



# Annual Report Washington's Clean Water State Revolving Fund (CWSRF)

**For State Fiscal Year 2023  
July 1, 2022-June 30, 2023**

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For the

**Water Quality Program**

Washington State Department of Ecology

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- State Fiscal Year 2023 Final Water Quality Funding Offer List and Intended Use Plan, Publication [22-10-014](#)

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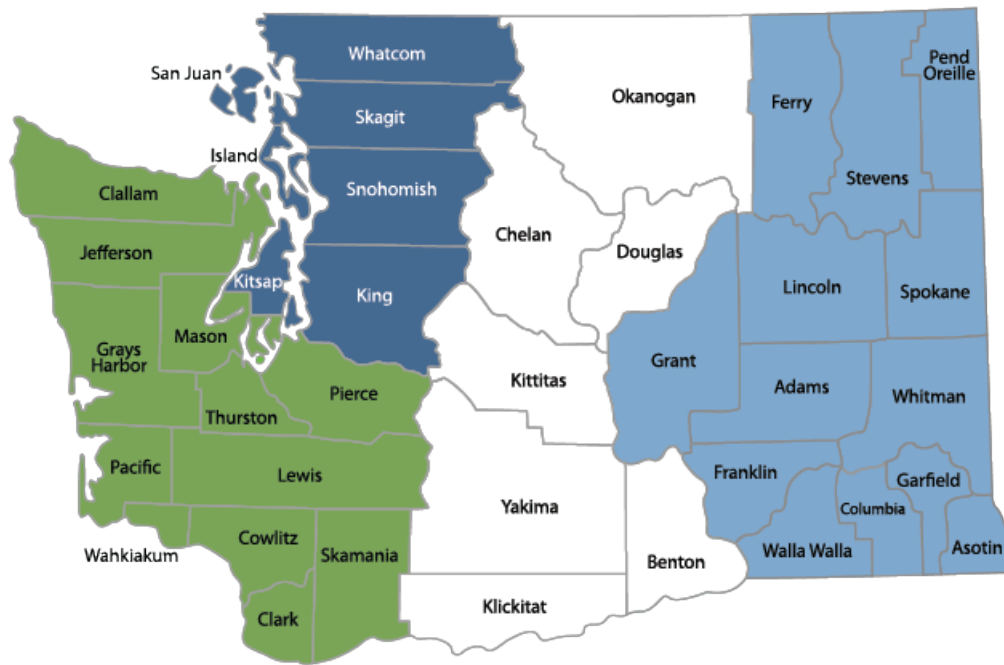
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<sup>1</sup> [www.ecology.wa.gov/contact](http://www.ecology.wa.gov/contact)

# Department of Ecology's Regional Offices

## Map of Counties Served



<b>Southwest Region</b> 360-407-6300	<b>Northwest Region</b> 425-649-7000	<b>Central Region</b> 509-575-2490	<b>Eastern Region</b> 509-329-3400
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Region	Counties served	Mailing Address	Phone
<b>Southwest</b>	Clallam, Clark, Cowlitz, Grays Harbor, Jefferson, Mason, Lewis, Pacific, Pierce, Skamania, Thurston, Wahkiakum	PO Box 47775 Olympia, WA 98504	360-407-6300
<b>Northwest</b>	Island, King, Kitsap, San Juan, Skagit, Snohomish, Whatcom	PO Box 330316 Shoreline, WA 98133	206-594-0000
<b>Central</b>	Benton, Chelan, Douglas, Kittitas, Klickitat, Okanogan, Yakima	1250 W Alder St Union Gap, WA 98903	509-575-2490
<b>Eastern</b>	Adams, Asotin, Columbia, Ferry, Franklin, Garfield, Grant, Lincoln, Pend Oreille, Spokane, Stevens, Walla Walla, Whitman	4601 N Monroe Spokane, WA 99205	509-329-3400
<b>Headquarters</b>	Across Washington	PO Box 46700 Olympia, WA 98504	360-407-6000

# Annual Report Washington's Clean Water State Revolving Fund (CWSRF)

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Water Quality Program, Financial Management Section  
Washington State Department of Ecology

**October 2023 | Publication 23-10-041**



DEPARTMENT OF  
**ECOLOGY**  
State of Washington

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## Executive Summary

The purpose of the Clean Water State Revolving Fund (CWSRF) is to provide below market rate loans to assist applicants in meeting the wastewater and other clean water needs of their communities. The Washington State Department of Ecology (Ecology) is solely responsible for managing the CWSRF through its statutory authority Chapter 90.50A RCW: Water Pollution Control Facilities-Federal Capitalization Grants and Chapter 173-98 WAC: Uses and Limitations of the Water Pollution Control Revolving Fund.

Ecology provides this annual report to the EPA and the public to report the activities undertaken to reach the goals and objectives in the [State Fiscal Year 2023 Final Water Quality Funding Offer List and Intended Use Plan<sup>2</sup>](#) and the activities and obligations under the CWSRF program. This report describes the progress made toward program goals, the financial status of the CWSRF, and compliance with federal CWSRF requirements during SFY23 (July 1, 2022, through June 30, 2023).

On November 15, 2021, President Joe Biden signed the Infrastructure Investment and Jobs Act (IIJA), also known as the Bipartisan Infrastructure Law (BIL), which Ecology estimates could provide nearly \$200 million in funding over the next five years to Washington's Clean Water. BIL authorized two new capital grant funding sources for the CWSRF, in addition to the regular CWSRF Base Capitalization grant (CW Base). The BIL Supplemental Grant (CW BIL) and the BIL Emerging Contaminants (EC) Grant (CW EC).

As of June 30, 2023, Ecology's CWSRF program had received a total \$910,215,460 in U.S. Environmental Protection Agency (EPA) capitalization grants. Since the inception of the program in 1988, Ecology has made net binding loan commitments totaling \$2,746,706,473.

Ecology used the Federal Fiscal Year (FFY) 2022 appropriation of \$51,073,000 for the SFY23 IUP. This includes the \$20,122,000 as the CW Base and \$30,951,000 CW BIL grant. In addition to the EPA capitalization grants, CWSRF program funds came from a required state match totaling \$7,119,500. This includes 20 percent for the CW Base (\$4,024,400) and 10 percent for the CW BIL (\$3,095,100). Ecology identified a project on the SFY24 Intended Use plan for the CW EC funds so they are not reflected in this annual report. In addition to the federal funding, available funds include principal repayments, and interest from the loan portfolio and investment earnings from the fund. Ecology set the SFY23 CWSRF program capacity up of up to \$310M based on cash flow model results.

The SFY23 IUP described the intended uses of the funds available in the CWSRF loan program and detailed how the CWSRF program planned to commit available funds. Eligible entities submitted funding applications as part of Ecology's Water Quality Program (WQP) combined application process by October 13, 2021. Ecology staff screened, rated, and ranked all submissions based on the requirements in Chapter 173-98 WAC and in the *Funding Guidelines, State Fiscal Year 2023 Water Quality Financial Assistance* Publication #21-10-028. This process

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<sup>2</sup> <https://apps.ecology.wa.gov/publications/documents/2210014.pdf>

provided control over the amount and type of loans made and facilitated compliance with federal mandates. As an indication of current interest in the program, Ecology received 39 applications for about \$366.5M in loans for the SFY23 funding.

For SFY23, Ecology issued binding commitments for 31 projects totaling \$260,038,249. The weighted interest for these agreements is 1.2682 percent. Of these binding commitments, \$27,642,901 was provided in the form of new forgivable principal loans (loans that do not have to be repaid) meeting the federal Additional Subsidization requirement outlined in the FFY22 CW Base and CW BIL grants. The CW Base set a minimum of \$2,012,200 and maximum of \$8,048,800 for forgivable principal loans. The CW BIL states that 49 percent or \$15,165,990 must be provide as forgivable principal loans. This provides a total of \$23,214,790. Ecology utilized authority from the FFY20 and 21 CW Base grants to provide the additional \$4,539,054 for hardship eligible projects who experienced significant cost overruns.

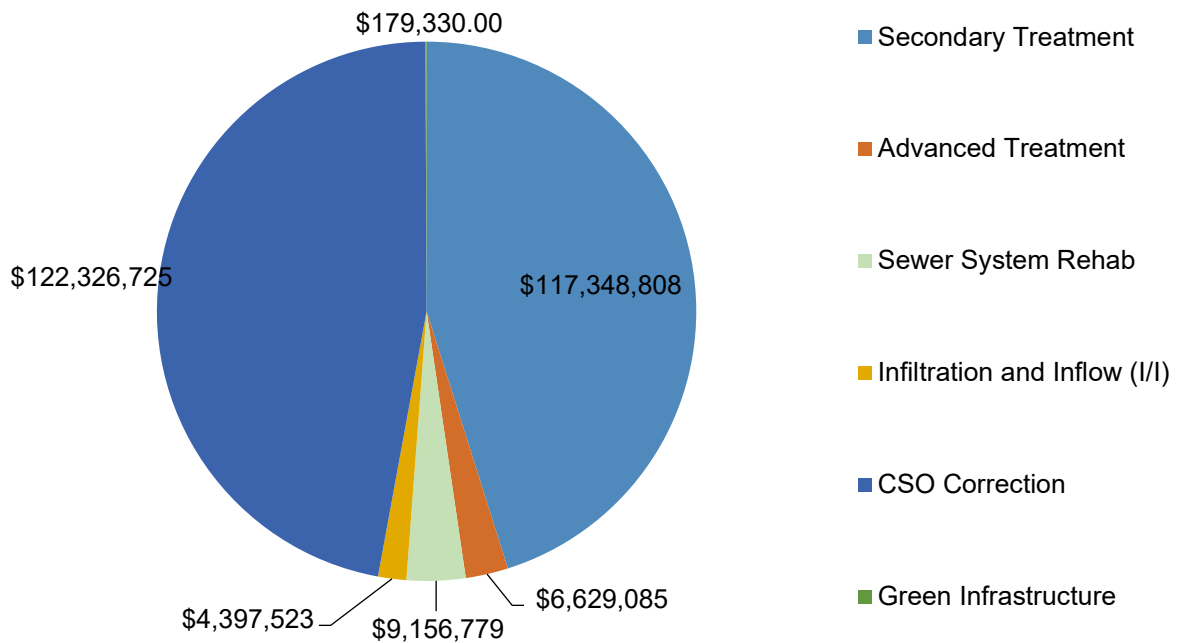
The FFY22 capitalization grants required Ecology to award 10 percent of the federal capitalization grants (\$5,107,300) to projects or project elements that fit within one or more of the Green Project Reserve (GPR) categories. These categories include:

- Environmentally innovative.
- Water efficiency.
- Energy efficiency.
- Green infrastructure.

Ecology awarded \$29,279,330 or 57 percent of the cap grant to GPR projects or project elements, meeting this requirement.

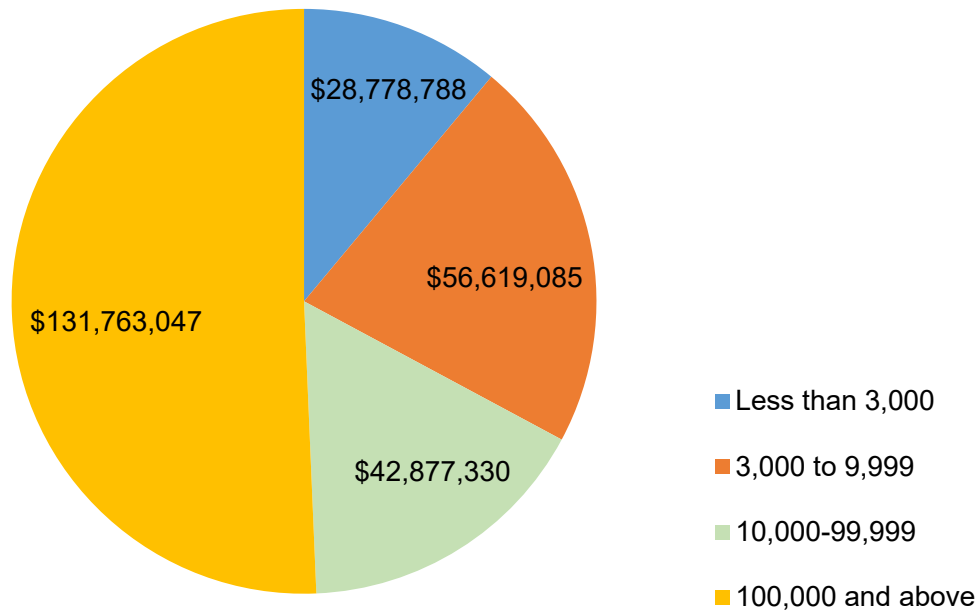
The following graph shows assistance provided to each water quality needs category. A total of 99.93 percent of the funds in SFY23 are being used for Clean Water Act (CWA) Section 212 projects (wastewater projects) and .07 percent for CWA Section 319 (nonpoint activity projects). 66.67 percent of the funds are categorized as CWA Section 320 projects that are within the Puget Sound National Estuary Program boundary.

## Assistance by Needs Category

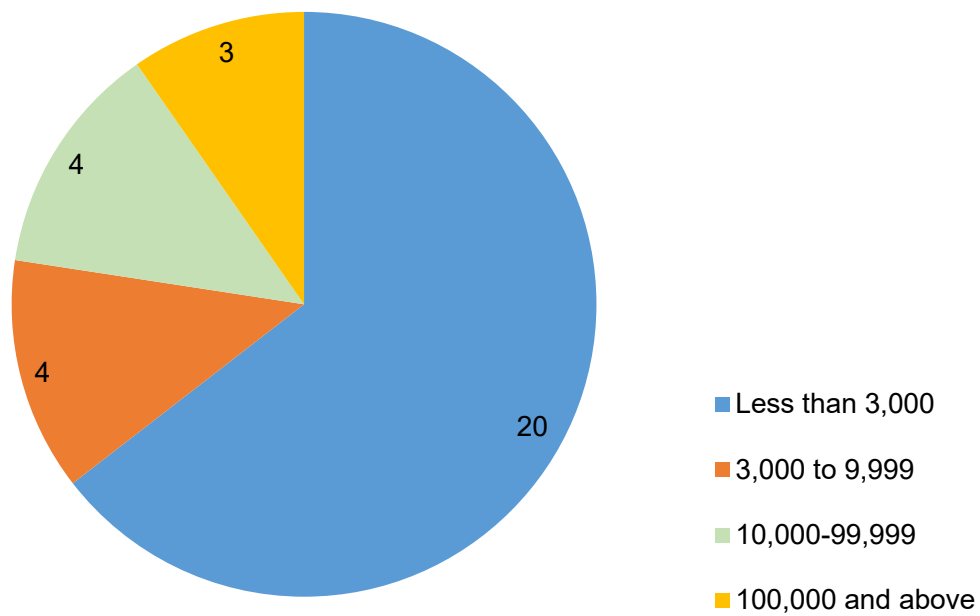


The following graph shows the assistance provided across population of recipient categories. 28 percent of the CWSRF funds supported projects in communities within the population category of 25,000 or below. However, 65 percent of our projects (20 of 31 total projects) are with communities under the population of 3,000. These projects are smaller in dollar amount but typically take more technical assistance and support to succeed.

## Assistance by Population



## Assistance by Number of Projects



# INTRODUCTION

According to the Operating Agreement between EPA and Ecology, Ecology's Water Quality Program (WQP) is solely responsible for managing the CWSRF through its statutory authority Chapter 90.50A RCW: Water Pollution Control Facilities-Federal Capitalization Grants and Chapter 173-98 WAC: Uses and Limitations of the Water Pollution Control Revolving Fund. Ecology's CWSRF program is nationally recognized for its integrated business practices and high degree of accountability and sound management.

The CWSRF continues to grow in dollars and complexity. The long-term health of the CWSRF is strong despite market challenges that negatively affected the public and private sectors over the past few years. The flexible structure and overall strategy of the CWSRF enables Ecology to respond to emerging needs of local governments and tribes as well as addressing federal and state directives.

## Sources of funds

The CWSRF is capitalized with annual grants from EPA and a required 20 percent state match. Ecology intends to reserve the maximum allowable authority of this capitalization grant for administrative expenses allowed by the federal Clean Water Act (CWA). Ecology also applies an administrative charge that went into effect December 2013. The administrative charge sets Ecology on track for self-sustainable administration of the CWSRF into perpetuity.

Each year Ecology combines the EPA capitalization grant with the state match, principal, and interest repayments, received investment earnings and any de-obligated or declined funds to provide loans to public bodies for water quality projects across the state. Most of the available funding consists of principal and interest repayments.

The Water Pollution Control Revolving Administration (WPCRA) account was established in 2013. This account is funded from an administrative charge of 1% charged on the declining principal of loans that went into repayment after the new rule was effective December 21, 2013. In 2020, Ecology evaluated the Administration account and projected fund balances to see if adjustments were needed. This assessment led to establishing a reduced administrative charge of 0.3% for SFY21 and future loans.

## Uses of funds

The CWSRF is a key funding source used to advance the water quality goals of EPA and Ecology's Water Quality Program (WQP). The mission of the WQP and the CWSRF is to protect and restore Washington's waters to sustain healthy watersheds and communities by providing technical and financial assistance for high priority water quality efforts.

Ecology ensures that funded projects are consistent with the goals of Sections 212, 319, and 320 of the CWA, including the State's Section 320 Estuary Plan (*Puget Sound Action Agenda*), and *Washington's Water Quality Management Plan to Control Nonpoint Source Pollution*.

Ecology manages the CWSRF along with the state-funded Centennial Clean Water Program (Centennial), the state funded Stormwater Financial Assistance Program, and the federal CWA Section 319 Nonpoint Source Grant Program (Section 319).

Ecology makes every attempt to integrate and streamline the four funding sources under one combined program. This approach provides significant program savings and efficiencies for Ecology, its clients, and its stakeholders.

Ecology manages the Water Pollution Control Revolving Administration (WPCRA) account. This account is dedicated for support of program administrative activities to manage the CWSRF program and CWSRF funded projects.

### State fiscal year and Federal fiscal year

Washington State has a biennial budget cycle that spans two fiscal years and includes two funding cycles. The SFY runs from July 1 – June 30. The FFY runs from October 1 – September 30. Due to the differences in the fiscal years and budget cycles, there may be up to a nine-month lag from the time Congress passes the federal budget to when the Washington State Legislature approves the state budget and appropriations authorizing Ecology to use the funds. The FFY22 capitalization grant is administered in the SFY23 funding cycle.

### What is in this report

This report discusses how Ecology administered the CWSRF FFY22 capitalization grant, state match, and principal and interest repayments during SFY23. Specifically, this report does the following:

- Describes Ecology’s and the WQP’s goals and objectives and discusses progress made toward meeting them.
- Lists several key conditions of the Operating Agreement and FFY22 Capitalization Grant and provides details on how Ecology met them.
- Describes significant changes to the program made during SFY23.
- Presents a Management Discussion and Analysis section providing CWSRF financial statements.
- Includes several exhibits containing the unaudited financial statements of the CWSRF for SFY23.

# Ecology and the Water Quality Program's Goals, Objectives, and Progress Made

The overall mission of Ecology is to protect, preserve, and enhance the State's environment and promote the wise management of our air, land, and water. In addition, the mission of Ecology's WQP is to:

- Prevent and clean up water pollution.
- Clean up polluted waters and engage citizens in the work to protect and restore water quality.
- Provide excellent technical and financial assistance.

The following five short- and long-term goals help achieve the overall mission of Ecology and the WQP through the financial assistance programs.

## Goal 1: Identify and fund the highest priority water quality focused projects statewide.

### Objectives and progress

- 1) Communicate with regional Ecology experts to identify water quality priorities.
  - Regional project managers and engineers review and evaluate funding applications. Ecology holds mandatory internal evaluator training sessions each year to ensure consistency and funding of the highest priority water quality projects. Ecology also holds a post-application evaluation meeting to further provide information on scoring consistency and objectivity before tabulating the final scores.
  - Ecology regional project managers work closely with the headquarters Financial Management Section and coordinate with staff specializing in total maximum daily loads (TMDL) and permitting during the application review and evaluation process.
- 2) Coordinate with external partners, including advisory groups, tribes, special purpose districts and state, federal, and local governments for input on water quality priorities.
  - Ecology requires projects to be consistent with applicable approved water quality plans, including, but not limited to the following: Puget Sound Action Agenda and Washington's Water Quality Management Plan to Control Nonpoint Sources of Pollution.
  - As a pre-requisite for receiving funding, Ecology required all projects located in the Puget Sound Watershed (defined by Water Resource Inventory Areas 1 – 19) to conform with the Puget Sound Partnership's Puget Sound Action Agenda.
  - Ecology evaluates and assesses its funding application each year before opening the application cycle to ensure it reflects the current state and federal priorities.
  - Ecology provides project proposals to numerous external stakeholders for review and comment prior to developing the Draft Funding Offer List and Intended Use Plan (Draft IUP) and project priorities. External stakeholders Ecology consults include, but not limited to, the following:
    - Water Quality Financial Assistance Council (FAC).

- Puget Sound Partnership.
  - Washington State Conservation Commission.
  - Washington State Department of Health (DOH).
  - Washington State Department of Commerce, Public Works Board.
- 3) Communicate with the Washington State Legislature regarding needs and priorities for funding.
- Ecology sends its Draft IUP to the Legislature for consideration during budget development. The document calls out funding recommendations for priority water quality improvement projects, including wastewater construction needs in small, hardship communities.

## **Goal 2: Provide funding through a fair, objective, and transparent process.**

### **Objectives and progress**

- 1) Involve stakeholders, including the public, in major funding program development, including rules and funding offer lists.
- Ecology regularly requests comments and feedback from stakeholders and clients on potential changes or improvements to its funding guidelines and application process.
  - Ecology organized and facilitated meetings with the Financial Assistance Council (FAC) to review and discuss ongoing and emerging CWSRF program issues.
  - Ecology held a meeting of its internal CWSRF Management Oversight Committee. Among the issues discussed were program status, fund management, cash flow acceleration, and coordination with other funding programs in Washington State.
  - Ecology staff and management regularly consult and coordinate with EPA to ensure its funding programs and funding agreements are meeting all federal requirements, including environmental prerequisites. This includes monthly check in calls with EPA program staff.
  - Ecology made the Draft IUP available to the public for comment. Ecology held a virtual public meeting to discuss the Draft IUP and sought additional public comment during a 30-day public comment period.
- 2) Conduct two application Evaluators meetings with a focus on consistency and objectivity in scoring.
- Ecology annually trains staff assigned to evaluating applications. Ecology provides staff with tools and resources to help understand the scoring criteria and what they should be looking for. The training improves consistency and objectivity in application scores.

## **Goal 3: Provide the best possible funding packages for small, financially distressed communities.**

### **Objectives and progress**



- 1) Set aside one-third of Centennial grant for wastewater facility construction projects in small communities where the project would otherwise result in sewer fees for residential ratepayers that are more than two percent of the median household income (MHI).
  - In SFY23 Ecology offered forty four percent of the Centennial funds to wastewater facility construction projects in hardship communities.
- 2) Set aside five percent of the CWSRF for facility preconstruction projects in small communities with MHIs less than the state MHI. Provide forgivable principal loans if the MHI is less than 80 percent of the state MHI.
  - In SFY23 Ecology offered approximately 5 percent of the CWSRF funds to preconstruction projects in small communities. Ecology offered approximately 1 percent of the forgivable principal loan for such projects.
- 3) Reduce the SFAP grant match requirements for stormwater projects in small communities with MHIs less than 80 percent of the state MHI.
  - In SFY23, Ecology identified a reduced SFAP grant match for fifteen stormwater projects.
- 4) Reduce the CWSRF interest rates for local onsite sewage system repair and replacement programs if they target loans to financially distressed homeowners and small business owners.
  - Ecology determines the final CWSRF interest rate for local onsite sewage system repair and replacement programs at the end of the project. Ecology will reduce the final interest rates based on the proportion of loans that the recipient provided to lower income homeowners and small commercial enterprises.

#### **Goal 4: Provide technical assistance to funding applicants and recipients.**

##### **Objectives and progress**

- 1) Work with EPA, other federal agencies, and other state agencies to ensure effective coordination associated with major federal and state requirements.
  - Ecology coordinates closely with other federal agencies and other state agencies to ensure it is meeting the federal and state environmental prerequisites. Ecology confirms compliance with federal cross cutter requirements for wastewater facility construction projects with federal agencies such as U.S. Fish and Wildlife Service, Bureau of Land Management, U.S. Forest Service, and National Oceanic and Atmospheric Administration. Ecology also coordinates with the Washington State Department of Archaeology and Historic Preservation and the Washington State Department of Commerce.
- 2) Provide outreach at workshops, conferences, and meetings to disseminate information related to the funding programs and requirements.
  - Ecology organized multiple workshops for applicants and recipients of funding, attended and presented at multiple conferences. At each workshop and in each conference presentation, Ecology provided information on meeting major state and federal requirements. Major state and federal requirements discussed at the workshops and conference presentations included, but were not limited to, the following.
    - State Environmental Review Process (SERP).

- Federal cross cutters.
  - Federal and state cultural resources.
  - American iron and steel
  - Federal and state procurement.
  - Minority Business Enterprise/Women Business Enterprise.
  - Davis-Bacon.
  - Growth Management Act.
- 3) Conduct annual funding applicant workshops.
    - Ecology held online applicant workshops for the SFY23 cycle in August 2022.
  - 4) Conduct annual funding recipient workshops.
    - Ecology held recipient training workshops online in July 2022.
  - 5) Maintain the [Water Quality Grants and Loans webpage](https://ecology.wa.gov/About-us/How-we-operate/Grants-loans/Find-a-grant-or-loan/Water-Quality-grants-and-loans) at: <https://ecology.wa.gov/About-us/How-we-operate/Grants-loans/Find-a-grant-or-loan/Water-Quality-grants-and-loans>
    - Ecology regularly updates [the grant and loan funding website](https://ecology.wa.gov/About-us/How-we-operate/Grants-loans/Find-a-grant-or-loan/Water-Quality-grants-and-loans) <https://ecology.wa.gov/About-us/How-we-operate/Grants-loans/Find-a-grant-or-loan/Water-Quality-grants-and-loans> to keep the public and stakeholders aware of funding and training opportunities and to provide them with related forms and publications.
  - 6) Contract with the Rural Community Assistance Corporation (RCAC) to provide special technical assistance for small communities.
  - 7) Provide directed technical assistance to small hardship communities with wastewater facility needs through an interagency agreement with Commerce to fund the Small Communities Initiative (SCI).
  - 8) Assist with planning and participate in the annual Infrastructure Assistance Coordinating Council (IACC) conference. Ecology is an IACC member, and an Ecology staff member is Vice Chair. Funding agency representatives work to coordinate the infrastructure funding programs to enable sharing information and problem solving.
    - The IACC hosted its annual conference October 2022 where several Ecology staff attended and presented information on the financial assistance programs. Ecology staff also participated in technical assistance (Tech Team) meetings to assist local communities in developing plans for specific infrastructure projects.

## **Goal 5: Provide sound financial management of the funding programs and projects.**

### **Objectives and progress**

- 1) Evaluate the CWSRF annually to ensure the availability of funds in perpetuity as defined by Chapter 173-98 WAC, Use and Limitations of the Water Pollution Control Revolving Fund.
  - Ecology uses the average ["11-Bond GO Index"](http://www.bondbuyer.com/marketstatistics/search_bbi.html?details=true) rate available at [http://www.bondbuyer.com/marketstatistics/search\\_bbi.html?details=true](http://www.bondbuyer.com/marketstatistics/search_bbi.html?details=true) to set annual

interest rates for CWSRF. Ecology bases rates on the average bond rate for the period 30 to 180 days prior to the beginning of a new funding cycle.

- Ecology sets interest rates at either 80 percent, 60 percent, or 30 percent of the average bond rate, depending on the length of the loan period. The interest rates for standard CWSRF loans in SFY23 were:
  - 0.5 percent for a five-year loan (30 percent of tax-exempt municipal bonds).
  - 1.1 percent for a 20-year loan (60 percent of tax-exempt municipal bonds).
  - 1.4 percent for a 30-year loan (80 percent of tax-exempt municipal bonds).
- Ecology monitors the CWSRF to ensure that it will be available in perpetuity as required by the CWA. While the CWA does not define perpetuity, Ecology defined perpetuity in Chapter 173-98 WAC as, “**Perpetuity** means the department will seek to manage the revolving fund account so that available future funds at least match the rate of growth of *Engineering News-Record* “Construction Cost Index” for the City of Seattle.”

2) Conduct financial capability assessments on CWSRF loan recipients prior to signing agreements.

- CWSRF agreements require a dedicated source of funds for repayment of the loan. Dedicated sources of revenue are a general obligation pledge or a revenue pledge. In the event of a CWSRF loan default, state law enables Ecology to withhold any state funds otherwise due to the community and directs that such funds be applied to the indebtedness and deposited into the CWSRF account.
- Ecology staff conducts a financial capability assessment on each CWSRF loan recipient before finalizing the loan agreement. Staff review information provided by applicants, including audit reports and financial statements, and information available in the State Auditors Office’s Financial Intelligence Tool, <https://portal.sao.wa.gov/FIT/>. They produce an assessment that includes any recommended special conditions or reporting requirements to include in the agreement.
- The information obtained for the assessment helps inform Ecology staff for the subsequent funding cycle. The financial capability assessment process continues to improve based on experience evaluating financial indicators and risk factors.
- CWSRF agreements require each borrower to review its rate structure at least annually and update Ecology on the progress in meeting the goals and objectives included in use ordinances, resolutions, and rate studies.

3) Coordinate with Ecology’s fiscal office on CWSRF financial management issues.

- Ecology’s CWSRF staff regularly coordinate with Ecology’s Fiscal Office staff.
- The CWSRF program is subject to annual state and federal audits (performance reviews). Ecology is responsive to auditor expectations and readily implements suggestions to improve the CWSRF program.
- Ecology monitors recipient audit reports and takes action when appropriate.

- Ecology Financial Managers and Project Managers provide oversight and monitoring of projects to ensure fiscal accountability.
- 4) Conduct internal workgroup meetings to identify problems, needs and emerging issues.
- Regional Project Managers meet every other month, and Financial Managers meet monthly to discuss problems, needs, and emerging issues to clarify procedures, ensure consistency and intercept any potential problems.
- 5) Coordinate with advisory groups, councils and other funding agencies and programs.
- Ecology met with FAC to review and discuss ongoing and emerging CWSRF and combined financial assistance program issues.
  - Ecology conducted two internal CWSRF Management Oversight Committee meetings to review program status, fund management, and emerging issues.
  - Ecology coordinated with the Community Development Block Grant (CDBG), Department of Health (DOH) and USDA Rural Development (RD) on funding projects.
  - Ecology CWSRF staff participated in the Maximizing Resources in a Coordinated Manner Workgroup. The Maximizing Resources Workgroup is a subgroup of the IACC. It is composed of representatives from most infrastructure funding programs operating in the state. The workgroup meets quarterly to discuss projects needing funding and to develop ways to maximize funding and simplify processes.

## Meeting Key Conditions of the Operating Agreement and Capitalization Grant

In 2020, Ecology and EPA amended the Operating Agreement for the CWSRF program. The agreement contains numerous conditions that Ecology must meet. This report documents compliance with conditions in the Operating Agreement and Capitalization Grants.

### Information on loan agreements signed and binding commitments

Ecology entered into binding commitments for 31 CWSRF agreements totaling \$260,038,249 in SFY23. Table 1 lists the six projects totaling \$6,977,480 that declined their funding offer. Table 2 provides information on agreements signed or binding commitments made in SFY23.

**Table 1:** Declined Funding Offers

Applicant	Application Number	Amount
Bridgeport City of	WQC-2023-CiBrid-00082	\$9,900
Grandview city of	WQC-2023-Grandv-00123	\$189,705
Maple Valley city of - Public Works	WQC-2023-MaVaPW-00061	\$127,875
Spokane city of	WQC-2023-Spokane-00096	\$87,500
Spokane city of	WQC-2023-Spokane-00103	\$87,500
Waterville town of	WQC-2023-Waterv-00160	\$6,475,000
	<b>Total</b>	<b>\$6,977,480</b>

**Table 2: CWSRF Agreements/Binding Commitments in SFY23**

Recipient Name	Application Number	Agreement Number	Project Title	Clean Water Needs Category	Total Assistance	Loan Amount	Forgivable Loan Amount	Int Rate %	Term	Binding Commitment Date
Aberdeen city of - Public Works	WQC-2022-AberPW-00099	EL220520	City of Aberdeen - WWTP Influent Screening and Conveyance Project	I Secondary Treatment	\$8,590,000	\$8,590,000		1.1%	20	7/1/2022
Almira town of	WQC-2023-ToAlmi-00174	EL230157/EF230158	Almira Lift Station Renovation	III-B Sewer System Rehabilitation	\$533,426	\$502,940	\$30,486	1.1%	20	3/20/2023
Bremerton city of - Public Works and Utilities	WQC-2023-BremPW-00148	EL230360	Tracyton Beach Road Sewer Improvements	III-B Sewer System Rehabilitation	\$5,008,000	\$5,008,000		1.1%	20	6/30/2023
Brewster city of	WQC-2022-Brewst-00114	Unassigned	Brewster Collection System Improvements	III-B Sewer System Rehabilitation	\$2,000,000	\$1,131,507	\$868,493	1.4%	30	6/30/2023
Cathlamet town of	WQC-2023-ToCath-00020	EL230101	WWTP Relocation Refinancing Request	I Secondary Treatment	\$4,482,772	\$4,482,772		1.4%	30	2/9/2023
College Place city of Engineering Department	WQC-2023-CoPIED-00138	EL230293/EL230295/EF230292/EF230294	College Place WWTP Construction-Collection	I Secondary Treatment	\$26,000,000	\$16,000,000	\$10,000,000	0.7%	20	5/25/2023

Recipient Name	Application Number	Agreement Number	Project Title	Clean Water Needs Category	Total Assistance	Loan Amount	Forgivable Loan Amount	Int Rate %	Term	Binding Commitment Date
Eastsound Sewer & Water District	WQC-2023-EaSoWd-00130	EL230408/EF230409/EF230438	Eastsound Sewer and Water District Upgrades Phase II	II Advanced Treatment	\$4,278,949	\$3,864,579	\$414,370	1.2%	30	6/30/2023
Fisherman Bay Sewer District	WQC-2023-FiBaSD-00031	EL230243/EF230242	Design of Fisherman Bay Sewer District WWTP Upgrade and Expansion	I Secondary Treatment	\$764,000	\$382,000	\$382,000	1.1%	20	6/6/2023
Garfield, Town of	WQC-2023-GarfTo-00079	EL230179/EF230180	Garfield Wastewater Treatment Plant Facilities Plan	I Secondary Treatment III-B Sewer System Rehabilitation	\$100,000	\$50,000	\$50,000	1.1%	20	6/5/2023
Kennewick city of	WQC-2023-Kennew-00139	EL230415/EF230416	Kennewick WWTP Phase 2	I Secondary Treatment	\$29,100,000	\$22,975,000	\$6,125,000	1.1%	20	6/30/2023
King County - Natural Resources and Parks Department	WQC-2023-KCoNRP-00016	EL230437	WPTP Passive Weir for Emergency Bypass	I Secondary Treatment	\$9,436,322	\$9,436,322		1.4%	30	6/30/2023
King County - Natural Resources and Parks Department	WQC-2019-KCoNRP-00040	EL220702	Georgetown Wet Weather Treatment Station (GWWTS)	V CSO Correction	\$96,311,096	\$96,311,096		1.4%	30	3/6/2023

Recipient Name	Application Number	Agreement Number	Project Title	Clean Water Needs Category	Total Assistance	Loan Amount	Forgivable Loan Amount	Int Rate %	Term	Binding Commitment Date
King County - Natural Resources and Parks Department	WQC-2021-KCoNRP-00074	EL230082	Joint Ship Canal Water Quality CSO Control	V CSO Correction	\$26,015,629	\$26,015,629		1.4%	30	3/6/2023
Kittitas city of	WQC-2023-CiKitt-00080	EL230353/EF230354	General Sewer Plan	I Secondary Treatment III-B Sewer System Rehabilitation	\$269,000	\$134,500	\$134,500	1.1%	20	6/30/2023
Lummi Tribal Sewer and Water District	WQC-2020-LuTSWD-00042	EF230091	Gooseberry Point WWTF Improvements Construction	I - Secondary Treatment	\$780,136	\$0	\$780,136			1/9/2023
Lynden city of - Public Works Department	WQC-2023-LyndPW-00043	EL230149/EF230150	9th Street Judson Area Stormwater LID - Phase 2	VI-C Green Stormwater	\$179,330	\$134,498	\$44,832	1.1%	20	3/7/2023
Metaline town of	WQC-2023-Metali-00037	EL230121	Town of Metaline USDA Loan Refinance	I Secondary Treatment	\$110,000	\$110,000		1.1%	20	1/30/2023
Newport city of	WQC-2021-Newpor-00151	Unassigned	Newport WWTP Upgrades & Collection System Improvements	I Secondary Treatment	\$1,500,000	\$750,000	\$750,000	0.7%	30	6/30/2023



Recipient Name	Application Number	Agreement Number	Project Title	Clean Water Needs Category	Total Assistance	Loan Amount	Forgivable Loan Amount	Int Rate %	Term	Binding Commitment Date
Oroville city of	WQC-2023-CiOrov-00113	EL230434/EF230435	City of Oroville General Sewer Plan	I Secondary Treatment III-B Sewer System Rehabilitation	\$277,265	\$138,633	\$138,632	1.1%	20	6/30/2023
Reardan town of	WQC-2023-Rearda-00154	EL230187/EF230186	Reardan I&I Reduction Project	III-A Infiltration/Inflow (I/I) Correction	\$1,650,558	\$1,504,108	\$146,450	0.8%	20	2/21/2023
Ritzville City of	WQC-2023-RitzCi-00104	EL230183/EF230184	City of Ritzville General Sewer Plan Update	I Secondary Treatment III-B Sewer System Rehabilitation	\$325,000	\$162,500	\$162,500	1.1%	20	4/24/2023
Snoqualmie Pass Utility District	WQC-2023-SnPaUd-00098	EL230236/EF230237	Snoqualmie Pass Phase 2-4 MBR WWTP Improvements Eng. & Constr Services	II Advanced Treatment	\$1,570,000	\$785,000	\$785,000	0.5%	5	4/3/2023
Springdale town of	WQC-2023-ToSpri-00042	EL230230	Town of Springdale Existing Debt Refinance - Loans 92-01 and 92-03	I Secondary Treatment	\$233,000	\$233,000		0.5%	5	2/28/2023

Recipient Name	Application Number	Agreement Number	Project Title	Clean Water Needs Category	Total Assistance	Loan Amount	Forgivable Loan Amount	Int Rate %	Term	Binding Commitment Date
Springdale town of	WQC-2023-ToSpri-00042	EL230231	Town of Springdale Existing Debt Refinance - Loans 92-01 and 92-03	I Secondary Treatment	\$340,000	\$340,000		1.1%	20	2/28/2023
St John town of	WQC-2023-StJohn-00100	EL230153/EF230152	St. John Wastewater Treatment Plant Replacement	I Secondary Treatment & III-A Infiltration/Inflow (I/I) Correction	\$5,493,930	\$3,289,356	\$2,204,574	0.8%	20	3/13/2023
Sultan city of	WQC-2023-Sultan-00124	EL220668	Sultan Wastewater Treatment Facility (WWTF) Upgrade	I Secondary Treatment	\$25,560,000	\$25,560,000		1.4%	30	6/8/2022
Tekoa city of	WQC-2023-CiTeko-00135	EL230177/EF230178	Wastewater Treatment Plant Facilities Plan	I Secondary Treatment III-B Sewer System Rehabilitation	\$150,000	\$75,000	\$75,000	0.5%	5	5/3/2023
Twisp town of - Public Works	WQC-2022-TwisPW-00057	Unassigned	Twisp Treatment Works Improvements	I Secondary Treatment	\$7,755,116	\$3,238,938	\$4,516,178	0.7%	30	6/30/2023
Vashon Sewer District	WQC-2023-VashSD-00172	EL230246	Emergency Pipe Repair Between Manholes 16 - 15 and 24 - 27	III-B Sewer System Rehabilitation	\$687,000	\$687,000		1.1%	20	3/23/2023

Recipient Name	Application Number	Agreement Number	Project Title	Clean Water Needs Category	Total Assistance	Loan Amount	Forgivable Loan Amount	Int Rate %	Term	Binding Commitment Date
Warden, City of	WQC-2023-Warden-00095	EL230225/EF230226	Lift Station 1 Improvements	III-B Sewer System Rehabilitation	\$367,720	\$332,970	\$34,750	0.8%	20	3/22/2023
Washtucna town of	WQC-2023-ToWasht-00105	EL230244	Town of Washtucna - Refinance Existing USDA Rural Development Debt	I Secondary Treatment	\$170,000	\$170,000		1.1%	20	5/16/2023
<b>Total</b>				<b>31</b>	<b>\$260,038,249</b>	<b>\$232,395,348</b>	<b>\$27,642,901</b>			

## Timely and Expeditious Use of Funds

**Table 3:** Timely and Expeditious Use of Federal Funds

	Base and BIL	ARRA	Totals
Federal Funds Received--Cumulative Through SFY23	\$842,063,560.00	\$68,151,900.00	\$910,215,460.00
State Match--Cumulative Through SFY23	\$165,318,727.49		\$165,318,727.49
Principal and Interest Collected--Cumulative Through SFY23	\$1,502,404,976.30		\$1,502,404,976.30
State Treasurer's Office Interest (Cash Basis)--Cumulative Through SFY23	\$58,507,776.81		\$58,507,776.81
Administration 4%--Cumulative Through SFY23	\$(33,683,657.89)	\$(2,726,076.00)	\$(36,409,733.89)
Total Funds--Cumulative Through SFY23	\$2,534,611,382.71	\$65,425,824.00	\$2,600,037,206.71
Loan Obligations--Projected Through SFY23	\$2,681,256,823.56	\$65,449,649.00	\$2,746,706,472.56
<b>Loan Obligations to Total Funds Available</b>			<b>105.64%</b>

### State match

The legislation authorized the match as a Treasurer's cash transfer from the State Taxable Building Construction account into account 727. For SFY23 the State Treasurer deposited \$7,119,500 into the CWSRF account.

### Green Project Reserve

The FFY22 grant from EPA required Ecology to offer a minimum of 10 percent of the grant to Green Project Reserve (GPR) projects or GPR elements of projects. The FFY22 CW Base and CW BIL grant totaled \$51,073,000, which set the GPR requirement at \$5,107,300.

In SFY23 Ecology made specific offers of \$29,279,330 to the two GPR-eligible projects (Table 4). These funds equal 57 percent of the cap grant, meeting the 10 percent requirement.

**Table 4: Green Project Reserve (GPR) Funded Projects in SFY23**

Application Number	Agreement Number	Recipient Name	Project Title	GPR Category	Standard Loan Amount	Forgivable Principal Loan Amount
WQC-2023-Kennew-00139	EL230415/EF230416	Kennewick city of	Kennewick WWTP Phase 2	Environmental Innovative-4.4-1b Technology or approach that is not widely used in the State, but does perform as well or better than conventional technology/approaches at lower cost.	\$22,975,000	\$6,125,000
WQC-2023-LyndPW-00043	EL230149/EF230150	Lynden city of - Public Works Department	9th Street Judson Area Stormwater LID - Phase 2	Green Infrastructure-1.2-1 Implementation of green streets	\$134,498	\$44,832
<b>Total</b>				<b>\$29,279,330</b>	<b>\$23,109,498</b>	<b>\$6,169,832</b>

### Additional Subsidization (ASR) and Sustainability of Funded Projects

The FFY22 CW Base grant from EPA specifies that Ecology must use at least ten percent and up to forty percent of the grant to provide additional subsidization (ASR) in the form of principal forgiveness, negative interest rate loans, or grants. The FFY22 CW BIL specifies that forty nine percent must be provided as additional subsidization. The FFY22 CW Base grant totaled \$20,122,000, which set the ASR requirement with a minimum of \$2,012,200 and maximum of \$8,048,800. The FFY22 CW BIL grant totaled \$30,951,000, which set the ASR requirement as \$15,165,990. This provides a total range of a minimum of \$17,178,190 and max of \$23,214,790.

There are two additional subsidy authorities. The annual appropriation authorized/required ten percent of the capitalization grant for any new eligible SRF project. Additionally, the CWA 603((a) additional subsidy authorizes at least ten percent but no more than thirty percent of the capitalization grant amount to provide additional subsidy to the following:

- any municipalities that meet the state’s affordability criteria.
- municipalities that do not meet the state’s affordability criteria but seek additional subsidization to benefit individual ratepayers in the residential user rate class.
- or any eligible borrower that implement a process, material, technique, or technology that addresses water or energy efficiency goals; mitigates stormwater runoff; or encourages sustainable project planning, design, and construction.

Ecology meets the requirement by providing forgivable principal loans to wastewater and stormwater treatment preconstruction projects in eligible communities, wastewater construction projects that demonstrate financial hardship, and to GPR-eligible projects.

In SFY23 Ecology provided forgivable principal loans to 19 applicants totaling \$27,642,901. \$23,101,703 of this is counted towards the FFY22 CW Base and BIL cap grant ASR falling within the minimum and maximum requirement. Ecology provided \$4,541,198 in new forgivable loans to Town of Twisp and the Lummi Tribal Sewer and Water District using FFY20 remaining ASR authority. Table 5 summarizes the recipients that received forgivable principal loans for their projects.

**Table 5:** Additional Subsidization via Forgivable Principal Loan Agreements and Meeting the Sustainability Requirements in SFY23

Application Number	Agreement Number	Recipient Name	Project Title	Base	BIL	ASR Sustainability Criterion	Affordable without subsidy?
Almira town of	WQC-2023-ToAlmi-00174	EF230158	Almira Lift Station Renovation	\$30,486		Sustainable Planning or Design	N
Brewster city of	WQC-2022-Brewst-00114	Unassigned	Brewster Collection System Improvements		\$868,493	Sustainable Planning or Design	N
College Place city of - Engineering Department	WQC-2023-CoPIED-00138	EF230292/ EF230294	College Place WWTP Construction-Collection		\$10,000,000	Sustainable Planning or Design	N
Eastsound Sewer & Water District	WQC-2023-EaSoWd-00130	EF230409/ EF230438	Eastsound Sewer and Water District Upgrades Phase II	\$208,563	\$205,807	Sustainable Planning or Design	N
Fisherman Bay Sewer District	WQC-2023-FiBaSD-00031	EF230242	Design of Fisherman Bay Sewer District WWTP Upgrade and Expansion		\$382,000	Sustainable Planning or Design	N
Garfield, Town of	WQC-2023-GarfTo-00079	EF230180	Garfield Wastewater Treatment Plant Facilities Plan	\$50,000		Sustainable Planning or Design	N

Application Number	Agreement Number	Recipient Name	Project Title	Base	BIL	ASR Sustain ability Criterion	Affordable without subsidy?
Kennewick city of	WQC-2023-Kennew-00139	EF230416	Kennewick WWTP Phase 2	\$6,125,000		Green Project Reserve	Y
Kittitas city of	WQC-2023-CiKitt-00080	EF230354	General Sewer Plan	\$134,500		Sustaina ble Planning or Design	N
Lummi Tribal Sewer and Water District	WQC-2020-LuTSWD-00042	EF230091	Gooseberry Point WWTF Improvements Construction	\$780,136		Sustaina ble Planning or Design	N
Lynden city of - Public Works Department	WQC-2023-LyndPW-00043	EF230150	9th Street Judson Area Stormwater LID - Phase 2	\$44,832		Green Project Reserve	Y
Newport city of	WQC-2021-Newpor-00151	Unassigned	Newport WWTP Upgrades & Collection System Improvements		\$750,000	Sustaina ble Planning or Design	N
Oroville city of	WQC-2023-CiOrov-00113	EF230435	City of Oroville General Sewer Plan	\$138,632		Sustaina ble Planning or Design	N
Reardan town of	WQC-2023-Rearda-00154	EF230186	Reardan I&I Reduction Project	\$146,450		Sustaina ble Planning or Design	N
Ritzville City of	WQC-2023-RitzCi-00104	EF230184	City of Ritzville General Sewer Plan Update	\$162,500		Sustaina ble Planning or Design	N
Snoqualmie Pass Utility District	WQC-2023-SnPaUd-00098	EF230237	Snoqualmie Pass Phase 2-4 MBR WWTP Improvements Eng. & Constr Services	\$785,000		Sustaina ble Planning or Design	N

Application Number	Agreement Number	Recipient Name	Project Title	Base	BIL	ASR Sustainability Criterion	Affordable without subsidy?
St John town of	WQC-2023-StJohn-00100	EF230152	St. John Wastewater Treatment Plant Replacement		\$2,204,574	Sustainable Planning or Design	N
Tekoa city of	WQC-2023-CiTeko-00135	EF230178	Wastewater Treatment Plant Facilities Plan	\$75,000		Sustainable Planning or Design	N
Twisp town of - Public Works	WQC-2022-TwisPW-00057	Unassigned	Twisp Treatment Works Improvements	\$3,761,062	\$755,116	Sustainable Planning or Design	N
Warden, City of	WQC-2023-Warden-00095	EF230226	Lift Station 1 Improvements	\$34,750		Sustainable Planning or Design	N
		<b>Total</b>	<b>\$27,642,901</b>	<b>\$12,476,911</b>	<b>\$15,165,990</b>		



## Additional subsidization (ASR) Capitalization Grant Requirement Verification

Since the FFY10 capitalization grant, EPA began authorizing a portion of the capitalization grant be used for additional subsidization in the form of a grant, forgivable principal loans, or negative interest rate loans. Each capitalization grant since has established a range (min/max) of the grant that could be used to provide these forms of assistance to recipients. Ecology meets this requirement by disbursing forgivable principal loans. EPA is required to verify Ecology met this requirement before they can close that corresponding capitalization grant. Ecology has provided EPA with backup documentation verifying the amounts disbursed by fiscal year.

**Table 6:** Capitalization grant additional subsidization verification.

Federal Cap Grant	Cap grant amount	Minimum	Maximum	Awarded	Disbursed to date	Status
FFY10	\$35,433,000	\$5,307,863	\$17,688,154	\$8,544,312	\$8,544,312	Closed
FFY11	\$25,680,000	\$2,380,536	\$7,932,552	\$2,479,143	\$2,479,143	Closed
FFY12	\$24,578,000	\$1,364,079	\$2,047,347	\$1,817,471	\$1,817,471	Closed
FFY13	\$23,246,763	\$1,093,620	\$1,640,430	\$1,626,831	\$1,626,831	Closed
FFY14	\$24,383,000	\$1,326,866	\$1,990,299	\$1,767,783	\$1,730,539	Closed
FFY15	\$24,258,000	\$0	\$7,277,400	\$2,287,790	\$2,287,790	Closed
FFY16	\$23,235,000	\$2,323,500	\$9,294,000	\$3,719,977	\$3,791,977	Closed
FFY17	\$23,056,000	\$2,305,600	\$9,222,400	\$4,158,107	\$4,147,354	Open
FFY18	\$27,912,000	\$2,791,200	\$11,164,800	\$3,763,983	\$3,268,163	Open
FFY19	\$27,631,000	\$2,763,100	\$11,052,400	\$8,074,366	\$5,217,764	Open
FFY20	\$27,635,000	\$2,763,500	\$11,054,000	\$8,320,699	\$2,348,782	Open
FFY21	\$27,631,000	\$2,763,100	\$11,052,400	\$8,867,822	\$1,670,063	Open
FFY22-Base	\$20,122,000	\$2,012,200	\$8,048,800	\$7,935,713	\$425,564	Open
FFY22-BIL	\$30,951,000	\$15,165,990	\$15,165,990	\$15,165,990	\$24,058	Open
<b>Total</b>	<b>\$365,751,763</b>	<b>\$44,361,154</b>	<b>\$124,630,972</b>	<b>\$78,529,987</b>	<b>\$39,379,812</b>	

## Assistance to hardship communities

Ecology is committed to providing financial assistance to hardship communities. Twenty one percent or \$53,815,100 of CWSRF loan funds went to hardship communities. **Table 7** outlines the assistance provided in the form of reduced interest rates, forgivable principal loans, and Centennial grants to make these projects more affordable for seventeen communities.

**Table 7:** Hardship Assistance Provided in SFY23

Application Number	Agreement Number	Recipient Name	Project Title	Hardship Level	Standard Loan	Int Rate %	Term	Forgivable Principal Loan	State Grant	Total
WQC-2023-ToAlmi-00174	EL230157/EF230158	Almira town of	Almira Lift Station Renovation	Preconstruction	\$502,940	1.1%	20	\$30,486		\$533,426
WQC-2022-Brewst-00114	Unassigned	Brewster city of	Brewster Collection System Improvements	Elevated	\$1,131,507	1.4%	30	\$868,493		\$2,000,000
WQC-2023-CoPIED-00138	EL230293/EL230295/EF230292/EF230294	College Place city of - Engineering Department	College Place WWTP Construction-Collection	Moderate	\$16,000,000	0.7%	20	\$10,000,000		\$26,000,000
WQC-2023-EaSoWd-00130	EL230408/EF230409/EF230438	Eastsound Sewer & Water District	Eastsound Sewer and Water District Upgrades Phase II	Moderate	\$3,864,579	1.2%	30	\$414,370	\$1,771,725	\$6,050,674
WQC-2023-FiBaSD-00031	EL230243/EF230242	Fisherman Bay Sewer District	Design of Fisherman Bay Sewer District WWTP Upgrade and Expansion	Preconstruction	\$382,000	1.1%	20	\$382,000		\$764,000
WQC-2023-GarfTo-00079	EL230179/EF230180	Garfield, Town of	Garfield Wastewater Treatment Plant Facilities Plan	Preconstruction	\$50,000	1.1%	20	\$50,000		\$100,000

Application Number	Agreement Number	Recipient Name	Project Title	Hardship Level	Standard Loan	Int Rate %	Term	Forgivable Principal Loan	State Grant	Total
WQC-2023-CiKitt-00080	EL230353/EF230354	Kittitas city of	General Sewer Plan	Preconstruction	\$134,500	1.1%	20	\$134,500		\$269,000
WQC-2020-LuTSWD-00042	EF230091	Lummi Tribal Sewer and Water District	Gooseberry Point WWTF Improvements Construction	Moderate	\$0			\$780,136		\$780,136
WQC-2021-Newpor-00151	Unassigned	Newport city of	Newport WWTP Upgrades & Collection System Improvements	Preconstruction	\$750,000	0.7%	30	\$750,000		\$1,500,000
WQC-2023-CiOrov-00113	EL230434/EF230435	Oroville city of	City of Oroville General Sewer Plan	Preconstruction	\$138,633	1.1%	20	\$138,632		\$277,265
WQC-2023-Rearda-00154	EL230187/EF230186	Reardan town of	Reardan I&I Reduction Project	Moderate	\$1,504,108	0.8%	20	\$146,450		\$1,650,558
WQC-2023-RitzCi-00104	EL230183/EF230184	Ritzville City of	City of Ritzville General Sewer Plan Update	Preconstruction	\$162,500	1.1%	20	\$162,500		\$325,000
WQC-2023-SnPaUd-00098	EL230236/EF230237	Snoqualmie Pass Utility District	Snoqualmie Pass Phase 2-4 MBR WWTP Improvements Eng. & Constr Services	Preconstruction	\$785,000	0.5%	5	\$785,000		\$1,570,000
WQC-2023-StJohn-00100	EL230153/EF230152	St John town of	St. John Wastewater Treatment Plant Replacement	Moderate	\$3,289,356	0.8%	20	\$2,204,574	\$556,070	\$6,050,000
WQC-2023-CiTeko-00135	EL230177/EF230178	Tekoa city of	Wastewater Treatment Plant Facilities Plan	Preconstruction	\$75,000	0.5%	5	\$75,000		\$150,000

Application Number	Agreement Number	Recipient Name	Project Title	Hardship Level	Standard Loan	Int Rate %	Term	Forgivable Principal Loan	State Grant	Total
WQC-2022-TwisPW-00057	Unassigned	Twisp town of - Public Works	Twisp Treatment Works Improvements	Elevated	\$3,238,938	0.7%	30	\$4,516,178	\$1,784,442	\$9,539,558
WQC-2023-Warden-00095	EL230225/E F230226	Warden, City of	Lift Station 1 Improvements	Moderate	\$332,970	0.8%	20	\$34,750	\$288,280	\$656,000
			<b>Total</b>		<b>\$32,342,031</b>			<b>\$21,473,069</b>	<b>\$4,400,517</b>	<b>\$58,215,617</b>

## Emergency Funding

Ecology administers the Clean Water State Revolving Fund (CWSRF) Emergency Funding Program. The purpose of the program is to provide relatively quick access to no interest loans for small communities that experience water quality-related “environmental emergencies” as defined in WAC 173-98-030(27)4. The definition states, “Environmental emergency means a problem that a public body and the department agree poses a serious, immediate threat to the environment or to the health or safety of a community and requires immediate corrective action.”

The program seeks to simplify and expedite the application, agreement development, and project implementation processes to disburse funds to eligible projects soon as possible.

Ecology collaborated on program development to be as consistent as possible with the Washington State Department of Health’s (DOH) Drinking Water State Revolving Fund Emergency Loan Program. In SFY22 there were no Emergency funding loans applied for and awarded. State Environmental Review Process (SERP) and Federal Cross Cutters

EPA requires Ecology to ensure that all facility design or construction projects receiving funding through the CWSRF meet SERP. In addition, EPA requires that Ecology ensure that wastewater treatment facility construction equivalency projects meet the federal cross cutter requirements.

In SFY17, Ecology worked closely with EPA to develop a SERP policy and procedure document. Ecology Water Quality management team and EPA’s regional director approved and signed the SERP document on October 19, 2016.

## CWSRF Capitalization Grant Administration (4%)

The CWSRF capitalization grants can be used by states to pay for costs associated with administering the program. In 2014, the Water Resources Reform and Development Act (WRRDA) amended the clean water act (Section 603(d)(7)) to allow for the following options for states to determine available funds for the reasonable costs of administering the fund. However, the amounts shall not exceed four percent of all grant awards to the fund.

- an amount equal to four percent of all grant awards received by a State CWSRF
- \$400,000; or
- 1/5 percent of the current valuation of the fund.

Ecology is entitled to use an amount equal to four percent of all (cumulative) grant awards, minus all (cumulative) administrative expenditures expended out of the fund. This is separate from any funds Ecology receives as a result of the administrative charge. Table 8 accounts for the cumulative four percent allowed amount, cumulative administrative expenses and remaining authority.

Ecology has a robust administrative account that it plans to utilize for on-going administrative expenditures but in the case where unexpected needs arise where Ecology doesn’t have appropriation authority in the biennial budget, use of the four percent remaining authority may be used out of Account (727).

**Table 8:** Cumulative Administration Expenses from Capitalization Grants through SFY23

Federal Funds Received	\$910,215,460
Administration Expenses Allowed (4%)	\$36,409,734
Administration Expended out of Account 727	\$29,661,714
Administration Authority Remaining	\$6,748,020

### CWSRF Administrative Charge Account

On May 1, 2013, the Governor signed SHB 1141, which amended RCW 90.50A.090 establishing the water pollution control revolving fund administrative account. On December 21, 2013, Ecology adopted an amendment to Chapter 173-98 Washington Administrative Code (WAC), **Uses and Limitations of the Water Pollution Control Revolving Fund** allowing for a one percent charge on loans to be used for administrative costs related to CWSRF. Ecology began applying the charge to all loans entering repayment on or after that date. As of June 30, 2023, the total administrative charge funds deposited into the Administrative Account (564) totaled \$24,827,492.

Ecology evaluated the charge, forecasted revenue, and reduced the rate to .3 percent on FY21 and future loans. Once loans being charged one percent are repaid, .3 percent appeared to bring in revenue closer to the amount needed for administrative costs. Ecology actively manages the Administrative Account by transferring excess funds into Account (727) to fund projects. Table 9 provides a summary of deposits, expenditures for Account (564) and transfers between Account (564) and Account (727).

**Table 9:** CWSRF Administrative Charge Account (564) deposits and expenditures

Administrative Funds Deposited (during SFY23)	\$4,332,819
Administrative Funds Deposited (Cumulative Through SFY23)	\$24,827,492
Administration Expenses (during SFY23)	\$2,376,292
Administration Expenditures (Cumulative Through SFY23)	\$11,492,789
Transfers from 564 into SRF account (727) (during SFY23)	\$0
Transfers from fund 564 to SRF account (727) (cumulative through SFY23)	\$7,334,704
Balance of fund 564 as of June 30, 2023	\$9,031,826.52

### Drawing funds from the Capitalization Grant

EPA requires that each capitalization grant be drawn down within two years from when the grant is awarded. At any one time, there should only be at most two capitalization grants with unspent funds. Once Ecology receives a grant, any disbursement requests from sub recipients is paid out of the state match allocated for that grant. Once the state match is 100% disbursed, Ecology then disburses federal grant funds until they are fully expended. This method ensures we meet the federal draw proportionality requirement and disburse all federal funds timely and expeditiously.

As of June 30, 2023, there were no balances in any capitalization grants.

## Fund Management and Health of the Account

The CWSRF account balance had grown over the years. By the end of SFY23, the cash balance was \$361,442,985. Quarterly revenue into the account from repayments and federal grants has outpaced quarterly expenditures. One significant contributing factor is early repayment/payoffs. In the last fiscal years, Ecology has received early repayment totaling \$207M. This is a result of low interest rates and communities consolidating debt at lower rates. In addition, the impact of COVID-19 on local municipality budgets appears to be creating some project delays. We are amending agreements to push out project completion dates.

Ecology updates its cash flow model quarterly. The model is used to make future decisions related to appropriation requests and for available funding for each funding cycle. Ecology is adjusting disbursement assumptions and deobligation assumptions to align the cash flow model with a better reality, integrating evolving project delay issues, and early repayments. Ecology's goal is to get the cash balance down to approximately \$60M and maintain that balance over time.

## Equivalency Projects

"Equivalency requirements" refer to specific requirements EPA applies to Ecology's funding for the CWSRF. "Equivalency" means that Ecology is only required to report and/or track compliance with the requirements by CWSRF loan recipients up to an amount equivalent to the Capitalization Grant Ecology receives from EPA.

Due to amendments to the Clean Water Act (CWA) in 2014, equivalency now applies to the following:

- Architectural and engineering (A/E) services procurement.
- Disadvantaged Business Enterprises (DBE)
- Federal Funding Accountability and Transparency Act (FFATA).
- Most of the federal cross cutters.
- Single Audit Act (SAA)

In prior years, Ecology met the equivalency requirements by applying them to certain types of projects or applicants. EPA issued a memo stating that the same group of projects must comply with all the equivalency requirements. Between SFY16 and SFY18, Ecology identified equivalency projects by type to allow predictability for our recipients. We identified any wastewater facility Step 3 (Construction) and Step 4 (Design and Construction) projects for recipients with a population of 25,000 or greater. During our Single Audit for SFY18, the State auditor told Ecology that there was a problem with identifying projects totaling more than the capitalization grant.

Ecology began identifying projects totaling closer to the amount of capitalization grant by selecting one or two wastewater facility projects for recipients with a population of 25,000 or more. We also made it clearer in our agreements which loan dollars are Federal Equivalency funds. Table 10 lists the SFY23 project selected as the equivalency project.

**Table 10: SFY23 Equivalency Projects**

Cap Grant	Recipient Name	Application Number	Agreement Number	Final Loan Amount	A/E Procurement Included
FFY22 CW-BIL	King County - Natural Resources and Parks Department	WQC-2019-KCoNRP-00039	EL230078	\$30,951,000	Yes
FFY22 CW-Base	King County - Natural Resources and Parks Department	WQC-2019-KCoNRP-00040	EL220703	\$20,122,000	Yes
			<b>Total</b>	<b>\$51,073,000</b>	

## CWSRF Program Changes and Ongoing Development

### Early Repayments

Due to record low interest rates many local governments decided to consolidate their debt. This resulted in many CWSRF recipients paying off their loans in repayment. Between SFY21 and 22, there was a total of \$207 M in early repayments. Ecology decided to put the money back out into new projects instead of offering loan restructuring. Ecology did not offer options to restructure loans due to broader implications on the program and the significantly increased workload on Ecology fiscal office. Ecology worked with King County and City of Seattle to identify additional funding needed for high priority water quality projects partially funded on the SFY22 list and offered the early repayment funding to those projects. These agreements began to disburse funds in SFY23 which explains the higher-than-normal disbursements.

### Small Communities Project Priority List (SCPPL)

Ecology is continuing development of a new simplified funding process to help meet the anticipated wastewater infrastructure needs for small communities. This process was initiated to address ongoing needs for small financially disadvantaged community wastewater and to facilitate rapid use of the BIL supplemental funding. Funds may be awarded to hardship eligible projects, if available, for the next phase of these projects once the current phase is completed and approved. The purpose is to reduce barriers for small communities to access funding and keep project development moving. Some of the barriers this addresses includes eliminating multiple applications, ability to move forward with the next phase when ready, and providing certainty the project will be fully funded.

### Bipartisan Infrastructure Law (BIL)

President Biden signed the Bipartisan Infrastructure Law (BIL) on November 15, 2021. The law’s investment in the water sector is nothing short of transformational. It includes \$50 billion to the U.S. Environmental Protection Agency (EPA) to strengthen the nation’s drinking water and wastewater systems – the single largest investment in clean water that the federal government has ever made. For Washington CWSRF this is an additional \$240M in supplemental funding over the next five years (FFY22 through FFY26). This includes funding in addition to the annual capitalization grant.



BIL supplemental prioritizes 49% of the capitalization grant be directed to disadvantaged communities. BIL also provides funding to address emerging contaminants and funding authorization for EPA's Sewer Overflow and Stormwater Reuse Municipal Grant program.

### **Build America, Buy America Act (BABA)**

Congress passed the Build America Buy America (BABA) Act in 2021, concurrently with the BIL. Congress established this domestic preference program to create long-term opportunities for domestic manufacturers and manufacturing jobs and build resilient domestic supply chains for a wide range of products.

For CWSRF recipients, BABA expands existing American Iron and Steel (AIS) requirements (which EPA has implemented since 2014) to include construction materials and manufactured goods. Staff have been reviewing guidance and information about waivers as they have come out from the Office of Management and Budget (OMB) and EPA. EPA has stated in the implementation memo that BABA is an equivalency requirement. They have also issued a waiver that states if a project has started their design planning before May 14, 2022, they are exempt from the requirements. The equivalency projects identified on the SFY23 list meet this waiver exemption. Although Ecology has yet to apply this requirement to any projects, staff are preparing to implement the BABA requirements in future funding cycles.

### **New Staff Resources and Small Communities Technical Assistance**

Ecology received approval through the state budget process to add an additional four full time equivalent (FTE) positions to its CWSRF support staff. This will be funded out of the CWSRF administrative charge account. This will provide two additional full-time project managers in the regional offices to improve CWSRF project management, and two full-time roving operators to provide small community wastewater facility operational technical assistance. This will help address the growing number of complex projects, federal conditions tracking, and workload. Additionally, Ecology added a small communities technical assistance engineer position to serve the westside of the state. This expands our technical assistance resources to include two engineers who can help small communities address issues they experience in moving projects and preparing them for funding.

**WASHINGTON STATE DEPARTMENT OF ECOLOGY  
CWSRF PROGRAM  
Management's Discussion and Analysis for fiscal year 2023**

## **Management Discussion and Analysis**

This Management Discussion and Analysis (MD&A) introduces the annual financial statements of the State of Washington Department of Ecology, Clean Water State Revolving Fund Loan Program (CWSRF) and Water Pollution Control Revolving Admin (WPCRA) for the years ended June 30, 2023. These two funds are reported together and are referred to as CWSRF Program. It is a required supplement to these financial statements. It describes and analyzes the financial position of the CWSRF program, providing an overview of the CWSRF's activities. The State of Washington Department of Ecology (Ecology) is responsible for the content of these financial statements. The MD&A provides readers with a summary of the issues and information Ecology management hopes is useful to the reader.

### **The CWSRF program**

The CWSRF account provides financial assistance in the form of low-interest loans to local governments and tribes for water quality projects of high priority. Ecology receives an annual grant from United States of America Environmental Protection Agency (EPA). The federal fiscal year (FFY) 2022 grant award was \$51,073,000. Ecology matches 20 percent of the grant award with state funds, of \$7,119,500. The funding levels for the CWSRF program each fiscal year are based on federal appropriations, state legislative appropriations, repayments from past loans, interest on investments, and de-obligated funds. The funding made available for projects in the state fiscal year (SFY) 2023 was \$310M as published in Ecology's Intended Use Plan. CWSRF loan interest rates are between zero and two percent. This account is for loan activity.

In 2013, the Water Pollution Control Revolving Admin (WPCRA) account was established. This account was funded from an administrative charge of 1 percent charged on the declining principal of loans that went into repayment after the new rule was effective December 21, 2013. Ecology reduced the rate to 0.3 percent on FY21 and future loans. Once loans charged 1 percent are repaid, projection shows that 0.3 percent bring in revenue closer to the amount needed for administrative costs. This account is for program administrative activities to manage the CWSRF.

### **Using this Annual Financial Report**

The financial statements included in this annual financial report are those of the combined CWSRF and WPCRA. The basic financial statements of the CWSRF and WPCRA represent the financial position, changes in financial position, and cash flows as of the years ended June 30, 2023, of only that portion of the financial reporting entity of the Department of Ecology that is attributable to the transactions of the CWSRF and WPCRA. They do not purport to present the financial position of the Department of Ecology or the State of Washington (State) as of June 30, 2023, and the change in the net positions and their cash flows for the year ended.

**WASHINGTON STATE DEPARTMENT OF ECOLOGY  
CWSRF PROGRAM  
Management's Discussion and Analysis for fiscal year 2023**

**Overview of Financial Statements**

The financial statements of the CWSRF and WPCRA are presented as a special purpose government engaged only in the business type activities – providing loans to other governmental entities. The statements provide both short-term and long-term information about the CWSRF's and WPCRA's financial position, which assists the reader in assessing the CWSRF's and WPCRA's economic condition at the end of the fiscal year. These statements are prepared using the accrual basis of accounting. The financial statements include the following three statements:

The *Statement of Net Position* present information on all the CWSRF's and WPCRA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position are expected to serve as a useful indicator of whether the financial position of the CWSRF and WPCRA are improving or deteriorating.

The *Statement of Revenues, Expenses, and Changes in Net Position* present information showing how CWSRF's and WPCRA's net position changed during the past year. All changes in the net position are reported, as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

The *Statement of Cash Flows* report the CWSRF's and WPCRA's cash flows from operating activities, noncapital financing activities, and investing activities.

The *Notes to Financial Statements* provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes can be found immediately following the financial statements.

**Net Position**

	<b>June 30,2023</b>	<b>June 30,2022</b>
<b>ASSETS</b>		
Cash and cash equivalents	369,160,178	401,519,794
Loans receivable	966,768,336	857,314,408
Other assets	1,126,667	1,730,408
<b>Total assets</b>	<b>1,337,055,181</b>	<b>1,260,564,610</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>963,418</b>	<b>896,679</b>
<b>LIABILITIES</b>		
Current liabilities	541,817	168,957
Noncurrent liabilities	4,767,047	5,462,869
<b>Total liabilities</b>	<b>5,308,864</b>	<b>5,631,826</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>988,169</b>	<b>2,147,791</b>
<b>NET POSITION</b>		
Restricted	<b>1,331,721,566</b>	<b>1,253,681,672</b>

**WASHINGTON STATE DEPARTMENT OF ECOLOGY  
CWSRF PROGRAM  
Management's Discussion and Analysis for fiscal year 2023**

The net position increased from \$1,253,681,672 as of June 30, 2022, to \$1,331,721,566 as of June 30, 2023. This increase is mostly due to an increase in repayments and decrease of loan disbursements. The net position is comprised solely of resources restricted for the CWSRF program. The CWSRF program has no capital assets and no related debt.

During SFY23 the CWSRF total activity cash decreased by \$32,359,616, as seen on the Statement of Net Position. The decrease in cash is a result of decreased repayments and increase of loan disbursements. The State Treasurer's office credited \$8,863,449 in interest to the CWSRF account. The EPA capitalization grant funds provided \$51,073,000 and the State of Washington provided \$7,119,500 in matching funds.

The change in loans receivable is caused by less loans being in repayment. Ecology disbursed \$163,018,101 in loans during the year. Ecology received \$49,276,274 in principal payments from borrowers and applied \$3,928,909 in principal forgiveness during the year. Ecology paid \$2,243,768 in administrative expenses to employees, vendors, and for indirect costs.

### Changes in Net Position

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
<b>REVENUES</b>		
Operating revenues:		
Loan interest income	13,002,365	7,852,172
Loan Service Fee	4,154,257	4,152,118
Non-operating revenues:		
Investment income	8,863,449	2,188,247
<b>Total revenues</b>	<b>26,020,071</b>	<b>14,192,537</b>
<b>EXPENSES</b>		
Operating expenses:		
Administrative expenses	2,243,768	1,684,882
Principal forgiveness	3,928,909	6,121,394
<b>Total expenses</b>	<b>6,172,677</b>	<b>7,806,276</b>
<b>Income before contributions</b>	<b>19,847,394</b>	<b>6,386,261</b>
<b>Capital contributions:</b>		
EPA capitalization grant	51,073,000	27,631,000
State and other contributions	7,119,500	5,526,310
<b>Total capital contributions</b>	<b>58,192,500</b>	<b>33,157,310</b>
<b>Change in net position</b>	<b>78,039,894</b>	<b>39,543,571</b>
<b>Net position - beginning of year, as previously reported</b>	<b>1,253,681,672</b>	<b>1,214,308,364</b>
Prior period adjustment		(170,263)
<b>Net position - beginning of year, as restated</b>	<b>1,253,681,672</b>	<b>1,214,138,101</b>
<b>Net position - end of year</b>	<b>1,331,721,566</b>	<b>1,253,681,672</b>

**WASHINGTON STATE DEPARTMENT OF ECOLOGY  
CWSRF PROGRAM  
Management's Discussion and Analysis for fiscal year 2023**

### **Income for Fiscal Year 2023**

Income before contributions of the CWSRF for SFY23 was \$19,847,394, which includes \$8,863,449 of investment income. Operating income or loss includes those amounts earned by the ordinary activities of the program, minus the related expenses. Ordinary activities of the program include interest earned on loans, the loan service fee, and interest earned on balances held with the State Treasurer's Office. Related expenses include salaries and benefits, supplies, travel, indirect costs, and equipment.

Net operating income increases the net position in the program. Other increases to net position include amounts received from the EPA capitalization grant and amounts contributed as grant match by the state of Washington. In 2023, the CWSRF earned \$51,073,000 in federal funds and \$7,119,500 in state matching funds.

### **State Matching Funds**

For SFY 2023, state matching funds came from the State Taxable Building Construction Account. Revenue from that account comes from a combination of bond proceeds and other miscellaneous revenue. CWSRF received cash match of \$7.1 million.

### **Economic Conditions and Outlook**

Ecology continues to improve Washington State's CWSRF program through strategic planning and funding program updates to address changing economic conditions. Annually, Ecology addresses changes and updates of policies, procedures, and guidelines to ensure financial health and sustainability of the fund. They also periodically review and update program statute and rules to address emerging water quality financial assistance needs. SFY23 demand for funds continued to be higher than funds available. This demand indicates that local governments are moving forward with their infrastructure projects and points to a general improvement in the local government economic outlook after the economic downturn.

For SFY23 (FFY22) the federal capitalization grant was approximately \$58.2 million (including match and supplemental funding – Bipartisan Infrastructure Law (BIL)), which was higher than the previous year. BIL authorized two new capitalization grants to fund CWSRF (CWSRF BIL Capitalization grant and the CWSRF Emerging Contaminants Capitalization grant), in addition to the regular CWSRF Base Capitalization grant. Based on the BIL authorization, Ecology anticipates an increase in federal funding through FFY26. The CWSRF Base Capitalization grant has been lower than previous years', due to the legislature taking funding off the top of the national allotment to fund Community grants (earmarks). If this trend continues after the BIL supplemental funding ends in FFY26, there may be a reduction in future capitalization grants to the SRF programs. Although capitalization grants are an important source of revenue, the CWSRF has a sound level of repayment and interest income that would sustain the revolving loan fund at a lower level. Ecology uses a cash flow model to project and predict available fund resources each funding year, with a 20-year projected outlook. This model has allowed Ecology to award additional loan funding through available cash resources and includes ongoing repayments, program income, and disbursements. Ecology accounts for possible reductions in the capitalization grant through the model.

**WASHINGTON STATE DEPARTMENT OF ECOLOGY  
CWSRF PROGRAM  
Management's Discussion and Analysis for fiscal year 2023**

Ecology has a well-structured loan agreement with conditions that limit risk of non-payment. To date, there have been no issues related to non-payment of a CWSRF loan in Washington State.

### **Conclusion**

This MD&A is intended to provide a summary of the financial condition of the CWSRF loan program and should be read in conjunction with the remainder of this report. The financial statements and footnotes contained in this annual report provide a detailed analysis of the program's financial position and results of operations.

### **Requests for Information**

The financial report is designed to provide interested parties with a general overview of the CWSRF program finances. For questions, concerning the information provided in this report or requests for additional information should contact Jeff Nejedly, Financial Management Section Manager, Department of Ecology, Water Quality Program, at [jeffrey.nejedly@ecy.wa.gov](mailto:jeffrey.nejedly@ecy.wa.gov) or (360) 407-6572.

**WASHINGTON STATE DEPARTMENT OF ECOLOGY**  
**CWSRF PROGRAM**  
**Statement of Net Position**  
**June 30, 2023**

	<b>2023</b>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and cash equivalents	369,160,178
Receivables:	
Due from other state funds	1,019,200
Loans Receivable	60,577,677
<b>Total current assets</b>	<b>430,757,055</b>
<b>Noncurrent Assets:</b>	
Loans Receivable	906,190,659
Net pension asset	107,467
<b>Total Noncurrent assets</b>	<b>906,298,126</b>
<b>Total Assets</b>	<b>1,337,055,181</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Resources for Pensions	643,000
Resources for OPEB	320,418
<b>Total Deferred Outflows of Resources</b>	<b>963,418</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>1,338,018,599</b>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Accounts payable and accrued expenses	335,110
Due to other state funds	197,448
Total OPEB Liability	9,259
<b>Total current liabilities</b>	<b>541,817</b>
<b>Noncurrent Liabilities:</b>	
Unearned Revenue	4,409,431
Total OPEB Liability	357,616
<b>Total Noncurrent Liabilities</b>	<b>4,767,047</b>
<b>Total Liabilities</b>	<b>5,308,864</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Resources on Pensions	436,585
Resources on OPEB	551,584
<b>Total Deferred Inflows of Resources</b>	<b>988,169</b>
<b>NET POSITION</b>	
Restricted	1,331,721,566
<b>Total Net Position</b>	<b>1,331,721,566</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>1,338,018,599</b>
<b>The accompanying notes are an integral part of the financial statements</b>	

**WASHINGTON STATE DEPARTMENT OF ECOLOGY  
CWSRF PROGRAM  
Statement of Revenues, Expenses, and Changes in Net Position  
for the year ended June 30, 2023**

	<b>2023</b>
<b>OPERATING REVENUE</b>	
Loan interest income	13,002,365
Loan service fee	4,154,257
<b>Total operating revenue</b>	<b>17,156,622</b>
<b>OPERATING EXPENSES</b>	
Personnel services	1,751,905
Other expenses	491,863
Loan Principal Forgiveness expense	3,928,909
<b>Total operating expenses</b>	<b>6,172,677</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>10,983,945</b>
<b>NONOPERATING REVENUE (EXPENSE)</b>	
Net investment income	8,863,449
<b>Total nonoperating revenue (expense)</b>	<b>8,863,449</b>
<b>INCOME BEFORE CONTRIBUTIONS</b>	<b>19,847,394</b>
<b>CONTRIBUTIONS</b>	
EPA capitalization grant	51,073,000
State match revenue	7,119,500
<b>Total contributions</b>	<b>58,192,500</b>
<b>CHANGE IN NET POSITION</b>	<b>78,039,894</b>
<b>NET POSITION - BEGINNING OF YEAR, as previously reported</b>	<b>1,253,681,672</b>
<b>NET POSITION - END OF YEAR</b>	<b>1,331,721,566</b>

The accompanying notes are an integral part of the financial statements



**WASHINGTON STATE DEPARTMENT OF ECOLOGY  
CWSRF PROGRAM  
Statement of Cash Flows for the year ended June 30, 2023**

	<b>2023</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash paid to employees and vendors	(2,830,360)
Cash Received from Interest on Loans	13,002,365
Loan Service Fee	4,154,257
Loans Disbursed	(163,018,101)
Principal received on Loans Receivable	49,276,274
<b>Net Cash flows provided (required) by operating activities</b>	<b>(99,415,565)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Funds received from EPA	51,073,000
Funds received from the state of Washington	7,119,500
<b>Net Cash flows provided (Required) by noncapital operating activities</b>	<b>58,192,500</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Net investment income received	8,863,449
<b>Net Cash Provided (Required) by Investing Activities</b>	<b>8,863,449</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	(32,359,616)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	401,519,794
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>369,160,178</b>
<b>Reconciliation of operating income to net cash required by operating activities</b>	
Income from Operations	10,983,945
<b>Changes In Assets: Decrease (Increase)</b>	
Loans Receivable	(109,453,928)
Due from other state funds	(744,008)
<b>Change in Deferred Outflows of Resources: (Increase) Decrease</b>	1,281,010
<b>Changes In Liabilities: Increase (Decrease)</b>	
Accounts Payable and Accrued Expenses	269,333
Due to other state funds	103,391
Pension & OPEB Liabilities	(336,695)
Unavailable Revenue	(358,991)
<b>Change in Deferred Inflows of Resources: Decrease (Increase)</b>	(1,159,622)
<b>Net Cash Provided (Required) by Operating Activities</b>	<b>(99,415,565)</b>
<b>The accompanying notes are an integral part of the financial statements</b>	

WASHINGTON STATE DEPARTMENT OF ECOLOGY  
CWSRF PROGRAM

Notes to the Financial Statements for fiscal year 2023

## Notes to the Financial Statements

### Note 1: Summary of Significant Accounting Policies

#### Reporting Entity

Washington's Water Pollution Control Revolving Account (The Account) was established pursuant to Title VI of the Federal Water Quality Act of 1987 (the Act) and RCW 90.50A.020. The Act established the Clean Water State Revolving Fund (CWSRF-Loan Activities) program to replace the construction grants program. The Washington State Department of Ecology (Ecology) has exclusive responsibility for management of the CWSRF, per the Operating Agreement between the U.S. Environmental Protection Agency (EPA), Region 10, and Ecology. The accompanying financial statements are for the CWSRF and the Account, neither of which are legally separate entities.

The Water Pollution Control Revolving Admin (WPCRA-Program Activities) account was established in 2013. This account was funded from an administrative charge of 1% charged on the declining principal of loans that went into repayment after the new rule was effective December 21, 2013. Ecology reduced the rate to 0.3 percent on FY21 and future loans. Once loans charged 1% are repaid, projection shows that 0.3 percent bring in revenue closer to the amount needed for administrative costs. This account is for program administrative activities to manage the CWSRF.

#### Operation of the CWSRF and the Account

The CWSRF provides loans at reduced interest rates to finance qualified projects for the construction of publicly owned water pollution control facilities, non-point source pollution control projects, and the development and implementation of estuary conservation and management plans. Loans made by the Account must be repaid within 30 years. All repayments, including interest and principal, must be credited to the Account.

States are required to provide an additional 20 percent of the Federal capitalization grant amount as matching funds in order to receive the grant from EPA. The State has been awarded \$910,215,460 in capitalization grants from 1989 through June 30, 2023. The State match share for that awarded amount is \$165,138,874.

The Account is administered by the Ecology through the Water Quality Program (WQP). The WQP's primary responsibilities for the CWSRF includes obtaining capitalization grants from EPA, soliciting potential interested parties, negotiating loan agreements with local communities, reviewing and approving payment requests from loan recipients, managing the loan repayments, and conducting inspection and engineering reviews to ensure compliance with all applicable laws, regulations, and program requirements.

The Account does not have any full-time employees. Ecology employees charge the Account for actual time worked on CWSRF activities. The charges include the salaries and benefits of the employees as well as indirect costs allocated to the Account based on direct salary and benefit

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costs. Employees charging time to the Account are covered by the benefits available to Washington State Employees.

### **Basis of Accounting**

The Account follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations, and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

The financial statements for the Account are presented as enterprise funds and are reported using the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recorded as earned and expenses are recorded when the liability is incurred. The enterprise fund is used since the Account's powers are related to those operated in a manner similar to a for profit business where an increase in net position is an appropriate determination of accountability. The Account is included in the State's basic financial statements as a special revenue account, which uses the modified accrual basis of accounting. Due to differences in reporting methods, there may be differences between the amounts reported in these financial statements and the basic financial statements.

### **Cash and Cash Equivalents**

All monies of the Account are deposited with the State Treasurer's Office and considered cash. According to State law, the Treasurer is responsible for maintaining the cash balances and investing excess cash of the Account. Consequently, Ecology staff that provide management of the Account do not have control over the investment of the excess cash. The statement of cash flows considers all funds deposited with the Treasurer to be cash or cash equivalents, regardless of actual maturities of the underlying investments.

### **Loans Receivable**

Ecology operates the Account as a direct loan program, which makes loans to communities through funding by the Federal capitalization grant for 83.3 percent of the loan amount, and funding by State matching for 16.7 percent of the loan amount. Loan funds are disbursed to local entities after they expend funds for the purposes of the loan and then request reimbursement from the Account. Interest is calculated from the date the state warrant is mailed, or the Electronic Fund Transfer settlement date. After the final disbursement, the loan amount and repayment schedule are adjusted for actual funds disbursed and interest accrued during the project period. No provision for uncollectible accounts has been made as management believes that all loans will be repaid according to the loan terms.

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### **Forgivable Principal**

During the June 30, 2012, fiscal year, the federal Appropriations Act of 2011 was passed by Congress. This Act authorized some of the same requirements that were introduced in the American Recovery and Reinvestment Act of 2010. One of these requirements is forgivable principal hardship loans. The maximum forgivable principal loan amount for each hardship recipient is \$5 million. Ecology disbursed \$3,928,909 in forgivable principal loans during the years ended June 30, 2023, which is recognized upon loan closure when final amounts of the project are determined.

### **Operating Revenues and Expenses**

The Account distinguishes between operating revenues and expenses and non-operating items in the Statements of Revenues, Expenses and Changes in Net Position. Operating revenues and expenses generally result from carrying out the purpose of the Account of providing low interest loans to communities and providing assistance for prevention programs and administration. Operating revenues consist of loan interest repayments from borrowers. Operating expenses include direct salary costs and benefits expenses and allocated indirect costs. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

In accordance with generally accepted accounting principles (GAAP), funds received from EPA and Washington State for the capitalization of the Account are recorded as funds from EPA and the state of Washington, as discussed in Note 4.

When both restricted and unrestricted resources are available for use, it is the Account's policy to use restricted resources first, then unrestricted resources as they are needed.

### **Use of Estimates in Preparing Financial Statements**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes during the reporting period. Actual results could differ from those estimates.

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**Note 2: Deposits and Investments**

All monies of the Account are deposited with the State Treasurer’s Office (OST) as part of the State’s Treasury/Trust Portfolio and are considered cash equivalents. The Treasurer is responsible for maintaining and investing the pooled cash balances in accordance with State laws. The Treasurer is required to maintain a mix of investment portfolios to allow funds to be withdrawn at any time to meet normal operating needs without prior notice or penalty. The Account’s proportionate share of the investment income, based on the average daily balance for the period, is credited to the Account monthly. The Treasurer charges the Account .02 of one percent of the average daily balance for administration costs. As of June 30, 2023, total Treasurer’s invested balance of the Treasury/Trust Fund Portfolio was \$20.3 billion. Details of the investments can be obtained from the State Treasurer’s Office.

The OST reports investments held for U.S. government and agency debt securities at fair value. OST categorizes the fair value measurements of these investments within the fair value hierarchy established by generally accepted accounting principles as Level 2 investments, as they are valued using observable inputs including quoted prices for similar securities and interest rates. All other investments are reported at amortized cost.

The necessary disclosures for the State’s pooled investment program are included in the Annual Comprehensive Financial Report of the State of Washington.

	<u>Carrying Amount</u>	<u>Market Value</u>
Treasury/Trust Portfolio June 30, 2023	<u>\$370,478,812</u>	<u>\$370,478,812</u>

In accordance with the State investment policies, the State Treasurer participates in securities lending transactions. The securities lending balances relating to investment securities, owned by CWSRF, and deposited into the OST, are shown on the following table:

	<u><b>2023</b></u>
CWSRF Securities on loan:	
Fair Value	<u>\$27,680,079</u>
*Cash Collateral held by CWSRF:	
Fair Value	<u>0</u>
Reported Value	<u>0</u>
OST Securities on loan:	
Fair Value	<u>\$1,514,866,228</u>
Cash Collateral held by OST:	
Fair Value	<u>0</u>
Reported Value	<u>\$0</u>

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Revised Code of Washington (RCW) 43.84.080, contract dated September 1, 2017, between the OST and Northern Trust Company that runs through August 31, 2023. There were no violations of legal or contractual provisions.

The OST lending agent lends US Treasury securities, US Agency securities, and supranational securities and receives collateral, which can be in the form of cash or other securities. The collateral, which must be valued at 102 percent of the fair value of the loaned securities, is priced daily and, if necessary, action is taken to maintain the collateralization level at 102 percent. The cash is invested by the lending agent in repurchase agreements and deposit accounts or money market instruments, in accordance with investment guidelines. The securities held as collateral, and the securities underlying the cash collateral are held by the custodian. The contract with the lending agent requires them to indemnify the OST if the borrowers fail to return the securities (and if collateral is inadequate to replace the securities lent) or if the borrower fails to pay the OST for income distribution by the securities' issuers while the securities are on loan. The OST cannot pledge or sell collateral securities received unless the borrower defaults.

As of June 30, 2023, investment portfolio activity for the treasurer and treasurer trust account which include SRF fund securities on loan totaled \$ 370,478,812 book value and \$1,514,866,228 fair value.

On June 30, 2023, the average life of both the loans and the investment of cash received as collateral was one day.

The investment policy requires that any securities on loans be made available by the lending agent for next day liquidity at the option of the OST. During fiscal year 2023, the OST had no credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts the borrowers owed the OST.

There were no losses resulting from a default of a borrower or lending agent during the year.

### **Note 3: Loans Receivable**

The Account makes loans to qualified entities for projects that meet the eligibility requirements of The Act. Loans are financed by capitalization grants, state matches, and revolving funds. Interest rates for SFY 2023 were established at 0.5 percent for a five year-term, 1.1 percent for loans with more than a five-year term, but no more than 20 years, and 1.4 percent for loans with no more than 30 years. The Account also makes hardship loans with a variable interest rate, as low as zero, to communities that can demonstrate financial hardship on residential ratepayers in the form of sewer user fees. Loan repayments are required to start one year after initiation of operations or project completion, whichever occurs first.

As of June 30, 2023, the Account had total new binding commitments of \$268,645,344, which meets the program requirement of committing 120% of the federal grant payment within one year following receipt. Federal funds awarded to date including ARRA Federal funds is \$910,215,460 as of June 30, 2023. Loan obligations as of June 30, 2023, which include state

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matching requirements and principal and interest collected from repayment, were \$2,746,706,473.

**Loans by Category**

<b>Fiscal Year 2023</b>	<b>Loans Authorized</b>	<b>Remaining Commitment</b>	<b>Outstanding Balance</b>
Completed Projects	1,116,536,447.17	516,312,382.35	600,224,064.82
Projects in Progress	837,224,142.98	470,679,872.02	366,544,270.96
Total			<u>966,768,335.78</u>
Payment request in progress (Received as of June 30, 2023, but not yet paid)			0
Less amount due in one year			<u>60,577,676.80</u>
Loans Receivable, June 30, 2023 (Net of current maturities)			<u>906,190,658.98</u>

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Loans mature at various intervals. The scheduled minimum repayments on completely disbursed loans in subsequent years are as follows:

<b>Year Ending June 30</b>	<b>Interest</b>	<b>Principal</b>	<b>Total</b>
2024	14,918,989.48	59,189,698.40	74,108,687.88
2025	16,682,483.10	64,137,527.50	80,820,010.60
2026	18,370,676.32	70,485,213.76	88,855,890.08
2027	19,289,913.13	76,491,698.60	95,781,611.73
2028	18,225,127.57	72,673,429.60	90,898,557.17
2029-2033	72,671,153.20	320,434,893.64	393,106,046.84
2034-2038	45,282,981.09	285,526,452.94	330,809,434.03
2039-2043	25,002,962.48	195,500,075.07	220,503,037.55
2044-2070	16,473,203.24	158,242,905.77	174,716,109.01
<b>Total</b>	<b>246,917,489.61</b>	<b>1,302,681,895.28</b>	<b>1,549,599,384.89</b>
*Less adjustment for static report		(702,457,830.46)	
Loans not yet in repayment		366,544,270.96	
<b>Total loans receivable</b>		<b>966,768,335.78</b>	

\*Report does not account for extra payments, early payments, etc.

### Loans to Major Local Entities

As of June 30, 2023, the Account made loans to the following major local entities. The aggregate outstanding balance for each of these entities exceeds 5 percent of total loans receivable. The combined outstanding balances of these loans on June 30, 2023, is \$515,811 thousand and represents approximately 53.0 percent of the total loans receivable of \$966,768 thousand and are as follows:

#### 2023

<b>Borrower</b>	<b>Authorized Loan Amount</b>	<b>Outstanding Loan Balance</b>
City of Seattle	193,403	162,221
King County Dept of Natural Resources	338,114	134,842
City of Oak Harbor	100,521	84,360
City of Spokane	109,977	86,039
Pierce County	60,500	48,350
<b>Total</b>	<b>802,515</b>	<b>515,812</b>

**Dollars expressed in thousands**

The loan amount at completion may not agree with the authorized loan amount plus capitalized project period interest. Communities may elect to pay capitalized project period interest separately or add the amount to the final loan amount. Further, the authorized loan amount is based on estimates, and final project costs may be different than estimated.



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**Note 4: Capital Contributions**

The Account is funded by grants from EPA authorized by the Clean Water Act and by matching funds from the State. All funds drawn are recorded as non-operating revenue from the EPA and Washington State. Since 1989, EPA has awarded a total of approximately \$910,215,460 in grants to the State, of which approximately \$910,215,460 has been drawn for loans and administrative expenses. The State has provided a total of approximately \$165,318,727 in matching funds for that total drawn amount. The following summarizes the grants awarded, amounts drawn on each grant as of the balance sheet date, and balances available for future loans: (Figures are expressed in thousands).

Year	Grant Award	Funds Drawn as of June 30, 2022 & Prior	Funds Drawn during year Ended June 30, 2023	Funds Drawn as of June 30, 2023	Available for Loans or Admin as of June 30, 2023
1989-2009	476,311	476,311		476,311	
2010-2019	259,413	259,413		259,413	
2020	27,635	27,635		27,635	
2021	27,631	27,631		27,631	
2022	20,122		20,122	20,122	
<b>Total</b>	<b>811,112</b>	<b>790,990</b>	<b>20,122</b>	<b>811,112</b>	<b>0</b>
2022-BIL	30,951		30,951	30,951	
<b>Total</b>	<b>30,951</b>	<b>0</b>	<b>30,951</b>	<b>30,951</b>	<b>0</b>
2008-ARRA	68,152	68,152	0	68,152	
<b>Total</b>	<b>68,152</b>	<b>68,152</b>	<b>0</b>	<b>68,152</b>	<b>0</b>
<b>Grand Total</b>	<b>\$910,215</b>	<b>\$859,142</b>	<b>\$51,073</b>	<b>\$910,215</b>	<b>\$0</b>
		<b>State Match applied as of June 30, 2022 &amp; Prior</b>	<b>State Match applied during year ended June 30, 2023</b>	<b>State Match applied as of June 30, 2023</b>	
State Disbursed		\$158,199	\$7,119	\$165,318	
			Drawn	State Match	

The 2008-ARRA grant was fully expended during the year ending June 30, 2014. Of the \$68,151,900 expended, \$40,123,209 was used for principal forgiveness.

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**Administrative Fund**

In July 2013, legislation in the state of Washington became effective which allows CWSRF program to collect a service charge on loans which will be used for administrative costs. This is the Water Pollution Control Revolving Admin (WPCRA) account. The fees collected and the expenses incurred are not included in the accompanying financial statements. Revenue collected and expenses incurred for the administrative fund are as follows:

	<u>June 30, 2023</u>
Administrative fee collected	4,154,257
Interest on admin fee collected	178,562
Net Administrative Revenue	4,332,819
Operating expenses incurred	<u>(2,160,984)</u>

**Note 5: Contingencies**

**Contingencies**

The Account is exposed to various risks of loss, related to torts, thefts of assets, errors or omissions, injuries to state employees while performing Account business, or acts of God. The state of Washington operates a self-insurance liability program pursuant to RCW 4.92.130. The Account maintains insurance for all risks of loss, which is included in the indirect costs allocated to the Account. There have not been any claims against the Account since its inception in 1989. Refer to the State’s Risk Management disclosure in the June 30, 2023, Annual Comprehensive Financial Reports.

**Note 6: Retirement Plans**

Clean Water State Revolving Program employees participate in the Washington State Public Employees’ Retirement System (PERS) administered by the Department of Retirement Systems (DRS).

The table below shows the net pension liability, deferred outflows of resources, and deferred inflows of resources reported on June 30, 2023, for the Clean Water State Revolving Program’s proportionate share of the liabilities for the PERS 2/3 and PERS 1 Plans. Additional detail is provided later in this note.

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**Clean Water State Revolving Program Proportionate Share  
June 30, 2023**

	Net Pension Asset	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
PERS 2/3	283,568	0	594,820	407,400
PERS 1	0	176,101	48,179	29,185

DRS prepares a stand-alone financial report of the retirement plans that is compliant with the requirements of GASB Statement No. 67. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, P.O. Box 48380, Olympia, Washington 98504-8380 or online at [DRS Annual Financial Reports](#).

## Note 6.A: Public Employees' Retirement System

### Plan Descriptions

The Legislature established the PERS in 1947. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the Legislature. Membership in the system includes elected officials; state employees; employees of the Supreme Court, Court of Appeals, and Superior Courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college, and university employees not in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans, and Plan 3 is a combination defined benefit/defined contribution plan. The defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

PERS members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by February 28, 2002, for state and higher education employees, are Plan 2 members, unless they exercised an option to transfer their membership to Plan 3.

PERS participants joining the system on or after March 1, 2002, have the irrevocable option of choosing membership in either Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

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### **Benefits Provided**

PERS plans provide retirement, disability, and death benefits to eligible members.

Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, capped at 60 percent. The AFC is the average of the member's 24 highest consecutive service months.

Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. Plan 1 members may elect to receive an optional cost of living allowance (COLA) that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

Plan 2 members are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. There is no cap on years of service credit and a COLA is granted based on the Consumer Price Index, capped at 3 percent annually. The AFC is the average of the member's 60 highest paid consecutive months. Plan 2 members have the option to retire early with reduced benefits.

Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44. The defined benefit portion of Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. There is no cap on years of service credit. Plan 3 provides the same COLA as Plan 2. The AFC is the average of the member's 60 highest paid consecutive months. Plan 3 members have the option to retire early with reduced benefits.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

### **Contributions**

PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Plan 1 member contribution rates are established in statute. The Office of the State Actuary (OSA) develop contributions for Plan 2/3 employer and employee contribution rates to fully fund Plan 2 and the defined benefit portion of Plan 3. The contribution rate for Plan 2 state agency employees on June 30, 2023, was 6.36 percent of the employee's annual covered salary.

Each biennium, the state Pension Funding Council adopts employer contribution rates for Plan 1 and Plan 3, and for employer and employee contribution rates for Plan 2.

The methods used to determine contribution requirements are established under statute and are subject to change by the Legislature.

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Upon separation from covered employment, members can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit.

The employer contribution rate for the Clean Water State Revolving Program at the close of fiscal year 2023 for each of Plans 1, 2, and 3 was 10.39 percent.

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of June 30, 2021, with the results rolled forward to June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25%
Investment rate of return	7.00%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates which vary by member status (e.g., active, retiree, or survivor), as the base table. The Office of the State Actuary (OSA) applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

The actuarial assumptions used in the June 30, 2021, valuation was based on the results of the 2013-2018 Experience Study Report and the 2021 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report.

The 7.00 percent long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense but including inflation) are developed for each major asset class by the WSIB. Refer to the 2021 Report on Financial Condition and Economic Experience Study located on the OSA website for additional information and background on the development of the long-term rate of return assumption.

The WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets in which the WSIB currently invests:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

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Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2021, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed income	20%	1.5%
Tangible assets	7%	4.7%
Real estate	18%	5.4%
Global equity	32%	5.9%
Private equity	23%	8.9%
<b>Total</b>	<b>100%</b>	

The inflation component used to create the above table is 2.20 percent and represents WSIB’s most recent long-term estimate of broad economic inflation.

**Discount Rate**

The discount rate of 7.00 percent was also used for the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan’s fiduciary net position was sufficient to make all projected future benefit payments of current plan members.

Based on those assumptions in OSA’s Certification Letter, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.00 percent on pension plan investments was applied to determine the total pension liability.

The following presents the net pension liability/(asset) of the employers, calculated using the discount rate of 7.00 percent, as well as what the employers’ net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate.

**Employers' Proportionate Share of Net Pension  
Liability/(Asset)**

	PERS 2/3	PERS 1
1% Decrease	333,939	235,268
Current Discount Rate	(283,568)	176,101
1% Increase	(790,889)	124,461

**Net Pension Asset/Liability**

On June 30, 2023, the Clean Water State Revolving Program reported an asset of \$283,568 for PERS 2/3 and a liability of \$176,101 for PERS 1, for its proportionate share of the collective net pension. The Clean Water State Revolving Program’s proportion for PERS 2/3 and PERS 1 was .015 percent, and decrease of .013 percent since the prior reporting period, the proportions are based on the Clean Water State Revolving Program’s contributions to the pension plan relative to the contributions of all participating employers.

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**Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources**

For the year ended June 30, 2023, a pension expense of \$(119,041) for PERS 2/3, and \$(74,967) for PERS 1, was recognized.

On June 30, 2023, PERS 2/3 and PERS 1 reported deferred outflows and inflows of resources related to pensions from the following sources:

**Deferred Outflows and Inflows of Resources  
June 30, 2023**

	PERS 2/3		PERS 1	
	Outflows	Inflows	Outflows	Inflows
Difference between expected and actual experience	85,888	9,337	5,310	
Changes in assumptions	184,533	54,090	20,198	
Net difference between projected and actual earnings on pension plan investments		312,162		43,434
Changes in proportionate share of contributions	298,966	149,953		
Contributions subsequent to measurement date	67,542		43,890	
	636,930	525,542	69,398	43,434

Pension contributions made subsequent to the measurement date for PERS 2/3 and PERS 1, was reported as deferred outflows of resources on June 30, 2023, and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2024.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Net Deferred Outflows and (Inflows) of Resources  
Fiscal Year ended June 30, 2023**

	PERS 2/3	PERS 1
2024	(34,344)	11,259
2025	(47,861)	(12,351)
2026	(27,020)	(11,217)
2027	(55,871)	(14,072)
2028	121,188	8,455
Thereafter	87,753	-

**Note 7: Other Postemployment Benefits**

The Clean Water State Revolving Program is administered by Department of Ecology, an agency of the state of Washington and part of the primary government. Employees of the Clean Water



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State Revolving Program are eligible to participate in the state of Washington's defined benefit Other Postemployment Benefit (OPEB) plan, a single employer defined benefit plan, as administered by the state through the Washington State Health Care Authority (HCA).

### **Plan Description and Funding Policy**

The state implemented Statement No. 75 of the Governmental Accounting Standards Board (GASB) *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension* for fiscal year 2018 financial reporting.

Per RCW 41.05.065, the Public Employees Benefits Board (PEBB) created within the HCA is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. Benefits purchased by PEBB include medical, dental, life, and long-term disability.

The relationship between the PEBB OPEB plan and its member employers and their employees and retirees are not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan in effect at the time of each valuation. A substantive plan is one in which the employers and plan members understand the plan terms. This understanding is based on communications between the HCA, employers and plan members, and the historical pattern of practice with regard to the sharing of benefit costs.

The PEBB OPEB plan is funded on a pay-as-you-go basis and is reported in governmental funds using the modified accrual basis and the current financial resources measurement focus. For all proprietary and fiduciary funds, the OPEB plan is reported using the economic resources measurement focus and the accrual basis of accounting. It has no assets and does not issue a publicly available financial report.

The PEBB retiree OPEB plan is available to employees who elect at the time they retire to continue coverage and pay the administratively established premiums under the provisions of the retirement system to which they belong. Retirees' access to PEBB plans depends on the retirement eligibility of their respective retirement system. PEBB members are covered in the following retirement systems: Public Employees' Retirement System, Public Safety Employees' Retirement System, Teachers' Retirement System, School Employees' Retirement System, Washington State Patrol Retirement System, Higher Education, Judicial, and LEOFF 2. However, not all employees who participate in these plans offer PEBB to retirees.

Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claim costs and the premium. In calendar year 2022, the average weighted implicit subsidy was valued at \$392 per adult unit. In calendar year 2032, the average weighted implicit subsidy is projected to be \$421 per adult unit per month.



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Retirees enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. The final amount is approved by the Legislature. In calendar year 2023, the explicit subsidy was up to \$183 per member per month and it will remain \$183 per member per month in calendar year 2024.

Administrative costs, as well as implicit and explicit subsidies are funded by required contributions (RCW 41.05.050) from participating employers. The subsidies provide monetary assistance for medical benefits.

Contributions are set each biennium as part of the budget process. The benefits are funded on a pay-as-you-go basis.

For information on the results of the most recent actuarial valuation for the OPEB plan, refer to the [Washington State Legislature OPEB valuations](#).

### **Total OPEB Liability**

As of June 30, 2023, the Clean Water State Revolving Program reported a total OPEB liability of \$366,875.

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**Changes in Total OPEB Liability**

The following table shows changes in the Clean Water State Revolving Program’s total OPEB liability.

<b>Changes in Total OPEB Liability for Year Ending June 30, 2023</b>		<u>Ecology</u>
Total OPEB Liability-Beginning		552,657
Changes for the year:		
Service cost		27,064
Interest cost		12,557
Differences Between Expected and Actual Experience		(12,436)
Changes of assumptions*		(209,972)
Benefit payments		(9,226)
Changes in proportionate share		6,231
Other		-
Net Change in Total OPEB Liability		<u>(185,782)</u>
Total OPEB Liability-Ending		<u>366,875</u>

\*The recognition period for these changes is nine years. This is equal to the average. remaining service lives of all active and inactive members.

**Actuarial Assumptions**

Projections of benefits for financial reporting purposes are based on the terms of the substantive plan, (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation, the historical pattern of sharing of benefit costs between the employer provided at the time of each valuation, and the historical pattern of sharing of benefit costs between the employer and plan members (active employees and retirees) to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

The total OPEB liability was determined using the following actuarial assumptions, applied to all period included in the measurement, unless otherwise specified:

Inflation	2.35%
Projected salary changes	3.25% plus service-based salary increases
Healthcare trend rates	
<i>Initial trend rate ranges from 2-11%, reaching an ultimate rate of approximately 3.8% in 2080</i>	
Post-retirement participation	60.0%
Percentage with spouse coverage	45.0%

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In projecting the growth of the explicit subsidy, after 2023 when the cap is \$183, it is assumed to grow at the healthcare trend rate. The Legislature determines the value of the cap, and no future increases are guaranteed, however, based on historical growth patterns, future increases to the cap are assumed.

**Sensitivity of the Healthcare Cost Trend Rate**

	Ecology
1% Decrease	310,628
Current Discount Rate	366,875
1% Increase	438,836

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates which vary by member status (e.g., active, retiree, or survivor), as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year, throughout their lifetime.

Most demographic actuarial assumptions, including mortality, and when members are expected to terminate and retire, were based on the results of the 2013-2018 Demographic Experience Study Report. The post-retirement participation percentage and percentage with spouse coverage were reviewed in 2017. Economic assumptions, including inflation and salary increases, were based on the results of the 2021 Economic Experience Study.

**Actuarial Assumptions**

The total OPEB liability was determined using the following methodologies:

Actuarial Valuation Date	6/30/2022
Actuarial Measurement Date	6/30/2022
Actuarial Cost Method	Entry Age
Amortization Method	9 years
Asset Valuation Method	N/A – No Assets

**Discount Rate**

Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 2.16 percent for the June 30, 2021, measurement date and 3.54 percent for the June 30, 2022, measurement date.

The following represents the Clean Water State Revolving Program's proportionate share of the total OPEB liability, calculated using the discount rate of 3.54 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.54 percent) or one percentage point higher (4.54 percent) than the current rate.

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**Sensitivity of the Discount Rate  
OPEB Liability**

	Ecology
1% Decrease	429,889
Current Discount Rate	366,875
1% Increase	316,171

**OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources**

The following table shows components of the Clean Water State Revolving Program’s allocated annual OPEB costs for fiscal year 2023. The Clean Water State Revolving Program’s will recognize OPEB expense of \$(8,144).

**Proportionate Share of OPEB Expense  
Ending June 30, 2023**

	Ecology
Current year allocated Costs:	
Service cost	27,064
Interest cost	12,557
Amortization of Differences between Expected and Actual Experience	221
Amortization of changes of assumptions	(39,805)
Amortization of changes in proportion	1,079
Transactions subsequent to the measurement date	(9,259)
Other Changes in Fiduciary Net Position	(1)
<b>Total OPEB Expense</b>	<b>(8,144)</b>

\*The changes in proportionate share were not included in the OPEB expense amount booked as it was not completed until after the Office of the State Actuary's (OSA) valuation.

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For fiscal year 2023 Ecology reported its proportionate share of the state reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**Deferred Outflows and Inflows of Resources  
June 30, 2023**

	Outflows	Inflows
Difference between expected and actual experience	7,648	12,908
Changes of assumptions	30,069	265,972
Transactions subsequent to the measurement date	9,259	
Changes in Proportion	273,442	272,704
Total	320,418	551,584

Amounts reported as deferred outflows of resources related to OPEB resulting from transactions subsequent to the measurement date will be recognized as a reduction of total OPEB liability in the year ended June 30, 2023.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in future OPEB expense in the fiscal years ended June 30 as follows:

**Net Deferred Outflows and (Inflows) of Resources  
Subsequent Years**

	Ecology
2024	(38,504)
2025	(38,504)
2026	(38,507)
2027	(30,167)
2028	(24,491)
Thereafter	(70,251)

A complete description of the funded status and actuarial assumptions of the state of Washington's OPEB plan is included in the Annual Comprehensive Financial Report for the state of Washington. A copy of this report may be obtained by contacting the Statewide Accounting Division of the Office of Financial Management at P.O. Box 43127, Olympia, Washington 98504-3127, or online at [Office of Financial Management Annual Comprehensive Financial Report](#).

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**PENSION PLAN INFORMATION**

**Cost Sharing Employer Plans**

**Schedule of the CWSRF's Proportionate Share of the Net Pension Liability**

**Public Employees' Retirement System (PERS) Plan 2/3**

Measurement Date of June 30 \*

*(Expressed in thousands)*

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
PERS Plan 2/3 employers' proportion of the net pension liability/(asset)	0.01%	0.03%	0.01%	0.03%	0.02%	0.03%
PERS Plan 2/3 employers' proportionate share of the net pension liability/(asset)	1,162,472	1,654,503	402,396	485,727	472,368	514,378
PERS Plan 2/3 covered payroll	1,785,361	896,366	1,796,898	890,443	1,544,694	1,453,653
PERS Plan 2/3 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	64.13%	184.58%	22.39%	54.55%	16.43%	35.39%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%

\* This schedule is to be built prospectively until it contains ten years of data.

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**Schedule of Contributions**

**Public Employees' Retirement System (PERS) Plan 2/3**

Fiscal Year Ended June 30\*

*(Expressed in thousands)*

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractually Required Contributions	67,385	116,770	70,739	141,857	67,154	114,728
Contributions in relation to the contractually required contributions	67,385	116,770	70,739	141,857	67,154	114,728
<b>Contribution deficiency (excess)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Covered payroll</b>	<b>1,033,939</b>	<b>1,785,361</b>	<b>896,366</b>	<b>1,796,898</b>	<b>890,443</b>	<b>1,544,694</b>
Contributions as a percentage of covered payroll	6.52%	6.54%	7.89%	7.89%	7.54%	7.43%

\* This schedule is to be built prospectively until it contains ten years of data.



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**Schedule of the CWSRF's Proportionate Share of the Net Pension Liability**

**Public Employees' Retirement System (PERS) Plan 1**

Measurement Date of June 30 \*

*(Expressed in thousands)*

	<b>2022</b>	<b>2021</b>	<b>2020</b>
PERS Plan 1 employers' proportion of the net pension liability/(asset)	0.01%	0.03%	0.01%
PERS Plan 1 employers' proportionate share of the net pension liability/(asset)	87,324	240,606	48,540
PERS Plan 1 covered payroll	7,631	5,117	13,366
PERS Plan 2/3 covered payroll	1,785,361	896,366	1,796,898
<b>Covered Payroll</b>	<b>1,792,992</b>	<b>901,483</b>	<b>1,810,264</b>
PERS Plan 1 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	5%	27%	2.68%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	76.56%	88.74%	68.64%

\* This schedule is to be built prospectively until it contains ten years of data.

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**Schedule of Contributions**

**Public Employees' Retirement System (PERS) Plan 1**

Fiscal Year Ended June 30\*

*(Expressed in thousands)*

	<b>2023</b>	<b>2022</b>	<b>2021</b>
Contractually Required Contributions	43,593	73,686	47,054
Employer contributions related to covered payroll of employees participating in PERS Plan 1	329	792	665
Employer UAAL Contributions related to covered payroll of employees participating in PERS Plan 2/3	43,264	72,894	46,390
Contributions in relation to the contractually required contributions	43,593	73,686	47,054
<b>Contribution deficiency (excess)</b>	<b>0</b>	<b>0</b>	<b>0</b>
Covered payroll of employees participating in PERS Plan 1	3,340	7,631	5,117
Covered payroll of employees participating in PERS Plan 2/3	1,033,939	1,785,361	896,366
<b>Covered Payroll</b>	<b>1,037,280</b>	<b>1,792,992</b>	<b>901,483</b>
Contributions as a percentage of covered-employee payroll	4.20%	4.11%	5.22%

\* This schedule is to be built prospectively until it contains ten years of data.

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**OTHER POSTEMPLOYMENT BENEFITS INFORMATION**

**Schedule of Changes in Total OPEB Liability and Related Ratios**

As of the Measurement Date June 30\*

*(Expressed in thousands)*

	2022	2021	2020	2019	2018	2017
<b>Total OPEB Liability</b>						
Service cost	27,064	27,622	21,163	20,500	29,533	33,611
Interest	12,557	11,938	17,704	17,782	20,304	15,743
Changes in benefit terms	0	0	0	0	0	0
Difference between expected and actual experience	(12,436)	0	(2,713)	0	18,533	0
Changes in assumptions	(209,972)	5,101	11,476	33,115	(129,292)	(76,797)
Benefit payments	(9,226)	(9,095)	(8,429)	(8,134)	(8,575)	(8,024)
Other	6,231	7,092	(35,484)	(29,349)	46,089	2,949
<b>Net Changes in Total OPEB Liability</b>	<b>(185,782)</b>	<b>42,658</b>	<b>3,717</b>	<b>33,914</b>	<b>(23,408)</b>	<b>(32,518)</b>
<b>Total OPEB Liability - Beginning</b>	<b>552,657</b>	<b>510,000</b>	<b>506,282</b>	<b>472,368</b>	<b>495,775</b>	<b>528,293</b>
<b>Total OPEB Liability - Ending</b>	<b>366,875</b>	<b>552,658</b>	<b>509,999</b>	<b>506,282</b>	<b>472,367</b>	<b>495,775</b>
<b>Covered payroll</b>	<b>818,256</b>	<b>816,406</b>	<b>782,048</b>	<b>760,902</b>	<b>781,443</b>	<b>670,419</b>
<b>Total OPEB liability as a percentage of covered payroll</b>	<b>44.85%</b>	<b>67.71%</b>	<b>65.23%</b>	<b>66.55%</b>	<b>60.53%</b>	<b>73.95%</b>

\*The recognition period for these changes is nine years. This is equal to the average expected remaining service live of all active and inactive members.

Note: Figures may not total due to rounding

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**Methods and assumptions used in calculations of Actuarially Determined Contributions (ADC) for PERS, TRS, LEOFF, and WSPRS.**

The Office of the State Actuary (OSA) calculates the ADC based on the results of an actuarial valuation consistent with the state's funding policy defined under chapter 41.45 of the Revised Code of Washington (RCW). Consistent with the state's contribution rate adoption process, the results of an actuarial valuation with an odd-numbered year valuation date determine the ADC for the biennium that ensues two years later. The actuarial valuation with a June 30, 2019, valuation date, completed in the fall of 2020, plus any supplemental contribution rates from the preceding legislative session, determined the ADC for the period beginning July 1, 2021, and ending June 30, 2023.

**Methods and assumptions used in calculations of the ADC for JRS and Judges.**

The OSA calculates the ADC based on the results of an actuarial valuation and sets the ADC equal to the expected benefit payments from the plan. Consistent with the state's funding policy defined under RCWs 2.10.90 and 2.12.60, the Legislature makes biennial appropriations to ensure the fund is solvent to make the necessary benefit payments.

OSA calculates the ADC consistent with the methods described above. Adopted contribution rates may be different pending the actions of the governing bodies.

**Notes to Required Supplementary Information**

The Public Employee's Benefits Board OPEB plan does not have assets in trusts or equivalent arrangements and is funded on a pay-as-you-go basis. Potential factors that may significantly affect trends in amounts reported include changes to the discount rate, health care trend rates, salary projections, and participation percentages.

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**Comparative Activity of Net Position as of June 30, 2023**

<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	369,160,178	401,519,794
Receivables:		
Due from other state funds	1,019,200	275,192
Loans Receivable	60,577,677	55,870,713
<b>Total current assets</b>	<b>430,757,055</b>	<b>457,665,699</b>
<b>Noncurrent Assets:</b>		
Loans Receivable	906,190,659	801,443,695
Net pension asset	107,467	1,455,216
<b>Total Noncurrent assets</b>	<b>906,298,126</b>	<b>802,898,911</b>
<b>Total Assets</b>	<b>1,337,055,181</b>	<b>1,260,564,610</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Resources for Pensions	643,000	507,507
Resources for OPEB	320,418	389,172
<b>Total Deferred Outflows of Resources</b>	<b>963,418</b>	<b>896,679</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>1,338,018,599</b>	<b>1,261,461,289</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	335,110	65,777
Due to other state funds	197,448	94,057
Total OPEB Liability	9,259	9,123
<b>Total current liabilities</b>	<b>541,817</b>	<b>168,957</b>
<b>Noncurrent Liabilities:</b>		
Unearned Revenue	4,409,431	4,768,422
Net Pension Liability		150,912
Total OPEB Liability	357,616	543,535
<b>Total Noncurrent Liabilities</b>	<b>4,767,047</b>	<b>5,462,869</b>
<b>Total Liabilities</b>	<b>5,308,864</b>	<b>5,631,826</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Resources on Pensions	436,585	1,705,092
Resources on OPEB	551,584	442,699
<b>Total Deferred Inflows of Resources</b>	<b>988,169</b>	<b>2,147,791</b>
<b>NET POSITION</b>		
Restricted	1,331,721,566	1,253,681,672
<b>Total Net Position</b>	<b>1,331,721,566</b>	<b>1,253,681,672</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>1,338,018,599</b>	<b>1,261,461,289</b>

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**Comparative Activity of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2023**

	<b>2023</b>	<b>2022</b>
<b>OPERATING REVENUE</b>		
Loan interest income	13,002,365	7,852,172
Loan service fee	4,154,257	4,152,118
<b>Total operating revenue</b>	<b>17,156,622</b>	<b>12,004,290</b>
<b>OPERATING EXPENSES</b>		
Personnel services	1,751,905	1,246,677
Other expenses	491,863	438,205
Loan Principal Forgiveness expense	3,928,909	6,121,394
<b>Total operating expenses</b>	<b>6,172,677</b>	<b>7,806,276</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>10,983,945</b>	<b>4,198,014</b>
<b>NONOPERATING REVENUE (EXPENSE)</b>		
Net investment income	8,863,449	2,188,247
<b>Total nonoperating revenue (expense)</b>	<b>8,863,449</b>	<b>2,188,247</b>
<b>INCOME BEFORE CONTRIBUTIONS</b>	<b>19,847,394</b>	<b>6,386,261</b>
<b>CONTRIBUTIONS</b>		
EPA capitalization grant	51,073,000	27,631,000
State match revenue	7,119,500	5,526,310
<b>Total contributions</b>	<b>58,192,500</b>	<b>33,157,310</b>
<b>CHANGE IN NET POSITION</b>	<b>78,039,894</b>	<b>39,543,571</b>
<b>NET POSITION - BEGINNING OF YEAR, as previously reported</b>	1,253,681,672	1,214,308,364
<b>Prior Period Adjustment</b>		(170,263)
<b>NET POSITION-Beginning of year, as restated</b>	<b>1,253,681,672</b>	1,214,138,101
<b>NET POSITION - END OF YEAR</b>	<b>1,331,721,566</b>	<b>1,253,681,672</b>

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**Comparative Activity of Cash Flows for Year Ending June 30, 2023**

	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash paid to employees and vendors	(2,830,360)	(2,419,826)
Cash Received from Interest on Loans	13,002,365	7,852,172
Loan Service Fee	4,154,257	4,152,118
Loans Disbursed	(163,018,101)	(164,750,753)
Principal received on Loans Receivable	49,276,274	202,250,066
<b>Net Cash flows provided (required) by operating activities</b>	<b>(99,415,565)</b>	<b>47,083,777</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Funds received from EPA	51,073,000	27,631,000
Funds received from the state of Washington	7,119,500	5,526,310
<b>Net Cash flows provided (Required) by noncapital operating activities</b>	<b>58,192,500</b>	<b>33,157,310</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investment income received	8,863,449	2,188,247
<b>Net Cash Provided (Required) by Investing Activities</b>	<b>8,863,449</b>	<b>2,188,247</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	(32,359,616)	82,429,334
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	401,519,794	319,090,460
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>369,160,178</b>	<b>401,519,794</b>
<b>Reconciliation of operating income to net cash required by operating activities</b>		
Income from Operations	10,983,945	4,198,014
<b>Adjustments to Reconcile Income from Operations to Net Cash Required by Operating Activities:</b>		
Prior Period Adjustment		(170,263)
<b>Changes In Assets: Decrease (Increase)</b>		
Loans Receivable	(109,453,928)	41,503,802
Due from other state funds	(744,008)	(132,828)
Due from Fed Government		
<b>Change in Deferred Outflows of Resources: (Increase) Decrease</b>	1,281,010	(1,549,410)
<b>Changes In Liabilities: Increase (Decrease)</b>		
Accounts Payable and Accrued Expenses	269,333	(168,933)
Due to other state funds	103,391	(70,243)
Due to Federal Government		(28,158)
Pension & OPEB Liabilities	(336,695)	99,303
Unavailable Revenue	(358,991)	2,116,905
<b>Change in Deferred Inflows of Resources: Decrease (Increase)</b>	(1,159,622)	1,285,588
<b>Net Cash Provided (Required) by Operating Activities</b>	<b>(99,415,565)</b>	<b>47,083,777</b>



**WASHINGTON STATE DEPARTMENT OF ECOLOGY  
CWSRF PROGRAM**

**Supplementary Information for fiscal year 2023**

**Disbursements and Accruals for the year ended June 30, 2023**

	SFY 2023	Federal	State- Match	State- Repmt- Other	564 Acct
2023 Disbursements for Loans	163,260,970	51,073,000	7,119,500	105,068,470	
2023 Disbursements for Admin	2,459,077	-	-	82,785	2,376,292
<b>Total Disbursements</b>	<b>165,720,047</b>	<b>51,073,000</b>	<b>7,119,500</b>	<b>105,151,254</b>	<b>2,376,292</b>
2023 Cash Draw from Capitalization Grants	51,073,000				
2023 State Match (20% of Cash Draws)	7,119,500				
2023 100% State Fund Disbursements	105,151,254				
Total Disbursements Loan, Admin, Fed and State	165,720,047				
Percentage of Cash Draw from Capitalization Grants to Total Disbursements	30.82%				
Admin Calculation	4.23%				