

Building Technical, Financial, and Managerial Capacity in Faranda, Washington: A Drinking Water State Revolving Fund (DWSRF) Small System Success

The Faranda water system is located on Whidbey Island, roughly 50 miles from Seattle. The system has been what Washington State defines as a Group B water system, which is less than 25 people, since inception in 1967. However, Faranda has recently grown from 24 to 28 people living in the 11 homes, triggering the need to comply with Group A requirements. Faranda is run as a Homeowner's Association (HOA) and has relied on volunteers to keep the utility running. As a Group B, the system did not keep records, drawings, or documents of the history of the water system.



Issues Facing the Water System

Due to a small population gain, the system must now meet all federal standards with aging infrastructure and incomplete documentation. Applying for a state loan can be overwhelming for HOA volunteers due to the complicated nature of the loan requirements and the lack of technical knowledge of board members. Volunteers can be hesitant to agree to a 30-year loan

on behalf of their neighborhood. Their focus is to keep water flowing and community rates low until their term as HOA board members end; usually within two years. Most HOA volunteers have full time jobs and other community service projects that also have claim on their time. This creates a continual challenge to build lasting TFM within the utility.

Faranda Demographics (Island County):

Population: 28

Median Household Income: \$70,765

WA MHI: \$77,006

Poverty: 6.5%

Employment Rate: 48.6%

Bachelor's Degree or Higher: 34.1%

Homeowner Rate: 71.1%

[U.S. Census: 2019 American Community Survey 5-Year Estimates](#)

Were there technical, financial, or managerial (TMF) capacity issues at the system?

Faranda has a contract manager providing a base level of technical capacity but it still lacks the technical expertise needed to effectively run a water system. The system currently has low cash reserves and lacks significant financial resources needed to invest in improving infrastructure. The system lacks managerial capacity as it is reliant on community volunteers to manage the utility. A "box file" was passed on from one HOA president to the next that contain both water system and other HOA related obligations.

What approach was ultimately selected to solve the problem(s)?

The community approached WA DWSRF and applied for a preconstruction loan. WA DWSRF has developed this type of loan to help prepare utilities for construction projects and create TFM. The preconstruction loan can be used for a variety of projects including planning documents, as-built drawings, permit applications, engineering reports and evaluation, historic and cultural reviews, and asset management. Faranda chose to use this funding option to develop a water system plan, and asset management program, engineering evaluation of the system, and as-built documents.

What funding and/or technical assistance was provided?

DWSRF and regional staff spent a significant time with the HOA president identifying needed information to apply for the loan. Past record keeping practices resulted in many pieces of important information being missing. DWSRF staff helped identify where information could be found and helped move the system into a more sustainable and professional filing system.

Upon awarding the preconstruction loan, DWSRF also referred the utility to Rural Community Assistance Corporation (RCAC), which is paid out of WA DWSRF set-aside to help system develop TFM capacity.



How have things turned out?

The system was awarded a DWSRF Preconstruction Loan in October of 2021. Faranda will likely apply for a construction loan in 2025 to help upgrade the distribution system to current industry standards. The system went through a change of HOA board members within the last few months. DOH will need to continue to invest significant time in this HOA to enhance their TFM through this project.

Lessons Learned:

- Small HOA systems are challenging as they rely heavily on community volunteers which need constant assistance with TFM capacity development.
- There is a significant DWSRF workload around getting a small system ready to apply for a construction loan.