Help public water systems research and determine whether their groundwater source is under the direct influence of surface water.

- Offer technical assistance to water systems to develop and implement source water protection programs, set rates, train new board members, and seek funding for projects.
- Provide training across the state for water system operators, owners, and decision makers to increase knowledge of operations and improve performance.
- Collaborate with other funding and technical assistance agencies to provide technical team meetings for jurisdictions developing water infrastructure projects anytime during the year. The technical meetings allow jurisdictions the ability to learn about available funding sources, how to apply for funding, and technical assistance that can be provided for project development.
- Implement a coordinated approach to water system asset management programs with other state and federal agencies to encourage strong financial and managerial capacity in every water system. Activities include asset management and rate setting training for operators, decision-makers, and other stakeholders; improved education and training for state staff on assessing financial capacity of public water systems to improve technical assistance and plan review; and encouraging regionalization activities to achieve economies of scale and improve utility sustainability through training and outreach efforts.
- Increase our emphasis on workforce development as we move closer to 2028 when 50 percent of our 4,000 certified operators have stated they will be eligible to retire. We will look to partner with our technical assistance providers to support the training of new operators to reduce the impacts of a depleted workforce.
- Provide additional technical assistance for water systems.
- Provide additional funding for consolidation grant program.
- Contract with third-party technical assistance providers.

Source Water Protection

Washington will continue to reserve 5 percent of the Local Assistance and Other State Programs set-aside from the base capitalization grant to work with systems to improve their source water protection programs and achieve implementation of important wellhead and watershed protection projects. We are currently growing our program to meet the changing needs of water systems in Washington to address emerging contaminants, declining aquifers, and other impacts of climate changes. We continue to improve the program by engaging with other state and federal agencies, local governments, and nongovernmental organizations to collaborate on mutually beneficial projects and plans that improve water quality and quantity and to ensure safe and reliable drinking water for the people of Washington.

Source water protection activities include, but are not limited to:

- Maintaining and enhancing internal and external source water protection applications; and providing source water protection data, information, mapping, analysis, and GIS support.
- Providing up-front technical assistance to local governments as they develop long-range plans and land-use regulations to identify modifications aimed at improving source water protection.
- Providing financial and technical assistance to local governments and municipal water systems to carry out source water protection projects.
- Providing source water protection outreach and communication tools on our website and other media outlets.
- Offering technical assistance to water systems to develop and implement source water protection programs that safeguard the quantity and quality of their source water.
- Coordinating and collaborating with other agencies on plans or projects to improve water quality of all sources of drinking water and development of regulations that intersect with drinking water interests.

- ◆ Reviewing and commenting on environmental processes associated with development projects statewide, where overlain by wellhead protection areas.
- ◆ Reviewing and commenting on water quality and quantity plans and regulations at all levels of government that could affect drinking water sources.
- ◆ Participating in climate change and drought preparedness activities.
- ◆ Working with others to evaluate and develop policies and rules relating to unregulated contaminants. Coordinate sampling or modeling to evaluate potential risks of these contaminants.
- ◆ Providing training across the state for water system operators and owners, local planners, and decision makers to increase knowledge about source water protection, regulatory framework, emerging contaminants, and watershed health.
- ◆ Contracting with hydrogeologists to model time of travel for Group A water sources to move away from fixed radius wellhead protection areas.
- ◆ Developing a watershed control program guidebook for surface water drinking water sources.

Capital Loan Funding

In November 2023, we received, reviewed, and ranked 45 construction loan applications with a total request of over \$172 million. Eleven applications were withdrawn or deemed ineligible for funding. During the same time period, we received and reviewed seven lead service line inventory loan applications with a total request of \$1.29 million. We re-opened the lead service line inventory loan through March 2024 and received one additional application with a request for \$66,300 for a total of eight applications. Seven applications were funded. One withdrew. Health funded all remaining projects on our Prioritized Project List (PPL) totaling more than \$115 million dollars.

During 2023, we received and reviewed ten planning and engineering loan applications with a total request of over \$2.8 million. One application was deemed ineligible for funding as the water system was going through receivership. The Washington state legislature provided funds to support water systems receivers and help bring the water system back into compliance. In August 2023, we received six applications for the Consolidation Feasibility Study Grant with a total request of \$300,000. All six applications were awarded.

Eligible entities for DWSRF Construction Loan, BIL Lead Service Line Replacement Loan, and Planning & Engineering Loan funding are:

- ◆ Community water systems, including publicly and privately owned systems. For-profit community water systems are eligible for a construction loan but are not eligible for subsidy.
- ◆ Not-for-profit non-community water systems.
- ◆ Federally-recognized tribal water systems not receiving DWSRF tribal set-asides.

Appendix B shows Washington's recommended Fall 2023 and Winter 2024 DWSRF Draft PPL for DWSRF construction funding. We will execute loan contracts for these projects after June 30, 2024.

The list in Appendix B is subject to change for the following reasons.

- ◆ **Applicants receive alternative funding.** Applicants may receive grant or loan assistance from other funding sources, such as Rural Development or direct appropriations, and no longer need DWSRF money.

- ◆ **Applicants are “bypassed.”** The Office of Drinking Water underwriter reviews DWSRF applications for ability to repay the loan, ability to secure the loan, and readiness for the project to proceed. Applicants that fail to meet these criteria are “bypassed” (no longer considered for funding).
- ◆ **Applicants withdraw from the process.** Applicants may choose to withdraw from the loan process for other reasons.

The Washington DWSRF Program will continue to make funding available to assist systems when the bid amount exceeds the initial project cost estimate. Due to recent escalation in construction materials, particularly pipe and steel products, we decided to reserve \$5 million to assist loan holders with increased costs. We will use the following criteria to assist systems in need of additional money for construction overruns:

- ◆ Award money on a first-come basis.
- ◆ Additional amount awarded cannot exceed \$500,000. We will award additional funding at 1.75 percent interest and 1.0 percent loan origination fee.
- ◆ Scope of work cannot be modified.
- ◆ Bid tabs must be provided to document construction costs.
- ◆ Loan holders must provide an explanation for increased costs.

Health will continue to support its DWSRF Emergency Loan Program. Health allocated \$1 million for emergency funding. We received one Emergency Loan application, but it was withdrawn because it received alternative funding from the USDA Emergency Community Water Assistance Grant. See Table 6, next page.

DRY

Table 6

Washington State Drinking Water State Revolving Fund Financial Status and Intended Uses of Funds Federal Capitalization Grants		
Category	Available Funds	
	Application Year 24	Intended Use (\$)
Total Available		
Federal Capitalization Base Grant FFY24	\$10,672,000	\$10,672,000
20% State Match	\$2,134,400	\$2,134,400
BIL Supplemental Capitalization Grant FFY23	\$48,214,000	\$48,214,000
10% State Match	\$4,821,400	\$4,821,400
BIL Emerging Contaminants Grant FFY23	\$17,495,000	\$17,495,000
BIL Emerging Contaminants Reallotment FFY22	\$115,000	\$115,000
BIL Lead Service Line Replacement Grant FFY23	\$28,650,000	\$1,292,364
Total	\$112,101,800	\$84,744,164
Base Grant Set-Asides:		
Program Administration (4%)	\$426,880	\$426,880
State Program Management (10%)	\$1,067,200	\$1,067,200
Small System Technical Assistance (2%)	\$213,440	\$213,440
Local Assistance & Other State Programs (15%)	\$1,600,800	\$1,600,800
BIL Supplemental Grant Set-Asides:		
Program Administration (4%)	\$1,928,560	\$1,928,560
State Program Management (10%)	\$4,821,400	\$4,821,400
Small System Technical Assistance (2%)	\$964,280	\$964,280
Local Assistance & Other State Programs (15%)	\$7,232,100	\$7,232,100
Total Set-Asides	\$18,254,660	\$18,254,660
Project Funds Available from Grants + Match	\$93,847,140	\$66,489,504
Loan Repayment Account	\$42,968,036	\$42,968,036
Total Available for New Project Loans	\$136,815,176	\$109,457,540
Total Project Funds and Set-Side Funds	\$155,069,836	\$127,712,200

Amounts Transferred Between DWSRF and CWSRF

A state governor may elect to transfer up to 33 percent of capitalization grant to the Clean Water State Revolving Fund (CWSRF) or an equivalent amount from the CWSRF to the DWSRF project fund.

Washington does not intend to transfer funds between these programs during state fiscal year 2025 of the DWSRF Program.

Criteria and Method for Distributing Capital Loan Funds

- ◆ Money in the DWSRF Project Fund can be used for:
 - New construction, including emerging contaminants, project loans. We allocated about \$137 million.

- Construction over-run costs. We allocated \$5 million.
- New lead service line inventory and replacement loans. We allocated over \$28 million.
- Emergency loans. We allocated \$1 million.
- Planning and Engineering Loans. We allocated \$3 million.
- Consolidation Feasibility Study Grants. We allocated \$800,000, \$400,000 from our Drinking Water Assistance Administrative Account and \$200,000 from our 10 of 15% set asides.
- Reimbursements for executed construction loan activities.

7A. Construction Loans

Loan Applications

We accepted applications for the DWSRF Loan Program from October 1 to November 30, 2023. We received 45 construction applications requesting over \$172 million.

DWSRF staff provided information and technical assistance on the application process at multiple professional conferences and DWSRF-sponsored webinars. We notified stakeholders on the availability of the construction loan through e-mails and updates to the DWSRF webpage. All information related to the 2023 DWSRF Construction Loan cycle was posted to the DWSRF webpage.

Washington's Eligibility and Threshold Review

Washington's eligibility criteria included all federal eligibility criteria plus several state criteria (Appendix A). Our DWSRF staff reviewed applications for eligibility and assigned a preliminary score based on information in the application, and an initial review of system compliance status.

Three applicants withdrew seven project applications. Five were not ready to proceed and two projects were for a tribal community that did not qualify as a disadvantaged community (DAC) under the emergency disadvantage community rule. They plan to resubmit in the next cycle with the expectation they will qualify as a DAC. We determined that four projects were ineligible. One project withdrew as it received Congressional Directed Spending grant funding and a Public Works Loan. See withdrawn, declined, or ineligible projects listed in Appendix G.

Washington's Prioritization Process

After assigning a preliminary score based on information in the applications and an initial review of each system's compliance status, our staff met January 9, 2024, to discuss projects and assign final scores. Staff reviewed compliance files from regional offices and discussed the merits of each project. Regional office files contain considerable background information on each system's operational and compliance history, which is valuable in assessing the true public health significance of each proposal.

As noted in the [2023 DWSRF Construction Loan Guidelines](#), water main replacement projects that coincide with other infrastructure improvement projects were eligible for automatic funding until the available \$3 million allocated for these projects was exhausted. We did not receive any project that met this conditions.

As previously described, we assessed each project for its ability to receive principal forgiveness or subsidy. We awarded subsidy to eligible projects, as shown in Appendix B.

Ranking Eligible Applications

Using the criteria in Washington's fall 2023 DWSRF Guidelines to score eligible loan applications, we awarded "basic points" and "bonus points."

We awarded basic points by the:

- ◆ Level of public health risk the proposed project would eliminate.
- ◆ Type of project proposed to solve the problem(s) identified in the application.
- ◆ Project's Readiness to Proceed.

We gave "bonus" points to project applicants that:

- ◆ Involved restructuring or consolidation benefits.
- ◆ Had an asset inventory with six elements or attended an asset management training.
- ◆ Had a project that would eliminate an unresolved compliance issue.
- ◆ Had a water main project that coincided with other infrastructure projects.
- ◆ Addressed distribution leakage above 10 percent, reduced pumping, or treatment costs.

We gave financial assistance points that:

- ◆ Compared the water system rates to the county median household income.

Water System Capacity Review

Water system capacity is an eligibility requirement for DWSRF Construction loans.

Water system capacity is the operational, technical, managerial, and financial capability of the water system to achieve and maintain compliance with all relevant local, state, and federal plans and regulations. Water systems lacking the capacity to maintain compliance with the SDWA are not eligible for funding unless the system owner or operator agrees to initiate feasible and appropriate changes, or the financial assistance will ensure long-term compliance.

DWSRF applicants must demonstrate water system capacity. To do so:

- ◆ The applicant must have a current, Health-approved Water System Plan (WSP) or Small Water System Management Program (SWSMP). The WSP approval must not expire on or before the close of the funding cycle (November 30, 2023, for the current funding cycle).
- ◆ The applicant's current, Health-approved WSP or SWSMP must include the proposed project.
- ◆ The water system must have a Green operating permit at the time of application or on completion of the proposed project.
- ◆ The system must be in compliance with any active enforcement actions (including departmental orders, penalties, bilateral compliance agreements, or federally issued administrative orders or stipulated penalties).
- ◆ Demonstrate the proposed project is ready to proceed.
- ◆ Provide all information as requested in the application.
- ◆ The applicant must not have any outstanding audit findings related to technical, managerial, or financial capacity.
- ◆ The applicant must show satisfactory performance and timeliness on currently held and open DWSRF funded projects.

Projects ranking high enough to be considered for funding, yet not currently meeting capacity requirements in dot points 3 and 4 above, may still qualify for a loan if the applicant documents and ensures the proposed project will address these compliance and capacity requirements.

Financial Capacity

To protect the federal and state interest in the long-term viability of the loan program, Washington considers the applicant's ability to repay the loan. The financial evaluation includes reviewing three years of documentation (such as tax returns, budgets, balance sheets, bank statements, and business references) and conducting a detailed financial capacity analysis.

All recipients must dedicate a source of revenue to repay the loans. Some applicants will dedicate part of their general funds, and others will propose establishing or increasing customer fees.

Readiness to Proceed

Applicants must bid their project within 18 months of contract execution and complete DWSRF-funded projects within 48 months of contract execution. We use the following questions to evaluate a project's readiness to proceed:

- ◆ Is the scope of work clearly defined?
- ◆ Are water rights in hand? If not, what is the timeline for securing water rights?
- ◆ Is preliminary engineering complete?
- ◆ Are construction and bid documents complete?
- ◆ Have project permits been obtained or are they in process?
- ◆ Does the project complete a previous construction loan project, emergency loan project, preconstruction loan project, or consolidation grant project funded by the DWSRF program?
- ◆ Is land acquisition or easements part of the project? If so, have rights of way and easements been secured?
- ◆ Is the environmental or cultural review complete?

7B. Lead Service Line Loans

Loan Applications

We accepted applications for lead service line replacement or inventories projects from October 1 to November 30, 2023. We re-opened the loan cycle January 8 to March 29, 2024. We received eight lead service line inventory applications requesting about \$1.3 million. We did not receive any lead service line replacement applications. One applicant withdrew their application. Three applications do not have an approved planning document and will be required to complete their planning document in their scope of work.

DWSRF staff provided information and technical assistance on the application process at multiple professional conferences and DWSRF-sponsored webinars. We notified stakeholders on the availability of the lead service line loan through e-mails and updates to the DWSRF webpage. All information related to the Fall 2023 and Winter 2024 DWSRF Lead Service Line Loan cycles was posted to the DWSRF webpage.

Washington's Eligibility and Threshold Review

Washington's eligibility criteria included all federal eligibility criteria plus several state criteria (Appendix A). Our DWSRF staff reviewed applications for eligibility.

Washington's Prioritization Process

Lead service line inventory applications are ranked on a first come, first served basis based on the submittal time and date of the electronic application. Lead service line replacement applications are ranked based on distribution lead results from compliance sampling. We did not receive any lead service line replacement applications.

As previously described, we assessed each project for its ability to receive principal forgiveness or subsidy. We awarded approximately 54 percent subsidy to each eligible project, as shown in Appendix B.

Water System Capacity Review

Water system capacity is an eligibility requirement for DWSRF loans.

Water system capacity is the operational, technical, managerial, and financial capability of the water system to achieve and maintain compliance with all relevant local, state, and federal plans and regulations. Water systems lacking the capacity to maintain compliance with the SDWA are not eligible for funding unless the system owner or operator agrees to initiate feasible and appropriate changes, or the financial assistance will ensure long-term compliance.

DWSRF applicants must demonstrate water system capacity. To do so:

- The applicant must have a current, Health-approved Water System Plan (WSP) or Small Water System Management Program (SWSMP). The WSP approval must not expire on or before the close of the funding cycle (November 30, 2023, for the Fall 2023 funding cycle or March 29, 2024, for the Winter 2024 funding cycle). If a water system lacks a current and approved planning document, it is required to be included in the scope of work.
- The water system must have a Green operating permit at the time of application or on completion of the proposed project.
- The system must be in compliance with any active enforcement actions (including departmental orders, penalties, bilateral compliance agreements, or federally issued administrative orders or stipulated penalties).
- Provide all information as requested in the application.
- The applicant must not have any outstanding audit findings related to technical, managerial, or financial capacity.
- The applicant must show satisfactory performance and timeliness on currently held and open DWSRF funded projects.

Financial Capacity

To protect the federal and state interest in the long-term viability of the loan program, Washington considers the applicant's ability to repay the loan. The financial evaluation includes reviewing three

years of documentation (such as tax returns, budgets, balance sheets, bank statements, and business references) and conducting a detailed financial capacity analysis.

All recipients must dedicate a source of revenue to repay the loans. Some applicants will dedicate part of their general funds, and others will propose establishing or increasing user fees.

7C. Planning and Engineering Loans

Starting in January 2021, the Planning and Engineering Loan (previously known as the DWSRF Preconstruction Loan) is available on a year-round basis, with approximately \$3 million available each year. Community water systems and not-for-profit non-community water systems are eligible for a Planning and Engineering Loan. This program is intended to assist our water systems with preparing for a construction project. The general terms of the Planning and Engineering Loan are:

- Maximum award per jurisdiction is \$500,000.
- Awarded on a first-come basis until funding is exhausted.
- Zero percent annual interest rate. No subsidy available.
- Two (2) percent loan origination fee (non-refundable).
- Two-year time of performance.
- Ten-year repayment period.

We will also make planning and engineering loans available to existing construction loan holders that are having difficulty making progress. In these instances, we will terminate the construction loan and replace it with a planning and engineering loan. Bonus points are awarded on a DWSRF Construction Loan application to entities that received a planning and engineering loan from DWSRF. Ten planning and engineering loans were awarded this year. A list of loans executed this year is included in Appendix E.

7D. Emergency Loan Program

The DWSRF Program guidelines allow states to use funds for emergency recovery activities according to established emergency funding procedures. The emergency rule became final on April 1, 2016. Emergency loans are available to not-for-profit community and non-community water systems serving fewer than 10,000 people. Water systems serving less than 10,000 people under a court ordered receivership may also be eligible for this funding. During the period of this IUP, Washington intends to make \$1 million available to eligible water systems each state fiscal year. **We have not executed any emergency loans since 2019.** In the event of a large-scale disaster, DWSRF will modify the availability of emergency loans and funding amount.

For purposes of this program, “emergency” refers to an event like a natural disaster or other event that damages or disrupts normal public water system operations and requires immediate action to protect public health and safety. A failure to maintain, replace, reconstruct, upgrade, or make necessary infrastructure improvement does not constitute an emergency.

Our primary goal is to respond to and assist public water systems in recovering from public health threats. The emergency loan program ensures we are ready and able to award loans to water systems experiencing an emergency, so they can restore water service as quickly as possible. The emergency loan program will help water systems that lose critical drinking water services or facilities during an

emergency and demonstrate substantial financial need according to DWSRF criteria. These funds will be available for construction, reconstruction, replacement, rehabilitation, temporary repair, rental of equipment, or improvement necessary to continue or restore operation of a public water system that is in violation of health and safety standards due to an emergency as defined above.

Applicants will submit a completed emergency application package to Health. All application material is available online. The emergency program will follow all general Office of Drinking Water administrative program policies and DWSRF grant and loan guidelines. We have made recent modifications to the emergency loan program to align with the Department of Ecology's emergency loan program. The loan terms are:

- ◆ Maximum amount of \$500,000 per entity.
- ◆ Funding is awarded on a first-come basis until funding is exhausted.
- ◆ Zero percent annual interest rate.
- ◆ One-point-five (1.5) percent loan origination fee.
- ◆ Two-year time of performance.
- ◆ Ten-year repayment period.

Loan Process and List

Bypass Process

We reserve the right to fund lower priority projects if higher priority projects are not ready or willing to proceed. In such instances, the state will comply with established bypass procedures. We may add projects to the List of Fundable Projects due to emergencies, such as an unanticipated system failure or a project needed to prevent an imminent health threat.

We *bypass*, or do not recommend funding for applicants unable to demonstrate ability to repay the loan, applicants with insufficient loan security, or projects not ready to proceed.

We offer technical assistance to help bypassed applicants meet the program requirements, so they can reapply in a future funding cycle, or provide information about other funding opportunities.

Amending the Project Priority List

We coordinate closely with loan applicants that make the project priority list. Some entities decline the loan due to factors, such as securing more favorable funding. If an approved project withdrew from the list, we move the highest-ranking unfunded project to the project priority list.

Loan Fees

Like many other states, Washington charges a nonrefundable 1.0 percent loan fee, and we incorporate the loan fee into the total loan request for the construction loan and lead service line replacement loan. For example, we assess a loan fee of \$5,000 on a loan request for \$500,000—bringing the total loan to \$505,000. Nonrefundable loan fees for the lead service line inventory and planning and engineering loans are 2.0 percent and we incorporate the loan fee into the total loan request. There is no loan fee for recipients receiving subsidy.

Washington transfers the loan fee to the Drinking Water Assistance Administrative Account (05R) when the loan contract is executed. On January 1, 2024, the cash balance of this account was approximately

\$4.14 million. By statute, interest or other investment income accrued in this account remains in this account. Funds from this account can be used for loan program administration, consolidation feasibility study grants and other eligible set-aside activities. However, if the state determines that the balance of the loan fee account exceeds short- and long-term program administration needs, we may transfer a portion of the funds to the project loan account to be used for project loans.

Disadvantaged Communities and Eligibility for Subsidy

Washington’s current definition of a disadvantaged community under an existing emergency rule is as follows:

“A disadvantaged community means a qualifying service area of a project serving residential connections within a public water system that is disproportionately impacted by economic, health, and environmental burdens. Potential qualifying areas will be assessed by indicators established in state guidance including population served, social vulnerability, environmental health disparities, and affordability of average annual water charges.”

Health currently utilizes the state Social Vulnerability Index and Environmental Health Disparities map to determine eligibility as a disadvantaged community and is currently working to refine and finalize the disadvantage community definition and determine how many PWSs meet these criteria based on the application of the criteria during the current DWSRF loan cycle. Residents of some of these areas often suffer higher rates of health problems and have limited access to medical care, placing them disproportionately at harm to chemical contaminants like PFAS in their drinking water. A final rule is expected in August 2024 and the indicators utilized to determine eligibility for subsidy as a disadvantaged community will be reviewed and may be updated annually as part of updates to the Construction Loan Guidelines prior to the next construction loan cycle.

Affordability Index

The Affordability Index is another criterion that has been used for determining subsidy eligibility for a project. The Affordability Index is based on actual median household income (MHI), existing average monthly water rate, proposed loan amount, and total connections.

The following table provides more details on how interest rates and subsidy in the form of principal forgiveness can be awarded for projects.

Table 7

Loan Terms for 2023 Construction Loan Applications			
Loan Type	Interest Rate and Forgiveness	Loan Fee	Loan & Fee Repayment Period
Standard Loan	2.25% interest on loan	1.0% at loan execution	20 years or life of the project, whichever is less
Reduced Interest Rate	1.75% interest on loan	1.0% at loan execution	20 years or life of the project, whichever is less
Partial Subsidy	1.75% interest on loan, partial principal forgiveness	No loan fee	24 years or life of the project, whichever is less
Full Subsidy	1.75% interest on loan, full principal forgiveness	No loan fee	24 years or life of the project, whichever is less

Restructuring and Consolidation Projects

Small water systems often face technical, managerial, and financial challenges. Many small water systems struggle to meet minimum state and federal requirements for providing safe and reliable drinking water for a variety of reasons.

Group A community and municipal water systems are eligible for DWSRF funding for restructuring and consolidation projects that involve a change of ownership or inactivation due to consolidation. Restructuring and consolidation projects acquire other noncompliant, failing, or struggling public water systems that have water quality problems or deteriorated infrastructure. Applicants also must demonstrate a history of sound drinking water utility management and meet the following criteria:

- ◆ Own at least one Group A public water system.
- ◆ Have a minimum of five years of experience as a Group A water system.
- ◆ Have an approved water system plan for the applicant system or be an approved satellite management agency.
- ◆ Have had no state or federal civil penalties in the past five years.
- ◆ Have received no unilateral enforcement orders from EPA or Health in the past five years.
- ◆ Have not had a system's operator license suspended or revoked in the past five years.
- ◆ Have no outstanding past due invoices.

We may consider other eligibility criteria on a case-by-case basis, including operating permit history, prior contract performance, and history of audit findings.

Restructuring and consolidation projects must demonstrate that the system to be consolidated meets the disadvantaged system criteria to receive subsidy. These loans fund activities such as:

- ◆ Repair or replacement of existing infrastructure, such as distribution piping, storage, backflow devices, or service meters.
- ◆ Construction of new water mains and connections necessary to acquire a small system.
- ◆ Installation of treatment, disinfection, or filtration.
- ◆ Develop a new water source or source rehabilitation.

In the 2023 Consolidation Feasibility Study Grant cycle, we received six applications and funded all applications. We funded: Whatcom County PUD #1, Stevens County, City of Spokane, Silverdale Water District #16, and Stevens PUD. Our stakeholders found great value in these small grants (up to \$50,000 per project), which allowed the study of potential transfer of ownership and consolidation projects to address compliance or capacity issues with small, struggling water systems. This funding program uses our Drinking Water Assistance Administrative Account. To increase availability and use of this program we opened up the funding to be available year-round.

Environmental and Cultural Review Process

All funded construction loan and lead service line replacement loan (including potholing) projects undergo environmental and cultural reviews.

The DWSRF Program modified the State Environmental Review Process to better align with the State Environmental Policy Act (SEPA) process the Department of Ecology administers. The revised process requires SEPA checklists associated with DWSRF projects to be on the Department of Ecology's SEPA website for public review and comment for 14 days. SEPA-exempt projects are required to perform

public notification concurrent with the cultural review public notification. DWSRF construction loan recipients are required to perform public notification for all cultural reviews.

Prioritized Project List

See Appendix B for Washington's final Prioritized Project List for the DWSRF construction loan program. The list includes 31 eligible projects totaling \$95,278,976. See Appendix C for Washington's final Prioritized Project List for the DWSRF emerging contaminants loan program. The list includes seven eligible projects totaling \$17,610,000. See Appendix D for Washington's final Prioritized Project List for the DWSRF lead service line loan program. The list includes seven eligible lead service line inventory projects totaling \$1,292,364.

It may take additional months for funded applicants to address all loan requirements before each applicant signs their contract. We contractually require applicants to issue notice-to-proceed for construction within 18 months of contract execution and have 48 months following contract execution to complete their construction or lead service line replacement projects. Applicants are required to complete lead service line inventory, planning and engineering, and consolidation feasibility study projects within 24 months following contract execution.

See Appendix G for loan applications not funded because the applicant withdrew their application, declined the loan offer, or was deemed ineligible.

Federal Financial Accountability and Transparency Act reporting

Washington is required to identify projects used to satisfy capitalization grant reporting requirements under the Federal Financial Accountability and Transparency Act (FFATA) and Equivalency. Designated Equivalency/FFATA projects refer to specific federal laws and authorities that EPA requires Health to report on and/or track compliance by DWSRF loan recipients to an amount equivalent to (or greater than) the amount of the combined capitalization grant Health receives from EPA. Designated Equivalency Projects (DEPs) are identified by Health as a project receiving any amount of equivalency funding and must satisfy federal requirements. The equivalency requirements for DWSRF include the projects listed in Table 8. As EPA requested, we will report only on DWSRF projects in an equivalent amount of each capitalization grant.

Projects listed below (Table 8, next page) are reportable under the programs base grant (Base) General Supplemental BIL funding (GS), Emerging Contaminant BIL funding (EC), and Lead Service Line BIL funding (LSL).

Table 8

Federal Fiscal Year 2024 State Revolving Fund Year Base Capitalization Grant Federal Funding Accountability and Transparency Act and Equivalency Reporting List				
Total Federal Capitalization Grants				\$77,788,364
Projects and Set-Asides Used for FFATA Reporting				\$67,989,000
Loan #	Recipient	Project	Award	FFATA Reporting Amount
TBD	City of Ephrata (Base)	Reservoir 6 Upgrade	\$11,307,000	\$11,307,000
DWL28209	City of Cheney (EC)	Well #5 PFAS Mitigation Project	\$4,080,000	\$4,080,400
DWL28208	City of Vancouver (EC)	WS14 PFAS Treatment System	\$12,403,600	\$12,403,600
DWL28177	Beverly Water District (GS)	Well Project	\$977,880	\$997,880
TBD	Mason County PUD No. 1 (GS)	Bay East Manganese Treatment & Consolidation	\$821,729	\$821,729
DWL28177	Beverly Water District (GS)	New Reservoir Project	\$1,132,305	\$1,132,305
DWL28328	Boistfort Valley Water (GS)	Curtis Hill Reservoir Replacement Project	\$1,949,300	\$1,949,300
DWL28328	Wahkiakum County PUD #1 (GS)	SR 4 – Grays River – 4,000-foot mainline replacement	\$989,800	\$989,800
DWL28216	City of Sultan (GS)	Water Treatment Plant Improvements	\$11,041,391	\$11,041,391
DWL28175	City of Ephrata (GS)	Reservoir 6 and Pressure Zone 5 Improvements	\$11,624,195	\$11,624,195
DWL28178	Snoqualmie Pass (GS) Utility District	Alpental Water Treatment	\$2,542,800	\$2,542,800
DWL28207	North Perry Ave (GS) Water District	Manganese Treatment	\$987,000	\$987,700
DWL28229	Lakewood Water District (GS)	Hipkins Well Replacement	\$4,064,800	\$4,064,800
DWL28230	Lakewood Water District (GS)	Oakbrook Well Replacement	\$4,064,800	\$4,064,800
Total Projects to Report			\$67,989,000	\$67,989,000
Set-Asides Reserved				\$13,956,130

Public Participation

We will e-mail stakeholders on the availability of the IUP, including the 2023 Fall and 2024 Winter Draft DWSRF Funding List. Stakeholders include all regulated water systems, tribal entities, and state associations (such as water and sewer districts). The draft IUP is posted on our [DWSRF webpage](#) and available for public comment for 30 days.

Comments received and our responses are located in Appendix H.

Assurances and Certifications

The state has authority to establish a fund and operate the DWSRF Program according to the SDWA.

State Law

In 1995, the “drinking water assistance account” was created in the state treasury to allow the state to accept federal funds available for safe drinking water (RCW 70.119A.170). In 1997, this statute was refined to conform to the amended SDWA.

Health is authorized to establish the framework for DWSRF program administration and manage the program in Washington (RCW 70.119A.170).

DWSRF Fund Structure

The Legislature established a separate drinking water assistance account in the state treasury dedicated solely to using federal funds for the DWSRF. Health is authorized to establish subaccounts as necessary.

Health will use this drinking water assistance account solely for the DWSRF and account for all funds in the subaccounts separately, including capitalization grants, state match, loan repayment, and interest.

1. The state will comply with state statutes and regulations.

In addition to requirements in the SDWA, the state agrees to comply with all state statutes and regulations applicable to DWSRF funds, including the federal capitalization grant funds, the state match, interest earnings, repayments, and funds used for set-aside activities.

2. The state has the technical capability to operate the program.

Health will continue to employ program staff qualified to administer the DWSRF. Health staff includes a program manager experienced in water system design, operation, and regulation for the capital projects part of the program and a program manager with fiscal and contracting experience for the set-asides. The rest of the staff provide technical support (engineers, planners, or environmental specialists), and clerical or agency administrative support.

4. The state will accept capitalization grant funds according to a payment schedule.

The state agrees to accept grant payments according to payment schedules included with each grant application or grant amendment package. Each grant will include a separate payment schedule covering all funds used over the life of the grant. Staff will review and update these payment schedules at least annually. The state will receive federal funds according to EPA guidelines.

5. The state will deposit all capitalization grant funds into the project fund or set-aside account.

The state will deposit the capitalization grant into the project fund or the set-aside account and maintain identifiable and separate accounts for all parts of the capitalization grant (RCW 70.119A.170).

6. The state will provide at least a 20 percent match for the base capitalization grant and 10 percent match for the BIL supplemental capitalization grant.

The state will provide this match directly from the Public Works Assistance Account or from state bond proceeds.

7. The state will deposit net bond proceeds, interest, and repayments into the project fund.

The state will deposit all interest, dividends, earnings, repayments, and other proceeds into the project fund.

8. The state will use Generally Accepted Accounting Principles.

The state agrees to use Generally Accepted Government Accounting Standards for the DWSRF Program. The state's accounting and auditing procedures conform to the most current *Governmental Accounting and Financial Reporting Standards*, Governmental Accounting Standards Board, and the *Government Auditing Standards*, Government Accountability Office.

The fiscal management of the DWSRF Program will properly measure:

- (1) Revenues the DWSRF Program earns and other receipts, including, but not limited to, loan repayments, capitalization grants, interest, and state match deposits.
- (2) Expenses the DWSRF Program incurred, including, but not limited to, loan disbursements and other expenditures.
- (3) Assets, liabilities, and capital contributions made to the DWSRF Program.
- (4) The maintenance of federal and state capital contributions to the DWSRF Program.
- (5) DWSRF performance on short- and long-term goals.

9. The state will have the fund and set-aside account audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

The Office of the Washington State Auditor or an external Certified Public Accountant will audit the project fund and set-aside account activities the Capitalization Grant funds annually to ensure there are provisions and guidance to prevent waste, fraud, and abuse of funds. The auditor will use United States Comptroller General auditing standards.

10. The state will adopt policies and procedures to ensure that each borrower has a dedicated revenue source for repayments (or if it is a privately owned system, demonstrate adequate security).

The state developed policies and procedures to ensure that borrowers have a dedicated source of revenue and that privately owned systems have adequate security. We discuss them in the state project loan guidelines. See Appendix A.

11. The state will commit and expend funds as efficiently as possible, in an expeditious and timely manner.

The IUP directs the way the state will use funds. The state will commit and spend grant and state matching funds as efficiently as possible, in an expeditious and timely manner. Within one year of the grant payment, the state will enter binding commitments with the recipients equal to the total amount of each grant payment and proportional state match.

12. The state will use the funds according to the Intended Use Plan.

The IUP directs the way the state will use the grant. The state opened the IUP up to public review and comment and considered each comment before developing the final IUP. All comments are in the final IUP.

13. The state will provide EPA with a Biennial Report.

Health will produce annual reports on the uses of the DWSRF funds. The reports will cover both the project fund and the set-aside account activities. The annual reports submitted to EPA meet the biennial report requirements.

14. The state will comply with all federal crosscutting authorities.

We will perform all set-aside activities according to the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, and the Age Discrimination Act of 1975, and adhere to all other crosscutters applicable to the set-aside activities.

The state developed policies and procedures to ensure that the state and all project fund loan recipients conform to applicable federal crosscutter requirements. Required documentation will be provided for each of these requirements. To the extent necessary, crosscutter requirements will be incorporated as conditions in the loan contracts.

15. Authorization and uses of the DWSRF Program

DWSRF fund authorization and uses are in:

- (1) EPA Federal DWSRF Program guidelines.
- (2) Washington State statute (Chapter 218, Laws of 1997, RCW 70.119A.170, RCW 43.155.050).
- (3) Washington State DWSRF Loan Guidelines, Application, and Rule (WAC Chapter 246-296).

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Appendices

Appendix A: Washington 2023 DWSRF Loan and Grant Guidelines

2023 [DWSRF Construction Loan Guidelines and Application 331-196 \(PDF\)](#). These guidelines include guidance for the Lead Service Line Loans for the Fall 2023 and Winter 2024 cycles.

[DWSRF Planning and Engineering Loan Guidelines and Application 331-537 \(PDF\)](#).

[DWSRF Consolidation Feasibility Study Grant Guidelines and Application 331-726 \(PDF\)](#).

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Appendix B: Funded DWSRF 2023 Construction Loan Applicants List—Project Priority List

Health Application	Water System ID	Final Score	Applicant Name	Project	County	Full Time Residential Population	Loan Request Amount	Loan Award (1.0% Loan Fee) Total ¹	Subsidy Award ²	Fund Source	Comments	Project Description
2023-4219	07610	140	Boistfort Valley Water	Chehalis River Surface Water Intake, Transmission Main and Adna WTP	Lewis	2,389	\$2,471,500	\$1,301,496	\$1,170,005	BIL Supplemental, BIL Supplemental Subsidy		Completes previously funded project. Construct the new surface water intake, pump station, pressure main to convey water to the new Adna WTP, clearwell and relocate the existing membrane treatment equipment into the new building.
2023-4223	07610	122	Boistfort Valley Water	Project WT-2 Wildwood WTP Improvements	Lewis	2,389	\$1,978,750	\$1,045,012	\$936,738	BIL Supplemental, BIL Supplemental Subsidy		Upgrade SCADA and telemetry, replace aging equipment components, repair the existing building, and piping improvements to provide additional flexibility in operation of the pre-sedimentation basins. Complete rehabilitation of the existing upflow clarifier/filter unit and add a second upflow clarifier/filter unit for redundancy.
2023-4244	72250	111	City of Richland	Tri-City Estates Water System Consolidation	Benton	300	\$3,604,690	\$3,604,690		Repayment Account		Build a new drinking water distribution system and converting existing distribution mains to irrigation-only mains. Connect to existing 102 residences.
2023-4231	47350	109	Town of Lind	Lind Well No. 10 Construction	Adams	899	\$1,740,000	\$1,740,000		Repayment Account		Drill and develop a new well and develop a Water Shortage Response Plan; co-funded by CDBG
2023-4191	91200	104	City of Vancouver	Water Station 4 PFAS Treatment System	Clark	370,666	\$3,000,000	\$3,000,000		DWSRF Base	Awarded \$12M with BIL EC	Install PFAS treatment at Water Station 4 and connect to existing water system.
2023-4232	77050	101	Seattle Public Utilities	Bitter Lake Reservoir	King	95,550	\$15,000,000	\$9,319,216	\$5,680,784	BIL Supplemental, BIL Supplemental Subsidy	Awarding \$15M Subsidy based on \$12M Loan	Construct a new 21 million-gallon partially buried, pre-stressed concrete tank plus site improvements and connect to existing water system.
2023-4184	63907	74	Onamac Water System	Iron and Manganese Treatment	Island	174	\$191,067	\$191,067		Repayment Account		Install iron and manganese treatment.
2023-4201	02356	72	Thurston PUD	Prairie Ridge Consolidation	Thurston	773	\$1,463,813	\$1,463,813		Repayment Account		Consolidate Hawk Acres 607 and Tolmie Park 239 into Prairie Ridge 605. Install water main to connect the three systems, install an additional booster pump at Prairie Ridge with a generator, replace variable frequency drives and controls, install telemetry and disinfection, and replace a well pump.
2023-4226	66400	68	Pasco Water Department	West Pasco Water Treatment Plant Improvements (Phases 3 & 4)	Franklin	108,765	\$13,032,000	\$7,351,216	\$5,680,784	BIL Supplemental, BIL Supplemental State Match, BIL Supplemental Subsidy	Awarding full amount Subsidy based on \$12M Loan	In Phases 3 and 4, two additional strainers and membrane racks and additions to the residuals recovery system increase WTP outflow to the maximum 18 MGD. Install cyanotoxin treatment and backwash recovery. Add a clarifier, retention, and drying beds if the design warrants them. Install two 3MGD pumps and one 6MGD pump within pump station.
2023-4183	63907	67	Onamac Water System	New Groundwater Well for Redundancy	Island	174	\$123,201	\$123,201		Repayment Account		Drill and develop a redundant groundwater well and connect to existing water system.
2023-4181	63907	64	Onamac Water System	Watermain Replacement	Island	174	\$1,392,244	\$1,392,244				Replace water main.

Health Application	Water System ID	Final Score	Applicant Name	Project	County	Full Time Residential Population	Loan Request Amount	Loan Award (1.0% Loan Fee) Total ¹	Subsidy Award ²	Fund Source	Comments	Project Description
2023-4217	11300	64	Carrolls Water Assn	Main Line Replacement Project	Cowlitz	449	\$896,591	\$896,591		Repayment Account		Replace water main on Isaacson, Old Pacific Highway, Vision Dr, and Hilltop. Replace service meters along the route.
2023-4228	68790	64	Port of Allyn	Copied over from 2022-4428	Mason	30	\$125,038	\$125,038		Repayment Account		Acquire an existing Group A water system and connect to Port's water system.
2023-4235	04459	64	Thurston PUD	Cooperfield 678 PFAS Remediation	Thurston	38	\$453,690	\$35,455		Repayment Account		Install PFAS treatment at two well sites.
2023-4182	63907	59	Onamac Water System	Booster Pump Replacement and Controls Upgrade	Island	174	\$124,577	\$124,577		Repayment Account		Construct a booster pump station, upgrade controls, and connect to existing water system.
2023-4206	10600	59	Camano Cooperative Water & Power Company	New Well - Brennick Site	Island	1,046	\$510,050	\$510,050		Repayment Account		Drill and develop a redundant groundwater well and connect to existing water system.
20236-4209	52000	59	City of Mattawa	Mattawa Wells, Telemetry, and Pressure Zone Improvements	Grant	5,015	\$7,140,000	\$3,759,933	\$3,380,067	BIL Supplemental State Match, DWSRF Base, BIL Supplemental Subsidy		Equip and house Well 2, drill and equip Well 5, install disinfection, install pressure reducing valves, and update telemetry system.
2023-4225	07610	57	Boistfort Valley Water	Project D-2 Replace Watermain on Curtis Hill Road South of Sleepy Hollow Reservoir	Lewis	2,389	\$2,786,320	\$1,467,280	\$1,319,040	DWSRF Base, DWSRF Base State Match, BIL Supplemental Subsidy		Replace aging water main on Curis Hill Road from the BVW office to SR6 and on SR6 from Clinton Road to east of the Adna WTP.
2023-4189	19550	56	Dockton Water Association	Sandy Shores PRV Relocation & Main Improvements	King	990	\$399,960	\$399,960		Repayment Account		Install new pressure reducing valve station on public property, remove existing PRV from private property, and install new water main to connect to existing water system.
2023-4208	15571	56	Klickitat County PUD No. 1	(Ponderosa Park Water System) Red Cedar Pipeline Replacement	Klickitat	378	\$590,563	\$310,991	\$279,572	DWSRF Base State Match, BIL Supplemental Subsidy		Replace and relocate water main in Red Cedar area.
2023-4227	30850	56	Hannah Heights Owners Association	Hannah Heights Distribution System Replacement	San Juan	66	\$958,108	\$504,541	\$453,567	DWSRF Base State Match, BIL Supplemental Subsidy		Replace water mains, replace reservoir inlet and outlet fittings; replace pump house electrical and plumbing.
2023-4203	95123	55	Western Ranchettes	Western Ranchettes - Water Main and Component Replacement	Pierce	250	\$594,057	\$162,831	\$281,226	DWSRF Base State Match, Repayment, BIL Supplemental Subsidy	\$150,000 from legislative direct appropriation	Replace the generator, hydropneumatic tank, and tank enclosure, and upgrade well pump controls.
2023-4216	42650	55	City of Kittitas	Well 2 Design and Construction	Kittitas	2,247	\$3,621,355	\$3,621,355		Repayment Account		Drill and develop a redundant groundwater well, connect to existing water system, and upgrade telemetry and controls.

Health Application	Water System ID	Final Score	Applicant Name	Project	County	Full Time Residential Population	Loan Request Amount	Loan Award (1.0% Loan Fee) Total ¹	Subsidy Award ²	Fund Source	Comments	Project Description
2023-4207	10600	54	Camano Cooperative Water & Power Company	Chapman Creek Line Replacement due to culvert-to-fish passage	Island	1,046	\$141,400	\$141,400		Repayment Account		Replace water main in coordination with a fish passage project with Island County.
2023-4214	85295	54	Kittitas County Water District #7	Well 6 Improvements	Kittitas	560	\$2,928,000	\$1,541,889	\$1,386,111	DWSRF Base State March, Repayment Account, BIL Supplemental Subsidy		Drill and develop a redundant groundwater well, install disinfection, and connect to existing water system.
2023-4211	14050	53	City of College Place	Reservoir No. 4	Walla Walla	8,147	\$10,000,000	\$6,223,699	\$3,776,301	Repayment Account, BIL Supplemental Subsidy, DWSRF Base Subsidy	Awarding full combined amount Subsidy based on maximum total \$12M Loan	Construct a 1-million-gallon composite elevated storage tank and transmission main from the reservoir to the existing water system.
2023-4212	14050	53	City of College Place	Well No. 7	Walla Walla	8,147	\$4,023,840	\$2,118,959	\$1,904,881	Repayment Account, DWSRF Base Subsidy		Install well pump, construction well house and transmission main to connect to existing water system.
2023-4194	62640	51	O-Zi-Ya Community Club	O-Zi-Ya Reservoir Replacement	Island	120	\$396,013	\$396,013		Repayment Account		Construct a 30,000-gallon concrete tank and connect to existing water system.
2023-4193	68400	49	City of Pomeroy	High Pressure Zone Booster Pump Station	Garfield	1,395	\$1,974,000	\$1,039,511	\$934,489	Repayment Account, DWSRF Base Subsidy		Construct a booster pump station with four centrifugal pumps and connect to existing water system.
2023-4233	10600	49	Camano Cooperative Water & Power Company	Camano View Project Line Replacement	Island	1,046	\$1,403,143	\$1,403,143		Repayment Account		Replace water main on Camano View Rd, Westmoor Pl, Rutland Pl, and Lactrup Spur.
2023-4234	10600	49	Camano Cooperative Water & Power Company	Sea Mist Lane Loop Line Replacement	Island	1,046	\$381,073	\$381,073		Repayment Account		Replace and loop water main on Sea Mist Ln.
2023-4202	AB436	45	Port of Walla Walla	Burbank Business Park Reservoir Improvements	Walla Walla	1,982	\$1,500,000	\$789,905	\$710,095	Repayment Account, DWSRF Base Subsidy		Construct a new 500,000-gallon reservoir, increase the height of the existing reservoir, and install a high flow pump in the existing booster pump station.
2023-4197	41900	40	Lake Meridian Water District	1400 Reservoir	King	2,3619	\$10,900,930	\$10,900,930		Repayment Account		Construct a 3-million-gallon welded steel reservoir, two pressure reducing valves stations, and connect to existing water system.
						Total	\$95,571,282	\$67,385,316	\$27,893,660			

¹All projects with subsidy receive reduced interest rate of 1.75 percent and have the loan origination fee waived.

²Subsidy is calculated based on a maximum loan of \$12 million. Additional loan may be added up to \$15 million total.

Appendix C: Funded BIL Emerging Contaminants 2023 Construction Loan Applicants List—Project Priority List

Health Application	Water System ID	Final Score	Applicant Name	Project	County	Full Time Residential Population	Loan Request Amount	Subsidy Award*	Comments	Project Description
2023-4215	46441	109	Thurston PUD	Lazy Acres PFAS Remediation	Thurston	267	\$520,758	\$515,602	Complete in 2 years	Install PFAS treatment at two sources, a booster station, construct a new reservoir, and controls.
2023-4191	91200	104	City of Vancouver	WS4 PFAS Treatment System	Clark	370,666	\$51,683,084	\$12,000,000	Fund an additional \$3 million as DWSRF	Install PFAS treatment at Water Station 4 and connect to existing water system.
2023-4242	04397	64	Thurston PUD	Tanglewilde Thompson Place 600 PFAS Remediation	Thurston	7,900	\$3,566,531	\$3,531,219	Complete in 4 years	Install PFAS treatment at three well sites and upgrade electrical controls, construct a new treatment building and backwash holding tank, and expand an existing building.
2023-4236	05329	64	Thurston PUD	Burnsville 676 PFAS Remediation	Thurston	138	\$404,938	\$400,929	Complete in 2 years	Install PFAS treatment and controls at one well site.
2023-4235	04459	64	Thurston PUD	Cooperfield 678 PFAS Remediation	Thurston	38	\$453,690	\$414,094	Remainder funded by DWSRF Construction Loan; Complete in 4 years	Install PFAS treatment and controls at two well sites. Expand and improve existing pump house.
2023-4220	04601	63	Thurston PUD	East Olympia 684 PFAS Remediation	Thurston	230	\$298,214	\$295,261	Complete in 2 years	Install PFAS treatment and controls at two well sites.
2023-4238	20692	62	Thurston PUD	Whisky Hollow 670 PFAS Remediation	Pierce	45	\$457,424	\$452,895	Complete in 2 years	Install PFAS treatment and controls at one well site.
						Total	\$57,384,639	\$17,610,000		

*All EC projects received 100 percent subsidy and have the loan origination fee waived.

Appendix D: Funded BIL Lead Service Line Fall 2023 and Winter 2024 Inventory Loan Applicants List—Project Priority List

Health Application	Water System ID	Ranking	Applicant Name	Project	County	Full Time Residential Population	Loan Request Amount	Loan Award w/ 2.0 % loan fee (if applicable)*	Subsidy Award	Project Description
2023-4150	60950	1	North Perry Avenue Water District	Lead Service Line Inventory	Kitsap	23,932	\$398,820	\$118,842	\$279,9729	Lead service line inventory
2023-4153	11700	2	Cashmere Water Department	Cashmere - Lead Service Line Inventory	Chelan	3,165	\$346,800	\$103,339	\$243,461	Lead service line inventory
2023-4154	35500	3	City of Ilwaco Water Department	Lead Service Line Inventory and Water System Plan Update	Pacific	2,597	\$140,270	\$140,270	\$ -	Lead service line inventory and update Water System Plan
2023-4246	35900	4	Ione Water Department	Lead Service Line Inventory	Pend Oreille	428	\$98,410	\$98,410	\$ -	Lead service line inventory and update Water System Plan
2023-4245	43400	5	Town of Lacrosse	Lead Service Line Inventory	Whitman	297	\$85,337	\$85,337	\$ -	Lead service line inventory and update Small Water System Management Program
2023-4249	15400	6	Coulee Dam Water Department	Lead Service Line Inventory	Okanogan	1,359	\$156,427	\$46,608	\$109,819	Lead service line inventory and update Small Water System Management Program
2024-4260	05350	8	Belfair Water District No. 1	Lead and Copper Service Line Inventory	Mason	3,385	\$66,300	\$66,300	\$ -	Lead service line inventory
Total							\$1,292,364	\$659,106	\$633,259	

*All projects with subsidy receive reduced interest rate of 1.75 percent and have the loan origination fee waived.

Appendix E: Funded DWSRF 2023 Planning and Engineering Loan Applicants List

Health Application	Water System ID	Final Rank	Applicant Name	Project	County	Population	Loan Request Amount	Loan Total w/ 2.0% loan fee	Project Description
2023-4188	72400	1	City of Ridgefield	Eastside Elevated Water Reservoir	Clark	17993	\$510,000	\$510,000	Phase 1 predesign assessment for Eastside elevated reservoir to address resiliency.
2023-4186	68900	2	City of Port Orchard	Well 7 Treatment and Pumping Station Pre-Construction	Kitsap	10,245	\$510,000	\$510,000	Preliminary Engineering Report for the design and construction of a settling basin and secure facility to house an existing flowing artesian well; to include disinfection, fluoridation, and monitoring equipment. This report will also address decommissioning another recently discovered flowing artesian. This scope of work may include environmental and cultural review, permits, and bid documents depending on the information gained from the report and the remaining budget.
2023-4173	12250	3	City of Chehalis	Market St. 11th- 21st Pinch Point (replace 8 inch with 12 inch to address pressure issues)	Lewis	11,026	\$510,000	\$510,000	Replace existing 8" cast iron pipe with 12" cast iron pipe to increase water capacity to address pressure deficiencies in the south end UGA.
2023-4252	96800	4	Town of Wilbur	Small Water System Management Plan Update & Knox/Cole Water Line Replacement	Lincoln	1,039	\$100,950	\$100,950	Update Small Water System Management Program and design and bid documents for 840 feet of main replacement on Cole Street and Knox Street.
2023-4251	69760	5	Wahkiakum County PUD #1	Puget Island Water Source Project - Test Well	Wahkiakum	920	\$306,000	\$306,000	Preliminary Engineering Report for a new groundwater well plus drilling and testing the well.
2023-4253	83150	6	City of Sprague	Water System Plan Update	Lincoln	570	\$60,000	\$60,000	Update Water System Plan.
2023-4196	30850	7	Hannah Heights Owners Association	New Water Source Construction - fund design of well development including pump test and WQ testing, Project Report for source approval, and connecting to water system	San Juan	66	\$122,400	\$122,400	Engineering design for a new well to be drilled, pump test, water quality testing, and Project Report for source approval including design to connect well to existing water system. Drilling paid by USDA ECWAG.
2023-4254	43296 & 68550	8	Clallam County PUD 1	Port Angeles Composite and City of Port Angeles Intertie Project	Clallam	175	\$300,390	\$300,390	Replace 20" transmission main intertie between City of Port Angeles and Clallam PUD's Port Angeles Composite Water System in the area of Ennis Creek to address failing main.
2023-4255	24181, 00307, 43296, 02890, 13200, 36260	9	Clallam County PUD 1	PUD No. 1 of Clallam County 2026 Water System Plan Update (for all six PUD water systems)	Clallam	15,884	\$209,610	\$209,610	Update Water System Plan that covers Evergreen (24181), Carlsborg (00307), Port Angeles Composite (43296), Panoramic (02890), Clallam Bay/Sekiu (13200), and Island View (36260).
Total							\$2,569,350	\$2,569,350	

Appendix F: Funded DWSRF 2023 Construction Feasibility Study Grant Applicants List

Health Application	Water System ID	Score	Applicant Name	Project	County	Population	Grant Request Amount	Project Description
2023-4164	13522	36	Silverdale Water District 16	Silverdale Water District/Clear Creek MHP Water Service Connection	Kitsap	63	\$50,000	Pay connection fee for Clear Creek MHP to connect to Silverdale WD16 due to PFAS in the CC MHP wells.
2023-4169	29801, 29808	26	Stevens County PUD	Tiger Tracts and Dolomite Consolidation Feasibility Study	Stevens	149	\$50,000	Consolidation Feasibility Study to combine Tiger Tracts with Dolomite
2023-4167	91445	12	City of Spokane	Vel View Water District #13 Consolidation Feasibility Study	Spokane	60	\$50,000	Assess the infrastructure upgrades needed so the city will consolidate the Vel View into the city system.
2023-4168	69760, 11850	12	Wahkiakum County PUD Puget Island	PUD Puget Island/Town of Cathlamet Consolidation Study	Wahkiakum	2,063	\$50,000	Consolidation Feasibility Study to combine the PUD's Puget Island Water System with the Town of Cathlamet's Water System.
2023-4170	02885	12	Stevens County PUD	Arden Hills Water System	Stevens	80	\$50,000	Consolidation Feasibility Study to combine Arden Hills with Stevens County versus Stevens PUD
2023-4171	89080	10	Stevens County PUD	Trails West Subdivision	Stevens	25	\$50,000	Consolidation Feasibility Study to transfer Trails West to county
Total							\$300,000	

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Appendix G: Withdrawn or Declined or Ineligible DWSRF 2023 Construction, Lead Service Line, and Planning & Engineering Loan Applicants

Health Application	Water System ID	Score	Applicant Name	Project	County	Full Time Residential Population	Request	Loan Type	Project Description
2023-4224	30850	116	Hannah Heights Owners Assn	New Source Construction	Island	66	\$995,984	Construction	Drill and develop a new groundwater well. The project is ineligible because the proposed source lacks water rights.
2023-4239	35900	48	Ione Water Dept	Cedar Creek Water Main Relocation	Pend Oreille	2,395	\$1,289,265	Construction	Relocate water main currently attached to Cedar Creek Bridge for fish passage project. The applicant is ineligible because planning document is expired.
2023-4200	00650	40	City of Airway Heights	Water Storage Reservoir and Booster Station Upgrade	Spokane	9,489	\$7,809,320	Construction	Construct a new 1-million-gallon storage reservoir. Upgrade the existing booster station to accommodate the additional storage capacity to serve new ERUs. Install new electrical controls and telemetry for the new reservoir and a new standby generator. Complete an Asset Management Program. The project is ineligible because focus is on growth.
2023-4139	02777	34	Coxville Water Assn #1	CRA- Corrective Action Plan (nitrate compliance)	Benton	32	\$178,500	Planning & Engineering	Engineering Report for alternatives to address failed nitrate treatment. The applicant is ineligible. Water system is going into receivership to Benton County.
2023-4205	59700	16	Nob Hill Water Association	Westbrook Reservoirs Improvements Project	Yakima	35,784	\$3,010,255	Construction	Repair interior of two concrete reservoirs, replace access hatches, exterior ladders, vents, overflow pipes, and improvements to overflow pipes, inlet/outlet piping. Replace roof-topping slab and repair concrete-stiffener-beams of Reservoir 2. The applicant is ineligible because planning document is not approved.
2023-4250	94350	0	City of Wenatchee	No Project Name	Chelan	31,045	\$ -	Construction	No description. Project withdrawn by applicant.
2023-4222	34505	63	Thurston PUD	Horsfall 608 PFAS Remediation	Thurston	165	\$526,497	Construction	Install PFAS treatment at one well site. Project withdrawn by applicant.
2023-4243	54591	63	Thurston PUD	Sandra Ave 627 PFAS Remediation	Lewis	30	\$361,825	Construction	Install PFAS treatment at one well site. Project withdrawn by applicant.
2023-4240	16000	62	Thurston PUD	Crescent Park 355 PFAS Remediation	Pierce	550	\$1,103,423	Construction	Install PFAS treatment at one well site. Project withdrawn by applicant.
2023-4241	15531	62	Thurston PUD	Spanaway 192nd 669 PFAS Remediation	Pierce	183	\$912,519	Construction Emerging Contaminants	Install PFAS treatment at one well site. Project withdrawn by applicant.
2023-4230	IH105	70	Swinomish Tribal Indian Community	Smokehouse Road Connection	Skagit	60	\$1,038,376	Construction	Extend existing community water system water main to existing Group B water systems and private wells experiencing seawater intrusion. Project withdrawn by applicant.
2023-4218	IH105	60	Swinomish Tribal Indian Community	Swinomish New Reservoir	Skagit	3,249	\$2,381,543	Construction	Construct a 316,000-gallon reservoir and connect to the existing water system, and repairs to exterior and interior of existing reservoir. Project withdrawn by applicant.
2023-4247	31450	7	City of Harrington	Lead service line inventory	Lincoln	649	\$73,440	Lead Service Line	Loan declined. City decided to reserve ability to apply for construction loan for projects identified in Water System Plan.
Total							\$19,680,947		

Appendix H: Public Comments

Comment Received	Health's Response
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