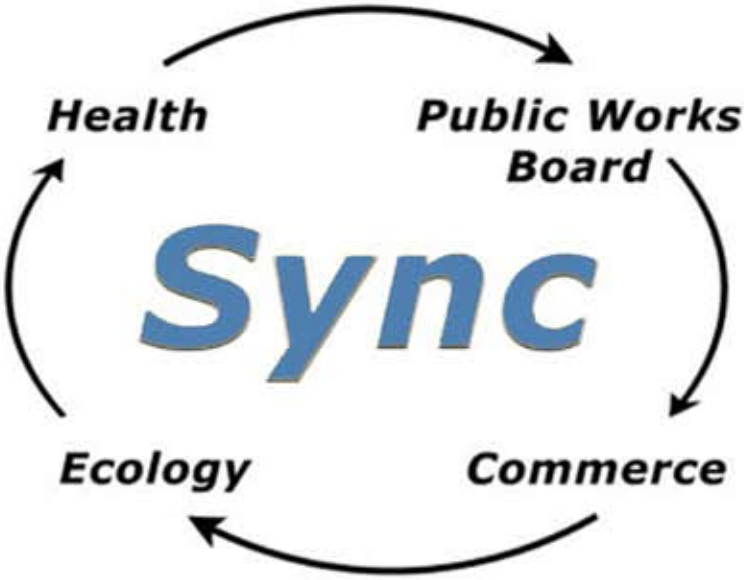

Sync

Washington State's
Infrastructure System Improvement Team

December 2018
Report to Legislature
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Cover art presents the Green River Filtration Facility.

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Executive Summary

In 2017, the Washington state legislature passed HB 1677. This legislation directed the Public Works Board to lead an interagency systems improvement team with the departments of Commerce, Ecology, and Health. The result of this directive is Sync, Washington's largest modern infrastructure program improvement effort. Sync's task is to identify, implement, and report to achieve efficiency, minimize costs, and maximize value across drinking water, wastewater, and stormwater infrastructure programs.

Why Does it Matter?

Washington state is at a crossroads. Years of competing priorities for state dollars have reduced our ability to maintain and modernize our infrastructure. Without functional infrastructure systems:

- Individual ratepayer costs increase.
- Community growth stagnates.
- Business development and expansion slows.
- The risk of environmental damage increases.
- Public health and safety is compromised.

In the next two to four years, local communities will require an infrastructure investment greater than $881 million

Infrastructure is a vital need that does not make headlines until it fails. This reality makes it easy to overlook and minimize. In 2018, Washington communities experienced a $299 million infrastructure deficit between funds requested from Sync programs and funds awarded. In the same period, the demand for Transportation Improvement Board (TIB) resources surpassed supply by $217 million. The combined demand gap for Sync programs and TIB is nearly $516 million. It is clear communities cannot finance and build essential community infrastructure improvements on their own.

In addition, stakeholders provided information to Sync regarding projects that will proceed to construction in the next two to four years. Those near shovel ready planning and construction projects, combined with the demand gap, indicate a need of $881 million over the next two to four years.

Local government capital facilities projects are contingent on reliable funding streams. Without reliable fund availability, communities cannot plan for capital improvements or growth across the 6- and 20-year timelines mandated by statutory and regulatory planning requirements.

Who is Involved?

The Public Works Board and the departments of Commerce-Local Government Division, Ecology-Water Quality Program, and Health-Office of Drinking Water believe Sync can serve as an ongoing forum to address our state's current and future infrastructure challenges in a proactive manner. These agency programs comprise the Sync Core Team and carry a long tradition of collaboration in the interests of local jurisdictions. They are responsible for Sync's strategic plan, its governing Memorandum of Understanding, and the creation of objectives to achieve the designated outcomes of HB 1677.

However, the effort goes far beyond the Sync Core Team. Throughout 2018, Sync traveled the state and conducted more than 40 statewide stakeholder events to discuss barriers and solutions with local governments, and state, federal, and nonprofit practitioners.

Moreover, Sync collaborated with vital resource organizations like the Small Communities Initiative (SCI), and Infrastructure Assistance Coordination Council (IACC), which includes Maximizing Resources (MR). These groups convene state and federal agencies, local associations, nonprofit agencies, and tribal partners to coordinate assistance to local jurisdictions. Both IACC and MR formed through infrastructure reform efforts that recognized coordination was key to improving local technical, financial, and managerial capacity. Current coordination through Sync will enhance these assets and emphasize value.

Where is Sync Now?

Sync listened to stakeholder identified barriers to create three priority areas.

1. Expand technical assistance capability.
2. Develop Sync program process improvements.
3. Create system-wide infrastructure improvements.

Sync developed 14 key activities to address these priority areas. Each will address the eight designated outcomes of HB 1677 and the seven Sync objectives. They defined the state's current capacity, the ideal state, and pathways to move incrementally towards that ideal.

The outcome is a targeted focus on efficiently organizing Sync programs and the state's infrastructure ecosystem to finance local infrastructure improvements. To reinforce programmatic and systems efficiency, Sync will develop the human and technical capacity of state programs to encourage and develop local technical, financial, and managerial capacity.

What Comes Next?

The 14 key activities will drive an implementation framework for Sync Phase Two that will layer with new activity development. Sync will continue to address HB 1677 and support local jurisdictions by:

- Deepening the collaboration between Sync partners and expanding to include new partners and a pivot toward all six of the major infrastructure systems. This action also increases the impact of Sync's efforts to leverage state and federal funds, co-fund projects, and increase local efficiencies while overall project costs decrease.
- Expanding the availability of technical assistance provided to local jurisdictions. Stakeholders identified a need for technical assistance resources beyond Sync's current capacity. This effort will expand the human and technical capacity of Sync programs and increase self-sufficiency and accountability at the local level.
- Developing financial and educational resources to address the growing demand for qualified infrastructure operators, engineers, and managers. Sync will support local jurisdictions to get in front of the looming retirement boom. A recent Department of Health survey indicated that 32 percent of the 4,000 existing certified waterworks operators will retire in the next 5-years.
- Coordinating infrastructure needs with communities provides Sync with a unique perspective that the legislature can leverage to invest in high impact projects. Sync will develop a means to provide the expertise and support to legislators and serve as a resource for infrastructure related funding decisions.

Summary of Recommendations

Key Activity	Recommendations and Next Steps
1. Tech Teams Increase availability and frequency of tech teams to build local technical, financial, and managerial capacity and provide guidance on funding resources.	1. **Sync programs will dedicate a portion of existing resources and staff to coordinate and provide tech teams.** In Phase Two, Sync will coordinate budget requests for dedicated technical assistance staff to expand tech team availability. 2. **Sync will adopt a tech team configuration to create a model intake process to build state and local capacity, and increase accessibility.** 3. **Sync will coordinate with the Infrastructure Assistance Coordinating Council (IACC) to implement the model intake process.** 4. **Sync will collaborate with IACC and local associations to raise awareness of tech team availability.** 5. **Sync will promote asset management and value planning as best practices for appropriate projects within the tech team setting**.
2. Value Planning (VP) Promotes the usage of VP as a resource tool in infrastructure project planning and builds local expertise in this best practice. Effective application of VP increases stakeholder feedback and can result in projects designed with your community in mind.	1. **Sync programs will dedicate a portion of existing resources and staff to coordinate and provide value planning-related training and technical assistance.** In Phase Two, Sync will coordinate budget requests to expand availability of dedicated VP technical assistance staff. 2. **Sync will obtain comments and suggested edits for the Introductory Guide to Value Planning (Guide) through 2018.** Sync previously distributed the product at IACC to receive comments and edits from end users. 3. **After the stakeholder review period, Sync will request that IACC, local associations, and the Municipal Research and Services Center (MRSC) host a link to the updated Guide on their websites.** 4. **In Phase Two, Sync will solicit requests for proposals to contract for a comprehensive value planning manual.** 5. **Sync will provide value planning training and encourage it as a best practice for utilities.**
3. Asset Management (AM) Build local capacity to reduce the overall cost of ownership, and increase system life through effective asset management.	1. **Sync programs will dedicate a portion of existing resources and staff to coordinate, facilitate, and provide asset management training.** In Phase Two, Sync will coordinate budget requests to expand availability of dedicated AM technical assistance staff. 2. **Sync programs will adopt the Office of Drinking Water definition for asset management.** 3. **Sync will leverage existing AM expertise (Rural Community Assistance Corporation (RCAC), TIB, and WSDOT) to connect local governments with training opportunities on AM resources, tools, applications, and software**. In Phase Two, Sync will create and disseminate summary guidance to local governments to expand technical and managerial capacity. 4. **In Phase Two, Sync will provide AM technical resources on the Sync website.** Sync will collaborate with local associations to connect technical resources to their membership.

Key Activity	Recommendations and Next Steps
4. Regional Governance and Resource Efficiency Provide technical tools and expertise to facilitate explorations of regional governance. The goal is to increase administrative and systems efficiencies, such as joint purchasing power.	1. **Sync programs will dedicate a portion of existing resources and staff to coordinate, facilitate, and provide technical resources in support of regional governance.** In Phase Two, Sync will coordinate budget requests to expand availability of dedicated regional governance technical assistance staff. 2. **Sync will generate technical resources to promote ongoing collaboration and highlight successful regional governance models to increase awareness of available tools.** This includes production of informational materials, such as, case studies or a handbook, updates of active regional efforts, and compilation of templates and boilerplate agreements. 3. **Sync will facilitate stakeholder meetings and guide discussions regarding possible returns on investment.** The Board will explore contracting options to provide the facilitation services of a national regionalization expert. 4. **Sync will explore the state's role in supporting regional governance and reliable systems management, including how to incentivize regional cooperation and governance on Sync program applications.**
5. Budget Requests for Coordinated Technical Assistance Coordinated requests for additional staff will build local technical capacity across four areas: tech teams, value planning, asset management, and regional governance.	1. **Sync will support the COM-LGD budget request made in fiscal year 2019 for SCI technical assistance staff.** 2. **Sync will make coordinated budget requests for dedicated technical assistance staff beginning in fiscal year 2020.** We anticipate one FTE request for each Sync program to meet the staffing needs associated with expanded technical assistance availability. During this period, Sync programs anticipate joint budget requests for shared technical staff that will support local technical needs in both Eastern and Western Washington. 3. **Sync will continue to share common language on agency budget requests, and make this coordination visible within each individual agency and to the Legislature.**
6. Electronic Resource Portal Create a repository for technical resources to assist stakeholders in accessing funding opportunities.	1. **Sync will temporarily rely on the current Sync website as a technical resource repository.** 2. **In Phase Two (2019), Sync programs will provide support (operating and human capital) to develop the Fund Finder prototype program directory.** 3. **In future phases, Sync will request funds from the Legislature to develop Fund Finder beyond a program directory.** This may include a technical resource repository, and other features that connect local governments to information and resources. 4. **Sync will collaborate with the Office of the State Treasurer (OST) to support the development of their Lend Washington directory**.

Key Activity	Recommendations and Next Steps
7. Affordability and Hardship Coordinate financial analysis and underwriting. Explore sharing of underwriting results, and development of a universal hardship determination model.	1. **The Board will explore how to address statutory changes concerning the market rate basis prior to a funding cycle to reduce the effect of market volatility and keep interest rates low.** The Board would like the period prior to open of a funding cycle to change from 30 to 60 days to 30 to 180 days. The Board will pursue either the desired statutory change in the 2019 or the 2020 legislative session. 2. **Sync will determine which, if any, indicators can adequately produce a common basis to determine hardship, or disadvantaged community status.** In Phase Two, if Sync determines an adequate model or set of indicators to use, then we will develop a new tool or adapt an existing tool to assess hardship for consideration by Sync programs and partner agencies. 3. **Sync will continue to test the draft underwriting tool and determine path to implementation.** 4. **Sync programs and the Community Economic Revitalization Board will create a process to share underwriting results.**
8. Applications Simplify and streamline Sync program applications to assist in understanding of program criteria and increase stakeholder efficiency.	1. **Sync will review unique question and data fields and prioritize which questions to eliminate, adapt, or consolidate into common questions.** This will simplify Sync program applications, and increase local efficiency to complete them. 2. **Sync will continue to explore efficiencies within current application processes.** a. Align funding cycles to increase opportunities to co-fund projects. b. Produce a letter of interest or pre-application to assist potential applicants determine whether a program is the right option to support their infrastructure needs. 3. **Sync will explore expanded online and regional application workshops, and include staff that review, rate, and rank applications in the training events.** This will provide an accessible forum to ask questions and gain knowledge of programmatic and statutory criteria that undergird applications and scoring
9. Co-funding Process Organize a consistent process for coordinating and packaging investments.	1. **Sync will map the timelines for each program and determine the best moments to coordinate co-funding activities.** 2. **Sync will encourage expansion of existing co-funding coordination at intervals that align with existing funding cycles.** **Sync will document the similarities and differences between state and federal programs to enable full information sharing amongst co-funding programs.**
10. Income Surveys Update currently available guidance and coordinate with the AHRT on alternative data and metrics.	**Sync updated the current available guidance, and does not have recommendations for income surveys at this time.** Sync will collaborate to develop alternative data and metrics to determine disadvantaged community status. This will, in effect, make income surveys obsolete. Until that time, state and federal agencies will accept methodologically sound income survey results.

Key Activity	Recommendations and Next Steps
11. Secure the Public Works Assistance Account (PWAA) Request a phased return of all diverted Public Works Assistance Account tax revenues and loan repayments for local infrastructure projects by 2023.	1. **Sync supports the Board's $217 million appropriation request for pre-construction, emergency, and construction loans in the 2019-21 Biennium.** 2. **Incrementally restore PWAA tax revenues for local infrastructure projects by 2023.** The Board will explore incremental restoration of diverted resources in support of community infrastructure improvements beginning in the 2019 legislative session. Sync recognizes the value and place of the Board within the infrastructure finance system, and supports restoration of PWAA resources.
12. Support to the Legislature Provide expertise and support to legislators to make infrastructure related funding decisions.	1. **In 2019, Sync will meet with legislators and their staff to discuss state decision and budget making processes that finance infrastructure.** 2. **Sync will continue to explore, document, and share information to support project readiness and appropriateness for community infrastructure investments.** Tools to anticipate project readiness include tech teams, value planning, asset management, and regional governance and resource efficiency. 3. **Sync will explore additional tools to support the Legislature, such as future consideration to a preliminary checklist to determine project readiness for funding.**
13. Alternative Finance Create, access, or leverage consistent funding resources for stakeholders without access to reasonable rates in the private credit market.	1. **The state must consider how best to finance local government infrastructure through existing tools.** Sync finds that consistent financial support from the state for existing infrastructure tools is the lowest barrier option to finance infrastructure statewide. 2. **Explore bonding of dedicated infrastructure resources to leverage existing funds and expand resource availability.** The Clean Water and Drinking Water State Revolving Funds each have the capability to bond the resources in their accounts to leverage future revenues and extend financial support for these programs. These programs have not exercised this authority. Additional infrastructure resources, such as those within the Public Works Assistance Account, could leverage funds and stretch available financing power into the future. 3. **Sync will follow the emergence of local financing tools and continue to explore opportunities to access affordable debt.**

Key Activity	Recommendations and Next Steps
14. Workforce Development Sync will explore options to raise visibility of infrastructure-related careers. This includes partnerships with institutions of higher learning, and studying gaps in the workforce.	1. **Include operation and maintenance considerations in future funding applications.** 2. **Conduct research to develop a Rural Washington Public Works Corps program** (Similar to AmeriCorps). This program would fund experience and education in exchange for work in rural areas for a period. 3. **Create clear pathways for those with the right experience and training to become certified operators and enter the workforce**. Examples include From MOS to JOB and Helmets to Hardhats, and collaboration with the Department of Corrections to identify, train, and provide operating experience to potential candidates. 4. **Encourage, promote, and develop apprenticeship programs.** In Phase Two, Sync will promote and support the operator apprentice program developed by Evergreen Rural Water of Washington to debut in 2019. 5. **Support the Value of Water Campaign (VOW) to inform and educate all stakeholders regarding our most valuable resource.** The Washington State Department of Health (DOH) leads this effort. VOW focuses on creating and broadcasting a message that safe and reliable drinking water is not free and certified waterworks staff are an invaluable resource. 6. **Increase the number of partnerships to advocate for VOW and highlight educational programs and resources.** In Phase Two, Sync will conduct outreach to raise awareness of successful infrastructure-focused education programs. Potential partners include the Office of Superintendent of Public Instruction to highlight programs such as, the online Associate of Arts program in Water and Wastewater Operations provided by Green River College. 7. **Create regulatory strategies that remove barriers for increasing the number of required operators.** This includes reenergizing the DOH Satellite Management Agency program, and focusing on operation and maintenance considerations during design review. 8. **Promote and fund local efforts to regionalize and share experience and equipment between utilities.** 9. **Assemble a toolbox of strategies and resources for our utilities and communities to attract a future workforce.** 10. **Explore public private partnerships that can promote water sector workforce development**. 11. **Increase state and local government awareness of current national workforce development efforts.** 12. **Put McCleary to work through applied Science Technology Engineering Math (STEM) fields.** Promote career experience for year 11 and 12 high school students by exposing them to the planning, design, construction, and operation of our public works projects. 13. **Establish incentives such as continuing educational opportunities and credits that will encourage new and existing managers to attend training.** 14. **Encourage optimized operation and continued comprehensive performance evaluations to empower operators, managers, and decision makers**

Introduction

Infrastructure[1] is a pillar of public and environmental health that promotes growth, economic vitality, and community well-being. Despite its central role, the value of infrastructure is too often ignored. Turn a water faucet and prep morning coffee. Power on your laptop and stream the news. Drive to work alongside a few thousand of your closest friends. These simple, daily joys are not possible without reliable infrastructure.

Why is this report needed, and how is it organized?

In its 2017 session, the state Legislature passed Engrossed Substitute House Bill 1677 (HB 1677)[2] (Chapter 10, Laws of 2017). This legislation directed the Public Works Board (Board) to form:

> "An interagency, multijurisdictional system improvement team [to] identify, implement, and report on system improvements that achieve the designated outcomes…The system improvement team must consist of representatives of state infrastructure programs that provide funding for drinking water, wastewater, and stormwater programs, including but not limited to representatives from the Public Works Board, Department of Ecology, Department of Health, and the Department of Commerce."

The result is Sync, Washington's infrastructure system improvement team. The Board leads and staffs Sync, a collaborative effort with the departments of Commerce, Health, and Ecology as partner state agencies. Together, Sync will identify, implement, and report on barriers and solutions in support of Washington's infrastructure until June 30, 2021.

Sync represents the largest modern infrastructure improvement in state history, and the timing could not be better. Washington's infrastructure is lagging behind. Consider the statement of need that accompanied HB 1677. It noted a 1983 study and a $4 billion dollar need for critical infrastructure projects, of which local governments would be able to finance only half the cost.

Jurisdictions would absorb the other costs to plan, acquire, repair, replace, or construct critical infrastructure, or projects would sit idle. While the study may be outdated, its conclusions are not. Local financial capacity to respond to critical infrastructure needs remains at or below average and capital investment for public facilities is in decline. This is an ongoing trend in many states, but a steeper one at the national level[3]. Local governments cannot defer critical infrastructure needs and maintenance into the future much longer.

This report will:

- Introduce Sync, its objectives, and the demand for program resources.
- Discuss how Sync developed and conducted outreach statewide.
- Identify 14 activities that will improve state and local infrastructure capabilities.
- Identify barriers and opportunities to an adequate infrastructure service delivery system.

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[1] To Sync and throughout this report infrastructure encompasses six primary systems: roads and streets, bridges, wastewater, drinking water, stormwater, and solid waste/recycling. However, infrastructure also means community facilities, energy systems, airports, rail, telecommunications and broadband, dams, ports, and more.

[2] Washington State Legislature. (2017). Engrossed Substitute House Bill 1677. Retrieved from http://lawfilesext.leg.wa.gov/biennium/2017-18/Pdf/Bills/Session%20Laws/House/1677-S.SL.pdf

[3] Stupak, J A. (2018). Economic Impact of Infrastructure Investment. Congressional Research Service. Retrieved from https://fas.org/sgp/crs/misc/R44896.pdf.

- Provide recommendations that Sync will implement.
- Provide recommendations that local governments and the Legislature should consider.

The local[4] demand for infrastructure financing underscores the urgency of this report. There are too few resources allocated statewide to care for communities' infrastructure challenges. Resource scarcity is an ongoing policy issue. Jurisdictions must finance capital investments, deferred maintenance, and determine a proactive, rather than a reactive pathway before infrastructure fails. Since the 2013-15 Biennium and the marked increase in diversion of Public Works Assistance Account (PWAA) resources, the state's ability to respond to infrastructure challenges weakened.

Sync programs will improve internal processes and optimize them for efficiency to simplify client accessibility and usability. They will also expand the pool of available technical resources. However, efficiency and technical capacity alone will not resolve our state's infrastructure challenges or fully address the financial need.

As our state's infrastructure system lags behind, the local demand and the need for funds increases. Consistent financial support from the state for existing infrastructure tools is the lowest barrier option to finance local and regional infrastructure solutions statewide.

Background

The American Society for Civil Engineers (ASCE) grades state and national infrastructure every four years. Since 1998, our nation has a D average. For Washington state, ASCE asserted an overall C grade. This indicates a general deterioration over all of our infrastructure systems. These systems require attention with many essential components at risk of failure. In addition, funding for water-related infrastructure is drying up. Per capita federal spending for water infrastructure decreased from 63 percent of total investment in 1977 to 9 percent in 2014.[5]

Mason County
Fish ladder construction.

In 2018 alone, there are unmet requests for $881 million in funds.[6] These projects are in either the construction or the planning stages (i.e., two years from construction) and represent critical infrastructure projects in communities statewide. This figure is just the tip of the iceberg. As unmet infrastructure requests pile up, so too will deferred maintenance. This will result in the need for larger, more costly projects.

Without concentrated action and investment, families and businesses will foot the bill. As infrastructure degrades, businesses will assume higher costs to create and move goods, provide services, and grow.

[4] Throughout this report, local, jurisdiction, public body or local government will refer to clients of Sync infrastructure programs. Due to the variability between statutory and federal law that govern programs, these terms may mean: local governments, such as city, county, or special purpose district; tribal governments; private water systems; or non-profits and quasi-municipal entities. These are the end users, or clients of state infrastructure finance programs.
[5] CBO (Congressional Budget Office). (2015). Public Spending on Transportation and Water Infrastructure: 1956 to 2014. Retrieved from https://www.cbo.gov/publication/49910
[6] A Public Works Board survey of public works projects, and the unfunded projects in 2018 of the Department of Ecology (clean water), Department of Health (drinking water), Department of Commerce (CDBG), the Public Works Board (Pre-construction program) and Transportation Improvement Board (TIB).

Businesses will pass on a portion of those added costs to the consumer. "From 2016 to 2025, each household will lose $3,400 each year in disposable income due to infrastructure deficiencies.[7]

Sync Program Resources to Finance Local Infrastructure

Local demand for state financial assistance outpaces supply. In 2018, Sync programs received funding requests totaling $803 million. Approximately 56 percent of applications for Sync program financing received project awards. This resulted in a $299 million demand gap (Table 1 below).

Table 1: Demand for Sync Program Resources in 2018

Project Data	Department of Health (ODW)	Department of Ecology (WQP)	Public Works Board	Department of Commerce		Program Totals
				Local and Community Projects*	Community Development Block Grant	
Projects Applied	26	130	66	N/A	31	253
Projects Awarded	8	69	47	N/A**	19	143
Amount Requested	$43,532,299	$395,631,962	$117,441,096	$229,214,000	$17,748,551	$803,561,098
Amount Awarded	$19,648,477	$155,451,555	$90,106,343	$229,214,000	$10,520,904	$504,941,279
Demand Gap	$23,883,822	$240,180,407	$27,334,753	N/A	$7,227,647	$298,619,819

*Local and Community Projects assist local governments and nonprofit organizations leverage funds to complete projects of importance to communities statewide, and include both infrastructure and community-centered projects. The project awards total only includes newly appropriated projects in the capital budget, but the amount requested/awarded totals include new appropriations and re-appropriations. This does not include the new supplemental budget appropriations enacted on March 28, 2018 ($40.569 million) in an attempt to standardize an annual award basis. The 2018 LCP award period generally occurs in the odd-numbered capital budget years. As the 2017-19 capital budget was delayed into 2018, the LCP figure is higher than the 2018 award period may normally reflect.

** There is no agency application for these projects and awards derive from legislative appropriations. The 2017-19 Capital Budget awarded 193 Local and Community Projects.

The demand for Sync resources is constrained by those with the ability to pay and assume debt. The actual need for infrastructure financing is much larger than the overall demand experienced by Sync programs. Those jurisdictions that applied are a subset of demand. Those jurisdictions that require financing and did not apply or could not apply are a subset of need. The demand gap outlines an important element of infrastructure financing. There are too few resources to support the demand for projects, which includes those jurisdictions with the ability to pay. This means that there are too few resources to support the need for infrastructure projects, which includes those small and financially disadvantaged communities without the ability to pay, or apply for state infrastructure financing.

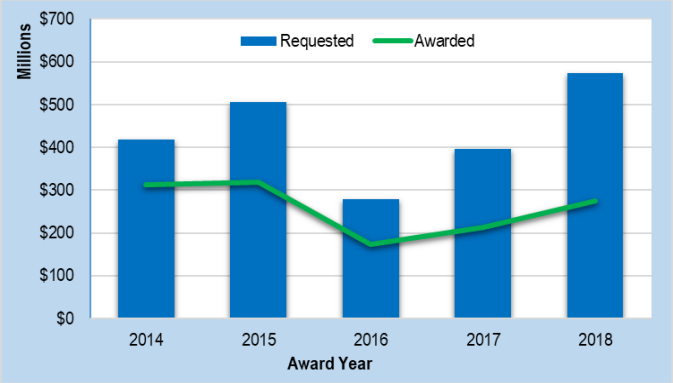
As a point of comparison, unmet demand for Sync program financing varies over time.[8] In 2016, Sync programs awarded $174 million with $104 million unfunded (62 percent of demand funded). In 2017, Sync programs

[7] American Society for Civil Engineers (2016). Failure to Act: Closing the Infrastructure Investment Gap for America's Economic Future. Retrieved from https://www.infrastructurereportcard.org/wp-content/uploads/2016/10/ASCE-Failure-to-Act-2016-FINAL.pdf

[8] Unmet demand figures do not account for Local and Community Projects (LCP) awarded by the Legislature for contract management and execution by the Department of Commerce. These projects receive financial award without programmatic application, and do not reflect unmet demand.

awarded $214 million with $182 million unfunded (54 percent of demand funded). It is important to note that the Public Works Board did not have funds available during these years, and are not included within the 2016 and 2017 figures. Figure 1 demonstrates that fund availability is a driver of demand and that demand is a snapshot of overall need.

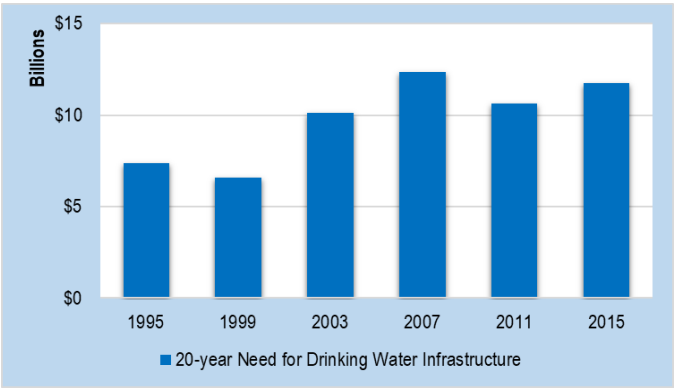
Figure 1: Demand Mirrors Resource Availability[9]



National need for state infrastructure resources

There is not a statewide infrastructure needs assessment, but rather fractional efforts that attempt to define the specific need for a type of infrastructure. To illustrate, the Environmental Protection Agency (EPA) conducts a needs assessment for drinking water[10] infrastructure every four years. The EPA surveys systems on their existing need, but also anticipated needs 20 years into the future. Figure 2 demonstrates the need for source, storage, transmission and distribution, treatment, and other areas.

Figure 2: EPA Drinking Water Needs Assessment



The costs to repair, replace, or refurbish failing distribution lines is the largest area of need for drinking water systems. Infrastructure requires ongoing operations and maintenance, and these costs can overshadow emerging system needs. In addition, a similar needs survey conducted for Washington's Clean Water State Revolving Fund in 2012 reported nearly $4 billion in needs for wastewater and combined sewer facility repairs and upgrades.

[9] Source data from Sync programs and excludes LCP awards.

[10] Environmental Protection Agency. (2018). EPA's 6th Drinking Water Infrastructure Needs Survey and Assessment. Retrieved from https://www.epa.gov/drinkingwatersrf/epas-6th-drinking-water-infrastructure-needs-survey-and-assessment

Demand for state infrastructure resources in the next two to four years

The need to provide a healthy, safe, and livable community inescapably intertwines state and local government. Infrastructure is a resource-intensive effort that requires support at all levels. Given its importance to communities and the reciprocal state and local relationship, infrastructure is certainly more than a local issue, and local jurisdictions cannot fill this void alone.

In addition to the $299 million demand gap experienced by Sync programs, the Transportation Improvement Board (TIB) experienced a demand gap of approximately $217 million**. Combined, Sync programs and TIB have an unmet demand of nearly $516 million in 2018.** Sync programs and TIB represent all six major systems of infrastructure, but this figure does not contain the need for infrastructure in all communities statewide.

A Sync survey[11] complements the staggering point in time count of unfunded projects for Sync programs and TIB. The survey identified local projects that will proceed to construction in the next two to four years. Each project, like those that comprise the demand gap, is a planning or construction project near to shovel ready. All these projects require is funding and final approval to break ground. Table 2 below presents the known immediate demand for infrastructure by system type.

Table 2: Known demand by system type

System Type	Total Projects	Total Loan Requests
Wastewater	84	$356,109,033
Road & Street	222	$349,391,265
Domestic Water	70	$134,492,584
Stormwater	11	$22,759,461
Bridge	8	$9,937,787
Solid waste	1	$8,500,000
Community Facility*	1	$750,000
Total Unfunded	397	$881,940,130

The known demand for the TIB and Sync program resources in the next two to four years is $881 million. This is a conservative estimate. Despite the presence of considerable demand, local investment in community infrastructure varies by resource availability. Critical infrastructure projects and facilities on the verge of public health and environmental threats secure stronger scores in competitive awards processes. When funding is scarce, those projects that do not believe they will score well do not apply for funds. Delaying any infrastructure project has dramatic consequences and can result in catastrophic failure, such as a bridge collapse. The costs of responding to an emergency are greater than the costs of proactive maintenance or infrastructure replacement.

Similarly, a jurisdiction will prioritize investment in projects where a stable funding source is available. Client feedback supports this frame of reference. If a funding program experiences consistency issues and has concern over the availability of funds, clients will deprioritize that program in favor of more consistent options. Clients will not apply to a program if they perceive a barrier to accessing funds.

Consider diversion of resources from the Public Works Assistance Account (PWAA). This legislative policy change appeared to result in selective shopping behavior. That is, clients perceived PWAA as an inconsistent

[11] The Sync administered survey asked local governments what priority projects would proceed to construction in the next two to four years. Projects that indicated they would apply or consider applying for state funds are included in this sample. Projects that indicated they would not apply or consider state funds were omitted from the results.

option with new difficulty to access previously dedicated funds. It was no longer an option to finance local infrastructure needs through the PWAA, so local governments sought the best deal available.

Six years later, PWAA funds are available again. Funds awarded earn interest, but the state and the Board must earn back the trust of local governments. Diversion of taxes and other financial resources dedicated to local infrastructure eroded the base layer of trust that connects state and local government. Given the immediate demand for infrastructure resources – $881 million in the next two to four years – perception is a factor that inhibits demand.

Who is Sync?

Sync is a collaborative effort of the Public Works Board (Board) and the departments of Commerce-Local Government Division (COM-LGD), Ecology-Water Quality Program (WQP), and Health-Office of Drinking Water (ODW). These programs represent the Sync Core Team, and develop strategies to improve Washington's infrastructure. Through HB 1677, the Legislature requested an initial focus on water infrastructure, to include: drinking water, stormwater, and wastewater.

Despite the targeted focus of HB 1677, infrastructure takes many forms and water-related infrastructure is not the exclusive focus of each program. Sync programs build community in diverse ways across six primary infrastructure system types.

- Drinking water
- Stormwater
- Wastewater
- Solid waste/recycling
- Roads and streets
- Bridges

This diversity complements and strengthens each program and the services available.

Program	Description	Systems served
Public Works Board **Public Works Assistance Account (PWAA)** WASHINGTON STATE Public Works Board *Infrastructure is Fundamental*	Provides financial and technical assistance to cities, counties, and most special purpose districts across six systems of infrastructure. The Board administers three loan programs: pre-construction, construction, and emergency.	• Drinking water • Stormwater • Wastewater • Solid waste/recycling • Roads and streets • Bridges
Department of Commerce **Local Government Division (COM-LGD)** Department of Commerce	Houses the Community Development Block Grant program (CDBG) and the Community Capital Facilities Unit. CDBG serves rural cities, towns, and counties that serve low- and moderate-income residents across a range of activities. COM-LGD oversees the Direct Appropriations and Local and Community Projects (LCP) programs.	• Drinking water • Stormwater • Wastewater • Streets and sidewalks • Community facilities
Department of Ecology **Water Quality Program (WQP)** DEPARTMENT OF ECOLOGY State of Washington	Provides financial and technical assistance to local governments and tribes statewide for the purposes of water quality. WQP administers the Clean Water State Revolving Fund (CWSRF), the Centennial Clean Water Program, Stormwater Financial Assistance Program, and the Section 319 Nonpoint Source Grant Program.	• Stormwater • Wastewater • Other water quality

Department of Health **Office of Drinking Water (ODW)** Washington State Department of Health	Provides financial and technical assistance to publicly and privately owned water systems for the purposes of safe and reliable drinking water. ODW administers the Drinking Water State Revolving Fund (DWSRF) and the Water System Acquisition and Rehabilitation Program.	• Drinking water

With the diversity of programs and missions represented, a key activity of the Sync Core Team was to develop areas of strategic focus. Tactical partners support system improvement strategies and include:

- **Other state agencies** (e.g., Community Economic Revitalization Board).
- **Federal agencies** (e.g., United States Department of Agriculture-Rural Development).
- **Local associations** (e.g., Washington Association of Sewer and Water Districts).
- **Non-profit organizations** (e.g., Rural Community Assistance Corporation).

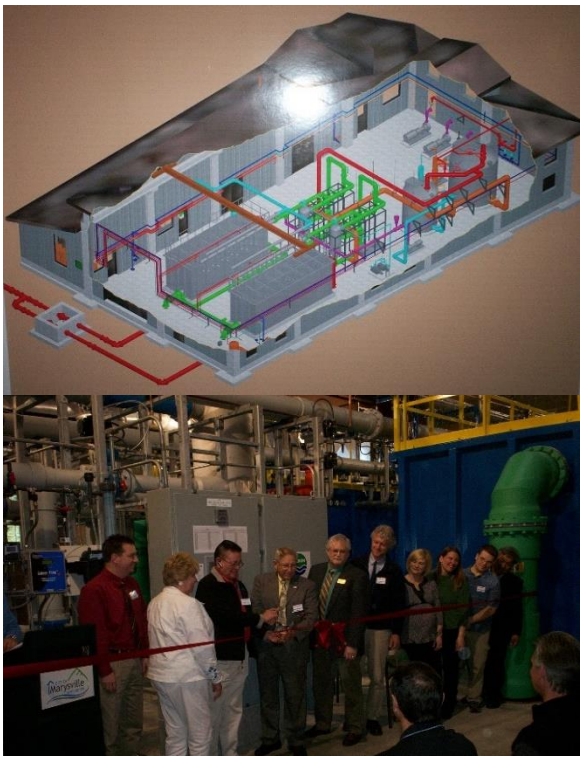
Sync workgroups, a result of internal and external collaboration, perform the strategies and tactics designed by Sync. These workgroups explored various internal process dynamics, such as our application processes, and sought opportunities to standardize, align, and otherwise streamline programmatic functions. The composition of Sync workgroups included staff from Sync programs and tactical partners.

The Objectives of Sync

The Legislature provided Sync eight designated outcomes. These outcomes are the touchstone to the Legislature's intent and outline anticipated results. The Legislature provided Sync three years to identify, implement, and report on system improvements. To meet the outcomes and this timeline, Sync summarized the eight designated outcomes through plain talk (Appendix A).

To improve the state of our state's infrastructure system, Sync created seven objectives to realize the eight designated outcomes. These seven objectives will assist projects to move from conception to completion, and link to the Legislature's designated outcomes with considerable overlap and connectivity (Appendix B).

1. Eliminate barriers to access funding.
2. Invest in high-impact projects.
3. Give maximum value by building capacity for project development, financial planning and management in local jurisdictions.



Marysville-Stillaguamish drinking water system
Conception to completion.

4. Ensure that infrastructure financed by the state receives long term care and maintenance.
5. Encourage coordination between and within local jurisdictions, state agencies, and private sector organizations.
6. Optimal use and leveraging.
7. Explore and document alternative financing options.

The strength of these objectives resides in their overlap with one another. Each produces benefits from a different angle, and when combined, creates interconnected benefits that strengthen outcomes. Furthermore, the Legislature provided Sync the authority to identify and recommend solutions to statutory and regulatory barriers. Through these seven objectives, Sync intends to make program-specific process improvements and produce technical guidance to convene, facilitate, and educate stakeholders. In addition, Sync will make recommendations for system-wide improvements.

However, Sync will work internally to develop solutions to its three priority areas prior to recommending solutions to regulatory or statutory barriers. Sync will follow the touchstone provided by ESHB 1677 throughout this process to identify, implement, and report.

The Phases of Sync

To create a structure for ongoing improvements, Sync will address three priority areas that maximize value for state infrastructure programs and for local infrastructure projects.

- Expand technical assistance capability.
- Sync program process improvements.
- System-wide infrastructure improvements.

In the time given to Sync to address these priority areas, three phases will guide development of activities (Figure 3 below).

Figure 3: Sync's Three Phases

The identification stage summarizes Phase One. Throughout 2018, Sync traveled widely to seek input from audiences across the state. Local governments, consultants, non-profits, and state and federal agencies offered feedback to identify barriers and possible solutions for state and local governments. As a result, Sync developed Phase One strategies that:

- Identify and implement Sync program-specific process improvements.
- Expand the pool of available technical assistance.

In Phase Two, Sync will expand the Core Team to include transportation systems, and determine how best to collaborate multi-system projects. The focus on water infrastructure will continue with an expanded focus on culverts and fish passage, which is an issue that will further constrain both state and local resources.

Phase Two will observe a shortened process of identification and an increased process of implementation. Sync will conduct general and targeted outreach to connect specific audiences and topics for discussion. In addition, Sync program-specific process improvements will continue (e.g., structured state-state and state-federal collaboration to package investments) and service delivery of technical assistance will increase (e.g., additional Sync program staff capacity). As Phase Two develops, so too will clarity of new Sync activities.

Phase Three is under development, but will contain an added focus on system-wide improvements (e.g., secure consistent financing). Sync's approach gives room for an intentional design of infrastructure improvements, and Phase Three will involve concentrated implementation.

One principle that guides Sync development is that outreach never stops. Phase Three will certainly observe Sync continue outreach as Sync's composition and complexity will require additional input from diverse sources. This input will orient our direction, and aggregate successes and lessons learned to maximize value in support of high-impact projects.

Developing Sync

On September 26, 2017, members of what would become Sync met for the first time to discuss HB 1677, and to design an effective team structure. A follow-up meeting on October 6, 2017 resulted in five steps that outlined Sync's initial framework (see Figure 4 below).

1. **Explore a strategic planning process** to determine what activities are relevant and can align with the legislative directive of HB 1677.
2. **Develop an inventory of assets** to evaluate value within the state's infrastructure system.
3. **Identify and prioritize barriers** that limit client and program efficiency and effectiveness.
4. **Identify and prioritize solutions** that expand client and program efficiency and effectiveness.
5. **Consider activities** that will improve our shared infrastructure system. Cumulatively, they must promote sustainability, resiliency, increased local capacity, and accountability.

On January 16, 2018, Sync made its first public presentation to the Legislature to detail this approach. The next day, Sync formally convened for the first time.

Strategic Planning

Sync programs identified the administrative steps necessary to effectively identify, implement, and report. This includes developing and signing a Memorandum of Understanding (MOU) and hiring a third party facilitator with proficiency in lean methodologies. Once these administrative steps completed, Sync began to develop a strategic planning process.

Figure 4: Sync Strategic Framework

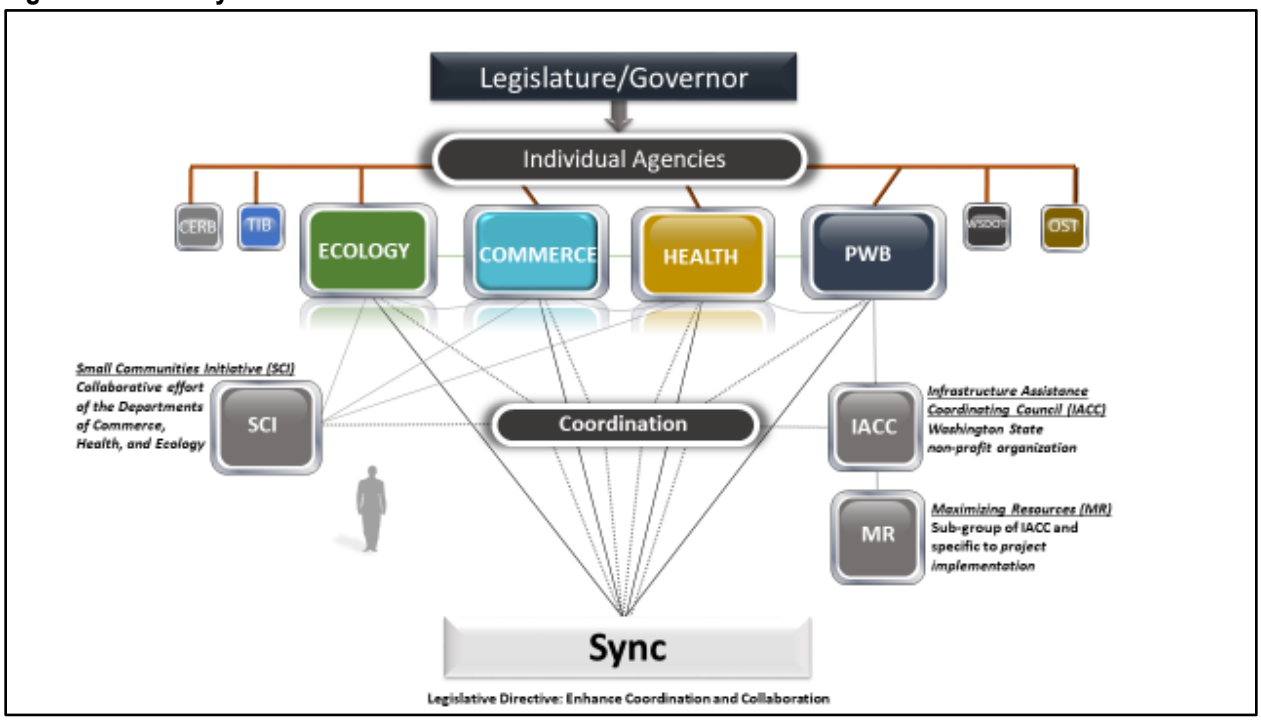
The strategic plan connects the designated outcomes of HB 1677 to Sync's seven objectives through fourteen key activities. Making this connection involved deep consideration of these designated outcomes and guided early work. It was critical to build from the legislation and think strategically along with it to accept the challenge to rehabilitate the state's infrastructure capabilities.

Strategic planning was the focus of early Sync work sessions and outreach. There is a local demand for state infrastructure financing, and a shared desire to improve it. Sync hosted meetings to discuss HB 1677 and asked participants to visualize the ideal state of the designated outcomes. To illustrate, the first designated outcome references projects that maximize value. One frequent question to stakeholders was, *"What does maximize value mean to you?"*

This produced simplified outcomes through plain talk.[12] Appendix A contains a comparison of the designated outcomes of HB 1677 to these synchronized outcomes, which assisted Sync to develop their strategic plan. The result is approximately 25 strategies that connect to more than 100 tactics designed to improve Sync programs and the state's infrastructure finance system.

Strategies and tactics required stakeholder interviews, simple and complex data collection, production of technical resources, and expansive research. Some activities completed quickly, while others are ongoing. Sync is multifaceted, because our infrastructure finance system is too. Moreover, Sync's strategic plan is the guide for all phases and activities. January 2019 begins Sync Phase Two, but that does not mean Phase One ends. Activities can concurrently operate within phases.

Figure 5: Inventory of Infrastructure Assets



[12] Office of the Governor. (2018). Plain Talk. Retrieved from https://www.governor.wa.gov/issues/issues/efficient-government/plain-talk

Inventory of Assets

To discuss and evaluate what is currently working well in our infrastructure finance system, Sync outlined the existing inventory of assets that make Washington state's infrastructure truly special. They are the Small Communities Initiative (SCI), the Infrastructure Assistance Coordinating Council (IACC), and Maximizing Resources (MR). Figure 5 provides context for these assets. It demonstrates how they complement and connect to each other within an expansive infrastructure finance system.

Small Communities Initiative (SCI)

SCI provides in-depth technical assistance to small, rural communities that must upgrade their drinking water or wastewater systems. They assist jurisdictions that lack the requisite administrative, technical, or financial capacity to meet public health and environmental requirements. It comprises two impactful full-time equivalent staff with diverse skill sets, including facilitation and knowledge of funding programs. The Department of Commerce houses SCI staff, while the departments of Health and Ecology, in addition to the state's Community Development Block Grant (CDBG) program fund the two dedicated SCI staff positions.

Regional staff of the departments of Health and Ecology nominates communities that need to upgrade their drinking water or wastewater systems to participate in SCI's program. Extremely low capacity jurisdictions receive intensive technical assistance and project support of community staff and leaders, including these strategies to assist jurisdictions.

- Collaboratively develop infrastructure projects
- Make strategic investments
- Identify and access appropriate funding sources.

Projects in SCI communities usually take two to seven years to complete planning, design, and construction. SCI is an incredibly important tool in support of underserved communities.

Infrastructure Assistance Coordinating Council (IACC)

IACC is a non-profit, multi-agency collaborative created in 1988 that includes:

- State and federal agencies
- Local government associations
- Tribes
- Nonprofit technical assistance organizations

They provide technical or financial assistance to local jurisdictions.[13] A 10-member unit of all-volunteer Board Officers and Board Members operates IACC. Each year in Wenatchee, Washington, IACC convenes an annual conference to coordinate funding and technical assistance to small low capacity communities. IACC sprang from the realization that state and federal agencies were working with the same clients and the same concerns, but missing an efficient forum to coordinate ongoing community project development.

[13] Infrastructure Assistance Coordinating Council. (2018). IACC – Member Organizations. Retrieved from http://www.infrafunding.wa.gov/members.html

The IACC Conference hosts approximately 40 sessions relating to infrastructure issues of the day. IACC and presenting practitioners offer key technical knowledge from diverse perspectives. IACC also serves a critical purpose by providing continuing education credits (CEUs) for water system and wastewater operators. IACC also provides income survey guidance, environmental review guidance, and produces and updates a funding program summary for drinking water and wastewater projects.

A valuable series of events that precede conference sessions are technical teams (tech teams). Tech teams connect community infrastructure projects to resources, including an agency funder, as appropriate. Participants receive approximately 80 minutes with a combination of state and federal program staff. They leave with an action plan, and technical knowledge to support project development. The 2018 conference received the most requests for tech teams in its history. IACC hosted 29 communities across 24 tech teams.

Figure 6: The Value of IACC

IACC is one of Washington's most valuable technical resources.

Maximizing Resources (MR)

MR is a shared setting for non-profit, state, and federal agency staff whose purpose is to support project and program development. It serves as a sub-workgroup of IACC and a forum to strategize how best to leverage federal dollars to fund projects statewide. Meetings are quarterly, and serve as a forum to discuss collaboration, including timing of funds for projects supported by multiple funders. MR also facilitates streamlining efforts on common processes and procedures where practical, such as review of the shared standard income survey procedure and the shared environmental review inventory.

Collaboration is a key MR goal. Funding a single community project with another state or federal partner can result. Threading the needle between the differing eligibilities, timing issues, project phases, or due to the resource limitations of any one funding agency can collaboratively advance projects. Full project

funding for a community may only be possible through efforts like this, and it is small and financially disadvantaged or distressed communities that need this support most.

As a venue, MR also supports the discussion of infrastructure topics, innovations, news, and connects projects and programs to financial and technical resources. In illustration, meeting topics ranged from discussion of escalating construction costs experienced by the Washington State Department of Transportation to agency underwriting processes. MR is an important space to convene and educate staff working within all levels of infrastructure and community development.

Sync Outreach

One principle that guides all aspects of Sync development is that outreach never stops. As Sync identifies, implements, and reports on system improvements, the outreach arc will shorten and implementation will increase. This concept aligns with the Sync's timeline and phased approach.[14]

Sync panel discussion at the 2018 IACC Conference
Outreach never stops.

In Phase One, Sync traveled across the state to meet stakeholders where they are. Sync needed to speak directly with and even more critically, listen to stakeholders (Figure 7). More than 40 statewide events generated a depth of feedback that guided development of Sync's Phase One activities. For example, Sync traveled to existing venues to discuss current findings, solicit feedback, and to detail current activities, such as MR, the Future of Washington Infrastructure, and state agency sponsored regional training events.

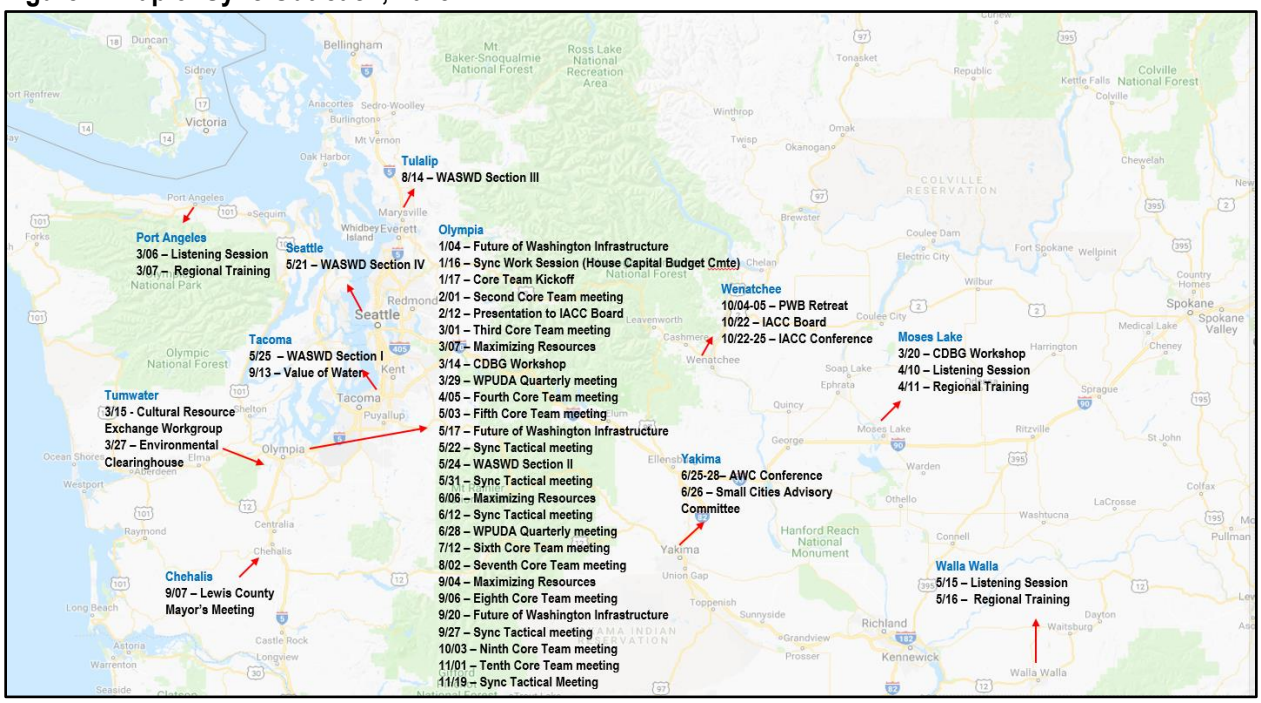
In complement to the outreach-specific events are Sync workgroups and other informational sessions and settings, which increase the total number of events statewide to more than 85.[15] The feedback obtained via these public meetings and survey[16] was incredibly valuable. It helped Sync identify barriers and generate solutions. Sync's key activities are a direct result of these outreach efforts.

[14] Sync committed to meet regularly on the Thursday before the first Friday of every month for strategic work sessions. Sync invites public participation and hosts public hours in a city council-style format from 1:00 to 3:00 pm. Additionally, Sync hosts tactical meetings between work sessions and invites tactical partners and interested parties to advance shared knowledge and identify opportunities.

[15] Current as of November 19, 2018.

[16] Sync surveyed attendees of four regional trainings hosted collaboratively by the Public Works Board, the departments of Health and Ecology, and supported by federal agencies and consulting firms. In addition, Sync placed the same survey questions on Community Development Block Grant (CDBG) surveys administered at CDBG workshops. Survey respondents, although anonymous, were local government representatives, including elected officials, operators, clerks, public works staff, in addition to private engineering firms, and consultants.

Figure 7: Map of Sync Outreach, 2018



Identify and Prioritize Barriers

Through considerable stakeholder engagement, Sync uncovered key concerns from other state agencies, federal agencies, consultants, and most critically from local governments who are the end users of state infrastructure finance programs. Feedback revolved around the central themes of technical assistance and consistent financing. Stakeholders identified three primary resource deficiencies in the state's infrastructure finance system.

- A lack of technical assistance staff and technical resources.
- Follow-up technical support is an essential component of project development.
- Consistent availability of state resources (financial and staff).

Stakeholders provided that technical assistance is a necessary requirement to overcome resource availability issues. For jurisdictions without existing technical capacity across many areas, this includes:

- Lack of knowledge and clear understanding of funding and eligibility requirements, such as application processes, awareness of available funds, and the definition of hardship.
- The capacity to institute best practices, such as asset management and value planning, which make projects more sustainable and therefore more competitive with regard to the project rating and ranking process.
- Anticipated state and local staff turnover and the aging of the workforce create gaps in institutional knowledge for clients and programs alike.

Table 3 outlines the barriers as identified in surveys and from stakeholders during Sync meetings.

Table 3: Stakeholder reported barriers to system improvement

Category	Subtotal (n=124)
State and Federal Policies and Practices	36 (29%)
Consistent Financing	32 (26%)
Technical Assistance and Capacity	23 (18%)
Education and Outreach	15 (12%)
Collaboration	12 (10%)
Local Policies and Practices	6 (5%)

Moreover, a reoccurring barrier at Sync events that extended beyond technical capacity building was consistent financing for local infrastructure. Since the state began to accelerate diversion of resources within the Public Works Assistance Account (PWAA) in the 2013-15 Biennium, local government access to technical expertise and infrastructure financing lagged. This reality dominated Sync outreach events.

Some called for reinstatement of PWAA resources. Others did not understand the unbalanced call for improvement to an infrastructure finance system when the state continues to divert dedicated resources for local infrastructure from their purpose. One attendee of a Sync event exclaimed, “You are sending mixed messages.”

The top four areas stakeholders noted as the most significant barriers to obtaining state funds to finance and build infrastructure are:

1. **State and Federal Policies and Practices:** defined as client barriers to accessing state and federal programs, i.e., “Cumbersome application processes and eligibility criteria.”
2. **Consistent Funding:** concerns state policy and local investment to support unfunded local requirements, i.e., “Not enough low-interest loans and grants available.”
3. **Technical Assistance and Capacity:** concerns technical challenges in project development and stakeholder engagement, and considers value planning and asset management i.e., “Finance staff are not involved in the planning stage.”
4. **Education and Outreach:** concerns local deficits in technical capacity that can be overcome by educating and training local governments through workshops, training events, or by creating technical resources, i.e., “Need a comprehensive list of funds my agency is eligible for.”

A deeper exploration of barriers provides that local government staff, elected officials, and consultants requested added technical support and training, specifically in value planning, and a stable funding environment. These findings directly influenced the development of Sync activities, which highlight the same principles. (Please see review Sync key activities beginning on page 28 for additional information).

Identify and Prioritize Solutions

Prior to developing solutions to infrastructure challenges, Sync sought the feedback of those who know us best: the clients and consumers of Sync programs. To a degree, solutions mirrored barriers. The themes of expanded technical capacity and consistent funding complemented stakeholder identified barriers. In addition, clients requested increased state-state collaboration among infrastructure finance programs and a coordinated delivery of technical resources and tools electronically.

Table 4 outlines the barriers as identified by stakeholders in surveys and in Sync meetings.

Table 4: Stakeholder reported solutions to system improvement

Category	Subtotal (n=84)
Local Policies and Practices	20 (24%)
Education and Outreach	16 (19%)
Collaboration	14 (17%)
State and Federal Policies and Practices	13 (15%)
Consistent Financing	11 (13%)
Technical Assistance and Capacity	10 (12%)

The top four solution areas stakeholders noted as the highest value to obtaining state funds to finance and build infrastructure are:

1. **Local Policies and Practices:** concerns the lack of local government capabilities and internal capacities to develop projects and implement technical fixes, i.e., "Asset management planning."
2. **Education and Outreach:** concerns increased local technical capacity through educating and training local governments during workshops or training events, i.e., "Increasing availability of webinars, online FAQs, and case studies of funded projects."
3. **Collaboration:** concerns strengthened collaboration amongst state programs, i.e., "Multifaceted project referral system or integrated referral program."
4. **State and Federal Policies and Practices:** concerns changes to state and federal policies and local investment to support unfunded local requirements, i.e., "Bulk investment with low interest loans to conduct larger replacement projects to reduce the number of years for replacement."

From the feedback received, it is clear that additional technical assistance, education, and training are priorities of those served by Washington state's infrastructure system. These informed the development of Sync's three priority areas and key activities.

Key Sync Activities

Infrastructure is a crucial component of public health and safety. It connects communities to housing, education, and medical services and is the foundation for economic development. Reliable road, water, and sewer services can:

- Support community sustainability, resiliency, and growth
- Expand opportunities for economic development
- Protect environmental quality. [17]

Sync's 14 key activities in Table 5 below align these principles with HB 1677.

The activities simplify access to state infrastructure finance programs, and increase the availability of technical assistance tools to build state and local capacity. Access to training and resources, support for pilot projects, and consistent financing enhance the development of sustainable community infrastructure projects. Ultimately, this effort seeks to revitalize Washington's system of infrastructure to be affordable, consistent, and user-friendly.

Table 5: Sync's Key Activities by Priority Area

Priority Area	Key Activities
Expand technical assistance capability	**1.** Tech Teams*
	2. Value Planning*
	3. Asset Management*
	4. Regional Governance and Resource Efficiency
	5. Budget Requests for Coordinated Technical Assistance
Sync Program Process Improvements	**6.** Affordability and Hardship*
	7. Applications*
	8. Electronic Resource Portal
	9. Income Surveys*
	10. Co-funding Process
System-wide Infrastructure Improvements	**11.** Secure the Public Works Assistance Account
	12. Support to the Legislature
	13. Alternative Finance
	14. Workforce Development

* A Sync workgroup explored the activity for opportunities to develop or align program functions

Sync considered the intent of HB 1677 and stakeholder feedback when developing key activities. However, other forces act on the state's infrastructure system and some of them led to additional key activities. For example, workforce development is a growing concern for state and local governments. Senior staff with long institutional memories and waterworks operators with years of experience are retiring. The decline in knowledge of financing, planning, designing, and constructing infrastructure will produce a cascade effect. Systems efficiency will decrease, while the costs to develop quality projects will increase.

[17] World Bank Group. (2014). Strong, Sustainable and Balanced Growth: Enhancing the Impact of Infrastructure Investment on Growth and Employment. Retrieved from http://siteresources.worldbank.org/EXTSDNET/Resources/infrastructure-background-note-G20.pdf

This oncoming knowledge drain adds a sense of urgency to Sync's activities and demands system-wide attention. In this regard, Sync program process improvements that provide easy to access technical assistance staff and resources matter more than ever. The overlap and connectivity between these priority areas and activities will create systems efficiencies, and create opportunities for many more.

The sections that follow explore key activities in detail. Each key activity will guide you through several components.

- An overall outline for each section.
- A visual aid that connects key activities to objectives and designated outcomes.
- Recommendations or next steps.
- A definition or description of the underlying problem.
- Stakeholder feedback, as appropriate.
- Discussion, data, and results.

Sync committed to a deliberate effort to identify barriers and an incremental approach to implementation. For some activities, results are preliminary and will continue beyond Phase One. This report represents the first of many thorough examinations and re-examinations of the state's infrastructure system. Given the initial focus on water infrastructure, HB 1677's designated outcomes are expansive. The scope of these key activities may widen or narrow with the work and general evolution of Sync. Looking forward to Phase Two, new partners and new opportunities will add new activities and magnify a targeted focus on systems improvement.

City of Coupeville
Water system improvements.

Expand Technical Assistance Capability

Sync and end users prioritize technical assistance. Technical assistance resources and staff, follow-up, and detailed guidance are the pillars of technical assistance. Sync outreach and feedback demonstrates that clients believe technical assistance plays a central role in the development and financing of infrastructure projects. Moreover, technical assistance does not end there. Once clients receive an award, ongoing technical assistance will support the client to complete all requirements and advance the project.

State infrastructure finance programs do not have adequate staff to assist small, understaffed jurisdictions to identify funding programs and prepare information for funding applications. In addition, the jurisdiction may need to undertake activities to be eligible for funding, such as an income survey or water system plan. Technical assistance connects communities to resources and strengthens their ability to finance and build the infrastructure of the future. Aside from consistent funding, technical assistance is the most vital aspect of infrastructure finance programs.

Key activities that will expand technical assistance capability of state and local staff are best practices and located in Table 6.

Table 6: Key Activities to Expand Technical Assistance Capability

Priority Area	Key Activities
Expand technical assistance capability	1. Tech Teams
	2. Value Planning
	3. Asset Management
	4. Regional Governance and Resource Efficiency
	5. Budget Requests for Coordinated Technical Assistance

Local staff are at capacity. Applying for grants and loans, or drafting an asset management plan are activities that compete with ongoing job functions. Technical assistance makes existing resources work more efficiently by providing something of value, such as an explanation of available funding opportunities, or tools, like how an asset management spreadsheet functions.

In the short-term, these best practices support individual projects and enhance local capacity. In the long-term, and with continued investment and dedicated staff, these best practices fortify local project development processes and build local capacity.

Snohomish CSO pump station
Gaining and sharing knowledge.

The five areas that would expand technical assistance capability also carry shared staffing requests in the future, but each activity will not require its own dedicated technical staff. The desired outcome is a bottom-up approach that places valuable tools in the hands of local governments.

Activity 1: Tech Teams

This section will:

- Provide recommendations that will increase capacity and availability of tech teams.
- Define tech teams and distinguish them from technical assistance.
- Discuss current capacity to expand tech team assistance.
- Highlight stakeholder feedback and general barriers to expand tech teams.
- Discuss the ideal capacity to provide tech teams.
- Outline a tech team model configuration to increase availability, and state and local capacity.

Table 7 connects this activity to Sync's strategic objectives and the underlying outcomes of HB 1677.

Table 7: Strategic Objectives of Tech Teams

Connection to HB 1677	Objectives Met
Using existing assets to attract or secure additional sources of funds to finance high impact projects.	Encourage coordination between and within local jurisdictions, state agencies, and private sector organizations.
The state will provide technical assistance and build local capacity in financial planning and utility management.	Give maximum value building capacity for project development, financial planning, and management in local jurisdictions.

Recommendations for Tech Teams

Tech teams are a value-added service to potential local government and tribal applicants. They can support project development and problem identification, create plans of action and establish timelines, and connect developed projects to programs in pursuit of infrastructure finance. The ultimate function of tech teams is to provide responsive technical assistance to meet client project needs. Unfortunately, the state's capacity to provide tech teams cannot meet demand. Sync provides five recommendations to expand the availability of tech teams, including coordinating an electronic submission system and dedicating staff to support, screen, and host requests in the future.

1. **Sync will adopt the tech team workgroup's model tech team configuration to support:**
    a. A model intake system to accept electronic requests.
    b. Sync program capacity building to include dedicated staff to coordinate tech team requests, diagnose requests, and support tech team offerings.
    c. Client capacity building, which involves sustained education concerning tech team best practices and collaboration with local associations to raise awareness of tech team function and accessibility.
2. **Sync will collaborate with the Infrastructure Assistance Coordinating Council (IACC) to implement the model tech team intake process**. This may require IACC to host an @IACC email address that will auto-forward to the appropriate and dedicated Sync program personnel. This coordination will complement IACC tech teams and enhance visibility for all tech teams.
3. **Sync will collaborate with IACC and local associations to raise awareness of tech team availability**. This would include creation of marketing and educational materials to raise awareness of the valuable tech team resource in support of the technical, financial, and managerial needs of our clients.

4. **Sync will promote asset management and value planning as best practices for appropriate projects within the tech team setting**. These tools can strengthen competitive applications and support projects at the idea-stage of development.
5. **Sync programs will dedicate a portion of existing resources and staff to coordinate and provide tech teams.** In Phase Two, Sync will coordinate budget requests for dedicated technical assistance staff to expand tech team availability. This will include sharing a common language in budget requests to outline the intended function of these staff.

Tech teams build much needed technical, managerial, and project capacity for infrastructure projects at all spectrums of a project life cycle. Tech teams are not a new invention or activity, and are a priority activity for IACC that assists in planning for better projects. These tech team recommendations will increase Sync program capacity to offer tech teams, simplify tech team requests through a to-be-developed electronic submissions system in coordination with IACC, and build local capacity with sustained education that will raise awareness.

Sync will explore how to implement these recommendations into Phase Two. Collaboration and the model tech team configuration will set the stage to continue best practices development and expand technical assistance capabilities. In addition, expanded tech team availability can result in increased awareness of projects that could benefit from multiple investors, through co-funding. In the end, tech teams are high-level collaboration and project awareness. They are a key gateway for connecting clients and projects to resources.

Define Tech Teams and Distinguish Them From Technical Assistance

A technical assistance team (tech team) is a structured meeting of community representatives and staff from multiple agencies to:

- Discuss a project or idea.
- Connect the community to resources.
- Create an action plan to move forward.

The meeting can discuss the project at any stage of development from an idea, to a project in planning, to a complete project that requires a funder to proceed. Most commonly, the project is a well-defined infrastructure construction project and the desired outcome is to determine which program is the best fit for a community's financial and technical needs.

Tech teams are different from technical assistance in that tech teams involve more than one agency and a focus on matching projects to potential funders, and to a lesser extent on project development. Once a tech team establishes an action plan, matching a project to a program or programs is more likely. For projects in the idea stage, where a community identified a problem or series of problems but not a defined scope for a project, tech teams will likely include project development technical assistance.

Sync programs see the value tech teams provide in support to client project planning, before design and construction begin. The action plan generated for the community enables sustained collaboration and coordination amongst potential state and federal programs. Tech teams are high value, multi-agency collaboration between state and federal funders that benefit communities' infrastructure needs. However, tech teams are not widely available. Currently, IACC convenes a critical mass of tech teams with requests outweighing annual availability.

Current Capacity to Provide Tech Teams

The current capacity of Sync programs to provide regular and ongoing tech teams is low. Tech teams occur in concentration only once per year at the IACC Conference. IACC tech teams are a mix of state and federal infrastructure financing agencies, including each Sync program. The 2018 conference received the most requests for tech teams in its history, and hosted 29 communities across 24 tech teams. Sync programs recruited staff from all areas of their programs, including non-technical staff, to support this voluminous annual effort.

2018 IACC Tech Team for the City of Sequim

Sync programs do receive requests for tech teams and general technical assistance throughout the year, but they rarely result in a tech team outside of IACC. These requests receive a quick screening to identify the project and problem, and direct the client to a potential state or federal funder. For regional program staff, which includes state and federal offices (United States Department of Agriculture-Rural Development and Washington State departments of Health and Ecology), coordination to arrange tech teams occurs more regularly in support of regional communities. In aggregate, Sync cannot meet the demand for tech teams.

Sync explored tech teams as a key activity to determine a model (ideal) configuration to offer additional support to coordinate and collaborate project financing and development. The demand for tech teams in combination with Sync stakeholder outreach urged Sync to consider how best to provide communities desired technical support. To achieve this, Sync established a workgroup comprised of Sync program staff to develop a model configuration to expand provision of tech teams, and to determine how Sync tech teams and IACC may coordinate.

Stakeholder Feedback and General Barriers to Provide Tech Teams

Outreach, events, and surveys informed Sync that technical assistance and consistent funding were the two items that mattered most to clients. Chief among technical assistance concerns was the accessibility of tech teams. Summarily, stakeholders requested:

- State support to develop accessible tools and resources.
- Skilled and knowledgeable staff to support specialized technical needs.
- One-on-one follow-up (ongoing technical assistance) to support projects from cradle to grave.

The efforts of Sync's tech team workgroup spring from the consideration of these comments – current deficits of Sync programs – and Sync's current and ideal state to provide tech teams. In developing the current state, the workgroup identified several barriers to expand tech teams beyond IACC.

- Sync programs do not currently have the staff capacity to meet ongoing requests for tech teams.
- There is little marketing of tech teams to leverage the robust collaboration between state and federal programs to enter the tech team space beyond our current state, which centralizes around the IACC conference.

- There is not currently a centralized, online, or visible means to submit tech team requests.
- Not all local governments have the capacity to request a tech team.
- Rural and underserved communities cannot access tech teams in a timely fashion. The IACC Conference occurs annually and after the close of some Sync program funding cycles.
- Local governments may not be knowledgeable to request a tech team, including who to ask or how to proceed.
- Knowledgeable staff inevitably turnover and create a constant need to re-educate local staff.
- Local staff are stretched to meet local needs already, and tech teams can require substantive project data and information, including travel and participation time.

Ideal Capacity to Provide Tech Teams

By understanding our limitations, we can create opportunities. To reach an ideal state of tech teams requires attention to five components.

- An inclusive focus on accessibility so all communities can adequately obtain tech teams.
- Expand tech team availability.
- An online portal of entry to submit tech team requests.
- Dedicated staff that build the state's capacity to convene tech teams.
- A model configuration to complement, rather than dilute the IACC Conference, that can leverage their visibility within the tech team space.

The tech team model that follows is a product of stakeholder feedback and consideration of general barriers within the current state, and these opportunities within the ideal state.

Tech Team Model Configuration

Sync explored a model structure to expand accessibility and opportunity to convene tech teams that could better support the needs of our clients. To achieve a model configuration requires attention to three elements: intake, agency capacity, and client capacity. To maintain IACC independence, an electronic request format that connects Sync agency staff to tech team requests appears to be the best way that Sync programs and IACC can coordinate. As agency capacity expands, non-IACC tech teams can generate additional awareness of availability, and complement tech teams held at the IACC Conference.

Intake

An ideal tech team intake requires a mixture of three elements.

- **Online submission –** An online pre-application request form is widely available. Sync program websites, the Sync technical website, and the IACC website could host the link. Hard copy tech team applications will be available for jurisdictions without adequate internet access.
- **Pre-application screen –** Requestors will submit a pre-application that outlines general project information. Dedicated agency points of contact will diagnose, or screen the pre-application request and determine if one agency can meet the project's needs. A purely automated submission may result in a tech team that provides general funding information, or a tech team that concludes quickly because the potential funder is clear based on the project information.

- **Application –** A request that passes beyond the pre-application screening process will receive access to a detailed project description form. Program staff would review the detailed project information, determine appropriate agency representatives, and schedule screened requests.

Approved tech teams would occur in a designated timeframe and setting as agreed upon by Sync programs. Ideally, Sync programs could host quarterly tech teams to ensure one-on-one follow-up is available, as appropriate, to steward projects to completion.

Agency Capacity (staff)

Sync's model tech team configuration would require dedicated and knowledgeable program staff, training in today's technological solutions for remote tech teams, and marketing to build state capacity to deliver tech teams in a coordinated effort.

- **Dedicated staff to organize and convene tech teams.** Sync programs would each have one staff with a scaled percentage of their time (gradually increasing to 15-20%, as agency capacity and marketing develop) dedicated to coordinate with client requests and agency partners to prepare, convene, and participate in tech teams. Regional engineers and field staff would also participate in tech teams given their extensive knowledge of projects and communities.
- **Program staff possess knowledge to refer and direct requestors.** Program staff that engage with clients and offer technical solutions, such as regional engineers, have an awareness of who the dedicated program point of contact is, and can direct requestors to the online request form.
- **Dedicated staff can use technology to host remote tech teams**. Ideally, not all tech teams would occur in person. If program staff have the training and capability to conduct remote tech teams, this will reduce the cost and time requirements for communities to participate.
- **Create messages and marketing to raise awareness.** Sync programs will create collaborative messages and marketing materials to raise awareness and visibility of tech teams. This is a likely opportunity for partnership with local associations, which can convey information to members.

Client Capacity

The ideal client capacity to participate in tech teams considers local awareness, time and cost, and representation at tech teams.

- **Local governments do not possess a consistent awareness of tech teams or know how to request them**. A concentrated awareness of available tools is critical to meet the demand for tech teams, and support projects at all stages of development.
- **Local staff must represent projects and communities at a tech team.** Local staff know their communities and projects, and can receive support from consultants, but only the community bears the cost. Community representatives should include a mix of decision makers, such as the mayor, technical advisors, such as the public works director, and line staff, such as the city clerk.
- **Local governments receive financial scholarship to participate in tech teams.** IACC and local associations supply select local governments with scholarships to attend the IACC conference. The same principle may apply with local association support for Sync program tech teams.

This ideal client capacity would depend on the timeframe and locations available to provide tech teams. If, for example, tech teams were quarterly and held regionally, then some local governments could not participate. Moreover, projects at the idea- or planning-stage may not be ready when a regional tech team event is in the area, which could create burdensome delays before the next local offering.

Activity 2: Value Planning

This section will:

- Provide recommendations for value planning (VP) and technical assistance.
- Highlight the Introductory Guide to Value Planning and discuss VP as a technical resource.
- Discuss incorporation of VP into the project development process.
- Offer a VP case study.

Table 8 connects this activity to Sync's strategic objectives and the underlying outcomes of HB 1677.

Table 8: Strategic Objectives of Value Planning

Connection to HB 1677	Objectives Met
The state will promote projects designed to meet the unique needs of a community by refining and aligning processes to limit barriers to entry.	Invest in high impact projects.
The state will provide technical assistance and build local capacity in financial planning and utility management.	Give maximum value by building capacity for project development, financial planning, and management in local jurisdictions.
Projects will create financial efficiencies through local collaboration and consideration of life cycle costs.	Ensure that infrastructure financed by the state receives long term care and maintenance.
Projects will maximize long-term value through an inclusive selection process, a focus on sustainable management, and a thorough evaluation of alternative solutions.	The needed capacity for communities, appropriate to their unique financial, planning, and management capacities, so they can design, finance, and build projects that best meet their long-term needs and minimize costs.

Recommendations for Value Planning

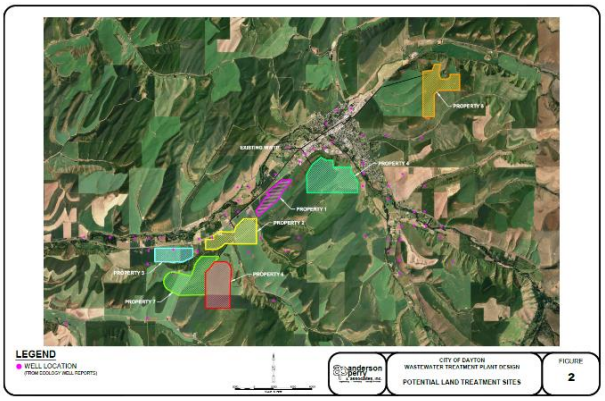
Value planning (VP) is a principled approach that can assist communities to solve problems, engage stakeholders, and develop projects. To support the continued evolution of VP, Sync developed five recommendations. Each recommendation regards the provision of VP technical assistance. Specifically, recommendations span the production and dissemination of technical assistance materials, and inclusion of VP into Sync program and agency training curricula, and additional staff dedicated to provide VP-related technical assistance.

1. **Sync will obtain comments and suggested edits for the Introductory Guide to Value Planning (Guide) through 2018.** Sync previously distributed the product at IACC to receive comments and edits from end users.
2. **After the stakeholder review period, Sync will request that IACC, local associations, and the Municipal Research and Services Center (MRSC) host a link to the updated Guide on their websites.**
3. **In Phase Two, Sync will solicit requests for proposals to contract for a comprehensive value planning manual.**

4. **Sync programs and agency staff will promote VP as a best practice to utilities.** Sync will provide training, emphasize it at regional trainings, and encourage it as a best practice.
5. **Sync programs will dedicate a portion of existing resources and staff to coordinate and provide value planning-related training and technical assistance.** In Phase Two, Sync will coordinate budget requests to expand availability of dedicated VP technical assistance staff. This will include sharing a common language in budget requests to outline the intended function of new staff. New and existing technical staff will facilitate VP at the local level, develop technical resources, and create an integrated knowledge base.

VP is the pursuit of value-added projects. In consideration of project complexity and the cost to maintain a system, VP is a means to address and minimize future costs. These projects connect communities together. They plan, design, and ultimately build the right project for the right reasons. Sync will continue to explore incentives for VP activities, create and disseminate technical resources, and support a communities' VP experience.

Until technical resources may pair with dedicated program staff to build local capacity, the system-wide benefits of VP may not be immediately clear. For this reason, VP-related recommendations hold great promise and require continued support and investment to become reality.



City of Dayton
Future wastewater treatment plant site determination.

Value Planning, an Emerging Technical Resource

Value planning (VP) is a comprehensive method of project conceptualization and design. It requires inclusive stakeholder feedback and consideration of alternative project solutions. Infrastructure projects, like communities are not one size fits all. A community's distinctiveness will interact with the project development process. VP connects projects and communities, which can result in durable, affordable, and operations-friendly solutions to the infrastructure challenges facing a jurisdiction. It applies to any type of infrastructure – drinking water, wastewater, stormwater, transportation, solid waste, and energy systems.

VP is a flexible tool to uncover a project's rightness factor:

- Build the **right** project
- For the **right** reasons
- At the **right** time
- Using the **right** technology
- At the **right** size
- And at the **right** level of complexity for your community

Sync's focus on VP lends itself to opportunities to improve the technical, managerial, and financial capacity of jurisdictions. Sync will develop VP technical resources and train, coach, and facilitate this

best practice. VP is a useful tool for community-centered problem solving that can build local capacity to connect solutions to problems and address the community's needs.

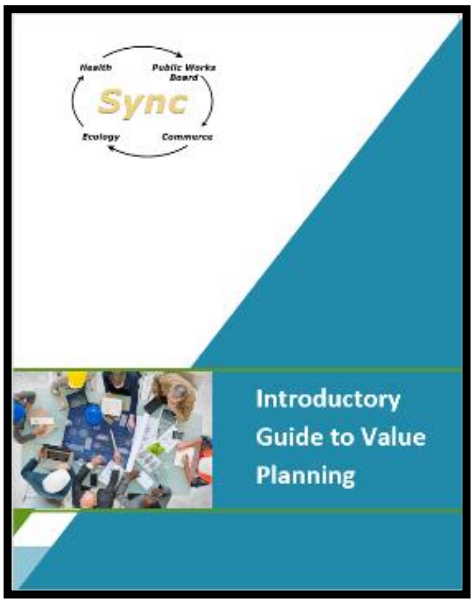
Introductory Guide to Value Planning

Value planning (VP) minimizes problems that frequently trouble infrastructure projects: cost overruns, schedule delays, and dissatisfied stakeholders. Other benefits include:

- Reduced capital, operations, and maintenance costs,
- Increased levels of service
- Uncovering locally supported solutions.

Sync values VP as an opportunity to expand local technical capacity, as it offers benefits for infrastructure projects and to the community.

To support VP as a technical resource and a best practice, Sync produced the *Introductory Guide to Value Planning* [18](Guide). The Guide debuted at the Infrastructure Assistance Coordinating Council Conference in October of 2018. Sync actively sought feedback on the draft and received comments from numerous attendees, including local infrastructure practitioners and consultants. This feedback will further develop the Guide, and support Sync in exploring additional VP technical resources.



Introductory Guide to Value Planning
A technical resource developed by Sync.

The Guide fills a void in the state's current infrastructure finance system. VP, although not a brand new approach to project development, is still in its infancy. Some medium-sized and larger jurisdictions, and select utilities apply VP principles to develop projects, but small and underserved communities do not have sustainable capacity. In that regard, it is important to note that not every project needs VP. In fact, VP will may not be cost-effective for a project if several of these characteristics are present:

- Low cost
- Low risk
- Low complexity
- Routine or familiar project types
- Well-established solutions
- Standard technologies

These characteristics are guidelines and depend on a community's experience. Use VP at the right time and for the right reason. The Guide will assist use of VP, connect communities to a valuable technical resource, and support infrastructure project development. Value planning as a concept connects communities to the problem and the range of available solutions.

[18] https://deptofcommerce.app.box.com/v/syncdraftvalueplanningguide

Value Planning in the Project Development Process

Throughout the course of Sync outreach and development of the Guide, more than 20 jurisdictions offered perspective on VP. They discussed how it applies in their communities, and can integrate into project development. Thoughts include:

- Integrate VP into existing processes, such as incorporation into Department of Health (DOH) Water System Plan requirements.
- Provide funding and tools to allow jurisdictions to perform VP.
- Do not make VP a requirement for state infrastructure funds.

Currently, VP is not a requirement for funding of any Sync Program. Rather, VP is an eligible activity that Sync programs can fund as part of a pre-construction or construction loan. To illustrate, the Public Works Board (Board) and the Department of Ecology-Water Quality Program (WQP) can fund VP as a pre-construction loan. The DOH-Office of Drinking Water (ODW) and the Board can fund VP efforts as part of a construction loan.

An additional consideration for Sync is how other state agencies and infrastructure programs work within the VP landscape and support the best practice. To illustrate, the Transportation Improvement Board (TIB) has a flexible VP requirement. Following Washington Administrative Code (WAC), the TIB Executive Director may require VP based on project risk factors, such as project complexity or interagency involvement.[19]

Sync will be in a position to consider how best to incorporate VP after development, dissemination, and application of VP technical resources occurs.

Please see Appendix C for an exploration of one jurisdiction's value planning efforts.

[19] Washington Administrative Code. (2012). WAC 479-05-040 Value Engineering Study Requirements. Retrieved from http://apps.leg.wa.gov/wac/default.aspx?cite=479-05-040.

Activity 3: Asset Management

This section will:

- Provide recommendations for asset management (AM) and technical assistance.
- Define asset management.
- Highlight state and local barriers to adopt AM training, resources, and tools.
- Develop resources and expand technical resources available to local governments
- Discuss incorporation of AM into the project development process.
- Offer an AM case study.

Table 9 connects this activity to Sync's strategic objectives and the underlying outcomes of HB 1677.

Table 9: Strategic Objectives of Asset Management

Connection to HB 1677	Objectives Met
Projects will create financial efficiencies through local collaboration and consideration of life cycle costs.	Ensure that infrastructure financed by the state receives long term care and maintenance.
The state will provide technical assistance and build local capacity in financial planning and utility management.	Invest in High Impact Projects.
Support innovation and provide local agencies the tools to design high value projects that reduce costs, with priority at the design stage, and the finance and construction stages, where possible.	Give Maximum Value by Building Capacity for Project Development, Financial Planning and Management in Local Jurisdictions.

Recommendations for Asset Management

Sync supports AM as a best practice to manage long-term maintenance costs for a jurisdiction's assets. We will produce technical guidance, encourage it at trainings, and recommend the adoption of an AM program to enhance local capacity. In the current staff environment, staff are unavailable to meet the need for AM technical training. Sync would request resources to develop dedicated staff capacity so that we may support and build local capacity.

Additionally, Sync partners, such as the Washington State Department of Transportation (WSDOT) and the Transportation Improvement Board (TIB) are further along the AM development arc. Shared learning and resources will reduce the time for existing Sync program staff to bring valuable technical support to local governments.

Sync developed four recommendations to support the continued evolution of AM.

1. **Sync programs will dedicate a portion of existing resources and staff to coordinate, facilitate, and provide AM training.** In Phase Two, Sync will coordinate budget requests to expand availability of dedicated AM technical assistance staff.
2. **Sync will adopt the ODW definition of AM as a shared definition amongst Sync programs.**

3. **Sync will leverage existing AM expertise (Rural Community Assistance Corporation (RCAC), TIB, and WSDOT) to connect local governments with training opportunities on AM resources, tools, applications, and software**. In Phase Two, Sync will create and disseminate summary guidance to local governments to expand technical and managerial capacity.
4. **In Phase Two, Sync will provide AM technical resources on the Sync website.** Sync will collaborate with local associations to connect technical resources to their membership.

A Common Definition of Asset Management

AM is the practice of managing a jurisdiction's infrastructure and other capital assets. AM minimizes the total cost of owning and operating, while delivering a service level customers desire. As a planning process, AM ensures that you get the most value from each asset. It also allows you to plan for the financial resources to rehabilitate and replace critical infrastructure as necessary. In addition, AM is a best practice to track and understand a jurisdiction's infrastructure needs against ability to repay debt. It is a tool for everyone, not just those without adequate utility rates or large deferred maintenance backlogs.

Barriers to widespread adoption of AM

Local government feedback asserts that AM is a valued technical resource. However, there are several financial and technical barriers to widespread adoption of AM by local governments.

- The costs and staff time associated to create an asset management plan.
- The costs and staff time associated with procuring AM products and learning how to use them.
- A technical barrier regarding the state's capacity to provide AM-related technical assistance.

Each of these barriers reinforces one another. Improvement to one area will make modest improvements in the others. Furthermore, regarding AM applications and software, there are free or low-cost alternatives available. However, learning these programs is time- and resource-intensive. Local government staff requires training and support, beyond financing. Sync will develop technical expertise, seek opportunities to share resources, and build local capacity to provide requisite support.

Develop and Expand Technical Resources Available to Local Governments

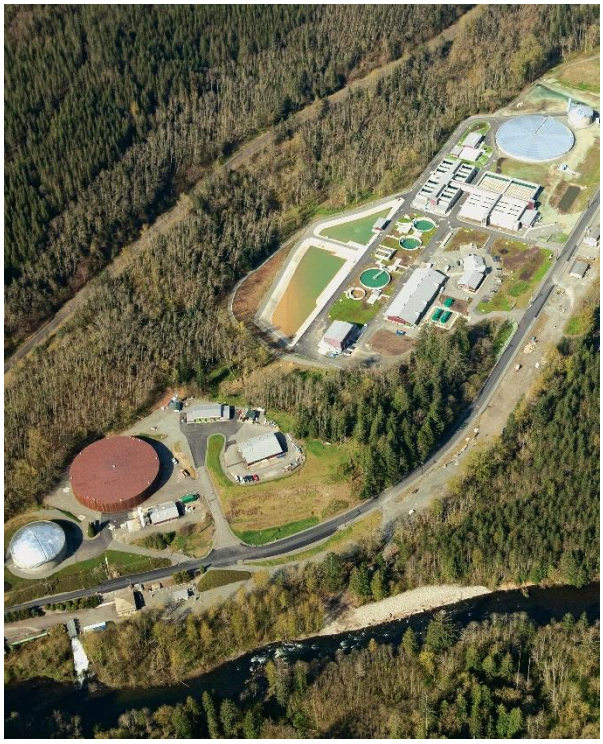
AM is a practice to extend the useful life of infrastructure and reduce the overall cost of ownership. However, Sync programs do not have a common base of technical resources or one-on-one assistance opportunities in support of local AM planning. For example, the departments of Ecology-Water Quality Program (WQP) and Health-Office of Drinking Water (ODW) have a contract with RCAC to provide on-site, one-on-one AM technical assistance. Few small communities request this support due to the local barriers to incorporating AM into existing workloads.

Stakeholder feedback identified AM as a valuable technical resource. Sync would like to expand available technical resources, including linking AM guidance to trainings and workshops on Sync's technical resource website. Sync is not alone in recognition of the value of AM, as other state infrastructure funders, such as WSDOT and TIB are active purveyors of AM technical support. WSDOT recommends AM accountability for locally owned pavements, which would assist transportation-focused agencies determine condition of a utility and necessity of financing. As part of an expanded AM

focus in Phase Two, Sync welcomes the opportunity to collaborate with these agencies to develop and disseminate best practices, processes, and technical guidance to integrate AM at the local level.

In contrast, not all jurisdictions can evaluate in the same manner. The extensive network of pipes underground that connect your community and support sewer, water, or electricity are not visible to the naked eye. There is equipment to support these pursuits, but at a cost. AM must not be a one size fits all approach, because a jurisdiction's assets are as unique as the communities they serve.

The RCAC is an active purveyor of technical assistance to rural communities, including AM. RCAC supports a GIS hub[20], which offers a smart phone data collection application (app) for small utilities. This app will map utilities and support AM, but may also assist jurisdictions uncover opportunities for regional governance. In addition, RCAC provides free flash drives complete with a template for an AM spreadsheet. This is a low-barrier option to introduce AM. The downside to this is that recipients must learn by doing, and may not prepare a process of asset accountability according to design.



Green River Filtration Facility
Miles of pipe connect this plant to its service area.

Asset Management in the Project Development Process

Sync programs vary in their application of AM requirements for funding. In addition to developing technical resources and providing training, Sync must identify how to align AM requirements.

Both the Public Works Board (Board) and Department of Commerce-Local Government Division (COM-LGD) have no AM requirements. However, the Board can fund AM as part of a pre-construction, or construction loan. This is one financial barrier that Sync can approach, but not overcome, as the demand for AM funds would inevitably outpace supply.

The WQP requires an AM plan to qualify for funding. This includes an inventory of critical assets, an evaluation of the condition and performance of critical assets, and a process to evaluate and implement water and energy conservation efforts.

The ODW encourages AM as a component of funding. The ODW has the basis for an AM requirement in rule.[21] Their rule outlines an inventory and analysis of water system facilities is a necessary component

[20] Rural Community Assistance Corporation. (2018). GIS hub – very small system asset management project. Retrieved from https://www.rcac.org/environmental/environmental-finance-center/gis-hub-small-system-asset-management/

[21] Washington Administrative Code. (2017). WAC 246-290-100(4)(e) Water System Plan. Retrieved from http://apps.leg.wa.gov/wac/default.aspx?cite=246-290-100

of a jurisdiction's Water System Plan. In addition, ODW provides bonus points on construction applications if a jurisdiction has an asset inventory, the building block of an AM plan.

In addition, ODW hosted an AM workgroup that created a definition of AM, considered how best to support local adoption, and other aspects of technical assistance. The definition of AM included in this section is a product of that workgroup. Spurred by quality outcomes of ODW's work, Sync created its own AM workgroup comprised of similar staff to consider these same questions. Please see Appendix D for more information on AM and its value to local infrastructure project development and consideration of life cycle costs.

Case Study: The Cost of Deferred Maintenance

This is a short case study of the value of asset management.

A small Western Washington water system owns a pump that pressurizes the bladder tank that provides a community's water. The pump will switch on whenever the pressure in the tank gets too low. Between the pump and the tank is a check valve that keeps water from flowing backwards when the pump is off.

This check valve was not regularly monitored and maintained. System staff did not notice that the check valve failed. Without a functioning check valve, the tank would lose pressure as soon as the pump switched off, which signaled the pump to start up again. After weeks of constant operation, the pump overheated and failed.

Until the system could replace the check valve, the community was without water services. The choice between a $10 valve and a $2,000 pump is an obvious one, but you only get the chance to make that choice if the system has capacity to regularly evaluate system performance as part of an asset management program.

Activity 4: Regional Governance and Resource Efficiency

This section will:

- Provide recommendations to support regional governance and expand technical capacity.
- Discuss the styles of regional governance and resource efficiency.
- Outline common legal frameworks of regional governance.
- Highlight existing cooperation and the common needs identified.
- Provide different examples of current resource sharing agreements.

Sync's focus on regional governance will shine a light on opportunities to improve technical, managerial, and financial capacity through resource sharing. Benefits include long-term sustainability of infrastructure operations, and financial efficiency. Table 10 connects this activity to Sync's strategic objectives and the underlying outcomes of HB 1677.

Table 10: Strategic Objectives of Regional Governance and Resource Efficiency

Connection to HB 1677	Objectives Met
Projects will create financial efficiencies through local collaboration and consideration of life cycle costs.	Invest in high impact projects.
The state will organize and support ongoing review of system-wide outcomes that benefit local communities' infrastructure.	Give maximum value by building capacity for project development, financial planning, and management in local jurisdictions.
The state will promote state-state and state-local collaboration, and coordinate additional state or local partners, where complimentary projects allow.	Ensure that infrastructure financed by the state receives long term care and maintenance.

Recommendations for Regional Governance and Resource Efficiency

Regional governance is a tool for local governments to generate human, capital, and operating resource efficiencies. Through collaboration, Sync programs will continue to explore and highlight opportunities for regional governance statewide. There is a robust history of successful alternative governance efforts, and helpful legal tools, such as the Interlocal Agreement (ILA) and Joint Municipal Utility Services Agreement (JMUSA), available. Regional fire authorities are another successful example of merged districts that fulfill a joint purpose over a larger service area.

Highlighting available tools and alternative models will anchor Sync's technical resource website, and encourage consideration of these tools. To support technical resources in regional governance and resource efficiency Sync recommends four measures.

1. **Sync programs will dedicate a portion of existing resources and staff to coordinate, facilitate, and provide technical resources in support of regional governance.** In Phase Two, Sync will coordinate budget requests to expand availability of dedicated regional governance technical assistance staff. This aligns with a Sync request for additional staff support made by COM-LGD for SCI staff in fiscal year 2019.

2. **Sync will generate technical resources to promote ongoing collaboration and highlight successful regional governance models to increase awareness of available tools.** This includes production of informational materials, such as, case studies or a handbook, updates of active regional efforts, and compilation of templates and boilerplate agreements.
3. **Sync will facilitate stakeholder meetings and guide discussions regarding possible returns on investment.** The Board will explore contracting options to provide the facilitation services of a national regionalization expert.
4. **Sync will explore the state's role in supporting regional governance and reliable systems management, including how to incentivize regional cooperation and governance on Sync program applications.**

Sync's goal is to connect jurisdictions with regional governance resources, such as technical assistance staff to facilitate a regionalization effort. Throughout Sync, programs will consider their role and opportunities to foster regional governance.

Styles of Regional Governance

Regional governance, or regionalization, is a collaborative pathway for two or more jurisdictions to address common needs and generate resource efficiencies. The level of cooperation and the needs identified vary across the municipal landscape. Partnerships generally include cities and towns, utility systems, and county governments. Cooperation can be a simple agreement to share equipment or staff. It can be a more formal agreement to share physical infrastructure. Regional governance can also have cooperating jurisdictions form new political entities to oversee their region's infrastructure needs. Appendix E explains the regionalization process to generate resource efficiencies.

City of Longview
Mint Farm Regional Water Plant.

Defining regional partnerships

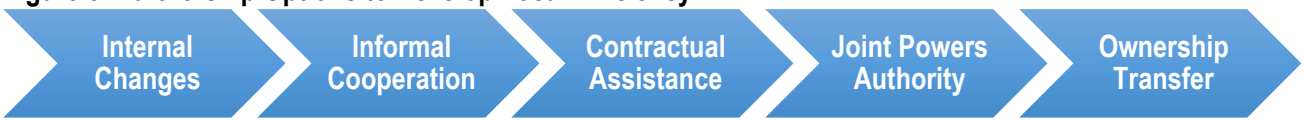
Regional partnerships can take many forms.

- Informal sharing of equipment.
- Joint purchasing power.
- Formal consolidation of assets.
- Formation of a new governmental entity.

Each generates efficiencies through economies of scale that, in turn, can create additional financial benefits or savings. Figure 8 provides five levels of regionalization regarding water and wastewater systems[22]:

Along this spectrum are increased level of collaboration that expand within a regional scope. At one extreme is interdepartmental collaboration. At the other extreme is transfer of ownership. This consolidates authority and reduces individual partner responsibility. Collaborating entities must decide which option suits their individual needs.

Figure 8: Partnership Options to Develop Local Efficiency



Increasing Transfer of Responsibility

Completely self-contained. Requires no cooperation with other system(s). **Examples:** • Interdepartmental policies • Asset management • Rezoning infrastructure	Collaboration without contractual obligations. **Examples:** • Sharing equipment • Shared purchasing agreements • Mutual aid agreements	Requires a contract, but the contract is under the system's control. **Examples:** • Contracting operations and maintenance • Outsourcing engineering services • Purchasing water	Creates a new entity; members continue to exist as independent entities. **Examples:** • Sharing system management • Sharing operators • Sharing source water	Takeover by existing or newly created entity. **Examples:** • Acquisition and physical interconnection • Acquisition and satellite management • Consolidation of system to one entity

Source: Derived from Executive Council on Infrastructure Task Force, Safeguarding Water Affordability, September 2017

Regional collaboration and governance exists statewide. For example, King County has agreements with a number of individual jurisdictions to treat wastewater. In addition, the Water System Acquisition and Rehabilitation Program (WSARP), managed by the Department of Health, provides an avenue for regional consolidation of failing systems.[23] On a smaller scale of resource efficiency, one Lewis County city owns a vactor truck, and shares it through a shared services agreement. Connecting physical infrastructure is only beneficial to jurisdictions relatively close together, while other forms of regional governance and collaboration create operating (i.e., human and financial) efficiencies that scale by the magnitude of the need identified. For example, regional governance solutions may result in lower utility bills. That is, ratepayers of participating entities would pay a lower portion of operating costs associated with their utility services.[24]

[22] Bartlett, S., Cisneros, H., Decker, P., Heartwell, G., and Warnock, A. (2017). Safeguarding water affordability, September 2017, p. 27. Executive Council on Infrastructure Task Force, Bipartisan Policy Center: Washington, D.C.

[23] Washington State Department of Health. (2009). Water system acquisition and rehabilitation program: Report to the legislature. Retrieved from https://www.doh.wa.gov/portals/1/Documents/pubs/331-419.pdf

[24] Department of Ecology. (2009). Wastewater regionalization: Final report to the legislature, p. 11. Retrieved from https://fortress.wa.gov/ecy/publications/publications/0910066.pdf

Common Regional Frameworks

Existing state law provides several frameworks that support intergovernmental cooperation. In effect, every special purpose district that crosses a municipal boundary provides a regional service[25]. For example, water and sewer districts can provide utility services to ratepayers across several cities, towns, or counties much like a public utility district can. In addition, other models of regional governance, such as a council of governments may generally offer transportation and planning services to the jurisdictions within an area. Two common frameworks support regional governance and resource efficiencies. They are interlocal agreements and authority granted to Joint Municipal Utility Services.

Interlocal Cooperation Agreement (RCW 39.34)

An Interlocal Cooperation Agreement (ILA) allows local government entities to cooperate on a basis of mutual advantage.[26] ILAs are one of the simplest forms of regional governance local governments use to generate resource efficiencies. They can support a variety of identified common needs and may include shared purchasing agreements and shared services agreements (See Appendix F for an example shared purchasing agreement and Appendix G for an example cooperative action agreement).

Spokane County Regional Water Reclamation Facility

However, ILAs are diverse and allow jurisdictions the flexibility to partner with a range of partners, including a corporation established as a nonprofit (RCW 24.06), partnership (RCW 25.05), or limited liability company (RCW 25.15). Each may finance joint or cooperative undertakings.

An ILA authorizes a joint board to accept loans, grants, or both to accomplish the purposes outlined in the agreement. Each of the participating agencies must be legally eligible to receive such funds. For water and wastewater partnerships or collaborations, this allows state and federal agencies to provide financial support for infrastructure projects. Please see Appendix H for a case study of a successful nonprofit organization's use of ILAs to provide wastewater services within Thurston County.

Joint Municipal Utility Services Authority (RCW 39.106)

A Joint Municipal Utility Services Authority (JMUSA) is a municipal corporation formed by two or more members to improve a local government's capability to deliver utility services. JMUSA has many benefits and can reduce operational costs, and improve the efficiency and quality of utility services provided. It does not grant authority to delivery additional services or utilities. Instead, local government members must already provide the utility services.

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[25] Municipal Research and Services Center of Washington. (2003). Special purpose districts in Washington state. Retrieved from http://mrsc.org/getmedia/f8cd14a6-1144-4aae-ba39-cda3be643db5/Special-Purpose-Districts-In-Washington-State.pdf.aspx

[26] Washington State Legislature. (1967). RCW 39.34.010 Declaration of purpose. Retrieved from http://app.leg.wa.gov/RCW/default.aspx?cite=39.34.010

As a municipal corporation, a JMUSA provides the immunities and exemptions that are available to local government entities under applicable law.[27] RCW 39.106 provides that any agreement under this act will not alter or diminish local authority. As a public body without taxing power, a JMUSA may not issue general obligation bonds, but may issue revenue obligations. A JMUSA's obligations are its own and not obligations of individual membership.

The Cascade Water Alliance (Cascade) formed in 1999 as a nonprofit corporation and through ILAs between five member cities (Bellevue, Issaquah, Kirkland, Redmond, and Tukwila) and two water & sewer districts (Sammamish Plateau and Skyway). In 2012, Cascade signed an agreement that evolved the organization into a JMUSA. Today, Cascade serves more than 350,000 residents and 20,000 businesses within their combined service area.[28]

Please see Appendix I for a case study of the active Discovery Clean Water Alliance JMUSA.

Common Barriers and Constraints to Regional Collaboration

Depending on the need, regional collaboration is a cost-effective approach to managing infrastructure and resolving shared challenges. However, several common barriers may inhibit or prevent communities from adopting cost-effective regional solutions.

- Jurisdictions can lack resources and personnel to convene and facilitate stakeholder meetings. This can lead to increased local spending to secure consulting services.[29]
- Prospective partners fear loss of autonomy or control.
- There are legal concerns regarding operational liabilities and previously accumulated debt.
- Uncertainty regarding the anticipated impact on ratepayers, and increased cost drivers.
- How existing state and local rules or policies influence a regionalized service delivery. For example, the state's Growth Management Act limits the extension of utilities outside current jurisdictions and designated urban growth areas (UGA). This could restrict a larger jurisdiction from connecting with an unincorporated community outside designated UGAs to expand services to underserved communities.

These are general barriers, and will manifest differently based on a community's needs and constraints. Sync's intent through regional governance is to provide dedicated staff to:

- Convene and facilitate meetings.
- Educate and create materials to raise awareness of regional governance solutions.
- Assist the development of draft agreements to minimize legal concerns.
- Develop cost estimates and possible returns on investment.

[27] Washington State Legislature. (2011). RCW 39.106.040 Corporate Powers of Authorities. Retrieved from http://app.leg.wa.gov/RCW/default.aspx?cite=39.106.040

[28] Cascade Water Alliance. (2018). Our members. Retrieved from https://cascadewater.org/about/about-cascade/members/

[29] Department of Ecology. (2009). Wastewater regionalization: Final report to the legislature. Retrieved from https://fortress.wa.gov/ecy/publications/publications/0910066.pdf

Active Regional Governance and Resource Efficiency Efforts

In the last 25 years, nearly 200 local governments entered into regional wastewater partnerships. These partnerships leveraged more than $1 billion in state support from the Department of Ecology's Water Quality Program and the Department of Commerce[30]. In addition, since 2008 the Department of Health offers consolidation grants to study the feasibility of two or more water systems combining, and consolidation loans come with 50 percent principal forgiveness. To-date, over 60 small, struggling water systems consolidated to create regional resource efficiencies. Regional infrastructure solutions are a financially efficient approach that can bring communities together.

Given this history in wastewater regionalization, Sync is following several active regional governance and resource efficiency efforts. These efforts personalize a community's considerations to resolve regional resource challenges. Each community-led effort addresses a different underlying need with a unique regional approach. The message each active regional effort conveys makes clear that local government resources are valuable and in scarce supply.

Lewis County
Lewis County convenes eight participating cities and towns through a shared services ILA (located in Appendix J). For the last five years, partner jurisdictions relied on this contractual instrument to obtain potential cost savings during procurement of goods and services. Commonly identified areas of need regard professional and personnel services, materials, equipment maintenance, purchasing, and training.

Partners will continue this informal cooperation and explore updates to this agreement by the end of 2018. Lewis County is a model of regional governance, and represents a regional collaborative well-practiced in generating financial efficiencies.

Lincoln County
Lincoln County began to explore a common need concerning certified water and wastewater operators. A persistent shortage of certified operators left many of the counties treatment facilities with staffing shortages. These efforts created a forum for a larger discussion of common regional needs, and spurred an effort to enhance water system planning and protect water resources for Lincoln County's eight cities and towns.

Partners exploring these concepts are at the first stage in the regionalization process to identify common needs. The common shortage of certified operators urges exploration of a joint powers agreement to share water and wastewater operators. Sync will offer support and facilitation, as appropriate, for Lincoln County's regional efforts.

[30] Department of Ecology. (2009). Wastewater regionalization: Final report to the legislature. Retrieved from https://fortress.wa.gov/ecy/publications/publications/0910066.pdf

Activity 5: Budget Requests for Coordinated Technical Assistance

This section will:

- Provide next steps for future coordination of budget requests amongst Sync programs.
- Highlight existing budget coordination to support new technical assistance staff.
- Outline areas of technical support and resources that Sync can sustain with additional capacity.

Table 11 connects this activity to Sync's strategic objectives and the underlying outcomes of HB 1677.

Table 11: Strategic Objectives of Tech Teams

Connection to HB 1677	Objectives Met
The state will promote state-state and state-local collaboration, and coordinate additional state or local partners, where complimentary projects allow.	Eliminate barriers to access funding.
Support innovation and provide local agencies the tools to design high value projects that reduce costs, with priority at the design stage, and the finance and construction stages, where possible.	Give maximum value building capacity for project development, financial planning, and management in local jurisdictions.
The state will provide technical assistance and build local capacity in financial planning and utility management.	Encourage coordination between and within local jurisdictions, state agencies, and private sector organizations.

Next Steps for Budget Coordination

In addition to the value-added work of Small Communities Initiative (SCI) staff, Sync programs are exploring additional staff capacity to intensify the availability of technical resources. Low barrier technical pathways that will provide tools and staff support to local governments include:

- Tech teams
- Value planning
- Asset management
- Regional governance and resource efficiency

The combination of technical staff and resources connects local governments without the necessary technical capacity to the appropriate personnel or resource more quickly. Development of an electronic resource portal will not only enhance the reach and effectiveness of these staff, but also connect them. Through ongoing budget coordination, Sync will:

1. **Support the Commerce-Local Government Division (COM-LGD) budget request made in fiscal year 2019 for SCI technical assistance staff.**
2. **Make coordinated budget requests for dedicated technical assistance staff beginning in fiscal year 2020.** Staff will focus on building local technical capacity across four areas: tech teams, value planning, asset management, and regional governance**.** We anticipate one FTE request for each Sync program to meet the staffing needs associated with expanded technical assistance availability. During this period, Sync programs anticipate joint budget requests for shared technical staff that will support local technical needs in both Eastern and Western Washington.

3. **Continue to share common language on agency budget requests**, and make this coordination visible within each individual agency and to the Legislature.

Coordinated technical assistance brings great value to the local infrastructure development life cycle. Technical resources and staff will enrich interagency collaboration and serve as an ongoing base of technical support amidst staff turnover and low capacity jurisdictions. Development of an electronic resource portal will not only enhance the reach and effectiveness of these staff, but also connect them.

Current Coordination of Budget Requests

Sync budget requests for coordinated technical assistance represent two needs. The first concerns added state-state collaboration and the second is to expand technical assistance capability. Technical assistance features prominently in Sync stakeholder feedback, and is an internal priority as well.

Coordinated technical assistance requests hold promise to expand interagency collaboration at the staff level. This will connect communities to technical resource staff that can assist infrastructure project development at the local level. These personnel are hands on, directly support local projects, and respond to local needs as they arise.

Specific feedback recognized a lack of local expertise and state and local staff to steward infrastructure projects through planning, design, and construction. It provided three key concerns.

- Limited team building leads to disconnected local government staff and information silos.
- Staff turnover slows down project development and creates blind spots.
- Limited time and resources to develop expertise in asset management tools.

These concerns were strongest with rural and underserved communities. Sync programs share these concerns and are working to build and sustain technical resources and staff to address them.

Building state capacity in support of SCI

Many local governments and tribes propose vital infrastructure projects that cannot receive full funding from one funding source. This is especially true for small, financially distressed communities. Sync programs work with local governments and other state and federal agencies to coordinate the funding and technical assistance for a diverse array of projects, and meet local needs. However, current state capacity to meet these needs is too thin.

Sync is working to identify and implement strategies and best practices for improving access to funding programs and improved value, outcomes, cost effectiveness, and sustainability of water infrastructure projects. One key outcome of this effort is to increase technical assistance to small communities by increasing staff working within SCI.

COM-LGD and the Department of Ecology-Water Quality Program (WQP) coordinated language in their fiscal year 2019 supplemental budget requests to reflect Sync's ongoing efforts. Ultimately, COM-LGD requested an increase to SCI staff capacity in support of small communities' technical assistance needs. Currently, units within the departments of Commerce, Ecology, and Health jointly fund SCI, and added capacity will expand service delivery to small, financially challenged communities. In the future, the Public Works Board and the WQP will explore dedicated technical assistance staff requests for fiscal year 2020. This will complement the current technical staff requests made by COM-LGD in fiscal year 2019. Through this work, Sync and SCI will get technical support to communities that need it most.

Sync Program Process Improvements

Sync worked to improve internal processes to streamline, align, and otherwise create efficiencies that support client accessibility to Sync programs. Sync workgroups examined several areas to advance these goals and develop efficient pathways. Workgroups considered how adaptable a current process was and documented whether it was a statutory requirement, policy, or business practice. This supported identification of opportunities for change, as policies are flexible, but rules and federal and statutory requirements are less so. Both the Infrastructure Assistance Coordinating Council (IACC) and its Maximizing Resources (MR) subgroup collaborated in the effort to explore adaptability across three areas.

- **Affordability and hardship** and ways to standardize interest rates, create a shared underwriting process, a common definition of hardship, and a shared process for calculating hardship.
- **Applications** and ways to create a common set of questions and materials requested. For those areas where questions are different, a separate gap application could support a unified online application process.
- **Income Surveys** and updates to technical guidance, along with an exploration of alternative metrics.

Table 12: Sync's Key Activities by Priority Area

Priority Area	Key Activities
Sync Program Process Improvements	6. Electronic Resource Portal
	7. Affordability and Hardship
	8. Applications
	9. Co-funding Process
	10. Income Surveys

Through Sync, the internal processes that connect clients to resources will become more efficient. Sync programs responded to stakeholder feedback and program staff to create pathways to internal improvement and desired efficiency. Local governments requested simplified processes across Sync program applications and assistance to connect to resources. An enhanced technical assistance capability coupled with process improvements and an electronic resource portal will reach clients and connect programs to applicants and potential applicants much faster. This will lead to an increase in client accessibility and coordinate the movement of dollars to clients much faster.

As Sync programs become more efficient, integrated, and capable attention to system-wide improvements will be that much more critical. An efficient segment of the state's infrastructure finance ecosystem will not bring value to outdated and constrained segments. For example, inconsistent state infrastructure financing and a declining workforce will limit a jurisdiction's ability to move infrastructure projects forward and to operate and maintain them. In turn, this would limit the value of Sync program process improvements to meet local project needs. This illustrates the interconnected nature of Sync's work, and the significance of an intentional design.

Activity 6: Electronic Resource Portal

This section will:

- Provide recommendations and next steps to an electronic resource portal.
- Discuss local challenges to access electronic information.
- Outline the functions an electronic resource portal may serve.
- Outline Sync programs' current capabilities to offer an electronic resource portal.

Table 13 connects this activity to Sync's strategic objectives and the underlying outcomes of HB 1677.

Table 13: Strategic Objectives of Electronic Resource Portal

Connection to HB 1677	Objectives Met
The state will promote state-state and state-local collaboration, and coordinate additional state or local partners, where complimentary projects allow.	Eliminate barriers to access funding.
The state will organize and support ongoing review of system-wide outcomes that benefit local communities' infrastructure.	Encourage coordination between and within local jurisdictions, state agencies, and private sector organizations.
The state will provide technical assistance and build local capacity in financial planning and utility management.	Give maximum value building capacity for project development, financial planning, and management in local jurisdictions.
Support innovation and provide local agencies the tools to design high value projects that reduce costs, with priority at the design stage, and the finance and construction stages, where possible.	

Recommendations for an Electronic Resource Portal

Sync will explore options on how best to deliver an electronic access website that contains a program directory, technical resources, and ultimately a collaboration space. Phases will guide this work, as it will develop within existing resources prior to any requests for funds. Sync developed four recommendations in this exploration, and will continue work on this activity into Phase Two.

1. **Sync will temporarily rely on the current Sync website as a technical resource repository.** This will house compiled and produced technical resources, such as the Introductory Guide to Value Planning, and interlocal agreement templates that support regional governance efforts. However, it cannot accommodate all functions of a resource portal under current limitations.
2. **In Phase Two (2019), Sync programs will provide support (operating and human capital) to develop the Fund Finder prototype program directory.**
3. **In future phases, Sync will request funds from the Legislature to develop Fund Finder beyond a program directory**. This may include a technical resource repository, and other features that connect local governments to information and resources.
4. **Sync will collaborate with the Office of the State Treasurer (OST) to support the development of their Lend Washington directory**.

Development of a portal concept provides a consistent source of information, and connects clients to resources. However, there are financial limitations that will stagnate development and result in an incremental approach.

Local Challenges to Access Program Information Electronically

An electronic resource portal will provide local government entities with a single point of entry to locate and determine the best solutions to their infrastructure funding needs. Client feedback highlights an inability to find all available funding opportunities on government websites. In addition, clients requested the expansion of technical assistance materials and staff support to assist in all phases of a project's life cycle.

As Sync develops solutions to client barriers, a centralized framework to house these solutions would enable both state agencies and clients to collaborate in real time, and offer a marketable presence that is easy to access. However, inadequate local access to broadband and the internet will limit the effectiveness of an electronic resource portal. The jurisdictions with internet challenges are also those that require an aggregated base of technical information and accessibility to simplify infrastructure project development.

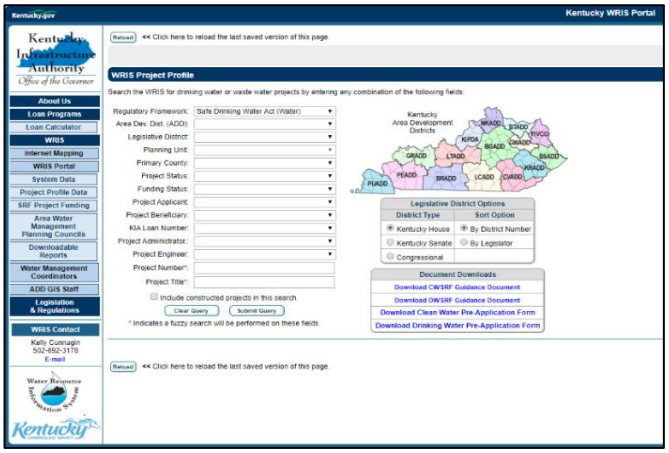
Description of Electronic Resource Portal Capabilities

The electronic resource portal is a website that connects individual Sync programs through one central hub. Three key components define a central electronic resource portal (see Figure 8 below).

- **A program directory** will detail funding programs within a searchable database, and contain a relevant point of contact for each program represented.
- **Technical assistance tools** and resources to support infrastructure project development.
- **A collaboration space** that can integrate application processes and compile data on active funding requests and awards, similar to the Kentucky WRIS below. [31]

This website will link clients to individual agency web pages that support their infrastructure needs. Additionally, as Sync develops and compiles technical resources, the site could serve as a repository for technical assistance materials, and project lessons learned. Later, a central site could integrate a database containing data on current projects that may highlight opportunities to package investments.

As the work of Sync continues, progress toward a shared application process or *Gap-Application* (*Gap App*) may also maximize value of an electronic resource portal. The deficit with this approach is that existing



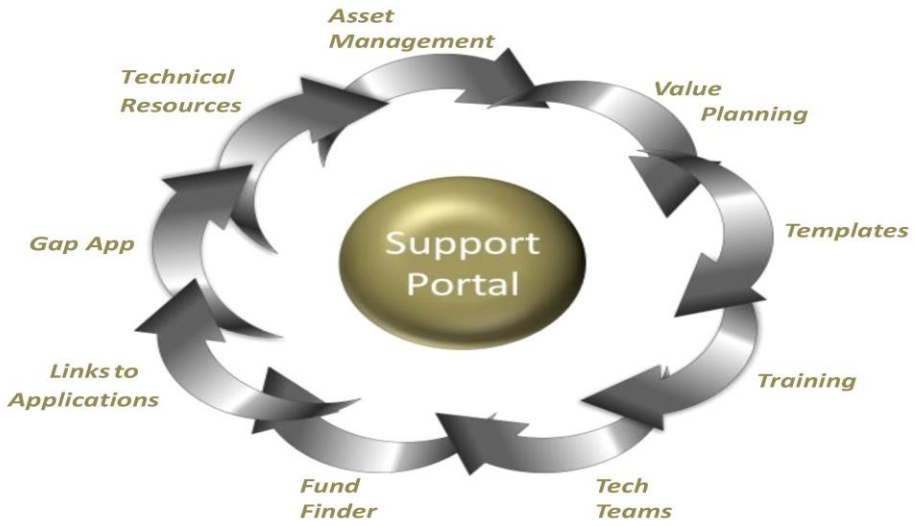
Water Resource Information System Portal (WRIS)
Kentucky Infrastructure Authority.

[31] Kentucky Infrastructure Authority. (2018). Water Resource Information System Project Profile. Retrieved from https://wris.ky.gov/portal/PrjData

program applications and their technical systems would need to communicate with one another.

To illustrate, the Department of Health uses the Washington Loan Tracking (WALT) system as their loan and grant management tool. A shared application process would require that WALT can interface with a Sync application portal. Technical coordination would allow streamlined data sharing and application connectivity. However, this will increase the technical complexity of a shared electronic application process, which will also increase the costs of an electronic solution.

Figure 8: Components of an Electronic Resource Portal



Program Directory

Initially, the Sync website would provide a home page that outlines Sync program funding opportunities. Later, this directory will link other deliverables, such as frequently asked question (FAQ) pages, databases, and other programmatic material. The program directory must be usable, functional, and sortable. It must create a customized experience that will connect clients to programs. A directory must receive consistent updates, and should not be static. A static list that does not receive updates has little value.

The data points for a program directory should contain a summary of program guidelines and funding criteria. This includes client and system served, funding available, and the relevant program point of contact. This will allow clients to quickly identify and gather information to support requests for funding.

Technical Assistance

An electronic resource portal should contain a wealth of technical resources. Client feedback asserts that technical resources bring value and assist the development of infrastructure projects. A central site should contain technical assistance resources and tools that can provide rapid access to advance project development without live support staff.

- Resources that can guide clients through common issues with program application processes.
- Best practices and lessons learned to support understanding of value planning, pre-construction project development, and construction projects. Pilot studies and case studies would support skills development and ground technical resources in practical applications of the tools.

- Customer consultation service functions, such as a help query form, to address real-time infrastructure project challenges. The evolving questions and needs experienced by local governments are likely not in isolation and can bring value to others with similar concerns.

In the future, a central Sync technical assistance site could accept electronic tech team requests, which would expand availability and provide funding programs a baseline of real-time technical needs. Creating opportunities to easily access technical information will not only assist the development of local capacity, but can also minimize the reliance on outside consultants to connect a jurisdiction to information.

Collaboration Tool

As a collaborative space, the website could connect clients with other comparable projects, while offering a platform for Sync agencies to package investments and discuss data trends or individual projects in real-time. This can create transparency between Sync programs, other agencies, and clients.

Ideally, the website could display up-to-date data for all active funding requests. This could serve as an internal collaboration tool only, or a transparent way to update clients on the status of their requests. In addition, the underlying database could contain all funding data required to answer information requests from the Legislature or other entities.

Current Capabilities

Currently, each Sync agency has a website with webpages for each funding program. These pages include general information about individual programs, application timelines, and guidelines listing program requirements and limitations, and application instructions.

Washington Water and Salmon Fund Finder
A state multi-agency collaborative.

In addition, staff of IACC and the Small Communities Initiative maintain a program directory for water and wastewater programs that stands a regional best practice[32]. The Department of Ecology-Water Quality Program developed a prototype searchable web directory called Fund Finder.[33] In its current pilot form, it contains contact information for water quality and salmon recovery programs.

Fund Finder is still in the early stages of development, and in its next expansion will integrate the IACC list of programs for water and wastewater. As it develops, it may serve as the foundation for a broader searchable program directory feature to anchor an electronic resource portal. Currently, it does allow a jurisdiction to search by project and client type, but not by financial or infrastructure type. Users may export results and obtain contact information.

[32] Environmental Finance Center Network. (2018). Funding Sources by State or Territory. Retrieved from https://efcnetwork.org/funding-sources-by-state/
[33] https://data.wa.gov/stories/s/Washington-Water-Salmon-Fundfinder/xcku-b9qq/

Activity 7: Affordability and Hardship

This section will:

- Provide next steps and recommendations for underwriting and hardship, including to identify opportunities to standardize a hardship assessment process.
- Discuss current affordability assessment processes.
- Identify a standardized underwriting process.
- Discuss a common interest rate basis.

Table 14 connects this activity to Sync's strategic objectives and the underlying outcomes of HB 1677.

Table 14: Strategic Objectives of the Affordability and Hardship Review Team

Connection to HB 1677	Objectives Met
The state will promote state-state and state-local collaboration, and coordinate additional state or local partners, where complimentary projects allow.	Eliminate barriers to access funding.
The state will organize and support ongoing review of system-wide outcomes that benefit local communities' infrastructure.	Encourage coordination between and within local jurisdictions, state agencies, and private sector organizations.
The state will promote projects designed to meet the unique needs of a community by refining and aligning processes to limit barriers to entry	Explore and document alternative financing options.

Recommendations and Next Steps for Affordability and Hardship

The Affordability and Hardship Review Team (AHRT) will continue to meet to refine and explore common underwriting processes and alternative affordability models. Recommendations and next steps for Sync affordability and hardship include are four-fold.

1. **The Board will explore how to address statutory changes concerning the market rate basis prior to a funding cycle to reduce the effect of market volatility and keep interest rates low.** The Board would like the period prior to open of a funding cycle to change from 30 to 60 days to 30 to 180 days. This proposed change would align with Department of Ecology rule. The Board will pursue either the desired statutory change in the 2019 or the 2020 legislative session.
2. **Sync will determine which, if any, indicators can adequately produce a common basis to determine hardship, or disadvantaged community status.** In Phase Two, if Sync determines an adequate model or set of indicators to use, then we will develop a new tool or adapt an existing tool to assess hardship for consideration by Sync programs and partner agencies.
3. **Sync will continue to test the draft underwriting tool and determine path to implementation.**
4. **Sync programs and the Community Economic Revitalization Board will create a process to share underwriting results.**

The value of this work will bring expanded program efficiency, collaboration, and value to agencies and clients. A common underwriting process will reduce agency staff time to calculate financial assessments for applicants, and sharing underwriting results will reduce the time from application to contract. In addition, a uniform assessment of hardship will efficiently connect communities in need to state

infrastructure resources and produce a common understanding of hardship. This will reduce applicant price shopping behavior for the best deal amongst multiple funders, and create added systems efficiency.

Current Affordability Assessment Processes

Sync programs each have a different underwriting process to assess the financial capability of a community and its ratepayers to assume an infrastructure loan. In addition, each Sync program has a different terminology and process for defining hardship, which is a deeper consideration of a community's economic position that can lead to lower interest rates or grant subsidies. Access to affordable infrastructure financing is a key consideration for a community when considering how to finance, build, operate, and maintain a project.

Sync created an Affordability and Hardship Review Team (AHRT) to examine underwriting and hardship assessments, and determine opportunities for alignment. Representatives of Sync programs and other agencies composed AHRT.

- Department of Ecology-Water Quality Program (WQP)
- Department of Health-Office of Drinking Water (ODW)
- Public Works Board (Board)
- Small Communities Initiative (SCI)
- Community and Economic Revitalization Board (CERB)
- United States Department of Agriculture-Rural Development (RD) program

Similarities and Differences in Affordability Assessment

Access to affordable financing is key to a community's decision to acquire, plan, rehabilitate, repair, or replace infrastructure. Affordability assessment, or underwriting, is how infrastructure finance programs determine a community's financial capability to build, operate, and maintain an investment. Affordability involves the interest rate determination, borrowing period, eligibility for grant or subsidy, and other factors, such as timeliness for project completion.

Sync programs have a blend of similarities and differences to completing an affordability assessment.

- While using different terms, the Board, ODW, and WQP assess affordability and hardship similarly. That is, each considers the percent of median household income (MHI) paid by the average equivalent residential unit (ERU). The Board and ODW also use the debt service coverage ratio (DSCR) to an extent. CERB and RD have different approaches.
- The Board, ODW, and CERB use DSCR in part to assess affordability and designate hardship. The WQP and RD do not.
- In consideration of interest rates, while the percent of market rate (MR) available and the period before a funding cycle to determine that interest rate differ, WQP and the Board use the same basis for setting standard interest rates. ODW and CERB set interest rates via policy. RD interest rates are set via federal regulation.
- The Board, ODW, and WQP conduct underwriting after application and funding offer.
- All agencies can offer grants, or forgivable loans for construction in hardship communities. The Board, by policy, has forgivable loans for pre-construction projects for communities that meet hardship criteria.

- The Board's interest rate is set in statute. The WQP sets its affordability in rule, and all others set their interest rate in policy.
- The WQP must follow the Clean Water Act and consider "income, unemployment data, and population trends" when assessing affordability for the purposes of awarding forgivable loans. The individual states determine the weight given to each, and the requirements do not apply to grants.

By understanding current processes, the AHRT could consider available opportunities to align underwriting, including a common basis of interest rates, and hardship processes.

Standardized Underwriting Process

Currently each agency has its own underwriting process. Staff determine the underwriting processes for CERB, the Board, ODW, and WQP. The underwriting process for RD loans and grants is determined at the federal level, and is not subject to exploration or modification at this time.

CERB, WQP, ODW, and the Board agreed that a standard process for underwriting for public bodies was beneficial to client understanding and future program collaboration. The agencies agreed that the resulting process should require programs to:

- Use the same financial indicators to conduct underwriting.
- Request and review the same community financial information.
- Develop and use the same underwriting tool.
- Accept the underwriting decisions of the other agencies in common loan periods.

Financial indicators

The agencies agreed that three financial indicators could support underwriting.

- **Current ratio** = Total Current Assets ÷ Total Current Liabilities. The current ratio is a measure of liquidity. The greater the liquidity, the easier it is to respond to short-term needs for financial resources. The Current Ratio should be greater than 2.0.
- **Operating ratio** = Total Operating Revenues ÷ Total Operating Expenses. The operating ratio is a measure of efficiency, indicating ability to cover expenses with existing revenues. The operating ratio should be greater than 1.0.
- **Debt Service Coverage Ratio (DSCR)** = Net Operating Income ÷ Annual Debt Service. DSCR is a measure of the cash flow available to pay current debt obligations. The DSCR should be greater than 1.5.

These are the basic indicators for underwriting public bodies. However, individual agencies agreed to include additional indicators, as appropriate. The agencies do not each serve the same clientele base and flexibility would support a complete underwriting assessment. For example, ODW serves private water systems and WQP serves tribes. Different financial information or review of a longer period of an entities' financial history can support a thorough underwriting.

Financial information

The agencies also agreed to obtain the financial information used for underwriting through publicly-available information and only to make requests from funding applicants, as necessary.

- Review a community's financial statements from the prior three years.
- Review accountability and financial audit reports from the prior three years, if available.
- Confirmation of an applicant's ability to access funds to repay a loan and cover operations, maintenance, and repair costs.

AHRT is reviewing the specifics of shared underwriting. The period by which agencies would accept underwriting is not yet clear, as programs operate disparate funding cycles, and the regulatory environment of local government finances and planning are fluid. That is, agencies cannot accept underwriting decisions for jurisdictions no longer compliant with the Growth Management Act, and other considerations, such as significant audit findings.

A draft underwriting tool

Based on these agreements, AHRT developed a draft tool to assist the funding agencies assess the ability of public bodies to finance projects with loans. It contains the operating ratio, current ratio, and DSCR in along with a space to estimate the anticipated debt service from a new loan. A shared acceptance of agency underwriting further limits the burden to submit information and official financial documents during the application process. The draft tool is currently under review by the agency staff dedicated to completing underwriting assessments.

Standardized interest rate basis

A standardized basis for interest rates offers a common understanding to agencies, clients and their support staff. The value rests in simplicity, and the areas to explore interest rate standardization concern:

- The municipal market index used by each program to determine available interest rates.
- The percentage of market rate interest that will support program loans.
- The timeframe by which programs will base interest rates each funding cycle.

Index Used

Currently, the Board and WQP set loan interest rates based on the market rate for tax-exempt municipal bonds using Bond Buyer's "11-GO Bond Index," as required by policy and regulation, respectively. The ODW bases their interest rates on the market rate for tax-exempt municipal bonds using Bond Buyer's "20-GO Bond Index." CERB does not currently use either index or the market rate, and sets rate in policy. Federal guidance determines RD interest rates, and is not subject to change at this time.

The 11-GO Bond Index is a lower interest rate basis than the 20-GO Bond Index and assumes a higher bond rating. Per the Bond Buyer, "the 20-bond index has an average rating equivalent to Moody's Aa2 and S&P's AA, while the 11-bond index is equivalent to Aa1 and AA-plus."[34]

CERB and ODW agreed to explore setting interest rates based on the average market rate for tax-exempt municipal bonds using Bond Buyer's 11-GO Bond Index to be consistent with the Board and WQP. However, upon further evaluation and in consideration of the health of the fund, ODW could not

[34] The Bond Buyer. (2018). Market data primary, secondary, volume, ranking, indexes. Retrieved from https://www.bondbuyer.com/broker/bond-buyer-data

agree to use the 11-GO Bond Index. CERB agreed to explore using the index when it sets interest rates for the next biennium.

Percentage of Market Rate

Currently the Board, ODW, and WQP base interest rates on the market rate for tax-exempt municipal bonds, but the percentage of that market rate differs. For 20-year term loans:

- The Board is 50 percent of market rate and set in statute.
- The WQP is 60 percent of the market rate and set in regulation.
- The ODW is up to 80 percent of the market rate and set in policy.

CERB does not currently base its interest rate on the market. Its statute prohibits interest rates that exceed 10 percent. Federal regulation sets RD interest rates and is not subject to change at this time.

The Board, ODW, WQP, and CERB agreed to explore setting interest rates based on the same percentage of the market rate. The revenues allocated, appropriated, or otherwise designated to each account do not align with a common interest rate designation. In this regard, and due to perpetuity requirements and in consideration of the health of the fund, agencies did not arrive at a common percentage of the market rate to set interest rates.

Timeframe

Currently, the Board, ODW, and WQP use different timeframes of the market rate for tax-exempt municipal bonds to set interest rates. The WQP uses the period 30 to 180 days before the beginning of a funding cycle, per regulation. The Board uses the period 30 to 60 days before the beginning of a funding cycle, per statute. The ODW uses a different timeframe per policy. CERB does not currently use a timeframe. RD uses interest rates set by regulation at the federal level and are not subject to change at this time.

The singular statutory barrier uncovered that concerns affordability or hardship is the Board's interest rate basis. The Board's interest rate basis changed with passage of HB 1677 in 2017, and notes that the Board will provide construction loans at a maximum 50 percent of MR with interest rates based on the average daily market rate (ADMR) 30 to 60 days prior to the open of a funding cycle.

The Board, ODW, WQP, and CERB agree that using the same timeframe would be beneficial, and that the period 30-180 days before the beginning of the funding cycle provides the most protection from market fluctuations. The Board agreed to explore striking the 30 to 60 day timeframe from their statute, if opened, to replace it with the same 30 to 180 day timeframe as the WQP. The added flexibility would maintain lower interest rates during market volatility.

In illustration, the ADMR for the Board's second pre-construction cycle, which opened August 9th, 2018, was 1.69 percent for the preceding 49 days. If a longer period prior to open of the funding cycle were available, the ADMR for the preceding 133 days would be 1.61 percent. Given this example, clients would save approximately $10,000 per $1 million issued. As the market rate increases, a wider period before open of a funding cycle will maintain lower program interest rates and emphasize the value of Sync programs.

Activity 8: Applications

This section will:

- Provide next steps and recommendations to align Sync applications.
- Discuss ongoing review of Sync program applications and the value of an application cross-walk.
- Discuss the work of the Sync application workgroup and the *Gap App*.
- Highlight recent Sync program application updates.

Table 15 connects this activity to Sync's strategic objectives and the underlying outcomes of HB 1677.

Table 15: Strategic Objectives of Applications

Connection to HB 1677	Objectives Met
The state will promote state-state and state-local collaboration, and coordinate additional state or local partners, where complimentary projects allow.	Eliminate barriers to access funding.
The state will organize and support ongoing review of system-wide outcomes that benefit local communities' infrastructure.	Encourage coordination between and within local jurisdictions, state agencies, and private sector organizations.

Recommendations to Align Sync Applications

Sync program staff will continue review of existing applications to streamline questions asked and data requested to create local and systems efficiencies. This will prepare Sync to create a series of uniform questions each program can include on their applications, and outline, by program, which questions and data fields are unique.

Three recommendations outline this ongoing work, and illustrate value through alignment in Phase Two.

1. **Sync will review unique question and data fields and prioritize which questions to eliminate, adapt, or consolidate into common questions to simplify program applications and increase local efficiency to complete them.** This effort may result in creation of a *Gap-Application* (*Gap App*) that aligns program applications. *In* addition, aligning application questions can lead to stronger, more competitive and attractive projects that can tailor their project details to similar questions. This effort will benefit all applicants, and especially small and at-capacity local staff that have a minimal amount of time to submit applications.
2. **Sync will continue to explore efficiencies within current application processes.**
    a. Align funding cycles to increase opportunities to co-fund projects.
    b. Produce a letter of interest or pre-application to assist potential applicants determine whether a program is the right option to support their infrastructure needs.
3. **Sync will explore expanded online and regional application workshops, and include staff that review, rate, and rank applications in the training events.** This will provide an accessible forum to ask questions and gain knowledge of programmatic and statutory criteria that undergird application and scoring processes.

Streamlining Sync program applications will create a common language between infrastructure programs that will strengthen local funding requests, and allow a more efficient completion of program

applications. Sync's application workgroup has yet to discover a barrier or limitation beyond unique state and federal statute, regulation, and policy.

For example, the Community Development Block Grant application contains extensive federal requirements, and a divergent focus from other Sync programs. Integrating each program application into a singular application is not achievable given this type of constraint. However, simplifying and streamlining Sync programs and expanding trainings and workshops dedicated to them will support this effort into the future.

Ongoing Review of Sync Program Applications

Through this ongoing activity, Sync will explore how to align applications and increase overall systems efficiency by creating an application cross-walk. An application cross-walk can support streamlined application processes and further save time and costs to prepare an application. In addition to generating common questions and terminology, the cross-walk can spotlight diverse statutory, regulatory, or policy-based criteria that require a particular question.

Willapa Bay solid waste facility
Site under construction.

Sync program applications ask questions and make requests for data and documentation that are both similar and different.

- **Similarities** create efficiencies and reduce the burden on local staff to complete applications, and reduce the consultant costs associated with completing applications.
- **Differences** increase the time and the costs for communities to apply for the funds they need to build their ideal community of tomorrow.

It is important to note that the presence of a similarity does not create efficient value, while a difference does not undermine efficiency. Sync program applications will vary as they contain individual statutory, regulatory, rule-based, or policy-based requirements that necessitate certain questions. Sync can align applications with respect to these differences, and simultaneously maintain programmatic integrity and create efficient value.

Sync Application Workgroup

Sync tasked a workgroup of Sync program staff to review existing application processes. The goal of this workgroup is to determine similarities and differences between the applications to create a uniform set of application questions that would accompany the unique programmatic questions. The anticipated outcome, a *Gap App,* would allow an applicant to apply for multiple program funds without multiple applications.

Review of program applications, each with varied statutory and regulatory criteria, comes with unique complexity. Four programmatic applications are under review.

- The Public Works Board (Board)

- Department of Ecology – Water Quality Program (WQP)
- Department of Health – Office of Drinking Water (ODW)
- Community Development Block Grant (CDBG)

Sync program applications and the generation of common questions and terminology is currently ongoing, and this effort may enhance a to-be-developed co-funding process. Sync's application workgroup will:

- Review each Sync agency application and determine gaps and areas of alignment.
- Document the authority for application questions to determine flexibility for change.
- Conduct a survey of both current and former applicants to identify client barriers.

A coordinated application process, like the *Gap App,* may enable agencies to accept components of each other's applications. Such application reciprocity, or the sharing of completed client applications, would provide an easier pathway for a community to receive consideration for multiple funding programs. A streamlined *Gap App* process can also result in stronger coordination to co-fund projects and otherwise package investments.

To illustrate, if one program does not have the resources to fund a project, it can send the application to a partner agency for consideration. The originating agency would inform the applicant of the need to complete the *Gap App* and coordinate with referral agencies to determine extent of available co-funding opportunities.

Recent Updates to Sync Applications

To support efficient and user-friendly applications, the Board, ODW, and WQP each updated and enhanced their applications in 2018.

- Both the Board and ODW created an online application that makes it easier for stakeholders to use. Online applications allow past applicants to update and re-submit applications, rather than beginning from scratch.
- Both the Board and ODW simplified applications to include less narrative-style questions and more yes-no style questions so that a local jurisdiction can complete and submit an application without supplemental information that may lead to hiring a consultant.
- WQP reviewed their application processes and generated 34 recommendations to enhance staff knowledge, coordination, and consistency.

Integrating an online presence with Sync application processes is a high value target that can create systems efficiencies and save clients time. In addition, an application cross-walk will increase awareness of similar and different questions, and generate an ongoing platform for improvement. Any efficiencies generated will allow applicants to tailor their responses to these questions more easily.

Activity 9: Co-funding Process

This section will:

- Provide an overview of next steps to co-funding in Phase Two.
- Define co-funding and packaging investments.
- Discuss the requirements to co-fund projects.
- Review existing coordination that may lead to project co-funding.

Table 16 connects this activity to Sync's strategic objectives and the underlying outcomes of HB 1677.

Table 16: Strategic Objectives of Co-funding Process

Connection to HB 1677	Objectives Met
Using assets to attract or secure additional sources of funds to finance high impact projects	Optimal use and leveraging.

Next Steps in Sync Program Co-Funding

Co-funding and packaging investments to make projects whole is an activity that will carry into Sync's Phase Two. To package investments is to de-conflict complex project timelines, and to structure an incremental approach to local infrastructure project delivery. The incremental approach comes with no guarantees for future funding, as many pools of available funding are competitively awarded. However, co-funding can:

- Move projects along the spectrum of development much more quickly.
- Result is shovel ready projects to maximize project efficiency and timing.
- Position a community for a competitive application.

Sync determined co-funding was a Phase Two activity, and will not recommend any programmatic or statutory changes at this time. Next steps include:

1. **Sync will map the timelines for each program and determine the best moments to coordinate co-funding activities.**
2. **Encourage expansion of existing co-funding coordination at intervals that align with existing funding cycles.**
3. **Document the similarities and differences between state and federal programs to enable full information sharing amongst co-funding programs.**

Co-funding Defined

Co-funding can result when two or more state or federal infrastructure funders receive funding requests for the same project and partner to advance it. The projects can receive a layered investment with one funder to advance pre-construction, planning or design, followed by an additional funder's investment in project construction. Projects may also be large construction efforts that will phase over time to structure multiple investments, and anywhere in between. Tech teams raise awareness of the prospects for funders and clients to collaborate and co-fund projects.

Sync determined this was a Phase Two activity, and will not recommend any programmatic or statutory changes at this time. The value of co-funding rests with active communication of projects in each program's pipeline. Collaboration is certainly present amongst not only Sync programs but also many state agencies. It is the enhanced coordination to follow that will define this activity in Phase Two.

Requirements to Co-fund Projects

Given the expansive pursuit of technical assistance resources, specifically noting tech team availability, co-funding projects and packaging investments is a natural extension of Sync. To package investments requires Sync to:

- Map funding cycle timelines.
- Identify points of connection and differences between programs.
- Collaborate with other state agencies and federal programs to determine the most opportune moments, methods, and projects to package investment.

Map timelines

Sync programs have different funding cycles, which limit opportunities for coordinated investment. In 2018, Sync programs made progress to better align with each other. In illustration, the Public Works Board (Board) modified its number of open funding cycles to align with fellow Sync programs and expand active collaboration. The number of funding cycles for pre-construction, funds permitting, is now four times annually. Construction funding cycles are now open, funds permitting, twice annually.

In addition, the Office of Drinking Water (ODW) structured their construction loan application period to coincide with the Infrastructure Assistance Coordinating Council (IACC) Conference, which allows more interaction with stakeholders. These actions were the beginning to align Sync program funding cycles to open windows for expanded collaboration that will improve local access to infrastructure financing.

Table 17: Current Timelines for Select State and Federal Infrastructure Programs

Program	Application Cycle Open	Next Cycle Opens
Public Works Board	Multiple pre-construction and construction cycles annually	January 2019 and July 2019
Ecology-WQP	Once annually	August 2019
Health-ODW	Once annually	October 2019
Commerce-CDBG	Once annually	March 2019
United State Department of Agriculture-Rural Development	Rolling application cycles	Rolling application cycles

Identify points of connection between programs

Programs have both similar and different funding criteria. For example, the Board cannot fund tribal applicants, while ODW and the Department of Ecology-Water Quality Program (WQP) can. To establish a co-funding process, Sync must document the similarity and differences between each program. Key questions include, but are not limited to:

- Which systems can a program support (i.e., roads and streets only)?
- Which end users can a program support (i.e., type of local governments, or specific population, such as rural and low-income)?

- What time limits does each program require for a pre-construction or construction project to finalize (i.e., Board loans require two years for pre-construction and WQP varies with up to five years for construction projects)?
- Which state programs cannot serve as match funds for each other to leverage additional federal or state investment?

Moreover, as Sync programs answer these questions and structure a co-funding process, a similar coordination with other state and federal programs to generate the best methodology would need to occur.

Overview of Existing Co-Funding Coordination

State and federal funding agencies have been working together for many years, often through IACC and Maximizing Resources, which assist Washington communities navigate funding programs and provides technical assistance. Concerning water infrastructure, federal partners are primarily the United States Department of Agriculture-Rural Development (RD) program, which can provide loans and grant subsidy, and the Community Development Block Grant (CDBG), which provides grants to rural, low-income communities.

City of Quincy reverse osmosis membrane
Project co-funded by state and federal agencies.

Coordination in Action

The WQP and ODW (together referred to as the SRFs) both facilitate an ad hoc annual collaboration process with CDBG. CDBG staff share their applicant list with the SRFs and request input on any financial assistance provided or proposed, and for technical input from regional engineering staff that manage system permits. The SRFs provide input to CDBG so that their funding resources can have maximum assistance impact on the designated community. This ensures there are no permit or technical issues regarding the proposed water infrastructure. CDBG often funds a portion of a project and their no-interest grant funds make a significant difference to mitigate potential utility rate impacts when combined with funds from state agency funding programs.

Similarly, the SRFs collaborate with RD when projects cannot receive funding, or full funding through available state resources. The SRFs will then connect with RD and the funding applicant to see if RD funding is a viable option for full funding or partial funding of shared projects. This works particularly well because RD has a rolling application cycle and can make funding awards throughout the year, where the SRFs host funding cycles once annually. This enables state agencies to collaborate with RD as soon as they identify an additional community project in need. Furthermore, the Legislature approved Board projects, which did not lend itself to coordination. Changes made in HB 1677 will allow the Board to be more flexible in coordinating with other funding agencies. An example of this is the Board's additional funding cycles each year.

In addition, RD has loan resources with terms up to 40 years that may be the best available option to address project affordability. For example, WQP can provide loans for terms up to 30 years, and can

provide limited grant subsidy through Centennial Clean Water Program funds. The WQP collaborates with RD on a number of small community hardship projects to facilitate a funding package that includes available grant subsidy and a potential RD loan with a 40-year term loan. This supports affordable projects that community ratepayers can afford.

Moreover, Maximizing Resources serves as a quarterly forum to discuss possible coordination, dollars available, and projects in need. Coordination amongst program or contract managers regarding a project's scope of work also occurs. This coordination is widespread, and necessary to navigate the complex state and federal spending obligations and restrictions.

Activity 10: Income Surveys

This section will:

- Provide next steps in collaboration with the Affordability and Hardship Review Team (AHRT).
- Discuss the status of income surveys.
- Discuss currently available income survey guidance.
- Discuss concerns with Median Household Income (MHI) data.

Table 18 connects this activity to Sync's strategic objectives and the underlying outcomes of HB 1677.

Table 18: Strategic Objectives of Income Surveys

Connection to HB 1677	Objectives Met
Support innovation and provide local agencies the tools to design high value projects that reduce costs, with priority at the design stage, and the finance and construction stages, where possible.	Encourage coordination between and within local jurisdictions, state agencies, and private sector organizations.

Recommendations for Income Surveys

Sync updated the current guidance provided by the Infrastructure Assistance Coordinating Council (IACC), and does not have recommendations for income surveys at this time.

The income survey workgroup will collaborate with the AHRT on alternative data and metrics to determine disadvantaged community status. This will, in effect, limit the reliance on income surveys to generate low- to moderate-income thresholds. Until that time, state and federal agencies will accept methodologically sound income survey results.

Status of Income Surveys

An income survey evaluates a community's income to determine eligibility to receive enhanced loan terms and grants, or otherwise qualify for a hardship status. Income surveys are a costly and resource intensive process for a jurisdiction to determine eligibility for subsidy from infrastructure funding bodies, including but not limited to select programs.

- Community Development Block Grant (CDBG).
- Department of Health-Office of Drinking Water (ODW).
- Department of Ecology-Water Quality Program (WQP).
- Public Works Board (Board).
- United States Department of Agriculture-Rural Development (RD) program.

Income surveys are rarely deployed, but necessary for resource-constrained jurisdictions that do not have a Low- and Moderate-Income (LMI) designation to access grants and other low interest capital. Pressurizing this work are concerns with currently available data. That is, MHI data contained in the

Census Bureau's American Community Survey (ACS) does not accurately reflect the current health of the community. Income surveys are one vehicle to remedy these inaccuracies.

Current Income Survey Guidance

During Sync outreach, income surveys were a suggested object for review. The barriers, as reported by stakeholders, are that income surveys are expensive and an unavoidable pathway for low-income jurisdictions that the MHI asserts are not eligible for grants or loan subsidies. Resultantly, Sync created a workgroup of Sync program staff and non-profit income survey practitioners, including the Evergreen Rural Water of Washington (ERWOW) and the Rural Community Assistance Corporation (RCAC).

An income survey evaluates if a local government is eligible to receive CDBG funding based on LMI status, or if a community qualifies for grant and other low interest subsidies. The IACC hosts income survey guidance on their website.[35]

Sync's income survey workgroup determined that the tool functioned as intended. Income surveys experience the same deficits that come with other surveys, including human bias and error, some respondents do not want to participate, and limited samples can skew results or make income surveys unusable altogether. The workgroup provided brief updates to the available guidance, but agreed that the tool was not the root concern. Rather, income surveys can balance inaccurate MHI data. Resolving the challenges with MHI data would produce the results intended when the workgroup began.

Town of Creston
Water reservoir.

Concerns with Median Household income

A meaningful and accurate assessment of a communities' affordability is more critical than ever as utility leaders seek to serve low-income customers while raising the revenue necessary to maintain public health and advance conservation efforts. Utilities that rely on rate revenue to meet operating costs and capital needs increase the stress on communities to ensure that vulnerable populations receive support.

Key concerns with MHI are widely held.[36]

- MHI is binary. Guidance indicates that a utility rate is affordable if it is less than 2.5 percent MHI, and unaffordable if more than 2.5 percent. This view of affordability does not manifest similarly or equitably in each community, as MHI and rates vary among utilities.
- Poor indicator of economic distress and bears little relationship to poverty or economic need.

[35] http://www.infrafunding.wa.gov/downloads/2017IACC_Income_Survey_Guidance.pdf

[36] The American Water Works Association. (2013). Assessing the Affordability of Federal Water Mandates. Retrieved from https://www.awwa.org/Portals/0/files/legreg/documents/affordability/Affordability-IssueBrief.pdf

- MHI does not capture impacts across large, diverse communities, which can disregard widespread distribution above and below the median.
- Most recent MHI figures are usually more than a year old at time of publishing.
- MHI is difficult to locate by census block for small, unincorporated entities. This may lead to the reliance on block group analysis, which is general estimator of a community's MHI.

In consideration of MHI's weaknesses, the income survey workgroup determined a different indicator of a community's ability to pay (i.e., income) could reduce the need for income surveys. The work to uncover an alternative metric or series of metrics is already ongoing, and the income survey workgroup will work in collaboration with Sync's AHRT to identify potential alternatives. Any alternative candidate to replace MHI must be consistent, accessible, and verifiable.

System-wide Infrastructure Improvements

The state's infrastructure system is complex, and it represents more than the six primary systems Sync serves. Telecommunications and energy utilities are vital to overall community well-being in the same way as the six systems of infrastructure. These systems are interconnected and can influence the development of one another, both positively and negatively. For example, energy utilities will require digging up the road to place below ground infrastructure the same way water utilities would. This will lead to public benefits, such as improved utility services, and public detriments, such as detours and one lane roads.

The system, despite its complexity is integrated, but not connected by the same processes, methodologies, or desired outcomes. This results in a general systems inefficiency. Broad collaboration and a recognition of opportunities to increase systems efficiency can streamline, align, or otherwise improve the state's infrastructure system.

Sync's focus on system-wide outcomes seeks to address current processes, expand collaboration, and decrease systems complexity in four ways.

- Improve accessibility to affordable financing.
- Provide tools to the Legislature in support of community infrastructure investments.
- Highlight state and local options to finance infrastructure.
- Expand training and recruitment opportunities to support an infrastructure workforce in decline.

Key activities that will improve system-wide infrastructure efforts are located in Table 19.

Table 19: Sync's Key Activities by Priority Area

Priority Area	Key Activities
System-wide Infrastructure Improvements	11. Secure the Public Works Assistance Account
	12. Support to the Legislature
	13. Alternative Finance
	14. Workforce Development

Attention to the state's overall system of infrastructure is critical to improvements made in other areas. That is, the inefficiency of one part of the system can dampen the efficiency generated by another. For example, without access to consistent funding, a wider availability of technical assistance staff and resources will not lead to an increase in stronger projects. Instead, inconsistent resource availability will result in fewer applications. Clients do not apply for resources when they are unavailable.

City of Kennewick wastewater treatment facility
Seeing how it all works.

Activity 11: Secure the Public Works Assistance Account

This section will:

- Provide recommendations to secure the Public Works Assistance Account (PWAA).
- Discuss challenges caused by sweeping PWAA resources.
- Discuss the local demand for infrastructure funds.
- Discuss the comparative value of a Public Works Board loan.

Table 20 connects this activity to Sync's strategic objectives and the underlying outcomes of HB 1677.

Table 20: Strategic Objectives to Secure the Public Works Assistance Account

Connection to HB 1677	Objectives Met
The state will promote projects designed to meet the unique needs of a community by refining and aligning processes to limit the barriers to entry.	Explore and document alternative financing options.
Ensure that infrastructure financed by the state receives long term care and maintenance	Projects will create financial efficiencies through local collaboration and consideration of life cycle costs.

Recommendations to Secure the Public Works Assistance Account

Sync supports the Public Works Board's (Board) efforts to secure the Public Works Assistance Account (PWAA), and the fiscal year 2019 budget request for $217 million in tax revenues and loan repayments for the purposes of local infrastructure. The Board is an internationally recognized best practice model highlighted by the World Bank and Governing Magazine in 2004, and which accessibly revolves funds. Sync supports two recommendations to secure the PWAA.

1. **Sync supports the Board's $217 million appropriation request for pre-construction, emergency, and construction loans in the 2019-21 Biennium.** PWAA resources are a vital, affordable, and flexible source to finance local government infrastructure.
2. **Incrementally restore PWAA tax revenues for local infrastructure projects by 2023.** The Board will explore incremental restoration of diverted resources in support of community infrastructure improvements beginning in the 2019 legislative session. Sync recognizes the value and place of the Board within the infrastructure finance system, and supports restoration of PWAA resources.

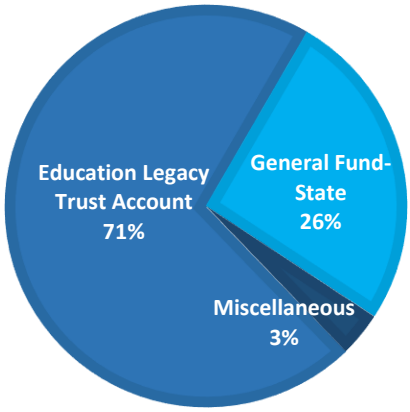
During the PWAA's recent history of diversion, the state has had less infrastructure dollars in direct support of local infrastructure projects. Legislative appropriations for infrastructure via the capital budget have increased since 2013, in part to respond to fill the void created by diverting PWAA resources, and in part, because local governments had fewer options available to them.

To secure the PWAA is to invest in an affordable, consistent, and user-friendly model of infrastructure finance. Without a viable Board loan program, Sync would not support six systems of infrastructure. Rather, drinking water and wastewater would encompass Sync's infrastructure landscape. Moreover, no other infrastructure finance program in Washington state is as flexible in service to multiple systems and has as broad a base of clientele as the Board. In addition, the costs to borrow from the Board are less costly than state bonds or the private credit market, which means the best deal a local government can get is from the Board, or a similar funder.

Challenges Follow PWAA Resource Sweeps

The PWAA is a best practice model of infrastructure finance reproduced in other states nationwide. In its 31-year history, the Board awarded nearly $3 billion in support of local government infrastructure. However, beginning in the 2013-15 Biennium, the legislature began a substantial diversion of resources from the PWAA to support the State's mandate to fully fund education (see Figure 9 below). As of the 2017-19 Biennium, PWAA resources diverted to fulfill alternative purposes total **more than $1.2 billion**. During the six-year diversion period, local infrastructure needs have not diminished, nor has demand for affordable infrastructure finance.

Figure 9: Recipients of Diverted PWAA Resources from 2013-2019[37]



Limited resource availability leads to less infrastructure investment

Local governments that have critical infrastructure needs do not have adequate access to affordable infrastructure financing. The PWAA, formerly known as the Public Works Trust Fund (PWTF), was the primary means local governments used to finance community infrastructure improvements. In 1995, the Legislature recognized the value of the PWAA and asserted it as the vehicle to accelerate capital project planning, acquisition, design, and construction.[38]

Table 21: Comparison of Local Requests for Sync and PWAA Resources[39]

Award Year	Sync Resources	PWAA Resources
2018	$574,353,098	$117,441,096
2017	$395,691,578	$0
2016	$278,025,044	$0

The availability of funds is a driver of demand and that demand is a snapshot of the greater need for infrastructure resources. When funded, the PWAA increases resource availability and the local demand for infrastructure resources.

Jurisdictions are less likely to apply when resources are not available. As a result, projects will not proceed or proceed incrementally within existing resources, and may lead to the assumption of costly indebtedness. Additionally, without available funds local governments delay projects. Delays increase the chances of system failure, which result in severe economic, public health, and environmental impacts that carry added costs of their own.

[37] Diversion of PWAA resources during the current 2017-19 Biennium comprises two parts. 1.) Resources already diverted during fiscal year 2018. This accounts for proviso awards from dedicated PWAA resources and diversion to the Education Legacy Trust Account (ELTA). 2.) Resources estimated for diversion during fiscal year 2019, which includes diversion to the ELTA.

[38] Washington State Legislature. (1995). House Bill 2063. Retrieved from http://lawfilesext.leg.wa.gov/biennium/1995-96/Pdf/Bills/Session%20Laws/House/2063.SL.pdf?cite=1995%20c%20363%20%C2%A7%201.

[39] Does not include awards made to Local and Community Projects (LCP).

Local demand for infrastructure resources

Combined, Sync programs, other state infrastructure funding programs, federal funders, and the Legislature are an ecosystem of infrastructure finance. When one component of this system does not function well, the entire system will experience decline. Consistent support for the PWAA is one action step toward a fully functioning infrastructure finance system.

City of Mill Creek street project and fish passage
Funded by the Public Works Board.

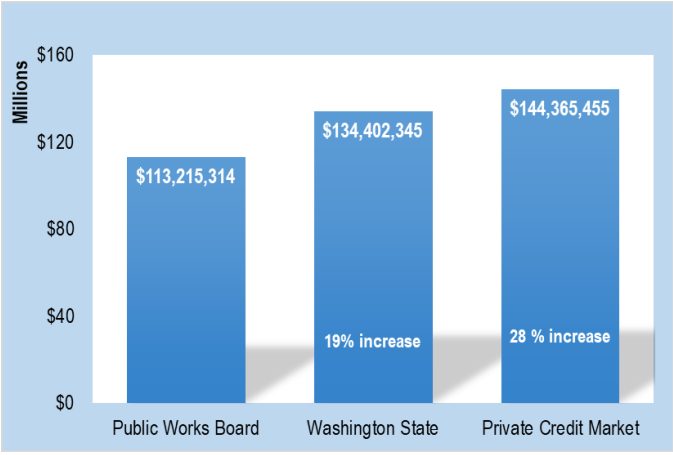
Sync surveyed cities and towns, counties, water and sewer districts, and public utility districts regarding projects that will proceed to construction in the next two to four years. Sync asked if projects would apply for state resources to complete these projects, and removed those projects that indicated they would not seek state resources. Results indicate that communities will have 93 projects valued at greater than $367 million shovel ready in the next two to four years.

Together with unmet local demand, Sync programs and other state agencies can anticipate project requests totaling more than $881 million. As a subset of the overall need for infrastructure resources, the current demand illustrates what is at stake for local communities.

The Value of a Public Works Board Loan

The Board can move resources quickly in support of local government infrastructure needs. In addition, the Board moves resources more affordably than other state or local options. Figure 10 demonstrates the value of a Board loan.

Figure 10: Costs to Borrow $97.1 million over 20 years



Analysis for the value of a Board loan derives from the Board's 2016 construction loan list, as approved by the Legislature in January 2018. These projects totaled $97.1 million. Board loans account for 23 projects with a 1.66 percent interest rate, and two hardship projects with a 1 percent interest rate. A state bond assumes an Aa1 rating and a 3.33 percent interest rate, and a private credit market bond a local government may assume carries a Baa1 rating and a 3.85 percent interest rate for the same $97.1 million.[40]

[40] Interest rates for state and private credit market bonds are based upon Municipal Market Data from February 14, 2018.

Over a 20-year term, Board loans would cost nearly 19% less than state bonds, and nearly 28% less than local government general obligation debt in the private market. The value of a board loan does not end there, as loan repayments will revolve within the PWAA and pay for future local government infrastructure projects. State bonds do not carry such a deal.

The PWAA encourages access to affordable and consistent infrastructure finance. PWAA loan repayments are a self-sustaining resource that provides efficient value. Two inefficiencies, state bonds and sweeping PWAA funds do not bring value to the state's infrastructure finance system.

Activity 12: Support to the Legislature

This section will:

- Provide recommendations on how to provide support to the legislature and opportunities to develop a collaborative tool to uncover and reward high value projects.
- Discuss the Legislature's role in state infrastructure finance.
- Discuss local and community projects within the state infrastructure finance system.
- Discuss tools for project readiness.

Table 22 connects this activity to Sync's strategic objectives and the underlying outcomes of HB 1677.

Table 22: Strategic Objectives of Support to the Legislature

Connection to HB 1677	Objectives Met
The state will promote state-local collaboration and coordinate additional state or local partners, where complimentary projects allow.	Eliminate barriers to access funding.
Using existing assets to attract or secure additional sources of funds to finance high impact projects.	Invest in high impact projects.
Support innovation and provide local agencies the tools to design high value projects that reduce costs, with priority at the design stage, and the finance and construction stages, where possible.	

Recommendations to Support the Legislature

Phase Two of Sync's effort to support the Legislature will involve working with legislators, their staff, and key stakeholders to obtain a stronger understanding of the current decision and budget making processes that finance infrastructure. Sync would like to examine ways to add value to those processes, without adding barriers. Sync will also, via outreach and education, work to share information on the unintended consequences of funding infrastructure projects that are not project ready and could benefit from new tools. Through these collaborative efforts, Sync will develop a means to provide the expertise and support to legislators as a resource for making infrastructure related funding decisions.

1. **In 2019, Sync will meet with legislators and their staff to discuss state decision and budget making processes that finance infrastructure.**
2. **Sync will continue to explore, document, and share information to support project readiness and appropriateness for community infrastructure investments.** Tools to anticipate project readiness include tech teams, value planning, asset management, and regional governance and resource efficiency.
3. **Sync will explore additional tools to support the Legislature, such as future consideration to a preliminary checklist to determine project readiness for funding.**

Ultimately, an infrastructure system is not functional if end users cannot obtain a consistent product. That includes consistent financing, support to develop projects, and communications. This effort will deepen collaboration amongst state infrastructure programs, local governments, and the Legislature. It

will support clarity and provide tools to design high value projects no matter the funding partner. Furthermore, collaboration and high impact tools will communicate thoughtful intent to provide consistent access and financial support.

The Legislature's Role in State Infrastructure Finance

Sync recognizes that the Legislature is an integral part in serving community infrastructure needs. The Legislature both directly and indirectly supports infrastructure through:

- Competitive funding provided to individual state infrastructure programs.
- Direct appropriations provided to state infrastructure programs.
- Direct appropriations provided to Local and Community Projects (LCP).

The various ways the Legislature supports infrastructure is important, and contributes to the state's role in infrastructure finance and community development. However, unintended consequences of those funding decisions can result, particularly when considering direct appropriations or LCP as the vehicle to fund infrastructure projects. Consequences include backlogged planning and construction when funds are available, but projects are not ready to proceed. This limits an efficient use of taxpayer dollars and may slow local efforts when other projects are underway. When projects are not ready to move forward, the state's funding capacity can be committed to a project for multiple biennia.

Legislators are responsible for making complex and timely decisions. Infrastructure projects can be especially complex. Determining the readiness and appropriateness of an infrastructure project is challenging, and requires an understanding of design and construction timelines, community need, ability to pay, and if a project will solve the community's underlying issue or concern. A LCP that completes on time is a win communities acknowledge, while a slow moving or stalled project can attract critical community concerns.

City of Omak
Sewer dewatering project site.

As an ecosystem of infrastructure finance, we need to define the state's role and improve the working partnership with local governments. Sync will provide a forum to vet projects, and tools to support collaboration and identification of projects which are ready to proceed.

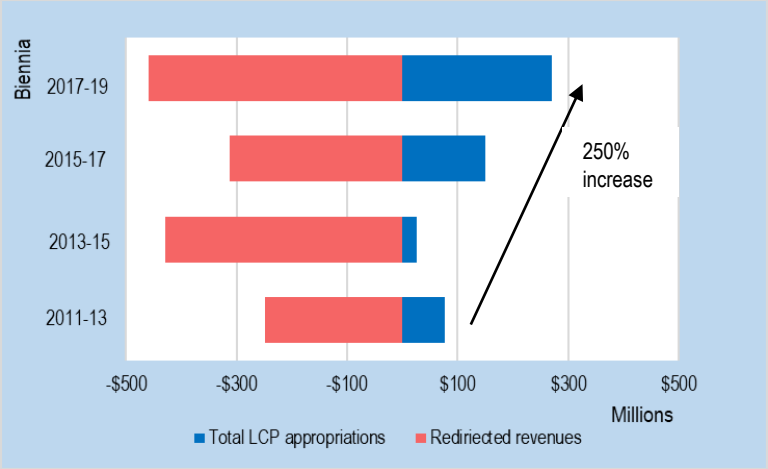
Local and Community Projects and the State Infrastructure Finance System

Appropriations to LCP and the Public Works Assistance Account (PWAA) contribute to the state's role in infrastructure finance and community development. These investment pathways influence the overall ecosystem of infrastructure finance, and are currently in opposition to each other. Sync is considering how to improve the states' working partnership with local governments. In that regard, it is beneficial to consider the Legislature's role to finance community infrastructure.

Since the 2013-15 Biennium, the Legislature diverted more than $1.2 billion in PWAA tax revenues and loan repayments dedicated to local infrastructure. Moreover, LCPs represent a considerable investment

in community infrastructure. In the same period of recent PWAA diversion, LCP received $446 million in community infrastructure investments. Figure 11 compares the volume of PWAA funds diverted to those appropriated for LCP.

Figure 11: Diversion of PWAA Revenues Compared to LCP Appropriations



From the 2013-15 to the 2017-19 Biennia, LCP funded infrastructure projects eligible for Public Works Board loans account for 14 percent of total projects, nearly $62 million. Approximately half of these projects supported jurisdictions in rural counties.

Local governments are well aware of the juxtaposition between finance and diversion. To return to a comment received during Sync outreach, "You are sending mixed messages." This comment was a byproduct of a conversation about legislative intent of Sync's authorizing legislation – HB 1677.

Clarity on the state's role to finance infrastructure will settle local uncertainty and open a clearer communication pathway. Local government support for infrastructure reform is vital, and cannot be lukewarm if change is to sustain after Sync implements an improvement or intervention.

Tools to Determine Project Readiness

With the imbalance of available funding and projects in need of resources, funding projects before they are ready makes scarce resources unavailable for projects that are. This creates complications and backlogs in a community's project development pipeline. It can also result in missed opportunities to address a timelier infrastructure development in another community.

Sync programs review applications with select questions in mind, and dedicate tools to support project readiness prior to award of funds, including:

1. Tech teams – Is the project ready for funding or still at the idea stage?
2. Value planning – Has the project identified the right problem and right solution?
3. Asset management – What is the condition of the asset and likely costs and savings for operations and maintenance?
4. Regional governance and resource efficiency – Is there a regional approach to the project?

To secure project funding is one financial consideration, and to complete the project is another. A community's financial considerations do not stop there, as the costs to operate and maintain these new

assets are key to maximizing the value of an investment. It is very important that communities build the right project that is the right size, and at the right time for that community's needs with capacity to support the asset for its full life. Not all appropriated infrastructure projects meet these considerations, and the longevity and value of these investments can be in jeopardy..

It is not reasonable to expect the Legislature to determine the readiness and appropriateness of an infrastructure project, but there are state resources and expertise available to assist them in those decisions. For example, value planning and asset management can assist a community to determine the appropriateness of a project to solve a problem.

Sync's goal, through this effort, is to stand as a resource to the Legislature and provide a means to vet projects and determine project readiness. The focus is on providing support to the Legislature without creating additional complexities or obstacles in their decision making process. Sync's existing toolkit can develop the Legislature's capacity to consider project readiness, but that does not limit the development of additional tools for this purpose.

Activity 13: Alternative Finance

This section will:

- Outline next steps for an ongoing review of alternative financing mechanisms.
- Review available state and local alternative financing mechanisms.
- Review infrastructure finance practices in other states.

Table 23 connects this activity to Sync's strategic objectives and the underlying outcomes of HB 1677.

Table 23: Strategic Objectives of Alternative Finance

Connection to HB 1677	Objectives Met
The state will provide technical assistance and build local capacity in financial planning and utility management.	Explore and document alternative financing options.
Using existing assets to attract or secure additional sources of funds to finance high impact projects.	Optimal use and leveraging.
The state will organize and support ongoing review of system-wide outcomes that benefit local communities' infrastructure.	

Recommendations and Next Steps for Review of Alternative Finance Tools

Currently, existing tools offer the best route to finance infrastructure at reasonable rates. An innovative or emerging tool alone cannot provide access to affordable and consistent infrastructure financing, as a new tool would complement the existing system, not replace it. This is an ongoing pursuit across the state and the nation. That is no different for Sync or the Public Works Board (Board). For these reasons, the Board, in consultation with industry leaders and Sync, will continue to explore alternative financing mechanisms.

Three recommendations summarize Phase One of this exploration.

1. **The state must consider how best to finance local government infrastructure through existing tools.** Sync finds that consistent financial support from the state for existing infrastructure tools is the lowest barrier option to finance infrastructure statewide. Existing programs and taxes levied on cities and towns, counties, and utilities for local government infrastructure offer accessible financial resources.
2. **Explore bonding of dedicated infrastructure resources to leverage existing funds and expand resource availability.** The Clean Water and Drinking Water State Revolving Funds each have the capability to bond the resources in their accounts to leverage future revenues and extend financial support for these programs. These programs have not exercised this authority. Additional infrastructure resources, such as those within the Public Works Assistance Account, could leverage funds and stretch available financing power into the future.
3. **Sync will follow the emergence of local financing tools and continue to explore opportunities to access affordable debt.**

Review of Alternative Finance Tools

A low interest loan or grant is the most likely pathway to finance infrastructure in underserved and financially constrained communities. They cannot reliably finance infrastructure based on their own credit, or general fund sources. HB 1677 requested that the Board review alternative financing mechanisms specifically for jurisdictions that have trouble accessing the private credit market at reasonable rates. The Board worked in consultation with Sync, industry experts, and state and local governments to review alternative financing mechanisms. **For the purposes of this report, reasonable rates are those that are below market rate.**

Each Sync program offers market rate or below financing. In this regard, Washington state's existing infrastructure programs can fulfill this purpose. However, this exploration will seek additional tools, and especially those that local governments themselves can deploy without state assistance. Moreover, the Board used four criteria to review alternative finance topics.

- **Affordable** – Is reasonable, and low cost or low interest financing.
- **Consistent** – Is readily available and applied similarly in each community.
- **Collaborative** – Can leverage private dollars in partnership with local governments.
- **Innovative** – Is a new or emerging tool.

The Board reviewed several alternative financing concepts during Sync Phase One, and will continue this effort into Phase Two. Ultimately, models reviewed have strengths and weaknesses, but none could sustain all local infrastructure needs with reasonable financing costs. Concepts would apply unevenly to financial hardship communities, which misses on two criteria regarding consistency and affordability. In addition, many tools did not possess the benefit to revolve in support of future infrastructure investments, like Sync programs do.

The pursuit of an alternative financing tool that is different and less costly than other financing vehicles is ongoing. In fact, design of an implementation plan for a public cooperative bank to support state infrastructure financing is actively underway. In brief, a state public cooperative bank does not meet the objectives of HB 1677 or the desired criteria.

Tools for review fall into two categories: state and local tools. State tools are those that state agencies and the Legislature may legally provide. Local tools are those local governments may pursue with little to no state assistance.

Local financing tools

This section will explore financing tools available to local governments. Select financing tools are in widespread use by local governments.

- General obligation bonds – Can leverage local borrowing capacity.
- Revenue bonds – Can leverage local revenue capacity.
- Qualified energy conservation bonds – Is a low cost tool for energy conservation measures.

These tools are not enough to support local infrastructure needs, with small and financial hardship communities unable to apply them consistently. Several emerging financing tools offer alternative financing pathways for local governments that may align with the Board's four criteria.

- Environmental impact bonds.
- Community development financial institutions.
- Design-build infrastructure projects.

These tools will narrowly apply to a jurisdiction's specific infrastructure needs. For this reason, these tools do not meet consistency criteria. However, for select communities that possess the right infrastructure projects, financial condition, an expectation of growth, and attract private or business interests these tools may support infrastructure development and meet the other criteria. Now, not all infrastructure projects will attract private investors. For example, the return on investment for lead remediation is minimal.

Environmental impact bonds

Environmental impact bonds (EIBs) are recently emerging financial instruments that leverage private investment to support high-impact environmental programs. Using a pay for success approach, EIBs place a portion of the project risk on the investor instead of public funds. Public and private parties agree to a performance- or outcomes-based contract and the public entity issues bonds in support of the agreement.

If the outcomes that result are positive, the public entity will pay an agreed upon sum to the private investors. If the outcomes that result are negative, the private entity will pay an agreed upon sum to the public entity (See Table 24 below). The public entity will and must pay the borrowed principal back regardless of the outcomes.

Table 24: Outcomes of the DC Water and Sewer Authority EIB[41]

Performance Tier	Outcome Ranges	Contingent Payment
1	Runoff Reduction > 41.3%	DC Water will make an Outcome Payment to Investors of $3.3 million.
2	18.6 <= Runoff Reduction <= 41.3%	No contingent payment due.
3	Runoff Reduction < 18.6%	Investors will make Risk Share Payment to DC Water of $3.3 million.

EIBs can reduce reliance on the built environment, pollutants in water bodies, and other environmental benefits. In addition, EIBs can attract private partners and are an emerging alternative financing tool. However, EIBs can suffer from concerns with financial, environmental, and regulatory consistency.

- Consistency to attract financial investors. Private investors are less likely to invest in small projects that are $10 million or less, with many investors seeking large-scale agreements to emphasize investor returns. This would limit EIBs from meeting affordability criteria, as well.
- Consistency with environmental standards. Projects must show verifiable results within a relatively short time. For projects that seek to decrease pollutants in water bodies, the intended benefits may not appear for many years. In the short-term, pollutants currently in the water will remain unattended.

[41] Goldman Sachs. (2016). Fact Sheet: DC Water Environmental Impact Bond. Retrieved from https://www.goldmansachs.com/media-relations/press-releases/current/dc-water-environmental-impact-bond-fact-sheet.pdf

- Consistency with regulations. One key question is whether the performance-based nature of the agreement would relieve a jurisdiction from its regulatory and permit responsibilities. For example, if the outcome is to decrease nitrates in the water system, but the EIB project does not generate the intended environmental benefits and pollutants spike above standard, then a regulatory agency may intervene. This would require additional investment to remedy the environmental challenge and nullify previous investment in the short-term, which may also render water resources unsafe for public use.

Community development financial institutions

Community development financial institutions (CDFIs) are mission-driven financial institutions that take a market-based approach to supporting economically disadvantaged communities. CDFIs exist to meet the financial service needs of communities historically underserved by conventional banks. The United State Department of the Treasury CDFI Fund (fund) certifies CDFIs nationally. CDFIs invest federal dollars from the fund's seven financing, credit enhancement, and/or technical assistance programs, alongside private sector capital.

As with the majority of CDFIs, much of this work supports affordable housing. However, these functions could address community infrastructure needs. CDFIs would require additional investment sources to expand their reach and support community infrastructure. An example of a CDFI infrastructure investor is a Craft3 partnership with Clark County[42] to replace failing septic systems. CDFIs can meet affordability criteria, are collaborative, and are consistent for select types of infrastructure. Specifically, rate-based infrastructure projects and those that are less costly. The CDFI model must expand its base of financial support to consistently influence infrastructure investments greater than $1 million.

Design-build

In a design-build infrastructure project, the sponsoring local government transfers project design and construction responsibilities to a private partner, which then has an incentive to make the project design as robust as possible because it assumes the risk of cost overruns and design flaws.

In its application, this is more of a contract management tool than a financing mechanism, but it can lower the total costs associated with infrastructure development. In addition, design-build, and other models such as build-operate-transfer can attract private partners and consistently increase cost efficiencies. Small and underserved jurisdictions may not consistently or affordably use these tools as state and local regulations can limit application.

The Department of Enterprise Services Capital Projects Advisory Review Board currently has a committee looking at design-build best practices[43]. This work includes a review of the underlying statute for alternative public works contracting procedures, RCW 39.10.[44]

[42] Clark County, Washington. (2018). Financial aid for on-site sewage systems. Retrieved from https://www.clark.wa.gov/public-health/financial-aid-site-sewage-systems

[43] Washington State Department of Enterprise Services. (2018). Current CPARB Committees. Retrieved from https://des.wa.gov/about/boards-committees/capital-projects-advisory-review-board/current-cparb-committees

[44] Washington State Legislature. (2018). Chapter 39.10. Retrieved from http://apps.leg.wa.gov/rcw/default.aspx?cite=39.10

State financing tools

Washington state has several tools available to support infrastructure investments.

- Pooled bond financing – Combines the financing needs of multiple public entities into a single transaction to obtain lower than market rate loans.
- Value capture financing – Public entities can leverage the increased value generated by public improvements on nearby property to finance additional investments.

This section will briefly discuss these tools and take an extended look into two alternative state financing tools currently available to, but not deployed by state revolving funds (SRFs).

- Leverage state revolving funds through the sale of bonds.
- Loan guarantees.

Pooled bond financing

Pooled financing combines the capital needs of multiple public entities into a single financing transaction to obtain lower borrowing costs. They are either a state or local borrowing tool and structured as a government pool or a 501c3 tax exempt nonprofit pool. The issuing entity will pool state or local funds, issue bonds, and allocate the requested amount of capital to the participating entity.

The Office of the State Treasurer's Local Option Capital Asset Lending (LOCAL) program is an example at the state level. At the local level, a joint powers agreement[45] can take many forms, including to create a local or regional pooled bond financing program. These local pools are distinct from the state, and can leverage the combined borrowing power of participating entities to lower the local cost of capital.

A similar model is the bond bank, such as the Alaska Municipal Bond Bank Authority[46]. These institutions simplify the borrowing process, are independent from the state, and can have a higher credit rating than the state itself, which lowers interest rates and the costs of borrowing.

Pooled bond financing can provide access to market interest rates, but consistency challenges exist. At the state level, consistent access to market rate is more likely as local pooled programs must consider the credit rating of participating local borrowers, which adds liabilities and limits consistent application.[47]

Value capture financing

Value capture financing is a concept that leverages increased property values from public improvements to finance additional improvements. When an area is developed or renovated, there is a resulting increase in property value, especially in economic redevelopment. Increased property value equates to increased property tax revenues through special assessments. Through these special assessments, a

[45] Washington State Legislature. (2015). RCW 39.34.030. Retrieved from http://app.leg.wa.gov/rcw/default.aspx?cite=39.34.030

[46] Alaska Municipal Bond Bank Authority. (2018). Alaska Municipal Bond Bank Authority. Retrieved from http://treasury.dor.alaska.gov/ambba/

[47] Internal Revenue Service. (2016). TEB Phase III – Lesson 3: Pooled Financing Issues. Retrieved from https://www.irs.gov/pub/irs-tege/teb3_lesson3.pdf

jurisdiction can finance infrastructure improvements. A jurisdiction would pledge or bond the anticipated future revenues for repayment of eligible costs associated with the improvements.

Value capture financing features in other states, and is a key component of federal infrastructure planning[48] for capital transportation grants. Additionally, value capture can occur at the state or local level. Examples of value capture financing include tax increment financing, local improvement districts, and public-private partnerships.

Tax increment financing (TIF). Currently, six state programs are active TIF-like mechanisms that represent value capture financing.[49] These state programs do not leverage state property taxes, but local property taxes. However, TIFs carry difficulty. For the purposes of infrastructure development, TIFs are not a consistent tool, and may not be affordable given the length of time necessary for revenues to accrue.

- TIFs violate the uniformity clause within Article VII, Section 2 of the Washington State Constitution, which outlines that all taxes must uniformly apply.[50]
- It is difficult to predict the increased property values that may result from a water or wastewater infrastructure project. To experience increased property values would likely require businesses to relocate to that area. For example, transition from a below-ground septic system to an integrated sewer system. If a business does not relocate for reasons related to the infrastructure project, then the TIF mechanism may take time to accrue revenues.
- Sponsoring jurisdictions need to secure participation of other taxing districts to ensure the TIF encompasses a wide enough tax base to accommodate debt repayment and local-local collaboration. Infrastructure investment will provide benefits to the intended area, but dedication of future revenues is not a foregone conclusion, especially in rural and underserved communities.

Local improvement district (LID). LIDs[51] are local governance solutions, and not a state tool to finance identified capital improvements through the formation of a special assessment district. However, LIDs represent value capture financing. LIDs grant cities and towns the ability to finance infrastructure improvements via bonds backed by property assessments on a defined public improvement area. The benefit area is well-defined, and the special property assessments generated within the area repay the costs of infrastructure improvements.

For the purposes of infrastructure investment, LIDs are an investment vehicle with a narrow scope that may be useful in limited situations. In brief, LIDs do not provide a consistent financing mechanism that can support jurisdictions with trouble accessing reasonable rates in the private credit market.

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[48] The White House. (2018). Legislative Outline for Rebuilding Infrastructure in America. Retrieved from https://www.whitehouse.gov/wp-content/uploads/2018/02/INFRASTRUCTURE-211.pdf

[49] Washington State Department of Revenue. (2016). Tax increment financing type programs in WA. Retrieved from https://dor.wa.gov/sites/default/files/legacy/Docs/Pubs/Misc/LocalGovernment/TaxIncrementFinancing.pdf

[50] Legislative Information Center. (2011). Constitution of the State of Washington. Retrieved from http://leg.wa.gov/lawsandagencyrules/documents/12-2010-wastateconstitution.pdf

[51] Washington State Legislature. (2009). Chapters 35.43 and 35.44 RCW. Retrieved from http://app.leg.wa.gov/RCW/default.aspx?cite=35.43

Public-private partnerships (PPP). PPP can capture value to finance infrastructure in different ways. They are flexible to both private and community interests, and can work well when a communities' financial and growth conditions are right for investors. For communities, PPP can assist to realize operations and maintenance cost savings, accelerate project completion, and otherwise secure financing on complex projects. The Washington State Joint Transportation Committee completed an evaluation of PPP[52] in 2012 that brings clarity to opportunities.

PPP success stories include the new Tolt Water Treatment Facility, which saved the City of Seattle more than $70 million since inception[53]. However, PPP is not a tool that can consistently support small jurisdictions' infrastructure needs. Affordability concerns do exist, and would require an analysis of the financial trade-offs.

Leverage state revolving funds

Two current state financing vehicles, the Clean Water and Drinking Water State Revolving Funds, may leverage future or current revenue streams through the issue of tax-exempt bonds. Bonding an account generates additional financial flexibility to meet the needs of clientele. However, the SRF must ensure they have the financial capacity, or ability to meet debt service requirements prior to issuing bonds. If an SRF has a cash or debt reserve, and a steady pipeline of demand for funds, issuing bonds and leveraging SRF revenues can support even more communities' infrastructure needs. [54]

Leveraging SRF revenues are an innovative concept that can lead to affordable infrastructure financing. Moreover, many SRFs explored this option. In fact, 28 states leveraged Clean Water SRFs through bond sales totaling $43 billion, and 22 states leveraged Drinking Water SRF funds through the issue of tax-exempt bonds that leveraged $8 billion.[55] The practice can work to expand the amount of available revenue to support community water infrastructure projects.

Leading the way are both New York and Massachusetts, who rank one and two, respectively, in the volume of leveraged SRF revenues.[56] Leveraging SRFs may increase the ability to lend at affordable rates, but may not be affordable itself. Moreover, it can attract private partners and function consistently, and as this is not a practice statewide, would represent an innovative approach to expand the tools available for local infrastructure.

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[52] Washington State Joint Transportation Committee. (2012). Evaluation of Public Private Partnerships: Executive Summary. Retrieved from http://leg.wa.gov/JTC/Documents/Studies/P3/P3FinalReportExecSummary_Jan2012.pdf

[53] American Water. (2013). Tolt Water Treatment Plant. Retrieved from http://www.amwatersolutions.com/uploads/projects/casestudies/CaseStudy_1_American%20Water%20Case%20Study%20Tolt339adcb8-4462-4539-bf2b-4d28e44d2a9e.pdf

[54] Environmental Protection Agency. (2017). Financing Options for Nontraditional Eligibilities in the Clean Water State Revolving Fund Programs. Retrieved from https://www.epa.gov/sites/production/files/2017-05/documents/financing_options_for_nontraditional_eligibilities_final.pdf

[55] National Resources Defense Council. (2018). Go Back to the Well: States and the Federal Government Are Neglecting A Key Funding Source for Water Infrastructure. Retrieved from https://assets.nrdc.org/sites/default/files/state-revolving-fund-water-infrastructure-ip.pdf?_ga=2.70768660.563289884.1541428971-83066143.1541428971

[56] Ibid 55.

Loan guarantees

Loan guarantees are existing tools of the Clean Water and Drinking Water SRFs, and the Public Works Board. New York was the first to exercise this tool in 2013, and the Washington SRFs and the Board have yet to use this option.[57] A loan guarantee works like insurance. An SRF will guarantee a jurisdiction's debt with their SRF revenues as security. Given the SRFs general consistency to obtain annual federal grants and the strength of loan repayments, SRF credit ratings are high. This, in turn, will lower the long-term costs to borrow through lower interest rates.

The Environmental Protection Agency outlines three benefits for SRFs and receiving entities.

"The SRF may benefit from a loan guarantee for several reasons, including:

- It does not require outlays or pledge of SRF funds, except in the event of a significant default.
- It can increase the amount of assistance provided without requiring an outlay of funds.
- It can improve water quality and public health by helping other projects be constructed at lower cost.

The entity may benefit because:

- The financial strength of the SRF providing the guarantee can reduce the cost to the beneficiary.
- It can help a beneficiary establish market presence at lower cost.
- It can lower the project costs even if the SRF does not have capacity to award a traditional loan."[58]

Loan guarantees may result in consistent and affordable financing, but may not leverage private investment. The existing tools available to SRFs are innovative concepts that hold promise.

Review of Alternative Infrastructure Models in Other States

Many other states have a Public Works Board-style body that provides low-interest loans (and sometimes grants) in support of infrastructure development. The primary clients of these entities are similar to the Board and include cities, counties, and select special purpose districts. Nationally, there may be no better model of infrastructure finance than the Washington State Public Works Board. Low barrier, low-interest loans support community infrastructure investments. In addition, rural and underserved communities have financial challenges that require infrastructure investments receive exceptionally low interest, or interest-free financing.

The Board reviewed state infrastructure financing practices and institutions in all 50 states. The practices of other states do differ, and some are innovative and serve community infrastructure needs with consistency. The approaches of four states received an in-depth review.

1. South Carolina – Rural Infrastructure Authority (RIA)
2. Wisconsin – State Trust Fund Loan Program
3. Missouri – Local Tax Increment Financing (TIF)
4. Kentucky – Kentucky Infrastructure Authority (KIA)

[57] Environmental Protection Agency. (2018). SRF Fund Management Handbook. Retrieved from https://www.epa.gov/sites/production/files/2018-04/documents/fund_management_handbook_2018final.pdf
[58] Ibid 57.

South Carolina

The South Carolina RIA[59] invests in water, sewer, and stormwater infrastructure in rural and distressed counties. RIA offers low interest loans and interest free grants, and provides technical assistance to support community infrastructure. A valuable addition to their technical assistance structure includes collaboration with other state and federal funders within the Infrastructure Funders Coordinating Committee (IFCC).

- United States Department of Agriculture - Rural Development program
- United States Economic Development Administration
- South Carolina Department of Commerce Community Development Block Grant
- Appalachian Regional Commission
- South Carolina Department of Health & Environmental Control (SRF)

The IFCC is similar to Sync and, in addition to packaging investments to make projects whole, they coordinate policies to ensure that funders do not impose conflicting policies and requirements on grantees. This interagency coordination represents an innovative best practice.

Wisconsin

The Wisconsin State Trust Fund Loan Program[60] funds an array of public projects under the Board of Commissioners of Public Lands. School districts are the primary clients of the program, but local governments are also eligible. The state constitution established the program and funded activities with proceeds of land sold. "Except for about 5,200 acres that remain in trust, all of the lands from these original grants were sold to establish the fund."[61] In addition, interest earnings fund public school libraries to acquire books, electronic resources, and equipment.

The source of funds and the path these program funds take does not mirror Sync programs. However, the dedication of interest earnings to support a related purpose results in consistent and affordable financing for the intended recipients, including school districts and municipalities. An additional benefit of this model is that it limits reliance on school property tax levies, which keeps local property taxes low.

Missouri

The Missouri TIF program[62] takes a spin on tax increment financing. Elected city officials make the final decision on TIF projects within their jurisdiction, after review by a commission comprised of city representatives and other taxing jurisdictions, such as school districts. Inter-jurisdictional vetoes from a county or school district can nullify attempts to create a TIF. This places a requirement for intergovernmental collaboration through which TIF partners may leverage additional investments to complement TIF revenues.

In addition, TIF redevelopment districts finance improvements in areas with blight, conservation areas, enterprise zones, and other areas. Tax increment revenues generated subsidize infrastructure project development along the pre-construction and construction spectrum, including site acquisition,

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[59] South Carolina Rural Infrastructure Authority. (2018). About. Retrieved from https://ria.sc.gov/about/

[60] Wisconsin Board of Commissioners of Public Lands. (2018). Loan Program Home Page. Retrieved from http://bcpl.wisconsin.gov/section.asp?linkid=1438&locid=145

[61] Common School Fund. (2017). Board of Commissioners of Public Lands. Retrieved from http://bcpl.wisconsin.gov/category.asp?linkcatid=2811&linkid=1437&locid=145

[62] Missouri Department of Revenue. (2018). Local Tax Increment Financing. Retrieved from https://dor.mo.gov/business/tif/

demolition, and rehabilitation. This investment and development would not occur but for the availability of tax increment revenues. The Missouri TIF program characterizes local flexibility, collaboration, and innovation within an existing practice.

Kentucky

The Kentucky Infrastructure Authority (KIA)[63] is an illustration of a multi-faceted infrastructure organization that collaborates across state, federal, and local levels. It provides grant and loan assistance to communities in support of water and wastewater projects.

Innovation, collaboration, and efficient program delivery distinguish the KIA from many other states financing configurations. That is, the KIA is responsible for awards from many funds, including both the Clean Water and Drinking Water State Revolving Funds (SRFs) and two additional infrastructure accounts.

Area Water Management Councils comprised of operators, utilities, elected officials, and others determine regional area needs and eligible projects to receive funds. These planning bodies receive requests to approve and prioritize water projects before forwarding them to the KIA for final ranking. This mechanism creates a collaborative infrastructure project development loop that can maximize the value and efficiency of dollars awarded. To support this work is an integrated electronic portal[64] that connects multiple layers of resources for water and wastewater systems, including asset inventories and project development information.

The KIA may also bond account revenues to leverage existing resources and expand program capacity to meet local water and wastewater infrastructure needs. In addition, KIA can finance the purchase of surplus state or federal equipment, rather than procure new equipment at cost. Another efficiency of the KIA regards its emphasis on regionalization and consolidation, with the number of small water systems decreasing from approximately 700 in 1999 to nearly 400 today.[65]

[63] Commonwealth of Kentucky, (2018). Kentucky Infrastructure Authority. Retrieved from https://kia.ky.gov/Pages/index.aspx

[64] Kentucky Infrastructure Authority. (2018). WRIS Portal. Retrieved from https://kia.ky.gov/WRIS/Pages/WRIS-Portal.aspx

[65] United States Environmental Protection Agency. (2018). Building the Capacity of Drinking Water Systems: Kentucky. Retrieved from https://www.epa.gov/dwcapacity/kentucky

Activity 14: Workforce Development

This section will:

- Provide next steps to counter workforce trends, raise awareness, and expand available training.
- Discuss the infrastructure utility workforce and their role after construction completes.
- Present survey data outlining the impending shortage of water and wastewater operators.

Table 25 connects this activity to Sync's strategic objectives and the underlying outcomes of HB 1677.

Table 25: Strategic Objectives of Workforce Development

Connection to HB 1677	Objectives Met
The state will organize and support ongoing review of system-wide outcomes that benefit local communities' infrastructure.	Encourage coordination between and within local jurisdictions, state agencies, and private sector organizations.
The state will promote state-local collaboration and coordinate additional state or local partners, where complimentary projects allow.	

Next Steps to Develop the Workforce of the Future

Sync supports our utilities and operators, and would like to raise awareness and expand training opportunities for the future of our infrastructure workforce in three areas.

- Encourage utilities to be more forward thinking and respond earlier to workforce challenges.
- Encourage youth to enter the workforce and to consider utility work.
- Ensure the state's infrastructure investments receive required care.

Workforce development issues effect the economic, social, and environmental vitality of our communities. As a system, we must do more to change the perception of the utility operator for decision makers, customers, consultants, and even the operators' own self-image. We trust operators to deliver reliable water services to our parents and children 24 hours per day and 7 days a week. In addition, a generational retirement wave referred to as the "silver tsunami[66]" created challenges in communities nationwide. Washington state is no exception. To ensure continuity of service, we can do more before the silver tsunami washes away potential opportunities for the state to respond.

Sync outlines 14 opportunities to address current and future workforce development concerns.

1. **Include operation and maintenance considerations in future funding applications.** This may couple with current assessment of financial condition.
2. **Conduct research to develop a Rural Washington Public Works Corps program** (Similar to AmeriCorps). This program could fund experience and education in exchange for work in rural areas for a period.

[66] Governing: The States and Localities. (2016). The 'Silver Tsunami' has Arrived in Government. Retrieved from http://www.governing.com/topics/mgmt/gov-government-retirement-survey-center-state-local.html

3. **Create clear pathways for those with the right experience and training to become certified operators and enter the workforce**. Examples include From MOS to JOB and Helmets to Hardhats, and collaboration with the Department of Corrections to identify, train, and provide operating experience to potential candidates.
4. **Encourage, promote, and develop apprenticeship programs**. In Phase Two, Sync will promote and support the operator apprentice program developed by Evergreen Rural Water of Washington[67] to debut in 2019.
5. **Support the Value of Water Campaign (VOW) to inform and educate all stakeholders regarding our most valuable resource.** The Washington State Department of Health (DOH) leads this effort. VOW focuses on creating and broadcasting a message that safe and reliable drinking water is not free and certified waterworks staff are an invaluable resource.
6. **Increase the number of partnerships to advocate for VOW and highlight educational programs and resources.** In Phase Two, Sync will conduct outreach to raise awareness of successful infrastructure-focused education programs. Potential partners include the Office of Superintendent of Public Instruction and boards of county commissioners to highlight programs such as, the online Associate of Arts program in Water and Wastewater Operations[68] provided by Green River College.
7. **Create regulatory strategies that remove barriers for increasing the number of required operators.** This includes reenergizing the DOH Satellite Management Agency program, and focusing on operation and maintenance considerations during design review.
8. **Promote and fund local efforts to regionalize and share experience and equipment between utilities.**
9. **Assemble a toolbox of strategies and resources for our utilities and communities to attract a future workforce.** This work includes identification of current water sector professionals and their membership associations.
10. **Explore public private partnerships that can promote water sector workforce development**.
11. **Increase state and local government awareness of current national workforce development efforts.**
    a. National Water Sector Workforce Convening[69]
    b. American Water Works Association [70]
    c. Water Environment Federation[71]
    d. Baywork[72]
    e. Veterans certification programs, such as From MOS to JOB[73] and Helmets to Hardhats[74]
12. **Put McCleary to work through applied Science Technology Engineering Math (STEM) fields.** Promote career experience for year 11 and 12 high school students by exposing them to the planning, design, construction, and operation of our public works projects.

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[67] Evergreen Rural Water of Washington. (2018). Welcome. Retrieved from http://www.erwow.org/Home.aspx

[68] Green River College. (2018). Water/Wastewater Technology: About our Program. Retrieved from https://www.greenriver.edu/students/academics/degrees-programs/water-wastewater-technology/

[69] https://www.eventbrite.com/e/the-national-water-sector-workforce-convening-tickets-49180885352

[70] https://www.awwa.org/Portals/0/files/resources/water%20utility%20management/sotwi/2018_SOTWI_Report_Final_v3.pdf

[71] https://www.wef.org/resources/continuing-education-units/

[72] http://uswateralliance.org/organization/baywork

[73] https://www.epa.gov/sites/production/files/2015-11/documents/from_mos_to_job.pdf

[74] https://helmetstohardhats.org/about-us/

13. **Establish incentives such as continuing educational opportunities and credits that will encourage new and existing managers to attend training.**
14. **Encourage optimized operation and continued comprehensive performance evaluations to empower operators, managers, and decision makers**. Such excellence in operation will result in an effective and efficient evaluation, operation, and planning for the long-term success of the system.

Sync encourages other state agencies and the Legislature to consider this diverse array of approaches. In Phase Two, Sync will determine how to incorporate these concepts and support workforce development opportunities.

Project Development and the Role of Operations and Maintenance

Utility infrastructure is essential for the economic, social, and environmental vitality of every community in Washington. Our existing utilities are approaching end of life, and Sync programs will see an increase in the number of projects and requests to fund critical and failing infrastructure. Every infrastructure project has six stages, and the first five are a bit intuitive.

City of Arlington
Wastewater treatment plant construction.

1. Financial capacity to afford a project
2. Planning
3. Design
4. Construction
5. Construction inspection
6. Long term infrastructure care after construction completes

We often overlook the final stage after construction completes, which includes operations, maintenance, repair, and emergency response. Without long-term care for our investments, there is no guarantee that the project will reach its anticipated lifespan, or work as designed. The caretakers for infrastructure investment are our highly trained, dedicated, and experienced certified operators and utility managers.

Waterworks Operator Constraints

In the last 15 years, the number of certified waterworks operators in Washington remained constant at about 4,000. In contrast, the general population increased 21 percent from 6.1 million people in 2002 to 7.4 million people in 2017. Recent trends show the percentage of population growth declining along the I-5 corridor and increasing in nonmetropolitan areas. Every county in the state saw a growth of approximately 1% per year and population density increased from 85.5 people per square mile in 2002 to 103.7 people per square mile in 2017.[75]

[75] Washington State Office of Financial Management. (2018). Population Density. Retrieved from https://www.ofm.wa.gov/washington-data-research/population-demographics/population-estimates/population-density

This population increase coincides with an increase in demand for services across a number of areas.

- Customer capacity demands for water resources.
- New or updated infrastructure systems that require improved technology.
- Evolving government regulations that require utilities to train and re-train operators.

As our aging infrastructure fails, the workload on our operators will continue to increase. Increasing the workload on each operator leads to less time for maintenance and repair, and added difficulty for a new operator to enter without feeling overwhelmed.

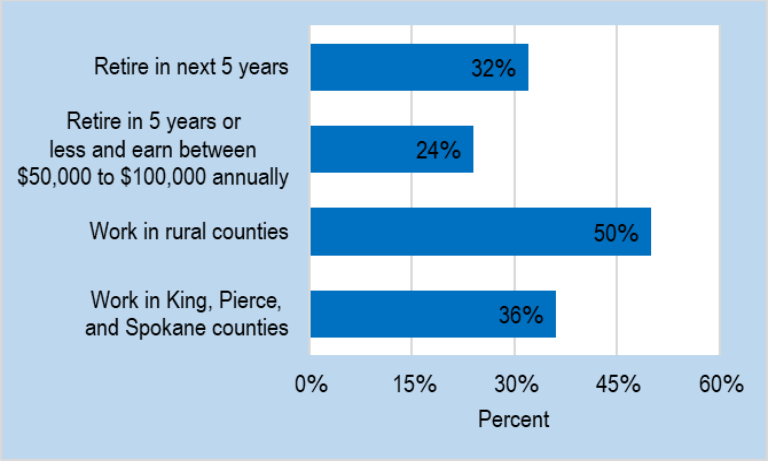
An available, properly trained, appropriately deployed, and fairly compensated workforce of the future is necessary to meet the rising need for utility operations and maintenance. Historically, certified water and wastewater operators considered themselves a silent service, and defined success through reliable utility services that allowed the public not to worry. The hidden nature of these operators is part of the reason we can easily forget about operations, maintenance, and emergency repair.

City of Port Orchard
Wastewater treatment plant construction.

Survey of waterworks operators

A recent workforce survey of 569 waterworks operators by the Washington State Department of Health highlighted the eminent need to recruit and train the next tier of personnel. Figure 12 presents data on waterworks operators to retire in the next five years.

Figure 12: Waterworks Operators to Retire in Next 5-years



In the next five years, water and wastewater operations will confront the growing challenge to recruit and retain personnel. In the future, this challenge will increase with 51 percent of existing certified waterworks operators set to retire in the next 10 years. The composition of this workforce does vary,

but 70 percent of respondents had over 10 years of industry experience and 70 percent also reported some level of college experience or a college degree.

Finding the workforce of the future presents bigger issues than filling vacant positions. These operators possess an institutional knowledge and experience that communities cannot easily replace. Many utilities do not have training programs and wait for vacancies before recruiting replacements to keep costs low. In rural communities, retaining operators is difficult as wages are not as competitive as in urban communities.

The rural and urban divide

Our rural communities experience the loss of utility operators more strongly than our metropolitan areas. In addition to the substantial presence of waterworks operators set to retire in the next five years and located in rural counties, seven overlapping issues compound rural workforce development.

1. Rural communities have difficulty in responding to turnover or funding new positions because of low budgets and a lack of prioritization by decision makers.
2. Utilities have limited staff capacity, and many do not have a training program to develop new operators. It is challenging for operators in rural areas to obtain the continuing education required to maintain their certifications. If a community has only one operator, then it is more difficult to take several days off and attend training opportunities.
3. It is difficult to find trained staff with the education and experience required to become a certified operator.
4. It is difficult to retain operators in rural areas. They relocate to metropolitan areas because the pay is better, and there are more opportunities for advancement.
5. Nationwide, rural communities experience an inconsistent message delivery regarding the value of infrastructure and water resources. As a result, customers are hesitant to pay for services and decision makers are cautious to increase rates for operations and maintenance concerns.
6. Many rural systems have volunteer decision making boards which may not possess a full understanding of their role and how to address existing system needs.
7. Existing infrastructure is at its end of life, requires repair, rehabilitation, or replacement. Leveraging an economy of scale approach is difficult for small water systems. The baseline infrastructure for every water system is similar. Fewer connections increase the cost per customer to properly operate, maintain, and repair.

Conclusion and Recommended Next Steps

Infrastructure affects the health of local communities and the environment, but also the state's overall economic growth. The relationship between state and local government is under strain, in part, because of the inconsistency with which the state supports local infrastructure financing. Sync is a resource that understands local government and its infrastructure needs. Through our phased approach, the state can maximize the value of current grant and loan programs and rebuild trust. With sustained support, Sync may serve as the state's active forum to address its infrastructure barriers and solutions. To meet these goals and revive the state-local partnership, Sync has:

- Defined the immediate demand for state infrastructure resources in the next two biennia.
- Identified, developed, and advocated for technical resources and staff to assist local governments cut costs associated with every phase of a project's lifecycle.
- Defined the growing concern regarding the water infrastructure workforce, and developed methods to stem the tide of the oncoming 'silver tsunami.'
- Identified and implemented efficiency-driven program improvements that will make it easier for policy makers and applicants to navigate Sync programs, including our applications, interest rates, and hardship determinations process.

These intentional efforts will move the state's infrastructure finance system forward, and ensure resources are available to support high-impact infrastructure projects.

Looking Forward to Phase Two:

Sync is Washington's largest modern infrastructure program improvement effort, and the Legislature granted Sync three-years to address the state's infrastructure challenges. In Phase Two, Sync will continue working to develop system improvements. We will collaborate widely to support them, and ensure our efforts generate a sustainable and collective impact for state and local governments.

- Enhance its attention on leveraging federal and private dollars. The current focus on a co-funding process is a key component of structuring opportunities to secure additional funds.
- Create an electronic resource portal that will centralize access to technical resources, and reduce the time to search for programs and their funding requirements.
- Develop resources, dedicate existing staff, train new staff, and build state and local capacity.
- Review and update shared program policy goals to align with state efforts, such as Results Washington, and community infrastructure needs.
- Consider models that can generate a shared basis of hardship, or distressed community status.
- Collaborate with the Legislature to understand the current decision- and budget-making processes that finance local infrastructure.
- Foster a consistent infrastructure finance environment and improve the state-local relationship. We will not propose unfunded mandates or burdensome program requirements.

Through these measures, Sync will identify, implement, and report to achieve efficiency, minimize costs, and maximize value. We will deepen collaboration and coordination, and above all, we will organize a state infrastructure finance ecosystem that will address local infrastructure needs.

Appendix A: The Designated Outcomes of HB 1677

Section 11	Designated Outcomes of HB 1677	Synchronized Outcomes of HB 1677
a	Projects that maximize value, minimize overall costs and disturbance to the community, and ensure long-term durability and resilience.	Projects will create financial efficiencies through local collaboration and consideration of life cycle costs.
b	Projects that are designed to meet the unique needs of each community, rather than the needs of particular funding programs.	The state will promote projects designed to meet the unique needs of a community by refining and aligning processes to limit barriers to entry.
c	Project designs that maximize long-term value by fully considering and responding to anticipated long-term environmental, technological, economic and population changes.	Projects will maximize long-term value through an inclusive selection process, a focus on sustainable management, and a thorough evaluation of alternative solutions.
d	The flexibility to innovate, including utilizing natural systems, addressing multiple regulatory drivers, and forming regional partnerships.	Support innovation and provide local agencies the tools to design high value projects that reduce costs, with priority at the design stage, and the finance and construction stages, where possible.
e	The ability to plan and collaborate across programs and jurisdictions so that different investments are packaged to be complementary, timely, and responsive to economic and community opportunities.	The state will promote state-state, state-local collaboration, and coordinate additional state or local partners, where complimentary projects allow.
f	The needed capacity for communities, appropriate to their unique financial, planning, and management capacities, so they can design, finance, and build projects that best meet their long-term needs and minimize costs.	The state will provide technical assistance and build local capacity in financial planning and utility management.
g	Optimal use and leveraging of federal and private infrastructure dollars.	Using existing assets to attract or secure additional sources of funds to finance high impact projects.
h	Mechanisms to ensure periodic, system-wide review and ongoing achievement of the designated outcomes.	The state will organize and support ongoing review of system-wide outcomes that benefit local communities' infrastructure.

Appendix B: Outcomes and Objectives

Section 11	Synchronized Outcomes of HB 1677	Nexus with Sync Objectives
a	Projects will create financial efficiencies through local collaboration and consideration of life cycle costs.	• Eliminate Barriers to Access Funding • Invest in High Impact Projects • Ensure that Infrastructure financed by the state receives long term care and maintenance
b	The state will promote projects designed to meet the unique needs of a community by refining and aligning processes to limit barriers to entry.	• Invest in High Impact Projects • Explore and Document Alternative Financing Options
c	Projects will maximize long-term value through an inclusive selection process, a focus on sustainable management, and a thorough evaluation of alternative solutions.	• Invest in High Impact Projects • Ensure that Infrastructure financed by the state receives long term care and maintenance
d	Support innovation and provide local agencies the tools to design high value projects that reduce costs, with priority at the design stage, and the finance and construction stages, where possible.	• Invest in High Impact Projects • Encourage coordination between and within local jurisdictions, state agencies, and private sector organizations
e	The state will promote state-local collaboration and coordinate additional state or local partners, where complimentary projects allow.	• Eliminate Barriers to Access Funding • Ensure that Infrastructure financed by the state receives long term care and maintenance • Encourage coordination between and within local jurisdictions, state agencies, and private sector organizations
f	The state will provide technical assistance and build local capacity in financial planning and utility management.	• Invest in High Impact Projects • Give Maximum Value by Building Capacity for Project Development, Financial Planning and Management in Local Jurisdictions • Ensure that Infrastructure financed by the state receives long term care and maintenance • Explore and document alternative financing options
g	Using existing assets to attract or secure additional sources of funds to finance high impact projects.	• Optimal use and leveraging • Invest in High Impact Projects
h	The state will organize and support ongoing review of system-wide outcomes that benefit local communities' infrastructure.	• Encourage coordination between and within local jurisdictions, state agencies, and private sector organizations • Optimal use and leveraging

Appendix C: Eastside Liberty Lake Improvement Club Case Study

Right Project – By Chance

The saying goes that hindsight is 20/20, and that was the case for the Eastside Liberty Lake Improvement Club (the Club). The Club is a water system that provides service to 325 customers. They found the right solution by happy coincidence. In retrospect, value planning would have left less to chance, sped up the process, and saved resources spent on pursuing a less favorable option.

In 2015, the Club received a Drinking Water State Revolving Fund (DWSRF) Loan for $905,465 for improvements to its wells and pumping station. DWSRF issued the loan with a 1% loan origination fee, 1.5% interest rate, and no principal forgiveness. In 2016, recognizing that the Liberty Lake Sewer and Water District (District) had adequate pumping capacity to serve the Club, the District's General Manager contacted the DWSRF program. He wondered if the Club system could be consolidated with the District and the loan reassigned to the District.

This made sense for a number of reasons.

New pipeline construction at the Club.

1. The District was familiar with the Club's system through operation and maintenance service contracts, including meter reading and water system billing.
2. The Club had grown to 325 customers and was struggling to conduct needed water system improvements and maintain adequate pressures to all customers. In contrast, the District had the capacity to provide water and adequate staff to oversee the Club.
3. DWSRF loan terms for consolidation projects are more favorable, allowing up to 50% principal forgiveness and an interest rate reduction from 1.5% to 1.0%.

The revised project scope included a second intertie between the two water systems, abandonment of the Club's existing groundwater sources and pump stations, and improvement to the Club's distribution system by replacing old and undersized water mains.

At a public meeting, all information was presented to customers and the consolidation proposal was approved by the Club's members. As a result, the Club's base water rates were reduced from $50.76 to $18.52 per month.

LESSONS LEARNED

In this scenario, value planning would have identified the consolidation project in the "generating alternatives" step, before the Club submitted its loan application. In actuality, the District general manager's inquiry led to discovery of the right project. A happy outcome, but why leave something so important to chance?

Appendix D: Asset Management Explained

Asset Management Objectives:

- Build technical, managerial, and financial capacity in all utilities.
- Improve utility sustainability.
- Ensure that state-financed infrastructure is operated and maintained according to industry standards.
- Utilities operate proactively.

What is Asset Management?

Asset management is the practice of managing infrastructure capital assets to minimize the total cost of owning and operating them, while delivering the service level customers desire. It's a planning process that ensures that you get the most value from each of your assets and have the financial resources to rehabilitate and replace them when necessary. Asset management is implemented through an asset management program and typically includes a written asset management plan.

Why Implement Asset Management?

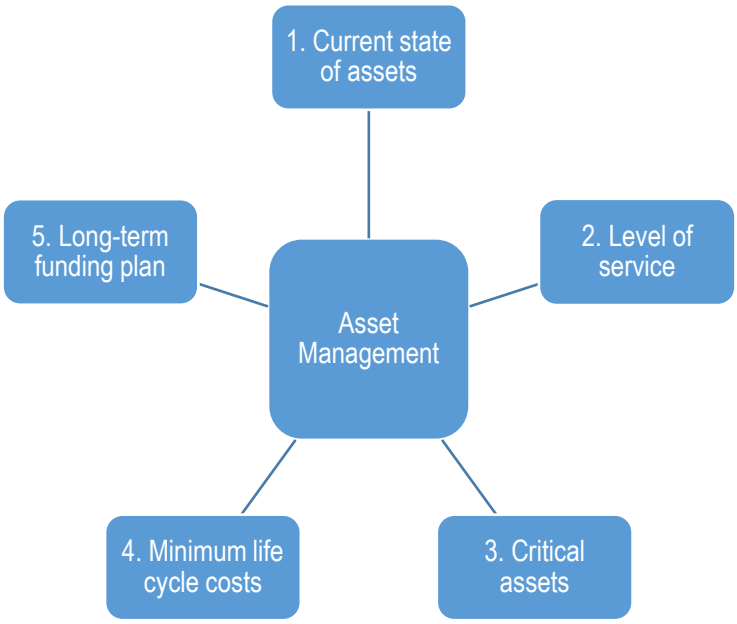
Renewing and replacing the nation's infrastructure is an ongoing task. When a system actively understands and manages its assets, the community can better prioritize and fund necessary investments to reduce long-term costs and risk. With a proper plan for asset management, a system can improve service and reliability, reduce risk and unexpected costs, and enhance communication with customers and stakeholders while realizing many additional benefits. A utility cannot be sustainable if it does not address ongoing operation, maintenance, and infrastructure repair and replacement costs in its rates. To help utilities in Washington prepare for the future, we need to coordinate funding functions to support development and implementation of asset management programs in every utility.

How does Asset Management Work?

A good starting point for any size utility is the five core questions framework for asset management. This framework walks you through all of the major activities associated with asset management and can be implemented at the level of sophistication reasonable for a given utility. These five core framework questions provide the foundation for many asset management best practices.

1. The first step in managing assets is knowing their current state and location. Things to consider in this step are: What does the utility own? What is its condition? Its useful life? Its value? Where is it? Is there a map of assets?
2. Knowing the required "sustainable" level of service will help implement an asset management program and communicate to stakeholders what the utility is doing. Quality, quantity, reliability, and environmental standards are elements that can define level of service and associated system performance goals, both short- and long-term. A utility can use information about customer demand, data from utility commissions or boards, and information from other stakeholders to develop their level of service requirements. The level of service requirements can be updated to account for changes due to growth, regulatory requirements, and technology improvements.

Figure 13: Flow chart and core questions of the asset management framework



3. Critical assets are those that have a high risk of failing (old, poor condition, etc.) and major consequences if they do fail (major expense, system failure, safety concerns, etc.). A utility can decide how critical each asset is and rank them accordingly.
4. Minimum life cycle costs are determined by looking at costs of staffing, ongoing operation and maintenance, costs of installation, rehabilitation, & replacement and expected useful life of an asset. By optimizing operations and maintenance, a system can often extend useful life of an asset.
5. Asset management enables a utility to determine the lowest cost options for providing the highest level of service over time and to optimize the work operations and maintenance crews are doing, where they are doing it, and why. Knowing the full economic costs and revenues generated by the utility will enable them to determine their utility's financial forecast. The financial forecast can then help set the course for a utility's long-term funding strategy. Once these core questions are addressed, a utility is ready to begin implementing their asset management program.

Moving from reactive maintenance to predictive maintenance, knowing the costs and benefits of rehabilitation versus replacement, looking at lifecycle costs for assets, deploying resources based on asset conditions and analyzing the causes of asset failure to develop specific response plans prepares our utilities to operate in a sustainable manner into the future.

Appendix E: The Regionalization Process

RCAC Regionalization Process

I. Form Initial Leadership Team

1. Identify Stakeholders

- Other water providers
- Local governments
- Technical assistance providers
- State agencies
- Others

2. Identify Common Need

- Old infrastructure
- Funding
- Regulatory Requirements
- Operators
- Baby boom

II. Plan and conduct Kick-off Session

- Identify region
  - Who needs to be involved?
- What are the obstacles?
- What are the benefits?
- What information do we need?
- What is the risk of moving forward?

III. Evaluate Need, Purpose and Intent of Regional Collaboration

Regional Structural Options:

- Mutual Aid Agreement
- Sharing Agreements
- Water Purchase Agreements
- Collaborative Water Resource Development
- Contract Service Agreements
- Consolidation

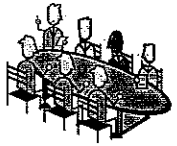
IV. Establish Initial Steering Committee

Develop a mission statement

- Get agreements from the boards
- Community/ Outreach information

Financing the Committee

- Postage, legal, counsel, etc.



Group Stages:

- Forming
- Storming
- Norming
- Performing

V. Draft Agreement

- MOU/MOA
- JPA

- Non-Profit Entity
  - Regional MDWCA
  - W & SD
  - Water Authority
  - Other

VI Maintain & Implement

- File for and acquire funding
- Document program successes
- Develop organizational documents
  - Bylaws
  - Merger plans
  - Rules
- Comply with funding requirements

Appendix F: Example Joint Purchasing Agreement

INTERLOCAL JOINT PURCHASING AGREEMENT

THIS AGREEMENT is between the City of Battle Ground, a political subdivision of the State of Washington, and Clark Regional Wastewater District, a political subdivision of the State of Washington.

WITNESSETH:

WHEREAS, RCW 39.34.030(5)(b) of the Interlocal Cooperation Act, as amended, authorizes a public agency, such as the City and the District, to make purchases under a contract of another public agency, as long as the requirements of that statute are satisfied; and

WHEREAS, the parties desire to utilize each other's procurement agreements when it is in their mutual interest;

NOW, THEREFORE, the parties agree as follows:

1. PURPOSE: Each of the parties, from time to time, goes out to public bid and contracts to purchase goods, materials, supplies, and equipment ("goods"). Each of the parties hereby agrees to extend to the other party the right to purchase pursuant to such bids and contract to the extent permitted by law, and to the extent agreed upon between each party and the bidder, contractor, vendor, or supplier ("contractor").

2. ADMINISTRATION: No new or separate legal or administrative entity is created to administer the provisions of this agreement. No obligation, except as stated herein, shall be created between the parties or between the parties and any applicable contractor.

3. SCOPE: This agreement shall allow the purchase or acquisition of goods by each party where provision has been provided for other governmental agencies to avail themselves of goods offered under the contract and/or where either party's contractor is willing to extend prices to other governmental agencies.

4. DURATION AGREEMENT – TERMINATION: This agreement shall remain in force until cancelled by either party in writing. The agreement shall terminate 60 days after notice.

5. RIGHT TO CONTRACT INDEPENDENT ACTION PRESERVED: Each party reserves the right to contract independently for the acquisition of goods without notice to the other party and shall not bind or otherwise obligate to either of the parties to purchase any particular good, nor create to either of the parties any assurance, warranty, or other obligation from the other party with respect to purchasing or supplying any good.

6. COMPLIANCE WITH LEGAL REQUIREMENT: Each party accepts responsibility for compliance with federal, state or local laws and regulations including, in particular, bidding requirements applicable to its acquisition of goods.

7. FINANCING: Each of the parties shall contract directly with the contractor and pay directly in accordance with its own payment procedures for its own purchases. Each party accepts no responsibility for the payment of the acquisition price of any goods intended for use by the other party and arising out of its participation in this Agreement.

8. FILING: This agreement shall be listed on the City's website as required by Section 39.34.040 of the Revised Code of Washington prior to this agreement becoming effective.

9. INTERLOCAL COOPERATION DISCLOSURE: Each party may insert in its solicitations for goods a provision disclosing that other authorized governmental agencies may also wish to procure the goods being offered to the party and allowing the bidder the option of extending its bid to other agencies at the same bid price, terms and conditions.

10. NON-DELEGATION/NON-ASSIGNMENT: Neither party may delegate the performance of any contractual obligation to a third party, unless mutually agreed in writing. Neither party may assign this agreement without the written consent of the other party.

11. HOLD-HARMLESS: Each party shall be liable and responsible for the consequence of any negligent or wrongful act or failure to act on the part of itself and its employees. Neither party assumes responsibility to the other party for the consequences of any act or omission of any person, firm or corporation not a party to this agreement.

12. SEVERABILITY: Any provision of this agreement, which is prohibited or unenforceable, shall be ineffective to the extent of such prohibition or unenforceability, without invalidating the remaining provision or affecting the validity or enforcement of such provisions.

APPROVED, CLARK REGIONAL WASTEWATER DISTRICT

John M. Peterson 08-08-2014

John Peterson *Date*
General Manager

APPROVED, CITY OF BATTLE GROUND

John M. Williams 7/25/14

John M. Williams *Date*
City Manager

Attest:

Kay Kammer 8/4/14

Kay Kammer *Date*
City Clerk

Appendix G: Agreement for Cooperative Action

AGREEMENT FOR COOPERATIVE ACTION

This Agreement for Cooperative Action ("Agreement") made and entered into this ____ day of _____, 2015, by and between the Town of Little Medley ("Town"), a town organized under the laws of the State of Washington and Public Utility District No. 1234 of Northeast County ("District"), a municipal corporation organized under the laws of the State of Washington.

Witnesseth

WHEREAS, the Town maintains and operates a water treatment and distribution system ("System") in Little Medley, Washington; and

WHEREAS, the Town employs Mr. Junior Peltz as the water operator responsible for the System; and

WHEREAS, Mr. Peltz is not presently certified under the laws of the State of Washington to operate the System as it presently exists or with expected modifications; and

WHEREAS, the Washington State Department of Health has agreed to defer enforcement of the Waterworks Operator Certification Rule so long as the Town develops an interlocal agreement with the District to provide oversight of the System until Mr. Peltz passes the Water Treatment Plant Operator 2 certification exam, but not later than August 31, 2016; and

WHEREAS, the Town and the District are "Public Agencies" of the State of Washington authorized to exercise the authority granted by RCW 39.34.020—the Interlocal Cooperation Act (the Act), and

WHEREAS, the District may enter into Interlocal Agreements with the Town to carry out its municipal purposes pursuant to RCW 54.16.090, and

WHEREAS, the Town and the District have determined that it is in their mutual best interests to develop an agreement.

NOW, THEREFORE, the Town and the District acknowledge and agree to the following:

1. The District will assist the Town in the operation of its water treatment plant. The District will provide a certified water operator for twice weekly visits, approximately 2 to 6 hours per week, or as needed for onsite oversight.

2. Daily phone contact will be initiated by the Town's water operator to the District's water operator (Monday – Friday, 7:00 a.m. to 3:00 p.m.) to discuss operations & maintenance.

3. The District will provide backup emergency response support within 4 hours of being notified by the Town. The Town will notify the District's Water Systems Manager, in the event of any irregular plant operation or failure; including but not limited to, a filter failure, chlorine loss, power failure, chlorine treatment deficiencies, etc.

4. The parties will hold regular meetings during the first week of every month to assist with daily calculations and monthly reports, which must be submitted to the Washington State Department of Health on or before the 10th of each month. All such reports will be reviewed by the District's Water Systems Manager prior to submittal.

5. The District in making the aforementioned commitments is in no way agreeing to be liable as the "Certified Operator in Responsible Charge" as outlined in WAC 246-292-032. In no event shall the District be liable or responsible for the System.

6. It is understood that the Town does not represent the District and has no authority to obligate the District for any payment or benefit of any kind to any person.

7. Compensation will be made by the Town to the District in accordance with the District's Water Operation Compensation Rates in effect at the time of service. Compensation rates may be adjusted annually. All calls to District employees after hours are subject to overtime rates (See Compensation below).

8. Each party to this Agreement shall be responsible for damages to person or property resulting from the negligence on the part of its employees or officers, provided that nothing herein shall be construed to alter the Town's or the District's responsibilities under state law.

9. This Agreement has been and shall be construed as having been made and delivered within the State of Washington and it is agreed by each party hereto that this Agreement shall be governed by the laws of the State of Washington, both as to interpretation and performance. Any action of law, suit in equity or judicial proceeding for the enforcement of this Agreement, or any provisions thereof, shall be instituted and maintained only in a court of competent jurisdiction in Northeast County, Washington.

10. Either party may terminate this Agreement in whole or in part, by providing a 10-day notice to the other party of termination. Any work performed after the date of the written notice but prior to the effective date of the termination shall be paid, as would any other work performed under the terms of this Agreement. After the effective date of termination, no charges incurred under any terminated portions of the Agreement are allowable, other than charges required by the terms of contracts entered into prior to termination date.

The parties agree that this Agreement is the complete expression of the terms hereto, and any oral representations or understandings not incorporated herein are excluded. Further, any modification of this Agreement shall be in writing and signed by both parties. Nonperformance of any provision of this Agreement does not constitute a waiver of the provisions of this Agreement.

In WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed this ___ day of _____, 2015.

PUBLIC UTILITY DISTRICT NO. 1234	THE TOWN OF LITTLE MEDLEY
OF NORTHEAST COUNTY	
_____	_____
Donna E. Diligent	Honorable Serious B. Dumbledore
Water Systems Manager	Mayor of Little Medley
_____	_____
Attest:	Attest:

Appendix H: LOTT Clean Water Alliance

The LOTT (Lacey, Olympia, Tumwater, and Thurston County) Clean Water Alliance is a successful county-community relationship. LOTT used an Interlocal Cooperation Agreement (ILA) framework outlined in RCW 39.34. LOTT serves more than 108,000 citizens of Thurston County by managing wastewater and reclaimed water, processing more than 12.5 million gallons of wastewater each day.

History

Initially starting as Olympia's wastewater treatment plant in 1952, then the City of Tumwater and Olympia Brewing Company connected in 1955. Later The City of Lacey contracted with the City of Olympia for wastewater treatment services in 1969. An Interlocal Agreement was first initiated in 1976between the three cities to qualify for state and federal grants. This agreement established joint funding guidelines and intergovernmental planning processes to renovate and expand services as required[76].

In 1983, the Interlocal Agreement between the three cities provided the foundation to expand to a second wastewater treatment plant. In 1995, the agreement changed to establish the Wastewater Research Management Plan to develop future sustainability in four year cycles. In 2000, the three original members entered into an agreement with Thurston County, incorporated as a 501 (c)(3) corporation, and became the LOTT Wastewater Alliance.[77] The final General Interlocal Agreement for the LOTT Wastewater Alliance between Thurston County, and the Cities of Lacey, Olympia, and Tumwater was signed in 2004. Since that time, the LOTT Wastewater Alliance maintained Interlocal Agreements between each Alliance partner and update in five year intervals. The last set of agreements were signed and approved in 2015.

Legal Framework

The LOTT Wastewater Alliance is a nonprofit organization, "created, funded, and controlled by the LOTT partners."[78] A board of directors manages LOTT, and which includes one elected official from each partner government. Under the authority of RCW 39.34, a corporation established as a nonprofit (RCW 24.06), partnership (RCW 25.05), or limited liability company (RCW 25.15) may partner with public agencies for the purpose of financing joint or cooperative undertakings or establishment of a budget. Further, "the funds of any such corporation, partnership, or limited liability company shall be subject to audit in the manner provided by law for the auditing of public funds.[79]

RCW 39.34 further expands on the joint powers of Interlocal agreements and the nongovernment entity. In the case of the LOTT Wastewater Alliance, the establishment of a joint board with representation from each agency allows LOTT to assume responsibility for all wastewater requirements of the joint

[76] LOTT Clean Water Alliance. (2018). LOTT's History: 50 years of wastewater treatment. Retrieved from https://lottcleanwater.org/about-lott/leadership/history/

[77] LOTT Clean Water Alliance. (2018). 2017 Comprehensive Annual Financial Report, p. 19. Retrieved from https://lottcleanwater.org/wp-content/uploads/cafr17.pdf

[78] LOTT Clean Water Alliance. (2018). Annual Report for 2017, p. 3. Retrieved from https://lottcleanwater.org/wp-content/uploads/ar17.pdf

[79] Washington State Legislature. (2008). RCW 39.34.030 Joint powers. Retrieved from http://app.leg.wa.gov/RCW/default.aspx?cite=39.34.030

members, to hold and dispose of real property used in the joint undertaking, and establish a special fund with a state, county, city, or district treasurer serving as manager of the fund.

Financials

All deposits and investments of the Alliance are held with the Thurston County Treasurer in the Thurston County Investment Pool (TCIP). Deposits and investments with the County Treasurer are governed by State statute and County investment policy.

LOTT is self-sustaining, with revenues coming from charges for services through each Alliance partner. Each of the four member governments receive payment from home owners and businesses for water/wastewater services, and a set fee per connection is allocated to LOTT. The Alliance ensures that rate structures for both Wastewater Service Charge and the Capacity Development Charge for new connections are sufficient to keep up with inflation.[80]

In addition, LOTT has the authority to receive federal and state funding in its own right, not as a member of the Alliance partners. RCW 39.34.070 specifies that any joint board created under Interlocal Agreement is "hereby authorized to accept loans or grants of federal, state or private funds in order to accomplish the purposes of this chapter provided each of the participating public agencies is authorized by law to receive such funds."[81] As of the LOTT 2017 Financial Report,[82] LOTT assumed debt from a revenue bond and several loans from various state revolving funds, which are budgeted to repay all debt without assistance from the government member agencies.

[80] LOTT Clean Water Alliance. (2018). 2017 Comprehensive Annual Financial Report, p. 13. Retrieved from https://lottcleanwater.org/wp-content/uploads/cafr17.pdf

[81] Washington State Legislature. (1967). RCW 39.34.070 Authority of joint boards to receive loans and grants. Retrieved from http://app.leg.wa.gov/RCW/default.aspx?cite=39.34.070

[82] LOTT Clean Water Alliance. (2018). 2017 Comprehensive Annual Financial Report, p. 19. Retrieved from https://lottcleanwater.org/wp-content/uploads/cafr17.pdf

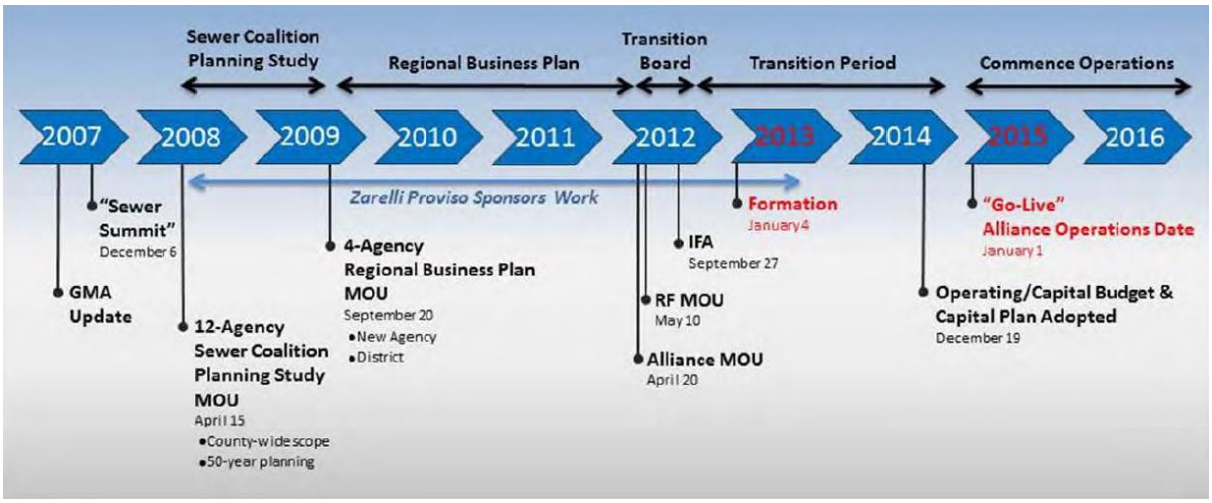
Appendix I: Discovery Clean Water Alliance

Discovery Clean Water Alliance (Alliance) is a successful County-Community relationship established as a Joint Municipal Utility Services Authority outlined in RCW 39.106. The Alliance serves nearly 100,000 citizens within high-growth areas of Clark County as a regional wastewater transmission and treatment facility. This facility maintains the capacity to serve up to 250,000 to meet assessed growth projections.[83] The Alliance serves four member agencies – the City of Battle Ground, Clark County, Clark Regional Wastewater District (CCRWD), and the City of Ridgefield. Using the Salmon Creek Wastewater Treatment Plant as a nexus, the Alliance works to keep the community livable and protect the environment.

History

Legally formed in 2013, the Alliance "represents a culmination of several years of evaluation to determine the optimum long-term framework for delivery of regional wastewater transmission and treatment services."[84] Prior to this agreement, Clark County had several individual wastewater service areas. During a "Sewer Summit" in 2007 between 12 agencies representing all the sewer services in Clark County, four agencies agreed to move forward to form a regional partnership. The remaining eight agencies would continue to coordinate with the group on an individual basis through Interlocal Agreements. The agencies continued planning, resulting in the formation of the Alliance in 2013 and full alignment of operations in 2015.

Figure 14 – Alliance Formation Timeline



Source: Discovery Clean Water Alliance, 2016 Capital Plan Update

CRWWD recognized the fact that the population in their service area had doubled over the past 20 years. The area population is projected to double again within the next 20 years, but Salmon Creek possesses the land necessary to increase capacity to support long-term growth projections[85].

[83] Discovery Clean Water Alliance. (2017). 2017-2018 adopted operating and capital budget, p. 19. Retrieved from https://www.discoverycwa.org/docs/2017-2018_Op_Capital_Budget_Adopted_121616.pdf

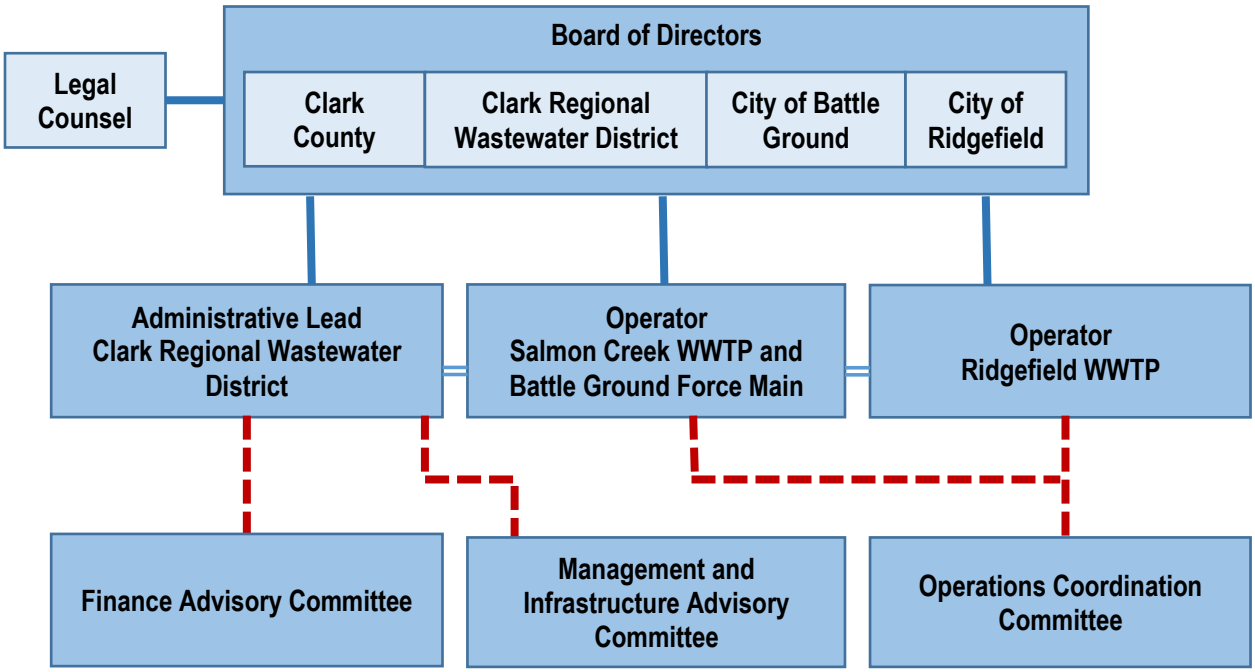
[84] Discovery Clean Water Alliance. (2018). About the alliance. Retrieved from https://www.discoverycwa.org/about.html

[85] Clark Regional Wastewater District. (2012). Comprehensive general sewer plan 2012 amendment. Retrieved from https://www.crwwd.com/documents/2013GeneralSewerPlanUpdate.pdf

Governance/Legal Framework

Established under the authority outlined in RCW 39.106 through Interlocal agreements, the Alliance is a Special Purpose Government, and it contracts with CRWWD for administrative, executive, and financial management. The Alliance is managed by a Board of Directors, consisting of one Director and any alternate Directors appointed by each of the four member jurisdictions. Directors and alternates must be elected officials of the appointing jurisdiction.[86] The board establishes policies, oversees, and governs all Alliance activities. The board also develops committees and advisory boards as required in the conduct of business. Figure 15 below presents a relational flow chart for the organization.

Figure 15 – Organizational Chart and Relationships



Source: Derived from Discovery Clean Water Alliance, 2016 Capital Plan Update

Financials

The Alliance receives payment by the Members of the Alliance[87], with individual households and businesses paying their respective municipal jurisdiction. Each member pays operating costs based on actual wastewater flows averaged from the previous year, with capital costs based on allocated capacity in the regional assets.

[86] Clark County. (2013). Discovery Clean Water Alliance operator agreement. Retrieved from https://www.clark.wa.gov/sites/default/files/dept/files/public-works/Salmon%20Creek%20Wastewater%20Treatment%20Plant/ClarkCountyOperatorAgreement.pdf

[87] Discovery Clean Water Alliance. (2017). 2017-2018 Capital and operating budget. Retrieved from https://www.discoverycwa.org/docs/2017-2018_Op_Capital_Budget_For_Adoption_121616.pdf

Conclusion

Discovery Clean Water Alliance provides a workable wastewater treatment solution for the member communities and supports the expanded requirements of the Urban Growth Areas over the next two decades. At the same time, the alliance's legal and financial frameworks allow individual members to maintain autonomy of their respective infrastructure and conduct business as separate entities. Individual members have autonomy to enter into other Interlocal Cooperation Agreements without the need to consult and obtain consensus, as long as their overall wastewater throughput does not exceed the jurisdiction's allocated capacity.

Appendix J: Lewis County Shared Services Agreement

BEFORE THE BOARD OF COUNTY COMMISSIONERS
OF LEWIS COUNTY, WASHINGTON

REQUEST APPROVAL OF SHARED SERVICES INTERLOCAL AGREEMENT) **RESOLUTION NO. 14-049**

WHEREAS the Board of County Commissioners has reviewed a Shared Services Interlocal Agreement between Lewis County and all the cities within Lewis County to pursue collaboration and consider potential cost savings, a copy of which is attached to this resolution; and

WHEREAS , the Shared Services Interlocal Agreement will streamline the administrative process in which reimbursable work is done; and

WHEREAS , the Shared Services Interlocal Agreement will be for a period of 5 years, expiring December 31, 2018 and can be terminated by either party upon written notice; and

WHEREAS , it appears to be in the best public interest to authorize the execution of said Shared Services Interlocal Agreement.

NOW THEREFORE, BE IT RESOLVED that the aforesaid Shared Services Interlocal Agreement is hereby approved and the Board of County Commissioners are authorized to sign the same.

PASSED IN REGULAR SESSION THIS 3rd DAY OF FEBRUARY, 2014.

APPROVED AS TO FORM:
Jonathan Meyer, Prosecuting Attorney

By: Glenn Carter, Deputy Prosecuting Attorney

ATTEST:

Karri Muir, Clerk of the Board

SEAL OF LEWIS COUNTY, WASHINGTON BOARD OF COUNTY COMMISSIONERS SINCE 1845 WASHINGTON'S 1st COUNTY

BOARD OF COUNTY COMMISSIONERS
LEWIS COUNTY, WASHINGTON

F. Lee Grose, Chairman

Edna J Fund, Member

P.W. Schulte, Member

SHARED SERVICES INTERLOCAL AGREEMENT

This Shared Services Interlocal Agreement (AGREEMENT), made and entered into pursuant to authority of R.C.W. 39.34.080 and in conformance with R.C.W. 43.09.210, this 3 day of Feb 2014, by and between Lewis County, City of Centralia, City of Chehalis, City of Mossyrock, City of Morton, City of Napavine, Town of Pe Ell, City of Toledo, City of Vader, and City of Winlock, all political subdivisions of the State of Washington, hereinafter referred to collectively as the "Communities" and individually as "Community," HEREBY COVENANT AND AGREE as follows:

1. In the event a Community requests ("Requesting Community") that another Community ("Providing Community") perform work of the manner described below and guarantees reimbursement to the Providing Community for all work done, the Requesting Community will, upon completion of a fully executed Reimbursable Work Order, provide all necessary labor and material and all work incidental to providing such work in the Requesting Community or areas in which the Requesting Community has legal authority to perform the following work:
    a. Professional Services (RCW 18.100.030), Personnel Services (RCW 39.26.006), and/or
    b. Materials
    c. Equipment Maintenance, Repair and Rental
    d. Purchasing
    e. Training

2. Each and every work request shall be made on a fully completed and signed Reimbursable Work Order (sample attached), and according to the following steps:
    a. The Designated Official, as identified in the attach list of Community of the Requesting Community requests an estimate for reimbursable work from the Providing Community by submitting a reimbursable work order.
    b. The Designated Official or equivalent official of the Providing Community will provide estimated cost of the Work and the availability of resources to perform the work.
    c. The Designated Official of the Requesting Community approves expenditure of Requesting Community funds to complete the work as described, based on the detailed scope of work provided by the Providing Community.
    d. The Providing Community Designated Official or equivalent official approves such Reimbursable Work Orders, up to $20,000 and with an annual aggregate limit of $30,000. Reimbursable work in excess of these amounts must be performed under a separate Interlocal Agreement, approved by the governing body of the Providing Community.
    e. The Designated Official of the Requesting Community will submit the Reimbursable Work order to the Requesting Community Fiscal Division or equivalent department for processing upon completion of all work agreed to be performed.

3. The Requesting Community hereby agrees to reimburse the Providing Community for all work done, based upon the actual cost as described in the Requesting Communities Work Order and an administrative fee of 5% or $100, whichever is greater. The estimated total dollar amount of all work performed by the Providing Community for the Requesting Community under this Agreement shall not exceed $20,000 per work order, nor an annual aggregate amount of $30,000.

4. The Requesting Community certifies and warrants that it has the legal authority to accomplish the work with its own forces at the location specified in the Reimbursable Work Order, but in fact has insufficient resources to accomplish said work.

5. It is understood and agreed that the time for and hours of performance of reimbursable work is at the Providing Community's discretion and all reimbursable work as provided for hereto shall be accomplished only, and if, such work does not interrupt or interfere with the Providing Community's regularly scheduled activities.

6. It is understood that the Requesting Community has total responsibility for having in its name all necessary property rights prior to construction and/or maintenance by the Providing Community. Requesting Community shall be responsible for obtaining any permits necessary for the performance of the reimbursable work.

7. It is understood and agreed between the parties hereto that the Requesting Community agrees to protect, defend, indemnify and hold harmless the Providing Community, its commissioners, mayor, councilpersons, officials, agents, attorneys, departments and employees against any and all liabilities, claims, damages, penalties, actions, costs and expenses (including reasonable attorney's fees) which may arise for any reason as a result of the performance of this Agreement by the Providing Community, except insofar as any obligation or responsibility is imposed upon the Providing Community by statute. Requesting Community has negotiated and expressly waives any immunity that may be granted it under the Washington industrial Insurance Act.

8. Requesting Community certifies and warrants that Designated Official or designee has the authority to enter into a reimbursable work order and to bind the Requesting Community thereby.

9. Requesting Community hereby confers on the Providing Community the authority to perform the categories of work listed in paragraph one within the Requesting Community's jurisdictional limits for the purposes of carrying out this Agreement. Further, Requesting Community agrees that when the Providing Community provides services for the Requesting Community, the Providing Community Designated Official or designee, may exercise all the powers and perform all the duties vested by law or by resolution in the Requesting Community or other officer or department administration.

10. The Providing Community shall be considered a contractor of services only and does not purport to represent the Requesting Community professionally other than in providing the services requested by the Requesting Community. As an independent contractor, the Providing Community shall control personnel standards of performance, discipline and all other aspects of performance, including that of the dedicated on-site staff. In the event the Providing Community uses contract services to perform services for the Requesting Community, the Providing Community shall perform the appropriate supervision and inspection of the contractor's work.

11. This Agreement will expire December 31, 2018, unless terminated earlier pursuant to the provisions of this Agreement. Any Community may terminate its participation in this Agreement by depositing in the mail or providing in person a written notice of termination addressed to the Lewis County Board of County Commissioners and the Mayor or City Manager of each participating Municipality. This Inter-local Agreement shall continue as to the remaining parties until only one party remains.

12. This Agreement shall not be deemed or construed to create a separate legal entity or to create a joint venture or partnership among the parties.

13. This Agreement may be amended, altered or changed from time to time by a signed written agreement of all the parties involved. The Agreement as amended shall supersede the preceding Agreement and apply to all parties executing the amended Agreement. The preceding Agreement shall terminate as to all parties, including those who have not agreed to the amendment.

14. All notices or other communications required or permitted under this Agreement shall be sufficiently given if given by electronic communication, with return receipt verified, promptly confirmed in writing by U.S. Mail, return receipt requested:
    a. If to County: Chair Board of County Commissioners
    b. If to City of Centralia: City Manager
    c. If to City of Chehalis: City Manager
    d. If to City of Mossyrock: Mayor
    e. If to City of Morton: Mayor
    f. If to City of Napavine: Mayor
    g. If to Town of Pe Ell: Mayor
    h. If to City of Toledo: Mayor
    i. If to City of Vader: Mayor
    j. If to City of Winlock: Mayor

15. This Agreement shall be construed and enforced in accordance with the laws of the State of Washington, and venue for any dispute arising hereunder shall be in the Superior Court for the State of Washington in Thurston County.

EXECUTED IN DUPLICATE and effective as of the date and year first above written.

Rob Hill, City Manager, City of Centralia

Merlin MacReynold, City Manager, City of Chehalis

Tom Meade, Mayor, City of Mossyrock

James Gerwig, Mayor, City of Morton

John Sayers, City of Napavine

Spencer Nichols, Mayor, Town of Pe Ell

Jerry Pratt, Mayor, City of Toledo

Ken Smith, Mayor, City of Vader

Glen Cook, Mayor, City of Winlock

IN WITNESS WHEREOF, the parties hereto have set their hands and seals the day and year first above written.

APPROVED AS TO FORM:
Jonathan L. Meyer, Prosecuting Attorney

By: Civil Deputy

ATTEST:

Karri Muir, Clerk of the Board

BOARD OF COUNTY COMMISSIONERS
LEWIS COUNTY, WASHINGTON

P.W. Schulte, ~~Chairman~~

F. Lee Grose, ~~Vice~~ Chairman

Edna J. Fund, ~~Member~~

SHARED SERVICES REIMBURSABLE WORK ORDER

Community	Year	Number

To be completed by Requesting Community

REQUEST

The undersigned hereby requests _____ to provide a preliminary estimate for cost of work stated herein.

☐ Optional: The cost for the type of assistance requested cannot exceed $_____

Type of assistance requested:

☐ Professional Service
☐ Personnel Service
☐ Labor
☐ Equipment Maintenance
☐ Equipment Rental
☐ Equipment Repair
☐ Materials
☐ Purchasing
☐ Training

PROVIDING COMMUNITY ESTIMATE

I have met with a representative of the above Requesting Community and submit my preliminary estimate cost of $_____ plus administrative costs of $_____ for a total cost of $_____ to complete the project requested.

See Attached Detail of Work

_____
Designated Official of Providing Community

REQUESTING COMMUNITY APPROVAL OF ESTIMATE

Cost estimate of work as requested is reasonable and required resources are available: ☐ Yes ☐ No

Date: _____ By: _____
Requesting Community Designated Official

Title: _____

Agency: _____

It is understood that the total cost given is for estimation purposes only and that the project total cost will be based upon the actual cost of the work performed and an administrative fee of 5% or $100 whichever is greater.

All work will be performed in accordance with the Shared Services Interlocal Agreement, dated _____.