



**Washington State
Public Works Board**
Post Office Box 42525
Olympia, Washington 98504-2525

PUBLIC WORKS BOARD MEETING NOTES
February 6, 2012
Department of Commerce (Olympia, WA)

Board Members Present:	Board Members Absent:	Staff Members:
Stan Finkelstein – Chair Frank Abart Jerry Cummins Tom Fitzsimmons Kathryn Gardow Larry Guenther Ed Hildreth Don Montfort Doug Quinn Darwin Smith Steve Stuart Larry Waters	<i>None</i>	Myra Baldini Ann Campbell Cindy Chavez Terry Dale Steve Dunk Janea Eddy Dawn Eychaner Christina Gagnon Cecilia Gardener Jeff Hinckle Isaac Huang Bruce Lund Matt Ojennus

Guests Present:

- Kristin Bettridge,
Dept. of Health
- David Dunn,
Dept. of Ecology
- Laura Lowe,
Dept. of Commerce
- Eric Tompkins,
Dept. of Commerce
- Dan Brewer,
City of Des Moines
- John Kounts, Washington
Public Utility District Association
- Steve Misuriak,
City of Gig Harbor
- Denise Clifford,
Dept. of Health
- Karen Larkin,
Dept. of Commerce
- Rodney Orr,
Dept. of Commerce

ADMINISTRATION

- a) Call to Order: Stan Finkelstein called the meeting to order at 8:36 a.m.
- b) Introductions of Board, Staff, Guests, and Visitors.
- c) Approve the Agenda: Don Montfort moved to postpone discussion of the Spokane County project to the March 2012 meeting. Ed Hildreth seconded. **ACTION: Motion Approved 11-0.** (Voting Yes: Abart, Cummins, Fitzsimmons, Gardow, Guenther, Hildreth, Montfort, Quinn, Smith, Stuart, Waters. Voting No: none.)

Frank Abart moved to approve modifications to the agenda. Larry Guenther seconded. **ACTION: Motion Approved 11-0.** (Voting Yes: Abart, Cummins, Fitzsimmons, Gardow, Guenther, Hildreth, Montfort, Quinn, Smith, Stuart, Waters. Voting No: none.)
- d) January 11 Meeting Minutes: Doug Quinn moved to approve the January 11, 2012, meeting minutes. Jerry Cummins seconded the motion. **ACTION: Motion Approved 11-0.** (Voting Yes: Abart, Cummins, Fitzsimmons, Gardow, Guenther, Hildreth, Montfort, Quinn, Smith, Stuart, Waters. Voting No: none.)

- e) Set meetings for 2012: Janea Eddy advised the Board that Fridays work best for the majority of members for meetings. Ms. Eddy advised the Board that the remainder of the 2012 Board meetings will take place on the first Friday of every month, with the exceptions of the March 2012 meeting, scheduled for March 5, and the July 2012 meeting, scheduled for July 13. Board members agreed. No formal action taken.

CONTRACTING

- a) Des Moines Extension Request: Isaac Huang presented staff's recommendation to approve the City of Des Moines' request to convert Pre-Construction loan PR08-651-112 to a 20-year loan term by making two policy exceptions as outlined on page 17 of the meeting packet.

Mr. Huang explained that the current Board policy for pre-construction loans requires that the client obtain full funding before the first loan principle payment is made. Mr. Huang elaborated that Des Moines has obtained about 75% of the funding required, and that the City had planned to apply for a Public Works Trust Fund loan for the 2013 cycle, but could not due to road project exclusions.

Ann Campbell noted that policy discussion on the 5 to 20 year conversion policy will be brought to the Board at the March meeting. Chair Finkelstein inquired whether the request is inconsistent with what will be proposed in March. Ms. Campbell replied that it is not inconsistent with the planned proposal.

Kathryn Gardow asked what level of funding would be included in the policy recommendation that is coming to the March meeting. Ms. Campbell replied that the policy changes are still under development and requested Board volunteers to serve on an ad hoc committee to develop this criteria.

Chair Finkelstein asked the City of Des Moines to clarify the source of the remaining \$1 million in funding that is not secured. Dan Brewer, Assistant Director of Transportation with the City of Des Moines, responded that the City is committed to obtaining full funding and that the balance could potentially come from the Transportation Benefit District.

Larry Waters moved to approve staff recommendation. Doug Quinn seconded. **ACTION: Motion Approved 11-0.** (Voting Yes: Abart, Cummins, Fitzsimmons, Gardow, Guenther, Hildreth, Montfort, Quinn, Smith, Stuart, Waters. Voting No: none.)

- b) 2011 DWSRF Contract Status Update: Bruce Lund reviewed the written report from staff on page 19 of the meeting packet.

LEGISLATIVE UPDATES

- a) Update on 2013 Loan List: Cecilia Gardener reviewed the memo on page 23 of the meeting packet. Ms. Gardener noted that the 2013 loan list is included in the proposed Governor's capital budget and both jobs bond bills she explained that both bond proposals would take \$25 million from the Public Works Assistance Account (PWAA) for debt service. Ms. Gardener explained that pre-construction funds are not included in either proposal at this time. Ms. Gardener further elaborated that staff have been informed that \$5 million for Investment Grade Efficiency Audits is incorporated into the "energy efficiency" funds for local governments.

Ms. Gardener noted that staff are monitoring other bills, including a proposal from Senator Zarelli to re-route the penalty portion of the Real Estate Excise Tax from the PWAA to the state General Fund, which would amount to approximately \$4,000 per year.

- b) Update on RCW rewrite: Ms. Gardener advised the Board that the Public Works Board policy bill (HB 2768 and SB 6586) has been dropped but has not been scheduled for any hearings. Chair Finkelstein commented that the Governor's Office misunderstood what the bill actually does, failing to recognize the difference between the big modernization and the "short-form" version which is the

Board's policy bill. Chair Finkelstein noted some discomfort among several senate staff members that the Board policy bill wasn't sufficiently transformative and that Board should re-work its proposal to be in closer alignment with the 2011 proposed legislation. The lack of innovative transformation is cited as the reason why Senator Kilmer, Vice Chair of the Senate Ways and Means committee, is not the Senate bill's sponsor. Rather, Senator Haugen, Chair of the Senate Transportation committee, is the Senate bill's sponsor.

Ms. Gardener noted that Representative Dunshee informed staff that he has an amendment ready that would return legislative approval of the construction loan list to the policy bill.

Karen Larkin further elaborated on the bond proposals, explaining the economic development portions, including funding for the Community Economic Revitalization Board (CERB).

Tom Fitzsimmons asked whether the \$25 million for debt service would pay for any additional projects that may come to the board through the bond sale. Ms. Gardener clarified that the \$160 million is for projects the board approved last year, adding that the only additional money is the extra \$100 million that is in the House proposal.

Don Montfort noted that neither of these bond proposal do any good for the basic six infrastructure systems and that they appear to be lists of some far-removed types of projects.

Ms. Larkin noted that Commerce's position is to respond to requests for information from the legislature, but to remain neutral. Ms. Gardener noted that water and sewer programs are already accelerating their funds, and that additional money is going to water and sewer projects in both proposals. Steve Stuart commented that the Washington State Association of Counties (WSAC) has not yet taken a position. Jerry Cummins and Ed Hildreth noted that they would contact Association of Washington Cities to determine their position.

Mr. Montfort further explored the concept of the proposals awarding more than \$1 billion in grants, noting that the Board has always supported loans over grants, for their sustainability. Chair Finkelstein commented that the state is at its debt ceiling and that the only way to issue revenue bonds is if they are for grants, not for loans and that this will create high numbers of construction jobs in an industry that needs the help. Mr. Montfort noted that the \$25 million coming out of the PWAA revenue stream impacts the PWAA ability to construct projects. Chair Finkelstein noted that one benefit of bonding the account is that the PWAA could not be re-routed so long as the debt is outstanding.

Mr. Stuart noted that WSAC has taken the position that it would prefer that the bond dollars be distributed directly to local governments through a formula allocation rather than distributed through the traditional state programs.

Ms. Gardow shared her concern about lack of pre-construction funds over the past few years.

BREAK

Mr. Guenther raised concerns for small rural districts with regard to the lack of pre-construction funds, noting that without small pre-construction loans their projects would not move forward.

Ms. Larkin offered to put together some statistics on jobs associated with pre-construction that the Board could send to legislators. Larry Guenther moved to submit such a letter. Kathryn Gardow seconded. **ACTION: Motion Approved 11-0.** (Voting Yes: Abart, Cummins, Fitzsimmons, Gardow, Guenther, Hildreth, Montfort, Quinn, Smith, Stuart, Waters. Voting No: none.)

PROGRAM UPDATES

- a) PWTF Proposed New Application Process: Myra Baldini, Ann Campbell, Dawn Eychaner, Bruce Lund, and Rodney Orr presented staff's recommendations for the project selection process beginning with the 2014 loan cycle.

Ms. Campbell gave an overview of the new process powerpoint. Tom Fitzsimmons asked for clarification regarding the option for resource agencies administering federal programs to have "first right of refusal" for projects in those systems. Ms. Campbell responded that staff is working with resource agencies and that this portion of the process is still evolving.

Mr. Orr presented the web financial assistance request pages. Chair Finkelstein asked how long staff expects it would take for an applicant to fill out the web pages versus the old paper application. Mr. Orr responded that it would take minutes rather than months.

Ms. Campbell presented the project review process.

Ms. Eychaner presented the managerial review process.

Ms. Baldini presented the financial review process.

Ms. Campbell presented the team review process.

Mr. Lund presented the plans for contract negotiation.

Ms. Campbell presented the Board review and selection component of the new process.

Jerry Cummins expressed his appreciation of the flexibility that this new plan offers and requested that the applicant jurisdiction policy makers be kept in the loop. Mr. Lund responded that the contract negotiation packet would go the administrator and the chief policy body for the applicant.

Mr. Montfort asked what staff's plans are to keep the Board informed as the new process unfolds. Cecilia Gardner responded that one idea is to have an ad-hoc committee formed to create selection criteria to use should there be insufficient funds for all requests. Mr. Montfort reiterated his concern that the Board be involved in and fully understand the new process. Mr. Fitzsimmons noted his concern that the Board be involved in project selection prior to the August meeting, getting regular updates along the way on the applicants.

Ms. Gardow noted the need for adequate definitions of jurisdictions, systems, and other elements of the new application and selection process. Ms. Gardow asked whether pre-construction would be a separate application and who will receive the confirmation email that results from a completed application. Mr. Lund responded that the email would go to the address filled out on the last screen. Ms. Gardow asked that the email go to more than one party. Mr. Orr answered that the email could go to all three email addresses collected as part of the application.

Ms. Gardow and Mr. Montfort both expressed concerns about the intensity of the work for staff between May and the end of July and the need to set firm deadlines for the various stages of a project's review. Ms. Gardow inquired whether the current cap of \$10 million per jurisdiction per biennium would still apply. Ms. Campbell responded that the current cap is still in force and that it would be helpful if some Board members were interested in exploring the policy around loan limits. Mr. Montfort noted that if staff were negotiating terms and conditions, that the Board would like to see that list prior to the presentation of those terms to applicants.

Mr. Stuart asked whether there were adequate staffing resources to successfully implement the new process. Ms. Gardener responded that staffing levels are adequate.

Mr. Montfort noted that engaging the resource agencies is critical to this transition being successful. Mr. Montfort further stated that there are a number of aspects of the process that need to be sorted out, but that he is pleased with the ease and streamlining of the application, with staff digging deeper into the applicants.

Mr. Cummins expressed concerns about raising the loan limit putting smaller jurisdictions at a disadvantage.

Mr. Fitzsimmons expressed his appreciation of the new process, with the caution that staff may be going too far on the customer service if they are committing to finding a way to get an applicant a loan. Mr. Fitzsimmons noted concerns that the Board is not adequately prepared to deal with non-traditional applications and requested that the Board receive frequent reports on the number of non-traditional applications and any issues associated with those.

Mr. Lund clarified that traditional applications would receive first priority for funding. Ms. Gardener explained that the policy bills use the language “may” rather than “shall” when it comes to the non-traditional projects. Ms. Gardener noted that staff would like to bring the policy changes previously discussed to the Board at the March 5 meeting for action.

Ms. Gardow asked whether there would be workshops and marketing for applicants prior to the cycle opening. Mr. Lund responded that staff are planning webinars, trainings and have developed a marketing plan that can be implemented once the Board has given direction.

Mr. Montfort moved approval of the new process, conditional on final approval based on further detail to be presented at the March 5 meeting. Frank Abart seconded the motion. **ACTION: Motion Approved 10-1.** (Voting Yes: Abart, Cummins, Fitzsimmons, Guenther, Hildreth, Montfort, Quinn, Smith, Stuart, Waters. Voting No: Gardow.)

BREAK

- b) PWTF Loan Terms Summary: Ann Campbell presented the memo on page 31 of the meeting packet. No questions or discussion.
- c) DOH/Commerce/Board LEAN Process Report-Out: Chair Finkelstein gave a brief summary of the LEAN process on the Drinking Water State Revolving Fund. Kathryn Gardow concurred with Chair Finkelstein’s comments that the process was helpful and expressed hope that positive outcomes would result.
- d) Initial Work on IGEA: Steve Dunk reviewed the work done to date on the Investment Grade Efficiency Audit (IGEA) program, briefing the Board on the number of projects on the 2012 PWTF loan list that required an audit and their status. Mr. Dunk gave a brief overview of plans for the further development of the program, should the \$5 million requested by the Board be appropriated by the Legislature.

FINANCIAL

- a) Update DWAA Fund: Myra Baldini reviewed the memo on page 37 of the meeting packet, noting corrected information received from Department of Health. In light of the planned accelerated funding model, the state match of between \$4 million to \$5 million will enable a \$130 million 2012 DWSRF cycle.
- b) Update PWAA Fund: Ms. Baldini reviewed the memo on page 39 of the meeting packet, noting the inclusion of bond payment impacts. Kathryn Gardow asked for clarification of the Accelerated Loan Commitment Model’s impact on the fund and why the balance dips close to zero at one point on the chart. Ms. Baldini answered that the goal is to maximize the fund balance and very closely manage the cash flow.

INFORMATION AND OTHER ITEMS

- a) Gig Harbor Follow Up: Isaac Huang briefed the Board on the follow up information requested on the bonding costs for the City of Gig Harbor project discussed at the December 2012 Board meeting.

Bruce Lund expressed that there seemed to be some earlier confusion regarding whether the new process applied to the 2013 or the 2014 loan list and noted that it is for the 2014 cycle. Cecilia Gardener clarified that the 2013 loan list is currently before the legislature. Tom Fitzsimmons noted that although the application is geared toward the 2014 cycle and includes non-traditional projects, we may not know if those are allowed based on the status of the pending legislation.

Don Montfort made a motion to direct staff to be clear with applicants that non-traditional projects may or may not be funded by the Board. Tom Fitzsimmons seconded the motion. Mr. Fitzsimmons noted that the application process just includes non-traditional projects as possibilities, but that staff will be clear with applicants that non-traditional projects may not be eligible in the end. **ACTION: Motion Approved 11-0.** (Voting Yes: Abart, Cummins, Fitzsimmons, Gardow, Guenther, Hildreth, Montfort, Quinn, Smith, Stuart, Waters. Voting No: none.)

Jerry Cummins asked whether staff had followed up with Spokane County commissioners, as directed at the last board meeting. Bruce Lund answered that a letter was sent to the commissioners and that the issue would be discussed at the March meeting.

Jerry Cummins moved to adjourn. Larry Waters seconded the motion. **ACTION: Motion Approved 11-0.** (Voting Yes: Abart, Cummins, Fitzsimmons, Gardow, Guenther, Hildreth, Montfort, Quinn, Smith, Stuart, Waters. Voting No: none.)