

Spokane Conservation District

The Spokane Conservation District formally submits the attached comments for the inclusion of a "Sponsorship Program" to be written into the Department of Ecology rules.

The Spokane Conservation District would like to provide comments on the proposed amendments to the following rules pertaining to the Washington State Department of Ecology:

Chapter 173-98 WAC addresses requirements for Ecology's administration of Washington State's Water Pollution Control Revolving Fund (CWSRF) and the Water Pollution Control Revolving Administration Account. CWSRF provides low interest rate loans to public bodies for statewide, high-priority water quality projects.

Chapter 173-95A WAC addresses requirements for Ecology's administration of the Centennial Clean Water Program (Centennial). Centennial provides grants and low interest rate loans to public bodies for statewide, high-priority water quality projects.

The Spokane CD has become aware of a program offered by several states through the Clean Water State Revolving Fund program called the Sponsorship Option. As we understand the program, a point source project and a non-point source project could be applied for as a combined application under the sponsorship program. The goal is to encourage projects to work together in addressing multiple sources of potential pollution in water bodies. This can be achieved by providing financial incentives through the reduction of the interest rate being paid on the point source project to compensate for the additional funds being borrowed to fund the non-point source project.

The Spokane Conservation District is in support of this concept and provides the following framework for implementing this program in the State of Washington.

1. Allow for any CWSRF loan applicant to work with non-point source applicants to combine projects to achieve a dedicated source of funding for the non-point program.
2. Allow the Department of Ecology to reduce the interest rate on the combined application to fully compensate the point source applicant for the additional funds borrowed to fund the non-point portion of the application over the desired payback years.
 - a. The State of Oregon Sponsorship Option states the following: "DEQ determines the amount of incentive associated with each sponsorship option loan. First, DEQ calculates the annual debt service for just the traditional treatment works project. Then it tabulates the annual debt service of the treatment works and non-point source projects combined. Finally, DEQ adjusts that combined debt service by reducing the loan's interest rate to the point where the annual debt service of the combined project is equal to what would have been the annual debt service of just the treatment works project by itself, or 1 percent, whichever is higher."
3. SCD agrees that the Department of Ecology should determine the level of incentive associated with the sponsorship option; however, we believe the interest rate should NOT have a floor of 1% written in the rule. We believe DOE should have the ability to fund combined applications with interest rates as low as 0% as an incentive to develop partnerships and implement on the ground non-point source projects.

Example:

Applicant borrows \$5,000,000 at 1.5% annual interest rate on a 20 Year payback.

Applicant borrows an additional \$500,000 to fund a non-point source project. Interest rate set at 1%

Applicant borrows an additional \$500,000 to fund a non-point source project. Interest rate lowered to maintain the same payment as the original \$5,000,000 loan amount.

CWSRF loan	Loan Amount	Interest	Payback Years	Annual Payment
Regular Loan	\$5,000,000	1.5%	20 Years	\$291,228
Combined Loan	\$5,500,000	1%	20 Years	\$304,784
Cost for Non-point project			20 Years at \$304,784-\$291,228 = \$13,556/year	\$271,124
Interest rate for Pmts to remain the same as original loan.	\$5,500,000	.552%	20 years	\$291,228