

Jefferson County
Board of Commissioners
Agenda Request

To: Board of Commissioners
Mark McCauley, County Administrator

From: Monte Reinders, P.E., Public Works Director/County Engineer 

Agenda Date: October 3, 2022

Subject: Authorizing Public Works to Make Application to the
Department of Ecology Water Quality Combined Funding Program

Statement of Issue: Authorization allowing Public Works to apply to the Department of Ecology's Water Quality Combined Funding Program (WQC) to provide construction funding for the Port Hadlock Wastewater project.

Analysis/Strategic Goals/Pro's & Con's: Over \$23 million has been secured so far for construction of the Port Hadlock Wastewater project. Construction is planned to begin in early 2023, and existing funds are adequate to complete the wastewater treatment plant, the reclaimed water facility, and a portion of the sewer collection and conveyance system in the "Phase I" area. Additional funds are being sought to complete the Phase I area collection and conveyance system and to help connect initial users to the system to generate sewer flow at startup. A budget summary is attached for reference. The Ecology WQC program applications are due by October 12th. For the purposes of this application, Jefferson County will be considered in "elevated hardship" which allows award of up to 75% in forgivable principal loan (\$5 million maximum) with the remaining 25% as a low interest loan. As such, Public Works is preparing an application for \$5 million in forgivable principal loan (essentially a grant) and \$1.67 million as a low interest loan.

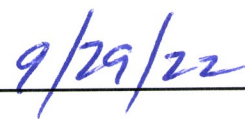
Fiscal Impact/Cost Benefit Analysis: The loan terms are expected to be 20 years at 0.4% and will require repayment at \$87,100 per year. Given the need to keep sewer rates affordable, the County will need to be prepared to service this loan debt rather than add it to sewer customer bills.

Recommendation: Public Works recommends that the Board sign the attached Resolution which authorizes Public Works to make application to the Ecology Water Quality Combined Funding Program for Fiscal Year 2024 in the amounts stated herein.

Department Contact: Monte Reinders, Public Works Director x242.

Reviewed By:


Mark McCauley, County Administrator


Date 9/29/22

**JEFFERSON COUNTY
STATE OF WASHINGTON**

In the Matter of Authorizing)
Application to the)
Department of Ecology)
Water Quality Program)

RESOLUTION NO. _____

WHEREAS, the Jefferson County Comprehensive Plan calls for the construction of the Port Hadlock Wastewater project which will replace existing on-site septic systems, many of which are beyond their design life and some of which are failing, and will thereby help to improve water quality in surrounding water bodies which have been listed as impaired; and

WHEREAS, construction of the Port Hadlock Wastewater project is required under the Growth Management Act (GMA) to fully realize the benefits of zoning within the Urban Growth Area (UGA) including the ability to expand businesses and develop multi-family housing; and

WHEREAS, significant funding already provided by the State and County have allowed the completion of project studies, plans, approvals, permits, easements, land acquisitions, and other items that will allow project construction to begin in 2023; and

WHEREAS, the County, through the efforts of the Commissioners, Public Works staff, and State and Federal legislators has already received significant construction funding for the project including:

- \$20 million from the State of Washington through a budget appropriation
- \$2.5 million through a federal Community Projects appropriation (plus \$625,000 in local match)
- \$3.0 million (likely) through a second federal Community Projects appropriation (plus \$750,000 local match); and

WHEREAS, construction funding already acquired will allow the County to construct the wastewater treatment plant, reclaimed water re-use facility, and portions of the pressurized sewer collection and conveyance system in the “Phase I” service area; and

WHEREAS, additional funds are needed to complete the Phase I sewer collection and conveyance system and to help connect initial users to the system to generate sewer flow at startup; and

WHEREAS, the Department of Ecology has issued a call for applications to its Water Quality Combined Funding Program (WQC) for State Fiscal Year 2024 which are due by October 12th; and

WHEREAS, for the purposes of this application Jefferson County will be considered in “elevated hardship” status under which the County is eligible for 75% forgivable principal loan (essentially a grant) and 25% low interest loan at 0.4% for 20 years; and

WHEREAS, Public Works staff and consultants have been preparing said application and recommend that the County pursue \$5 million (75%) in forgivable loan principal (the maximum allowed) and \$1.67 million (25%) in a low interest loan for a total of \$6.67 million through the WQC program; and

WHEREAS, successful application and acceptance of this funding will require debt payments estimated at \$87,100 per year for 20 years; and

WHEREAS, customer sewer rates are intended to cover operations and maintenance, administration, and equipment replacement. Adding debt service would escalate rates beyond that typical for sewer utilities, and therefore Public Works recommends that the County be prepared to service the debt associated with this loan;

NOW, THEREFORE BE IT RESOLVED, that Public Works is authorized to make application to the Ecology Water Quality Combined Funding Program in the amount of \$5 million (75%) forgivable principal loan and \$1.67 million (25%) low interest loan, and the Public Works Director is authorized to sign said application on behalf of Jefferson County.

APPROVED AND ADOPTED this _____ day of October, 2022.

JEFFERSON COUNTY
BOARD OF COMMISSIONERS

SEAL:

Heidi Eisenhour, Chair

ATTEST:

Kate Dean, Member

Carolyn Gallaway
Clerk of the Board

Greg Brotherton, Member

**Port Hadlock Sewer Project
Construction Budget - 9/23/2022**

Estimated Construction Cost

WWTP Construction	\$	14,600,000	WWTP, WW Reuse Facility, Main Influent Pipeline
CA/CM (10%)	\$	1,460,000	Construction Admin/Management @ 10%
WWTP Subtotal:	\$	16,060,000	
Collection & Connections	\$	12,300,000	Collection lines and 40 connections for 25,000 gpd (Ecology Project Proposal)
Collection & Connections (Add)	\$	3,600,000	Add collections lines, Waterfront, and additional connections
CA/CM (10%)	\$	1,590,000	Construction Admin/Management @ 10%
Collection Subtotal:	\$	17,490,000	
Total Construction Cost:	\$	33,550,000	

Construction Funding

	Fed/State	County/Local	
Department of Commerce (Secured)	\$	20,000,000	No match required
Patty Murray EPA (Secured)	\$	3,125,000	\$ 625,000 20% match, funding secured
Derek Kilmer EPA (Pending/Promising)	\$	3,750,000	\$ 750,000 20% match, funding likely
Ecology Water Quality Grant (Applying)	\$	5,000,000	\$ - Requires acceptance of loan portion below
Ecology Water Quality Loan (Applying)	\$	1,670,000	\$ 1,670,000 20-year loan at 0.4% = \$87,100/year, currently being applied for
Funding Total:	\$	33,545,000	\$ 3,045,000 County Total

Revenue - Expense: \$ (5,000) Positive is excess. Negative is deficit.

Other project expenses include design, permitting, easements, and staff project management. These costs are being covered using a \$1.4 million State appropriation (exhausted as of Sept. 2022) and \$1.9 million of County ARPA funds, of which approximately \$400,000 has been expended to date. County ARPA funds (\$1.9 million) cannot be used to match federal grants. It is possible that some of these ARPA funds may be available for construction; however, at this point, we recommend that any possible excess be preserved for project contingencies and not be considered available as part of the construction budget.