

# Financing Water Projects Through

*Michigan's*

# REVOLVING LOAN AND GRANT PROGRAMS

Department of  
**Environmental Quality**  
PURE MICHIGAN



# Programs

Clean Water State Revolving Fund (SRF)

Drinking Water Revolving Fund (DWRF)

Strategic Water Quality Initiative Fund (SWQIF)

S2 Grants (SRF/SWQIF)

SAW (Stormwater/Asset Management/Wastewater)

## Financing Advantages of Loan Programs

- The interest rates for loans are set below market rates each year
- Loans have a repayment period of up to twenty years

# Eligible Costs

- Planning Costs
- Design and Construction Engineering
- Legal and Financial Services
- Preparation of Plans and Specifications
- Preparation of User Charge System
- Bond/Bid Advertisement Costs
- Construction Costs
- Administration Costs
- Land Acquisition (if integral to treatment process)/easements



# Federal Program Requirements

- Davis-Bacon
  - Permanent SRF & DWRF requirement in 2012
- Disadvantaged Business Enterprise
  - Minority owned
  - Women owned
- Green Projects
- Principal Forgiveness

# Green Projects

## Green Project Reserve

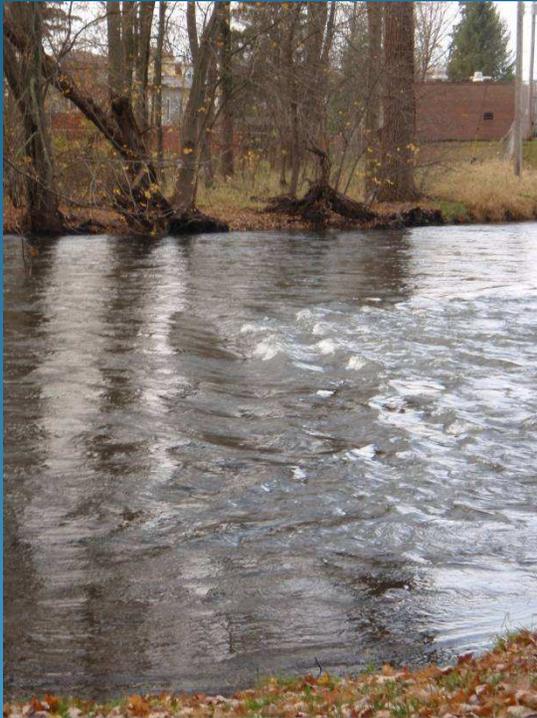
- Green Infrastructure
- Energy Efficient
- Water Efficient
- Green Innovative



Green Project guidelines available at:

- [www.michigan.gov/cleanwaterrevolvingfund](http://www.michigan.gov/cleanwaterrevolvingfund)

# State Revolving Fund



# SRF

## Who is eligible to apply for a loan?

- Cities
- Counties
- Townships
- Villages
- Public bodies authorized by state law
- Native American Tribes

SRF projects involve construction activity on publicly-owned sites. Typical SRF projects can include:

- Treatment plants and lagoons
- Collection, trunk, interceptor, and relief sewers
- Retention, treatment and equalization basins
- Cost-effective inflow and infiltration removal
- Pump/lift stations
- Grinder pumps
- Residuals handling systems
- Septage acceptance/treatment systems
- Nonpoint source control

# Structural Integrity

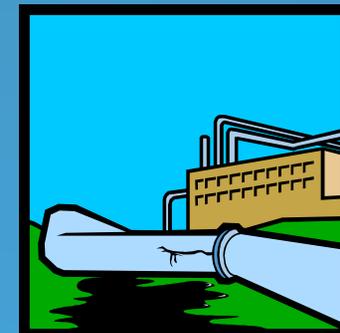
National Association of Sewer Service Companies (NASSCO)

## Pipe Assessment Certification Program (PACP)

Grade 4 (Poor) and Grade 5 (Immediate Attention) defects

## Manhole Assessment Certification Program (MACP)

Defects with Poor Manhole rating and located within the sewer segments in imminent danger of failure



# How are the SRF and SWQIF similar and different?



# Strategic Water Quality Initiatives Fund

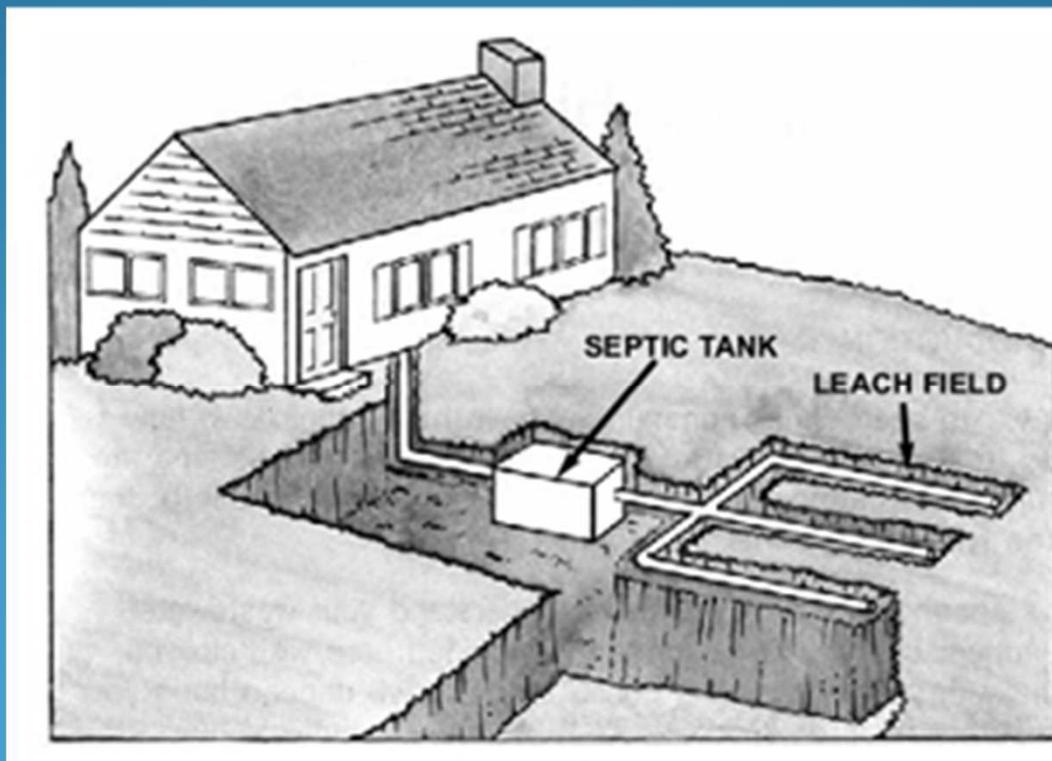


# The Strategic Water Quality Initiatives Fund (SWQIF)

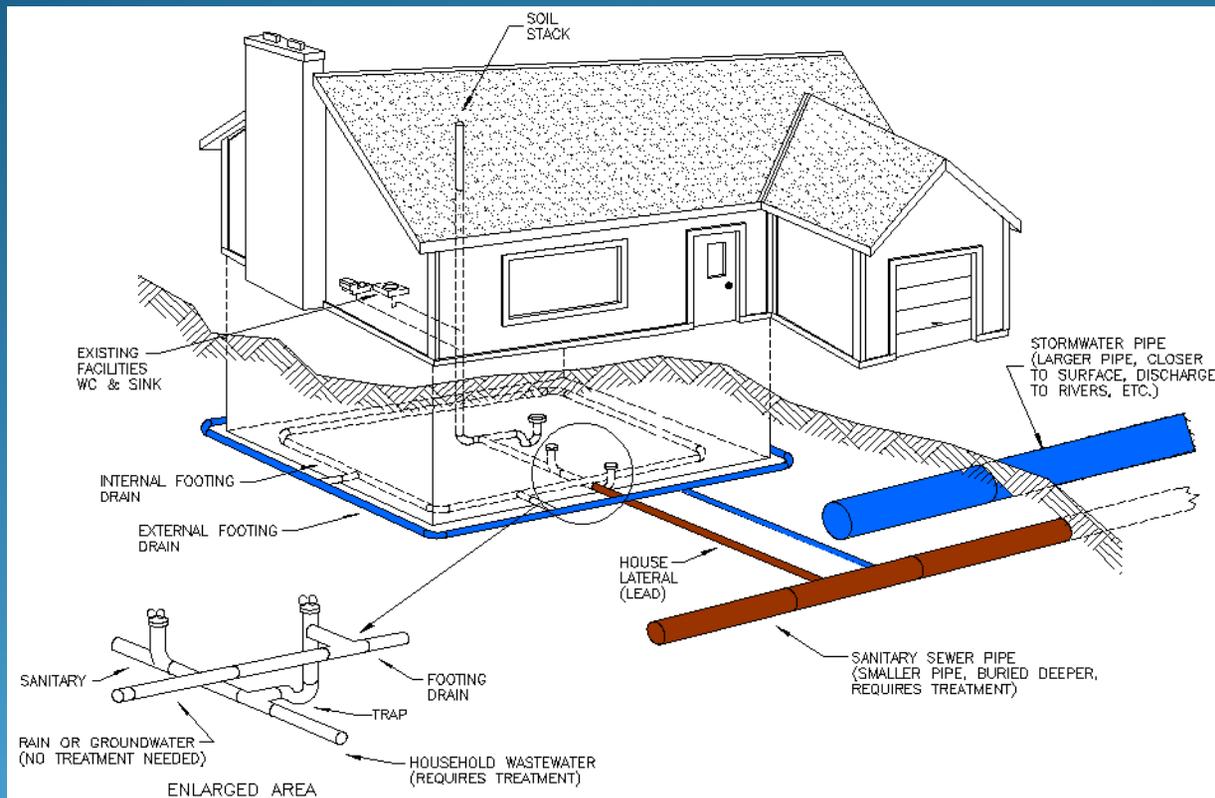
Private vs. Public property

Two types of projects include...

# 1. Upgrades or replacements of failing on-site treatment systems that are adversely affecting public health



## 2. Projects which are designed to reduce or eliminate the amount of groundwater or stormwater entering house leads

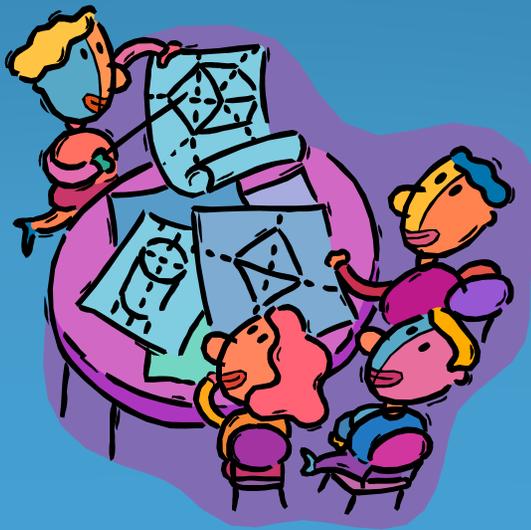


# Drinking Water Revolving Fund



# Who can borrow from the DWRF?

- Community Water Suppliers
- Nonprofit, noncommunity water suppliers



# What types of projects qualify?

Public water supply projects consisting of pipes and structures through which water is obtained, stored, treated or distributed, including

- Wells and well structures
- Intake structures and cribs
- Pumping stations
- Treatment plants, storage tanks
- Pipelines and appurtenances
- Security systems

Drinking water projects or portions of projects determined to be primarily for fire protection are not eligible for DWRF assistance.



# Water System Expansion

DWRF funds cannot be used to finance the expansion of any water system if a primary purpose of the project is to accommodate future development.



# New Systems

EPA interpretation of the Safe Drinking Water Act states that DWRF funds can be used to create new systems in place of private wells only if there are actual documented public health problems with serious risks.

# How do we apply for a loan?



A community must first submit a complete Project Plan which documents project's need to protect water quality and public health.

## Project Plans

DWRF – May 1<sup>st</sup> deadline

SRF/SWQIF – July 1<sup>st</sup> deadline

# Six components are required in an approvable Project Plan

1. Project Background
2. Analysis of Alternatives
3. Selected Alternative
4. Environmental Impacts \*
5. Mitigation
6. Public Participation \*

# 1. Project Background

- Detailed description and full documentation of need for project
- Study area characteristics including land use, environmental setting, population (present and in 20 years)

## Project Background includes comprehensive description of entire existing system

- DWRF - details of the water source, treatment and distribution system processes, including condition and capacity of each component
- SRF/SWQIF - details of the collection, transport, treatment, and residuals handling including condition and capacity of each component

## Lastly, Project Background also includes

An overview of all work necessary during the next 20 years (or other planning period used and approved by DEQ) regardless of proposed funding sources

## 2. Analysis of Alternatives

- Identification of all potential alternatives considered
- Detailed and well-supported analysis of principal alternatives considered (must include cost-effectiveness analysis, environmental impacts, implementability, etc.)

### 3. Selected Alternative

- Description of the selected project and site(s)
- Demonstration of ability to implement the selected alternative
- Monetary cost estimate
- User costs (current and proposed)

## 4. Environmental Impacts \*

- A comprehensive overview and evaluation of potential direct, indirect and cumulative impacts
- An evaluation of impacts to determine if they are beneficial or adverse, and short- or long-term

## 5. Mitigation of Impacts

Identification of structural and nonstructural measures that the applicant will take to avoid, eliminate or mitigate adverse impacts

## 6. Public Participation\*

- The Public Meeting (recommended)
- The Public Hearing (required)

# Public Participation Documentation

- 30 days public notice of hearing and project plan available for public viewing
- Verbatim (written) transcript of the hearing is required (Note: summaries or minutes are not acceptable)
- Public hearing attendees (names, addresses)
- Resolution by the governing bodies to adopt the project plan and implement the selected alternative (adopt only after the hearing)

How does DEQ rank  
all the Project Plans?



Many factors are considered when ranking projects. These can include but are not limited to the following:

- Water Quality Severity points (SRF/SWQIF)
- Enforcement points (SRF/SWQIF)
- Population served by project (SRF/DWRF)
- Disadvantaged Community (DWRF/SRF)

# Milestone Schedule

Michigan Finance Authority (MFA)/Department of Environmental Quality (DEQ)

## FY 2013 FINANCING SCHEDULE for the State Revolving Fund (SRF), the Drinking Water Revolving Fund (DWRF) and the Strategic Water Quality Initiatives Fund (SWQIF)

	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
Part I of Application Due	08/30/2012	11/27/2012	02/15/2013	05/23/2013
Part II Application Due FNSI Clearance Plans & Specs Approved User Charge System Approved	09/21/2012	01/04/2013	03/22/2013	06/14/2013
Bid Ad Published No Later Than	09/21/2012	01/04/2013	03/22/2013	06/14/2013
Part III of Application Due Bid Data Submittal (With Tentative Contract Award)	11/02/2012	02/15/2013	05/03/2013	07/26/2013
DEQ Order of Approval Issued*	11/21/2012	03/11/2013	06/03/2013	08/26/2013
Borrower's Pre-Closing with the MFA	12/03/2012	03/28/2013	06/14/2013	09/06/2013
<b>MFA CLOSING</b>	<b>12/14/2012</b>	<b>04/09/2013</b>	<b>06/25/2013</b>	<b>09/17/2013</b>

\*In addition to MFA requirements, all municipal bond sales must be reviewed and approved by the Local Audit and Finance Division of the Michigan Department of Treasury before an Order of Approval can be issued.

# Steps Leading to Loan Award

- Environmental assessment/FNSI
- User charge system review (if applicable)
- Plans and specifications approval
- Issuance of a permit to construct (if applicable)
- Application (3 parts)
- Construction contract bidding & tentative award
- Financial capability review
- Investment grade bond sale preparation

# Loan Disbursement Process

- First and last disbursement request **MUST** have original signature. All others may be faxed or e-mailed
- Include cost documentation with every disbursement request
- Disbursements are limited to one per 30-day period (except first draw)
- Funds are wired to loanee's financial institution within 10 days
- Loan amount is limited to Order of Approval amount, no loan increase amendments will be made

# Loan Closeout Process

- All documented costs are totaled and reconciled with funds drawn
- All project costs must be submitted (even those above loan amount)
- Final eligible project costs are determined (eligibility percentage adjusted if necessary)
- Any funds drawn for ineligible/undocumented costs are due for immediate repayment

# Loan Repayment Process

- Interest payments on funds drawn from loan are made semi-annually, in April and October
- First loan principal payment is due within one year of project's targeted initiation of operation; annual principal payments due thereafter
- If final eligible costs total less than the loan amount, an adjusted repayment schedule will be provided by the Michigan Finance Authority after closeout, reducing the annual repayment amount for the loan.

# Guidance Documents Available

- Project Plan Preparation Guidance
- Design Phase Guidance
- Eligibility Guidance
- Davis-Bacon FAQs
- Guidance to Applicants and Consultants Regarding Alternative Justifiable Expenditure (AJE)
- Construction Phase Guidance
- Securing Financial Assistance through the Clean Water Revolving Loan Funds (in development)
- Securing Financial Assistance through the Drinking Water Revolving Loan Funds (in development)

# S2 Grant Program





As of March 2013, over \$6.4 Million in grant funds still remain!

## 2 Types of Grants: Planning and Design

Planning Grant – planning services

Design Grant – user charge system development and design services

# Examples of Eligible Planning Costs

- Flow monitoring
- Infiltration/Inflow analyses
- Sewer System Evaluation Surveys
- Soil surveys
- Wetlands surveys
- Archeological surveys
- Compliance with State Historical Preservation Office requirements
- Any other activities necessary for the completion of a SRF/SWQIF project plan

# Eligible Design Engineering Costs

- Work necessary for the preparation and completion of final plans and specifications.
- Preparing a basis of design
- Completing a value engineering report

NOTE: Bidding services are not grant eligible. Design costs will not be awarded unless a submitted SRF/SWQIF project plan is approvable.



## Eligible User Charge System Development Costs

- Contract/vendor fees for the preparation or amendment of sewer use and rate ordinances,
- Preparation or revision of intermunicipal service agreements
- Submittal of the proposed budgets and rate methodologies for DEQ review
- Related work



# Pilot Studies

Pilot studies to demonstrate the effectiveness of a technology, are eligible unless the study results in permanent construction that will become a tangible asset.

(Example: a footing drain disconnection “demonstration” project would not be grant eligible since it involves permanent construction.)

# When Can a Grant Application be Submitted?

Batch-processed and awarded on a quarterly basis in October, January, April, and July.

Please use the application “AS IS” and do not try to alter it.

60 day DEQ response time on submitted grant applications



# What If Work Has Already Begun?



Costs incurred on or after December 14, 2010 (the effective date of the legislation) are grant eligible

Costs incurred prior to December 14, 2010 are loan eligible

# Local Match



90% grant/10% local match

Local match is not eligible for SRF/SWQIF loan participation.

\$1 million cap (including grant awards under the prior S2 Grant program)

# What If The Project Never Gets Completed?

The grant must be repaid with interest if...

1. The applicant fails to submit an administratively complete loan application within 3 years of the grant award.
2. The project has been identified as being in the SRF/SWQIF fundable range or is approved for funding from another source declines the loan assistance for 2 consecutive fiscal years.
3. The applicant is unable to, or decides not to, proceed with constructing the project.

# What Constitutes an Administratively Complete Loan Application?

These include:

- Approvable project plan
- Plans and specifications suitable for bidding
- Approvable user charge system

## What If Only a Portion of the Project is Completed?

The scope of work recommended in the project plan is the “project” that needs to get constructed to avoid repayment.

For project plans that identify segments at least the first segment of the project correlating with a start date that meets the three year requirement.

## What if the Project is Constructed With Other Funds?

Project can be financed through other means (grants, loans, cash-on-hand).

However a Notice to Proceed will need to be issued within three years of receiving a grant award.

# What's next???



# Recent Statute Changes

- Creates new grant program (includes asset management)
- Creates state funded loan program
- Defines disadvantaged community for CWSRF
- Revises disadvantaged community calculation for DWRF
- Effective date of legislation is January 2, 2013

# SAW Grant and Loan Programs

Stormwater

Asset Management

Wastewater

\$450 million available

# SAW Program

Eligible grant activities include:

- Planning and design for SRF or SWQIF projects (includes stormwater and nonpoint source)
- Asset management plan development for sewage collection and treatment system or a stormwater system
- Development of management plans for the treatment of stormwater
- Testing and demonstration of innovative wastewater and stormwater technologies

- GIS Mapping
- Force Account Work related to the project  
(example: GIS Mapping and Data Collection)

# SAW Grant Ineligible Activities

- General local government administrative activities
- Activities performed by municipal employees unrelated to the project

# Asset Management

- Evaluate the condition of infrastructure
- Prioritize needs and repairs/replacement
- Develop funding structure
- Encourage coordination of construction activities with other utilities, MDOT & county road commissions

# SAW Grant Program

- Grants funded first come, first served
- 120 day DEQ review period
- New \$2 million grant cap per community
  - 90% grant/10% local match up to \$1 million
  - 75% grant/25% local match for amounts exceeding \$1 million
- The local match to a SAW grant is not eligible for loan assistance (i.e. SRF, SWQIF, or SAW loan assistance)

# 100% Grant

A 100% grant can go to:

- Disadvantaged community per calculation
- Municipality in receivership
- Municipality operating under an emergency manager or emergency financial manager appointed by the state
- Municipality operating under a consent agreement

Disadvantaged communities can also expend up to \$500,000 in grant funds for construction of projects identified in an asset management program.

# Grant Requirements

- Begin construction of the project using any funding source, within 3 years of the grant award
- Asset management grantees must make significant progress toward achieving the funding structure to implement the asset management program, within 3 years of the grant award

# SAW Loan Program

- Eligible projects will be similar to federal SRF program
- No priority ranking – first come, first served
- Expect fewer program requirements
  - No Davis-Bacon (may be state version)
  - No Disadvantaged Business Enterprise (DBE) Subcontractor Solicitation Process

# Next Steps for SAW

- Workgroup to help develop and implement SAW programs (made up of communities, consultants and DEQ staff)
- Application & guidelines expected by August 2013
- Updates will be provided on DEQ website
- Future workshops

# Workgroup Issues to Review

Asset Management

Grant and Loan Requirements

Stormwater Management Plan

Innovative Technologies

# Information on SAW

[www.michigan.gov/cleanwaterrevolvingfund](http://www.michigan.gov/cleanwaterrevolvingfund)

->Select “Stormwater, Asset Management, and Wastewater (SAW) Program Highlights”

- SAW Program Highlights
- SAW Laws and Regulations
- SAW Frequently Asked Questions (updated as needed)
- SAW Workgroup: Meeting Agendas and Minutes

How can I get more information???

517-373-2161

[www.michigan.gov/cleanwaterrevolvingfund](http://www.michigan.gov/cleanwaterrevolvingfund)

**Thank you!**

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