



## **Public Works Board**

*Fiscal Year 2018 Construction Loan List  
and Pre-construction Loans*

September 2018  
Report to Legislature  
Scott Hutsell, Public Works Board Chair





Washington State  
Public Works Board  
Post Office Box 48319  
Olympia WA 98504-8319

September 1, 2018

The Honorable Christine Rolfes, Chair  
Senate Ways and Means Committee  
303 John A. Cherberg Building  
Post Office Box 40411  
Olympia, Washington 98504-0411

The Honorable Steve Tharinger, Chair  
House Capital Budget Committee  
239 John L. O'Brien Building  
Post Office Box 40600  
Olympia, Washington 98504-0600

Dear Senator Rolfes and Representative Tharinger:

On behalf of the Public Works Board and in accordance with 43.155.070(6), I am pleased to submit the 2018 Legislative Report on Board activities in the 2018 fiscal year. In fiscal year 2018, the Board funded 29 projects totaling approximately \$82.3 million from the bond proceeds appropriated to the Board. Construction loans valued at \$77.2 million for 21 communities, and pre-construction loans for eight communities valued at \$5.1 million will build the Washington of tomorrow. The resources obligated in fiscal year 2018 don't begin to touch the demand at the local level.

In recent years, the Board was all too aware of the extraordinarily difficult financial condition the state found itself. However, the state's economy is thriving with revenue forecasts indicating nearly \$600 million in additional revenue in the 2017-19 and 2019-21 Biennia. In a thriving economy, infrastructure is a required and necessary investment to maintain economic growth. Sweeping funds from the Public Works Assistance Account – more than \$1.2 billion since the 2013-15 Biennium – is a detriment to our state's intended direction and a disservice to the local governments whose taxes were dedicated to local infrastructure. The Board and our county, city, and special district partners are committed to the task to again retain existing loan repayments and dedicated tax revenues.

The funds, as awarded in fiscal year 2018, will support 29 critical infrastructure projects - projects that will protect the health and safety of the public, ensure the state's environmental health is maintained, and promote economic recovery. The Board's \$82.3 million will leverage more than \$463 million over the next five years constructing and planning for these projects. These funds will generate living wage jobs and strengthen local communities.

Please contact Cecilia Gardener, Public Works Board Executive Director, if you have any questions or concerns. Cecilia can be reached at [Cecilia.Gardener@commerce.wa.gov](mailto:Cecilia.Gardener@commerce.wa.gov) or by phone at 360-725-3166.

Sincerely,

A handwritten signature in blue ink that reads "Scott M. Hutsell".

Scott Hutsell,  
Public Works Board Chair

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# Public Works Board—Fiscal Year 2018 Report

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# Public Works Board Members

## General Public Representatives

Board Chair, The Honorable Scott Hutsell, Lincoln County Commissioner

Vice Chair, JC Baldwin, Port of Chelan County Commissioner

Senator Mary Margaret Haugen

Senator Lisa Wellman

## City Representatives

The Honorable KC Kuykendall, City of Waitsburg Council Member

Steve Misiurak, PE, City of Gig Harbor, City Engineer

The Honorable Bill Ramos, City of Issaquah Council Member

## County Representatives

The Honorable Lisa Ayers, Pacific County Commissioner

Erik Martin, PE, Lewis County Public Works Director

Vacant

## Public Utility District Representative

Mark Scott, Pend Oreille Public Utility District No. 1, Water System Manager

## Sewer and Water District Representatives

The Honorable Pam Carter, Valley View Sewer District Commissioner

Diane Pottinger, PE, North City Water District Manager

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**Department of Commerce**



# Year in Review

## Staffing

The Department of Commerce, the administrative arm of the Board, continues to evolve to meet the ever-changing needs of communities statewide. The Public Works Board and the dedicated staff operate within the Local Government Division. The Boards Unit comprises Public Works Board staff and Community Economic Revitalization Board staff. This has enabled the staff to optimize operations as the functions that support independent policy boards are similar.

As Commerce evolves, so has the Board. In 2018, the Board observed four long-time staffers depart due to deserved promotions, created a new position with a communications focus, and modified the Board Liaison position to include a larger programmatic scope.

## Legislative Highlights

In the 2017 Legislative session, [ESHB 1677](#) authorized the Board to form an interagency multijurisdictional system improvement team. This team is known as [Sync](#) and coordinates with state and local agencies, clients, stakeholders, legislators, and industry experts to develop a more efficient and effective process of financing infrastructure. Sync began by reviewing the current state of our programs and cataloguing our shared inventory of assets before examining internal processes and designing improvements from an ideal state.

Per the legislation, the Sync Core Team comprised the Board, and the departments of Health, Commerce, and Ecology with an initial focus on water infrastructure. As our efforts expand, so will composition of the Core Team. The many systems of infrastructure finance each have their own challenges that require unique solutions. Together, we have found strength in our coordination and foresee Sync as a three-year effort that will neither expire, nor end with an annual report. Sync will live beyond the report as an ongoing source for efficiency and state collaboration that continues to support best-practices for funding infrastructure in partnership with local governments.

## *Sync Strategic priorities*

Sync's strategic priorities developed in a holistic sense, and in consideration of internal and external perspectives. As state programs, we understood some of the opportunities to standardize and align, but sought to balance our internal sense of direction with the perspectives of our clients, the local governments who are the end users of our programs. Sync hosted or attended more than 30 events statewide between January and June of 2018. The culmination of our efforts is an extensive strategic plan with seven objectives explicitly tied to the eight designated outcomes of ESHB 1677.

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
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

# Year in Review

## Legislative Highlights continued

For the Board, these seven objectives will support and highlight:

- Collaboration and uniformity through internal process improvements
- Best practice development and distribution to local jurisdictions
- Pilot studies of local projects that maximize value

Specifically, via the Sync initiative, the Board adopted several programmatic updates to enhance the utility and depth of its infrastructure finance programs.

1. Extended Board funding cycles to align with Sync agency funding windows. Beginning in March 2018, the Board authorized six funding windows for pre-construction and emergency loans. Pending availability of funds, Pre-construction loans would close in September 2018, and Emergency loan funds would expire with the fiscal year, in June 2019.
2. Produced an *Introductory Value Planning Guide*, a best practice exploration of value planning set for release at the Infrastructure Assistance Coordinating Council (IACC) conference in October 2018.
3. Refined the 2018 Board loan application to reflect common questions on fellow Sync agency applications, such as the departments of Health (DWSRF) and Ecology (CWSRF).
4. Criteria developed for hardship and forgivable loans, and incorporated into client financial analysis and review of financial health

As the work of Sync continues, the Board and our partners will develop and adopt process improvements across of a number of key programmatic areas, including but not limited to:

**Applications** – Sync agency staff are reviewing our applications in an effort to align common questions, data, and documentation required. The desired result will ideally link Sync agency applications into a common voice with respect to our unique statutory and agency-based criteria.

**Affordability and hardship** – Sync agency staff are reviewing a shared pathway for determining hardship criteria and hardship interest rates. The desired result is a common approach to determining hardship status.

**Technical assistance** – Sync agency staff are reviewing technical assistance offered within our programs in an effort to expand tech teams, and which best practice technical guidance (i.e., value planning and asset management) could expand local financial, managerial, and technical capacity.



# Year in Review

## ESHB 1677 Modified Existing Board Processes

In addition to authorizing the work of Sync, the system improvement team, ESHB 1677 modified the Board's core infrastructure funding programs in meaningful ways. Areas impacted include:

1. Interest rates
2. Reporting
3. Finance and grants
4. Diverting tax revenues of the Public Works Assistance Account

### 1. *Interest Rates*

Board loans and grants will carry an interest rate based on the average daily market rate for tax-exempt municipal bonds as published in the bond buyer's index for the period from 30 to 60 days prior to the application cycle start date. This is the market rate.

- a. Rate-based projects with a repayment period of between 5-20 years will have an interest rate of 50% of the market rate.
- b. Rate-based projects with a repayment period of less than 5 years will have an interest rate of 25% of the market rate
- c. The Board may provide reduced rates, longer repayment periods, and/or grants for projects that meet financial hardship based on affordability (i.e., affordability index) or similar standards.

### 2. *Reporting*

ESHB 1677 removed the requirement for the Board to provide a ranked loan list of recommended and not recommended projects to the Legislature. Instead, the Board will request an appropriation each biennium for the purpose of funding public works projects across the Board's Pre-construction,

Construction, and Emergency loan programs.

- a. Funds may not be obligated from the PWAA until the Legislature appropriates funds to the Board.
- b. Identified the maximum amount of funding that the Board can provide to each jurisdiction: \$10M per biennium.
- c. Removed the Legislature's authority to remove projects from a list.

The due date of the Board's annual reports changed from November 1<sup>st</sup> to September 1<sup>st</sup> of each year.

- d. The Board must submit an annual description of Pre-construction and Emergency loans.
- e. Removed the requirement to provide a ranked project list of those recommended and not recommended for funding.
- f. Removed the requirement to provide an annual report outlining each project and measures of the local governments' fiscal capacity.

### 3. *Finance and Grants*

ESHB 1677 added value planning as an eligible pre-construction activity, increased the percentage of appropriated funds available for pre-construction and emergency loans and grants from 15% to 20%, and developed criteria for hardship and parameters for new forgivable loans (i.e., grants).

One key change that removed a barrier to interagency collaboration is the removal on the prohibition of lending funds to projects that are eligible for funding under either the Drinking Water or Clean Water state revolving funds.

# Year in Review

## ESHB 1677 Modifications continued

Moreover, ESHB 1677 updated the Board's prioritization selection criteria for funding grants and loans, including:

- a. Directed the Board to develop policies and procedures to maximize local government consideration of other funds, rather than use of federal funds.
- b. Qualified the promotion of sustainable resource use and environmental quality to as applicable.

To be eligible for Board funds, a loan recipient may be required to have:

- c. An asset management best practices plan.
- d. Long-term financial plan demonstrating a maintenance program.
- e. A long-term financial plan for loan repayments.
- f. Undergo value planning at the predesign project stage.

PWAA funds may be transferred to the Water Pollution Control Revolving Account and the Drinking Water Assistance Account.

ESHB 1677 modified existing Board processes, and created more flexibility to deliver the Board's programs while asserting the core objective to maximize value. By expanding a focus on value planning as an eligible pre-construction activity, and lowering interest rates to a current maximum of one-half of market value, the Board is well-positioned to support local infrastructure project planning, design, and construction well into the future.

## 4. Diverting Public Works Assistance Account funds

In contrast to areas of empowerment, ESHB 1677 continued to deflate the consistency by which the Board can bring value and build community. Local tax revenues dedicated to the Public Works Assistance Account (PWAA) will no longer return to the Board in 2019. Rather, the sunset of these fund diversions, which support K-12 and higher education via the Education Legacy Trust Account, were extended through 2023. Beginning in fiscal year 2024, the solid waste and public utility tax revenues will return to the PWAA.

In the last two biennia, the state's [revenue forecasts increased](#) at a significant pace. In the 2017-19 biennium, an additional \$298 million in revenue, and for the 2019-21 Biennia, forecasts assume a \$287 million increase in revenue. **Bordered by a thriving economy, the Board is hopeful local revenues dedicated to local infrastructure will no longer be needed to support education, and may return to serve their intended purpose.** Although the state's economy is thriving, and income, employment, and population growth surpassed national averages, our communities' infrastructure needs continue to grow. A stable Public Works Board will provide the consistent, affordable, and user-friendly funds local governments have relied upon for the last 31 years.

## Costs to Borrow

Since 1985, the Public Works Board (Board) awarded more than \$2.8 billion across approximately 1,900 loans. Historically, the Board was a consistent, user-friendly, and affordable means for local governments to address critical infrastructure needs. With tax revenues and loan repayments diverted from the Public Works Assistance Account (PWAA), the consistency local governments relied upon faded.

# Year in Review

## Costs to Borrow continued

Since the 2013-15 biennium, more than \$1.2 billion in PWAA funds diverted away from critical infrastructure projects. Along with loan repayments, the majority of revenues from the public utility tax, real estate excise tax, and solid waste (refuse) collection tax diverted to support the State General Fund, and the Education Legacy Trust Account, or ELTA (Figure 1).

Throughout the Board's history, Public Works Assistance Account (PWAA) funds supported other programs without diminishing the overall capability of the Board or limiting local access to infrastructure financing. For example, interest earnings from Board loans are transferred to the Community Economic Revitalization Board (CERB), and PWAA funds provide state match for the Drinking Water State Revolving Fund. The expanded diversion for education and state operating expenditures limits access to affordable capital, and creates a need to rely on bonds and costly market rate capital.

In the Board's first loan cycle of 2018, and per statute, the Board's interest rates may not exceed one-half of the average daily market rate. Other state infrastructure programs can offer zero interest, loan forgiveness, and more competitive subsidy, but no state infrastructure program can offer a lower interest rate more consistently. For example, a Board loan is less costly than a state or local bond in the private credit market (Figure 2).

**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 loans. State bonds do not carry such a deal.

Figure 1: PWAA Diversions, 2013-15 to 2017-19 Biennia



Figure 2: Costs to Borrow \$97.1 million over 20 years



The PWAA is built for affordability and consistency. PWAA loan repayments are a self-sustaining resource that provides efficient value. Two inefficiencies, state bonds and sweeping PWAA funds do not make a right.

Analysis is based upon the Board's 2016 construction loan list, as approved by the Legislature in January 2018, totaling \$97.1 million in projects. Board loans account for 23 projects with a 1.66% interest rate, and two hardship projects with a 1% interest rate. A state bond assumes an Aa1 rating and a 3.33% interest rate, and a private credit market bond a local government may assume carries a Baa1 rating and a 3.85% interest rate for the same \$97.1 million. Municipal borrowing data current as of February 14, 2018 from Municipal Market Data.

# Public Works Board Program Overview

## Pre-Construction Loan Program

The Public Works Board (Board) is authorized by state statute ([RCW 43.155](#)) since 1995, to make low interest loans to counties, cities, and special purpose districts to repair, replace, or create domestic water systems, sanitary sewer systems, storm sewer systems, roads, streets, solid waste and recycling facilities, and bridges.

RCW 43.155 was modified by [ESHB 1677](#) to meet state policy objectives:

1. Efficient use of state resources;
2. Preservation and enhancement of health and safety;
3. Abatement of pollution and protection of the environment;
4. Creation of new, family-wage jobs, and avoidance of shifting existing jobs from one Washington state community to another;
5. Fostering economic development consistent with chapter [36.70A RCW](#);
6. Efficiency in delivery of goods and services and transportation; and
7. Reduction of the overall cost of public infrastructure.

To best meet the needs of local governments, Public Works Board staff surveyed selected local government officials throughout the state and presented program options to the Board. In August 1995, the Board adopted program policies and determined that the following types of activities would be eligible for funding:

- Design and engineering
- Bid-Document preparation
- Environmental studies
- Right-of-way acquisition

There is \$14 million set aside for 2018 Pre-Construction applications (on-line submittal through ZoomGrants) that are based on a competitive process. We will have on-going application cycles starting in February, July and August 2018, until appropriated funds are exhausted. There is a maximum \$1 million dollar award per jurisdiction per biennium limit, with a loan term of 5 years, including 2 years for completion. The interest rate is determined prior to each application cycle (currently range between 0.39% and 0.78%).

- Clients meeting the severe hardship criteria may receive 20% loan forgiveness, when they have completed the scope of work in the Pre-Construction loan.
- Clients qualifying and accepting loan forgiveness may have a 2-year loan repayment deferral.
- Clients may convert from a 5-year to a 20-year term prior to the first principal payment only. With 30% of the funding, secure for construction of the project.

## Emergency Loan Program

The Public Works Board (Board) is authorized by state statute ([RCW 43.155](#)), to loan Emergency funding since 1988, to counties, cities, and special purpose districts to repair, replace, or create domestic water systems, sanitary sewer systems, storm sewer systems, roads, streets, solid waste and recycling facilities, and bridges.

There is a maximum \$5,000,000 set-aside for Emergency Loan Applications (on-line submittal through ZoomGrants). This is an “open cycle” on a first come, first serve basis until funds are exhausted. Funds expire at the end of the fiscal year (June 2019).

# Public Works Board Program Overview

Emergency Construction program focus on the activities that repair, replace, and/or reconstruct a facility that will restore essential services.

Eligible projects are a public works project made necessary by a natural disaster, or an immediate and emergent threat to the public health and safety due to unforeseen or unavoidable circumstances.

Emergency loan terms are:

- \$1,000,000 per jurisdiction per biennium
- Local match: not required
- Interest Rate: range between 0.78% to 1.56%
- Loan Term: 20 years or the life of the improvement, whichever is less.

## Threshold Requirements

The following are threshold requirements necessary to qualify for funding under the Pre-Construction and Emergency Loan programs. **Failure to meet all threshold requirements will disqualify an application.**

### ***Capital Facilities plan Standards (Counties and Cities Not Planning Under GMA)***

Jurisdictions not planning under the GMA (Growth Management Act) must have adopted a Capital Facilities Plan for all systems they own on or before the application deadline. The following standards are the minimum requirements for a Capital Facilities Plan (CFP) as established by the Board.

- a. Inventory major system components, show locations and capabilities, and assess the overall capital needs for the specific system involved;
- b. Forecast future needs for the capital facilities, show location, and capabilities of expanded or new capital facilities;
- c. Identify, prioritize and coordinate major capital

- d. improvement projects over a six-year period;
- d. Estimate capital project costs and identify financing alternatives for each project identified. Transportation projects and funding must be consistent with locally-established service standards;
- e. Must be updated on a regular basis. We recommend at least once every two years. In no case will a plan over six years old be accepted;
- f. Must be consistent with the comprehensive plans of neighboring jurisdictions;
- g. Must have provided opportunity for early and continuous public participation; and
- h. Must be consistent with, and is an element of, the comprehensive plan formally adopted by the governing body of the local jurisdiction.

For letter “f” above, the Board will give special interpretation to special purpose districts. Special purpose districts need to show consistency with the Comprehensive Land Use Plan of the counties and/or cities in which they provide services.

### ***Compliance with Executive Order 05-05 Archaeological & Cultural Resources***

In order to protect the rich cultural heritage of Washington State, Governor Gregoire signed Governor's Executive Order 05-05 (GEO 05-05). All projects awarded state capital funds must have consultation conducted with the Department of Archaeology & Historic Preservation and any Federally recognized Indian tribes that may have cultural/historic interest or concerns in your project's vicinity.

However, if your project, through federal involvement, will be subject to Section 106 of the National Historic Preservation Act, that approval may satisfy the GEO 05-05 process. Please remember that the GEO 05-05 process must be completed prior to the start of construction (includes pre-construction loans).

# Public Works Board Program Overview

## Greenhouse Gas Policy

RCW 70.235.070 requires the Board to consider, when awarding loan funds, whether the entity receiving funds has adopted policies to reduce greenhouse gas emissions (GHG) and whether the project proposed for funding is consistent with Washington's limits on GHGs, goals to reduce vehicle miles traveled, and applicable federal emissions reduction standards.

The Board identifies a Greenhouse Gas policy as a specific policy adopted by the applicant jurisdiction whereby the jurisdiction identifies the policies (broadly or narrowly) by which it will reduce consumption of energy including, but not limited to the reduction of GHGs

## Growth Management Act (GMA) Compliance— At Time of Contract

Applicants planning under GMA must have adopted the Comprehensive Plan and Development Regulations prior to contract execution. The applicant must not have any Findings of Non-Compliance or Invalidity Orders pending. Compliance will be verified by Board staff. For questions, contact the Growth Management Services (GMS) unit within the Department of Commerce at (360) 725-3000.

### **GMA Exception**

Counties, cities, and towns planning under the GMA that are not in compliance with the Act may request an exception to this requirement when the project is necessary to address a public health need or a substantial environmental degradation issue. To qualify for the exception, the jurisdiction must have a letter from the appropriate agency stating that the exception has been granted. The letter must be postmarked prior to the Pre-Construction or Emergency Loan contract offer.

## Real Estate Excise Tax (REET)

For counties, cities and towns, the applicant must impose the one-quarter of one-percent REET as allowed by [RCW 82.46.010\(2\)](#) at the time of application. To check your jurisdiction's status, go to:

<https://dor.wa.gov/sites/default/files/legacy/Docs/forms/RealEstExcsTx/RealEstExTxRates.pdf>

## Special Purpose District Consistency with Local Comprehensive Land Use Plans

Capital Improvement Plans of special purpose districts must show consistency with the Comprehensive Land Use Plans of the local jurisdiction in which they reside.

## Sanitary Sewer Projects: Side Service Sewer Connections

Jurisdictions must adopt an ordinance or resolution declaring such repair and/or replacement that will enhance conservation or more efficient use of sanitary sewer systems. Also, the jurisdiction must have a mechanism in place to meet the charge back provisions of [35.67.360 RCW](#). The ordinance or resolution must be in place prior to contract execution. The ordinance must be related specifically to the area affected by the project being applied for. A copy of the ordinance or resolution must accompany the loan contract.

## Puget Sound Partnership

The Public Works Board selection criteria is in line with the Partnership, and projects are presented to the Partnership prior to Board deliberation on a funding list. This process avoids any conflicts with the Puget Sound Partnership's Action Agenda. The Board will continue this process now that the Legislature has modified our funding approval process.







# FY 2018 Loan Summaries

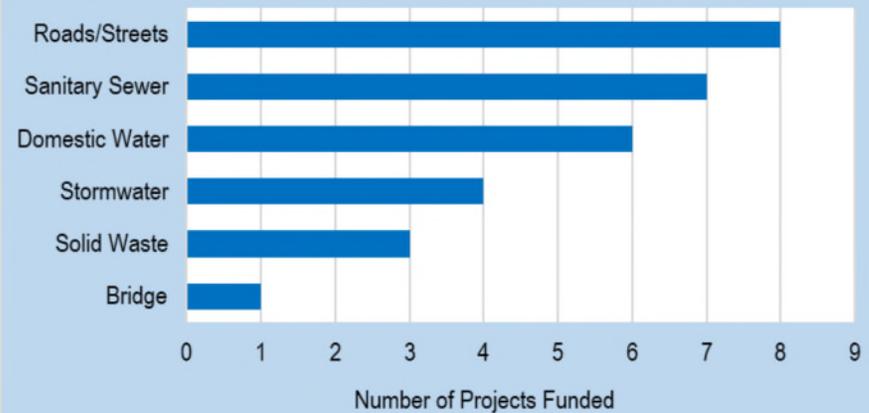
In fiscal year 2018 (FY18), the Board awarded \$82.3 million in pre-construction loans, and construction loans to 29 communities (Figure 4). Each application reviewed and awarded met the Board’s threshold criteria outlined in [43.155.070 RCW](#).

Together, the \$82.3 million in Board loans leveraged more than

\$463 million in state, federal, and local infrastructure investments. In FY18, \$2,937,364.80 disbursed from the PWAA to previously awarded project loans.

Figure 3 presents FY18 loans by project type. The majority of projects focused on water-related infrastructure.

**Figure 3: Board Loans by System Served**



**Figure 4: Loan Activity by Program**

Loan Program	Applicants	Amount Requested	Amount Obligated	Amount Unfunded or De-obligated $\phi$
Construction*	25	\$97,102,265	\$77,219,029	\$19,883,236
Pre-construction	15	\$7,573,517	\$5,122,000	\$2,451,517
Emergency**	0	\$0	\$0	\$0
<b>Total</b>	<b>40</b>	<b>\$104,675,782</b>	<b>\$82,341,029</b>	<b>\$22,334,753</b>

\* Construction Loan list, applicants applied in 2016 and awarded in 2018. Funds, as appropriated in the 2017-19 capital budget, fund public works projects with state bonds.

\*\* The Board has received several Emergency loan inquiries regarding aging pipes or lack of maintenance. These do not qualify to meet the Emergency definition. Eligible projects are a public works project made necessary by a natural disaster, or an immediate and emergent threat to the public health and safety due to unforeseen or unavoidable circumstances.

$\phi$  Construction loans were de-obligated due to GMA noncompliance, jurisdiction declined the loan, or recipient secured other financing during capital budget delay

The level of loan repayments that deposited into the PWAA during FY18 was \$104,522,714.85.

In the next ten years, the anticipated level of loan repayments due for outstanding loans is \$465,025,369 (see Figure 5 on the next page). FY19 is smaller due to clients paying in June of FY18, rather than July. The following repayment years are based on

when the loan repayment is due rather than an estimate of how many will pay early, or pay more than required.

Repayment calculations are based on draws to date and are not an estimate of how much will be drawn in the next five years. Rather, calculations represent the amount of loan repayments the PWAA would receive within a standard repayment schedule.

# FY 2018 Loan Summaries

**Figure 5: Estimated Loan Repayment FY19 to FY28**

Fiscal Year	Estimated Loan Repayment
FY 19	\$53,033,701
FY 20	\$76,825,684
FY 21	\$71,050,933
FY 22	\$63,618,284
FY 23	\$53,643,836
FY 24	\$45,922,843
FY 25	\$37,781,382
FY 26	\$27,667,691
FY 27	\$20,409,370
FY 28	\$15,071,645
<b>Total Loan Repayment</b>	<b>\$465,025,369</b>

The figures, at right, present the interest rate information for FY17 construction loans (Figure 6) and FY18 pre-construction loans (Figure 7). The basis by which Board staff computed interest rates for FY18 loans reflects ESHB 1677 and relies on the average daily market rate for the period 30 to 60 days prior to the loan cycle. In calendar year 2018, interest rates across all terms and loan programs varied between 0.39% and 1.70%.

Determination of an applicant’s distressed status is dependent on the system type—rate-based or non-rate-based. Rate-based projects must consider the impact on rate payers, and the affordability index (AI) is the metric used. For non-rate-based projects, debt service coverage ratio (DSCR) indicates a jurisdiction’s ability to assume new debt.

**Figure 6: Loan Term Greater Than 5 Years (FY17)**

Designation	Rate-Based (AI)	Non-rate-based (DSCR)
Regular rate	1.66%	1.66%
Distressed	1.0%	1.0%
Severely distressed	0.80%	0.80%

**Figure 7: Loan Term 5 Years or less (FY18)**

Designation	Rate-Based (AI)	Non-rate-based (DSCR)
Regular rate	0.78%	0.78%
Distressed	0.62%	0.62%
Severely distressed	0.39%	0.39%

## 2018 Construction Loan List

In January 2018, the Legislature authorized SB 6090 to pass the 2017 capital budget that included approximately \$97.1 million for the Board to award 25 construction loans. All projects that met threshold criteria were awarded. The Board authorized these projects in October 2016. The delay associated with the capital budget observed several loan recipients decline their awards for various reasons, ranging from noncompliance with the Growth Management Act to

jurisdictions re-prioritizing projects with an alternative funding source identified. As a result, there is approximately \$20 million in de-obligated funds, and 21 projects awarded a total of \$77.2 million (see page 18 for unfunded loans). The projects to move forward leveraged more than \$431 million in other state, federal, and local resources.

# FY 2018 Loan Summaries

## FY 2018 Construction Loan List (Awarded by the Board in October 2016)

TOTAL SCORE (100)	Applicant	Project Name	Project Description	Loan Request	Total Project Cost	Interest Rate	County	Leg District	System Type
47.8	Birch Bay Water and Sewer District	Automated Meter Reading System <sup>SRF-INE</sup>	Replace existing water meters district-wide with automated, remote read meters and pertinent equipment.	\$1,500,000	\$2,000,000	1.66%	Whatcom	42	Domestic Water
80.8	Bremerton, City of	Ostrich Creek Culvert Improvements	Replace three existing undersized culverts at: Brentwood Drive, Kitsap Way, and Price Road along Ostrich Creek to benefit fish habitat recovery and storm water facility replacement.	\$4,687,968	\$4,687,968	1.66%	Kitsap	35	Storm Water
72	Bremerton, City of	Pine Basin Watershed Storm Sewer Improvements	Replace existing Pine Road Basin Outfall and install new storm sewer facilities to increase capacity and eliminate residential flooding in the Eagle Avenue Sub-basin.	\$3,881,330	\$3,881,330	1.66%	Kitsap	23	Storm Water
70	Kenmore, City of	61st/190th Culvert Replacement & Embankment Repair	Replace an existing 60" culvert along the east side of 61 <sup>st</sup> Ave NE and intersects with NE 190 <sup>th</sup> St. Work also includes the replacement of the headwall of the stream culvert at NE 190 <sup>th</sup> St., repair of stream banks, and roadway and sidewalk repair/restoration work.	\$1,500,000	\$1,632,450	1.66%	King	46	Storm Water
43.1	Kennewick, City of	US 395/Ridgeline Interchange	The project will construct a grade separated intersection at US 395 and Ridgeline Drive. Work may include ramps, approaches, pedestrian/bicycle facilities, illumination, storm drainage, retaining walls, bridge/tunnel, earthwork, paving, and channelization.	\$6,000,000	\$23,750,231	1.66%	Benton	8	Roads Streets
41.4	Kennewick, City of	Kennewick Automated Meter Reading Project <sup>SRF-INE</sup>	Replace existing water meters city-wide with automated, remote read meters.	\$6,000,000	\$6,000,000	1.66%	Benton	8	Domestic Water
79.5	King County	Georgetown Wet Weather Treatment Station <sup>SRF-INE</sup>	To purchase land for the purpose of construction of Georgetown Wet Weather Treatment Station.	\$3,500,000	\$277,843,000	1.66%	King	11	Sanitary Sewer

# FY 2018 Loan Summaries

## FY 2018 Construction Loan List (Awarded by the Board in October 2016)

TOTAL SCORE (100)	Applicant	Project Name	Project Description	Loan Request	Total Project Cost	Interest Rate	County	Leg District	System Type
55.3	King County	Cedar Hills Regional Landfill Pump Station Repairs	Repair and upgrade to pump station at the existing Cedar Hills Regional Landfill located in Maple Valley area.	\$3,000,000	\$3,000,000	1.66%	King	5	Solid Waste
47.3	King County	Cedar Hills Regional Landfill North Flare Station Repairs	Repair and upgrade to North Flare Station at the existing Cedar Hills Regional Landfill located in Maple Valley area.	\$1,583,050	\$1,583,050	1.66%	King	5	Solid Waste
60.3	Lake Forest Park Water District	McKinnon Creek Well-field Critical Infrastructure Security Improvements <sup>SRF-INE</sup>	Install and provide physical security improvements in the McKinnon Creek wellfield, the McKinnon Creek Pump-house, and other numerous critical water system facilities as mandated by DOH.	\$200,000	\$200,000	1.66%	King	32	Domestic Water
70.5	Lexington Flood Control Zone District	South Fork McCorkle Creek Storm water Detention Facility	Raising the existing storm water detention facility at South Fork of McCorkle Creek to provide additional storage for runoff.	\$4,700,000	\$5,470,000	1%	Cowlitz	19	Storm Water
48.3	Lincoln County	Tipping Floor Restoration and Safety Upgrades	Construction to apply overlay, enlarge the tipping floor area, change the grade to accommodate larger vehicles and provide safety features.	\$155,650	\$155,650	1.66%	Lincoln	13	Solid Waste
66.4	Quincy, City of	Wastewater Reuse Project <sup>SRF-INE</sup>	Construct a reverse osmosis (RO) treatment system to treat and allow for the reuse of industrial wastewater. This project will convert and/or modify the City's wastewater treatment facilities to add coagulation-sedimentation, ultrafiltration (UF), water softening, pipelines and RO treatment to generate industrial reuse water.	\$10,000,000	\$21,663,000	1%	Grant	13	Sanitary Sewer
69.3	Seattle, City of	Fairview Ave N Bridge Replacement	The east and west single lane bridges will be combined into one single four lane Bridge-Fairview Avenue North. It may include pedestrian walkways on both sides of the bridge, a two-way protected bike lane, storm water treatment, and improved roadway illumination, landscaping, and signage.	\$10,000,000	\$42,363,000	1.66%	King	43	Bridges

# FY 2018 Loan Summaries

## FY 2018 Construction Loan List (Awarded by the Board in October 2016)

TOTAL SCORE (100)	Applicant	Project Name	Project Description	Loan Request	Total Project Cost	Interest Rate	County	Leg District	System Type
53.8	Snohomish County	180th St SE SR 527 Brook Blvd	Construct Phase 1, widening projects on 180th St SE between SR 527 and Brook Blvd to improve east-west connectivity across the southern portion of the county's SW Urban Growth Area. Other improvements include: continuous illumination, retaining walls, utility adjustments, stream relocation and culvert replacement at the convergence of Silver and Thompson creeks. A stormwater conveyance system, detention and water quality treatment facilities will be constructed to mitigate impacts. Right of way will be acquired for site control.	\$3,000,000	\$9,474,500	1.66%	Snohomish	44	Roads Streets
53.8	Snohomish County	35th Ave SE Phase II SR 524 to 180th St SE	Construct Phase 2, widening projects on 35th Avenue SE between SR524 to 180th St. SE to improve north-south connectivity in the County's SW Urban Growth Area (SWUGA). Right of way will be acquired for site control.	\$3,000,000	\$12,344,000	1.66%	Snohomish	44	Roads Streets
40	Spokane, City of	Sunset Reservoir Restoration <small>SRF-INE</small>	Repair the interior and exterior of the existing tank at Sunset Reservoir.	\$1,412,000	\$1,412,000	1.66%	Spokane	6	Domestic Water
46.8	Thurston County PUD No. 1	Water System Safety & Energy Efficiency Imp.: Decommissioning of Wells	Decommissioning well at: 304 <sup>th</sup> #1, Clerget, Evergreen Vista, Lazy Acres, and Whitney water systems.	\$55,315	\$55,315	1.66%	Thurston	2, 20, 22	Domestic Water
	Thurston County PUD No. 1	Water System Safety & Energy Efficiency Imp.: Drilling Replacement Wells	Drilling 2 replacement wells for failed Group B water systems at: Indian Crest 1 and Fir Tree 2	\$199,125	\$199,125	1.66%	Thurston	2, 20, 22	Domestic Water
	Thurston Co. PUD No. 1	Water System Safety & Energy Efficiency Imp.: Replacement of 5 Pump Houses	Replace Group B water system pump houses at: Olin system in Grays Harbor County, Brown S. Prairie in Pierce County and Garden Acres 1, Marshall, and Nisqually Vista in Thurston County.	\$224,805	\$224,805	1.66%	Thurston	2, 20, 22	Domestic Water

# FY 2018 Loan Summaries

## FY 2018 Construction Loan List (Awarded by the Board in October 2016)

TOTAL SCORE (100)	Applicant	Project Name	Project Description	Loan Request	Total Project Cost	Interest Rate	County	Leg District	System Type
48.7	Vancouver, City of	City Street Light Conversion to Light Emitting Diode	The project will convert approximately 12,000 street lights in the city of Vancouver from High Pressure Sodium (HPS) fixtures to Light Emitting Diode (LED) fixtures.	\$4,815,500	\$4,815,500	1.66%	Clark	17,18,49	Roads Streets
68.7	Walla Walla, City	Sudbury Landfill Area 7 Cell 3 Construction	Project is to build a 3rd cell to existing Sudbury Landfill. Construction will include installation of a composite base liner, leachate collection system and landfill gas collection system to mitigate potential for impacts to groundwater and air quality.	\$2,978,197	\$3,355,000	1.66%	Walla Walla	16	Roads Streets
62	Wenatchee, City of	Miller Street Re-Alignment And Storm Repairs	Phase 1: Replace storm water main on Miller Street of State Highway SR 285. Phase 2: Realignment of Miller Street and the intersection with the future McKittrick Street includes relocation of PUD power lines.	\$4,826,089	\$5,770,800	1.66%	Chelan	12	Roads Streets

**TOTAL ELIGIBLE LOAN REQUEST** **\$77,219,029**

**TOTAL PROJECT COST** **\$431,880,724**

# FY 2018 Loan Summaries

## FY 2018 Pre-construction Loan List

The Board received \$14 million for pre-construction loans in the 2018 legislative session. In fiscal year 2018, one pre-construction loan cycle completed in April 2018 with a total award of \$5,122,000 to eight applicants. At least two other pre-construction cycles will conclude in fiscal year 2019. This report presents pre-construction loans completed in fiscal year 2018 only.

Total Score	Applicant	Project Name	Description	Loan Request	Total Project Cost	Interest Rate	County	Leg District	System Type
72	East Wenatchee, City of	10th St NE Improvements	Design engineering, right-of-way acquisition for the 10th St. NE Eastmont Ave. to Kentucky Ave. Improvements.	\$750,000	\$750,000	0.78%	Chelan	12	Roads Streets
71	Granite Falls, City of	Wastewater Treatment Plant Expansion	Design and permitting of the treatment plant expansion.	\$500,000	\$11,464,385	0.78%	Snohomish	39	Sanitary Sewer
69	Kitsap County	Silverdale Pump Station Upgrades-Preliminary Eng.	Design engineering for required upgrades to four sewage pump stations and conveyance lines within the Central Kitsap/Silverdale area.	\$727,000	\$727,000	0.78%	Kitsap	23	Sanitary Sewer
77	Quincy, City of	Wastewater Reuse Brine Flow Reduction	Site selection and pre-construction activities for the Reuse Brine Flow Reduction Project.	\$1,000,000	\$16,534,000	0.78%	Grant	13	Sanitary Sewer
73	Okanogan, City of	Water System Improvements	Design, replacement of water main on 2nd Ave. and Gordon St.; replace Murray St. master meter with a new below grade vault; and replacement of a water valve cluster at the intersection of Queen St. and 4th Ave.	\$65,000	\$65,000	0.78%	Okanogan	7	Domestic Water
79	Rock Island, City of	Mechanical Dewatering	Design mechanical sludge dewatering equipment to the wastewater treatment plant.	\$80,000	\$80,000	0.62%	Douglas	12	Sanitary Sewer
66	Sequim, City of	Prairie Street Extension and Rehabilitation	Design for Prairie St. (1.5-mile) corridor to connect the west side to the east side of the downtown area.	\$1,000,000	\$1,372,000	0.78%	Clallam	24	Roads Streets
81	Yelm, City of	WRF Phase II-SBR Ballasted Sedimentation	Design on second phase of the Water Reuse Facility (WRF) upgrades.	\$1,000,000	\$1,837,771	0.78%	Thurston	2	Sanitary Sewer

**Total Pre-construction Loan Request      \$5,122,000      \$32,830,156**



# FY 2018 Unfunded Loan Summaries

## FY 2018 Unfunded Construction Loans

There were 25 funded projects on the Board’s October 2016 loan list, as approved by the Legislature in January 2018. Five jurisdictions did not proceed to contract, including three Thurston County PUD No. 1 projects. The untimely capital budget and delayed release of funds did not support several local project timelines, which secured other fund-

ing sources. The nearly \$20 million in unfunded loans represented are de-obligated funds that the Board will request to lend during the 2019 legislative session for an abbreviated construction loan cycle in this fiscal year (FY 19).

TOTAL SCORE (100)	Applicant	Project	Reason	Loan Request	Total Project Cost	County	Leg District	System Type
78.8	Aberdeen, City of	1st Avenue Landslide Repairs	1/30/18 Decline Loan received insurance funding.	\$372,700	\$372,000	Grays Harbor	19	Roads Streets
61.6	Clark County	NE 10th Avenue (NE 149th to NE 164th St)	Not in GMA compliance, Hearings Board 16-2-0005c	\$10,000,000	\$36,060,000	Clark	18	Roads Streets
46.8	Thurston County PUD No. 1	Water System Safety & Energy Efficiency Imp.: Replacement of Meters	5/31/2018 declined the loan. PUD has gone through many changes since the loan request in 2016.	\$252,025	\$252,025	Thurston	2, 20, 22	Domestic Water
	Thurston County PUD No. 1	Water System Safety & Energy Efficiency Imp.: Electrical Up-grades	5/31/2018 declined the loan. PUD has gone through many changes since the loan request in 2016.	\$129,650	\$129,650	Thurston	2, 20, 22	Domestic Water
	Thurston County PUD No. 1	Water System Safety & Energy Efficiency Imp.: Replacing Treatment Systems	5/31/2018 declined the loan. PUD has gone through many changes since the loan request in 2016.	\$166,810	\$166,810	Thurston	2, 20, 22	Domestic Water
69.8	Walla Walla, City	Isaacs Avenue Improvements - Phase 2	2/6/2018 declined the loan, the city received \$5M in state and federal grant.	\$3,962,051	\$8,732,641	Walla Walla	16	Roads Streets
64.3	Whatcom County	Slater Road/Jordan Creek Fish Passage Project CRP #915007	3/09/2018 Loan Declined - used local road funds to complete project 11/2017.	\$5,000,000	\$5,550,000	Whatcom	42	Roads Streets

**Total Unfunded Construction Loans**

**\$19,883,236**

**\$51,263,126**

# FY 2018 Unfunded Loan Summaries

## 2018 Unfunded Pre-construction Loans

In the April 2018 Pre-construction cycle, the Board authorized just more than \$5 million to eight communities. However, the Board could not fund seven other pre-construction applications. Three projects scored below threshold, three declined loan offers, and one did not meet compliance with the Growth Management Act.

TOTAL SCORE (100)	Applicant	Project	Reason	Loan Request	Total Project Cost	County	Leg District	System Type
75	Castle Rock, City of	Huntington Ave S & Dougherty	05/14/18 Declined loan, city secured funding from another source.	\$40,000	\$1,741,512	Cowlitz	20	Roads Streets
73	Cathlamet, Town of	Columbia Street Water Line Improvements	Withdrawn award 07/26/18, not in compliance with GMA.	\$55,000	\$55,000	Wahkiakum	19	Domestic Water
63	Cle Elum, City of	Downtown Revitalization	Scored below threshold.	\$680,000	\$910,000	Kittitas	13	Storm Water
56	King County	West Point Secondary Mixed Liquor Channel Air Blower Replacement	Scored below threshold.	\$740,640	\$2,929,294	King	36	Sanitary Sewer
86	Long Beach, City of	Regional Bio solids Treatment Facility Design	08/20/2018 Declined award, received greater subsidy in a funding package with Ecology.	\$572,000	\$7,050,000	Pacific	19	Sanitary Sewer
78	Othello, City of	Olympia Street Utility	08/16/18 Declined loan, they had the funding for this project, without creating a cash flow problem.	\$182,000	\$1,487,000	Adams	9	Sanitary Sewer
60	Rock Island, City of	Water System Improvement	Scored below threshold.	\$181,877	\$1,682,377	Douglas	12	Domestic Water

**Total Unfunded Pre-construction Loans                      \$2,451,517      \$15,855,183**