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**Department of Environmental Quality**

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INTERNET: <http://www.michigan.gov/drinkingwaterrevolvingfund>

**Drinking Water Revolving Fund  
Final Intended Use Plan  
Fiscal Year 2014**

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Revolving Loan Section  
Office of Drinking Water and Municipal Assistance  
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DWRF Final Project Priority List (PPL) for Fiscal Year (FY) 2014  
DWRF Final Green Project Reserve List for FY 2014  
DWRF Final PPL Future Projects for FY 2014  
DWRF Final PPL Scoring for FY 2014  
Category Costs for FY 2014 Final PPL

## I. INTRODUCTION

The Michigan Department of Environmental Quality (DEQ) through the Office of Drinking Water and Municipal Assistance (ODWMA) administers the Drinking Water Revolving Fund (DWRF). The DWRF program details are set forth in Part 54, Safe Drinking Water Assistance, MCL 324.5401-324.5421, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended (Act 451). In addition, the Michigan Finance Authority (Authority) is charged with administering DWRF funds through the Shared Credit Rating Act, 1985 PA 227, as amended (Act 227).

The DWRF provides reduced interest rate loan financing to qualified water suppliers to finance construction of public water systems. Projects may include new wells, new water treatment plants, storage facilities, upgrades or expansions to existing facilities, transmission lines, pumping facilities, and other related waterworks system improvements. Suppliers must meet federal and state program requirements, as well as demonstrate their ability to publicly finance their project and retire project debt. In addition to the loan provided by the DEQ, suppliers also have the option to pay for part of their project with cash and other resources. Since 1998, Michigan has awarded over \$757 million in financial assistance to over 252 borrowers. In fiscal year (FY) 2014, the DWRF will fund \$50 million worth of projects.

This final Intended Use Plan (IUP) describes how the DEQ and the Authority will jointly administer all available DWRF funds during FY 2014. An IUP is a required part of the process to request the federal 2013 capitalization grant, which will be matched with 20 percent in state match funds. The 2013 capitalization grant allotment for Michigan is \$25,579,000. The Revolving Loan Section (RLS) of the ODWMA is charged with carrying out the program administration responsibilities. The Environmental Health Section (EHS) and the Field Operations Section of the ODWMA will assess project priority, issue the necessary construction permits, and offer technical review and assistance throughout project planning, design, and construction. Financial administration of the program will be handled by the staff of the Authority.

The U.S. Environmental Protection Agency (EPA) Region 5 staff will offer guidance and conduct annual program oversight reviews of the DWRF. The EPA serves as a helpful partner in creating and maintaining this program.

The relationship between the DEQ, the Authority, and the EPA is established in an Operating Agreement signed by authorized signatories from each agency. The Operating Agreement is incorporated into this IUP by reference and is available from the DEQ upon request.

This final IUP includes detail on specific project funding and identifies amounts to be set aside from federal capitalization grants for other uses authorized under the federal Safe Drinking Water Act (SDWA) and Part 54 of Act 451. A public hearing for the IUP and the Project Priority List (PPL) was held on August 21, 2013.

The DEQ certifies that it is recognized by the EPA as the primary agency for management of the drinking water program. The priority system was developed by the DEQ and will be used each fiscal year to determine which projects will have access to DWRF assistance. The priority system is designed to provide low-interest financing to those projects that will have the greatest impact in facilitating safe drinking water supplies.

### **American Recovery and Reinvestment Act**

In FY 2009, Michigan received additional capitalization of \$67,454,000 through the American Recovery and Reinvestment Act of 2009 (ARRA), the federal stimulus bill. Twenty-eight projects received low-cost financing through ARRA. Nineteen projects have completed construction as of September 27, 2013.

### **Fiscal Year 2014 Project Funding**

Michigan's 2013 federal capitalization grant is \$25,579,000. Congress mandated that at least 20 percent of this amount be provided as additional subsidy to borrowers. The DEQ plans to provide the entire amount as principal forgiveness. All DWRF projects funded in FY 2014 must pay their workers the federal Davis Bacon wage rates for their job classification.

## **II. STRUCTURE OF THE DWRF**

In FY 2014, the DEQ will continue with a direct loan structure. In a direct loan structure, federal funds and state match, or fund assets that have 'revolved' back into the fund, are paid directly to municipal borrowers. There will be no cross collateralization of the DWRF.

For borrowers who are non-municipal entities, limitations on private activity from tax-exempt issues would require the DEQ and the Authority to fund private water suppliers from funds other than tax-exempt revenue bonds. These loans will be made as direct loans with a letter of credit supplied by the private borrower or through a partnership with a private lending institution with the state providing an insurance annuity. There are no private water suppliers on the FY 2014 final PPL.

There is a provision for subordinate investment of funds between the DWRF and the SRF. This concept permits the administrators of the two funds to make temporary investments from one fund or the other in the event that monies are needed to service debt on the state's tax-exempt bond issues, cover deficiencies in a fund's reserve accounts, or satisfy other reserve account requirements. Only those funds periodically released from debt service reserve accounts, supplemental reserve accounts, revenue accounts, or any other account of the fund, wherein released monies may be generated, may be used for the purposes of subordinate investment.

At each point that monies are released, the DEQ and the Authority will undertake a "snapshot" look at both the SRF and the DWRF. For each fund, we will first examine whether we need to service debt or satisfy reserve account requirements within the fund from which the released monies originated. Next, we will examine the other fund for the same conditions. Then, if sufficient monies are available to satisfy requirements for each fund, the released money will pass completely through and become available for future commitments to new projects consistent with its source. This provision will not be exercised in FY 2014.

Set-asides in the DWRF are derived from the capitalization grant awarded to the state by the EPA. Set-asides are designated for specified uses within the DWRF to address areas of concern included in the reauthorization of the SDWA. Legal provisions included in Act 227, permit the Authority and the DEQ to establish accounts and sub-accounts to track revenues and expenditures for the set-asides. The set-asides for program and other activities will be directly administered by the EHS, with support from the Field Operations

Section (FOS). EHS and FOS staff will also be responsible for the technical assistance activities, except for those funds made available to subsidize loans to disadvantaged communities. The disadvantaged community loans will be managed by the RLS.

The following is a list of potential set-asides identified in Section 1452 of the federal SDWA. The percentages noted would affect the federal capitalization grant.

**DWRF Administration - 4 percent**

**Technical Assistance - 2 percent**

**Program Set-asides - 10 percent**

- Public Water System Supervision
- Source Water Protection
- Capacity Development
- Operator Certification

**Other Activities - 15 percent, not to exceed 10 percent for any one activity**

- Loans for Source Water Protection
- Assistance for Capacity Development
- Implement Wellhead Protection

It is imperative to note that the program set-asides also require a one-for-one state match, in addition to the regular 20-percent state match calculated on the entire amount of the federal capitalization grant. Thus, money diverted to these set-asides will demand an additional investment of state or local funds.

**III. ADVANTAGES OF THE DWRF**

The primary advantage for Michigan water suppliers is their ability to borrow funds at interest rates below market. The DWRF interest rate is established prior to each new fiscal year. As identified in Part 54 of Act 451, determination of the interest rates is based on loan demand, market conditions, program costs, and future needs.

In setting the interest rates for FY 2014, the DEQ examined a widely used market index for general obligation municipal bonds to identify current market conditions existing at the time the final IUP is prepared. Then, to establish a rate of interest for municipal borrowers, the DEQ considered present and future demand for DWRF assistance and the costs to comply with program requirements.

Once the interest rate was determined for municipal borrowers, the resulting interest subsidy to municipalities will be used for private borrowers. If a private borrower chose to obtain a letter of credit and receives a direct DWRF loan from the Authority, the interest rate would be determined by using the U.S. T-bill rate as the base and applying an identical percentage reduction of interest as municipalities receive. For those private borrowers who chose to obtain financing through a financial institution, the interest rate would be the lending institution's rate, reduced by an identical percentage as a municipality would receive.

The interest rate for municipal borrowers in FY 2014 is 2.5 percent. Private borrowers would receive an interest rate subsidy that equates to the same subsidy received by municipal borrowers.

Apart from the low-interest rate, suppliers also benefit from the DWRF in that they can finance all eligible waterworks system costs. The major benefit results from the fact that water supply financing in the past has always been left to the local units of government or private entities. Historically, there has been no significant state financial assistance available to local officials in meeting water supply needs. The DWRF provides an ongoing source of funding to maintain or improve drinking water quality and public health.

#### IV. GOALS

Michigan's DWRF establishes a funding source designed to protect and preserve public health within the state's boundaries. Michigan's geographical identity as a "Great Lakes" state affords its citizens with an abundant and high quality water resource from which to draw its drinking water. Unlike many states, Michigan water supplies are plentiful and periods of restricted use are few in most communities. The great challenge for water suppliers lies in protecting the high quality of the resource, as well as ensuring that adequate volume and pressure exist to deliver potable water to the customer.

To this end, Michigan's DWRF has the following long-term goals:

**Goal:** *To provide low-cost financing for waterworks system improvements or upgrades while maintaining the perpetuity of the DWRF.*

The Authority uses a financial advisor to guide decisions on funding levels, interest rates, and other financing terms. Michigan looks to balance the goals of meeting the capitalization grant requirements (i.e., additional subsidies, green projects, Davis Bacon) while maintaining the DWRF in perpetuity.

**Goal:** *To continue effective partnerships with other federal and state financing sources to promote efficiency in environmental review procedures and coordination of funding.*

Given the limitations on pooled capital, the DEQ continues to work together with various federal and state agencies, such as the U.S. Department of Agriculture - Rural Development, Rural Community Assistance Program and the Michigan Department of Licensing and Regulatory Affairs, so that we may collectively fund qualifying projects and maximize use of our capital pool to achieve stated goals. Such partnerships ultimately benefit everyone. Industry, tourism, and day-to-day quality of life are strengthened when our most valuable natural asset is preserved and made available for use and enjoyment.

**Goal:** *To maintain statewide compliance with all applicable state and federal drinking water laws, rules, and standards while protecting the public health and environmental quality of our state.*

The DEQ will use DWRF set-aside funding to: maintain source water assessment, wellhead protection, and source water protection programs; assist small, economically disadvantaged communities in meeting drinking water standards; apply a capacity assessment program for all new and existing community and non-transient non-community water supplies; and continue operator certification program requirements to assure proper operation and maintenance of public water systems.

**Goal:** *To continue use of the DWRF program.*

The DEQ will continue to use effective outreach methods such as: direct mail, electronic media, newsletter publication, and informational meetings to publicize and encourage the use.

In order to accomplish the long-term goals, we must also focus on more immediate objectives. Therefore, our short-term goals in FY 2014 are:

**Goal:** *Secure Michigan's full share of federal funding and to expeditiously obligate these monies, along with the state contribution.*

The DEQ has prepared and identified on the FY 2014 final PPL all projects that are willing and able to progress to loan closing consistent with a project milestone schedule for the construction of eligible facilities. All projects receiving DWRF funds in FY 2014 will issue a Notice to Proceed within 60 days of the loan closing.

**Goal:** *Ensure that the additional requirements of the 2013 capitalization grant are met, including those that are imposed on local borrowers.*

The 2013 capitalization grant does not have a Green Project Reserve requirement. The DEQ solicited green infrastructure, water/energy efficient and environmentally innovative projects for the FY 2014 PPL. The DEQ required and approved business cases for projects that are not determined as a categorically Green Project as described in the EPA's FY 2011 DWRF Procedures. Business cases will be posted on the DEQ website once green projects are funded.

Congress mandated that at least 20 percent of the 2013 capitalization grant be provided as additional subsidy to borrowers. The DEQ plans to provide the additional subsidy as principal forgiveness. Congress also requires all DWRF projects funded in FY 2014 to pay their workers the federal Davis Bacon wage rates for their job classification.

**Goal:** *Review and update, as applicable, the Operating Agreement by December 31, 2013.*

The DWRF program has acquired additional requirements since ARRA; however, the Operating Agreement has not been updated to reflect the new requirements. This goal was not completed in 2012 as expected. The goal for the completion of the updates is December 31, 2013.

## V. ALLOCATION OF FUNDS

The establishment of a fundable range for any given fiscal year entails a series of steps that culminate in a determination of how much fund resources could support. Using a series of assumptions (DWRF loan rate, return on investment rates, and level of capitalization) the process for FY 2014 is outlined below:

1. The DEQ reviewed the total amount of loans committed through September 30, 2013.

Total loan commitments through 9/30/2013	\$757,660,000
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2. The DEQ assumes that the new federal capitalization grant and the appropriated state match will remain constant until 2015 (for planning purposes only). However, it should be noted that the DEQ has **no assurance** of state general fund monies to match federal funds beyond the 2014 capitalization grant. In October 2013, \$2.5 million of general funds will be available to match the 2013 capitalization grant. State general fund monies, \$2.5 million, were appropriated for use in FY 2014. The remaining state match needed, \$2,615,800, will come from state match revenue bonds. Michigan was appropriated \$25,579,000 in DWRF federal capitalization grant funds for calendar year 2013.

2013 cap. grant for loans (total grant is \$25,579,000)	\$20,644,260
2013 state match	\$ 5,115,800
2012 cap. grant for loans (total grant is \$27,263,000)	\$22,252,220
2012 state match	\$5,452,600

3. After subtracting the amount needed to service existing loans, with continuation of a direct loan structure, fund resources could support \$50 million in new binding loan commitments in FY 2014. A direct loan structure will result in higher lending capacities in out years and maximize the fund's ability to compensate for the loss of state match funds that have resulted from general fund budget cuts in recent years.

The provision of additional subsidy is a requirement of the 2013 capitalization grant. The additional subsidy will be in the form of principal forgiveness and will not exceed \$4,350,800. When principal forgiveness is provided from available loan proceeds to projects, it greatly reduces the amount of the assets returning to the DWRF as loan repayments, which could be used to make future loans.

Principal forgiveness will be made available for green projects expected to close on a loan in FY 2014. Principal forgiveness will be provided at 100 percent of the green project/component amount (up to a \$1.5-million limit per project, a minimum of \$300,000 per project). The DEQ reserves the option to limit projects to the PPL binding commitment amount.

Each state may transfer 33 percent of available funds between the SRF and the DWRF programs. This may occur starting one year after a state receives its first capitalization grant for project funds. At this time, Michigan does not propose to transfer funds between the SRF and DWRF programs.

**VI. CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS - SET-ASIDES**

The DEQ has established the set-asides and requests funding for each set-aside based on what is needed to effectively administer the public drinking water programs and to enhance public health protection and the protection of surface and ground waters through additional non-regulatory programs, projects, and activities. In recent years, the DEQ has become more dependent on the funding provided by the set-asides to fund the staff needed to effectively administer the programs because the federal Public Water Supply Supervision grant awards have not increased to cover the costs of additional work required to implement several new federal drinking water regulations or for inflation.

Each year, Michigan is required to submit detailed workplans to EPA for approval describing how each set-aside fund will be expended. Workplans for the FY 2014 set-asides were submitted to EPA.

### **Administration**

Up to 4 percent of the federal capitalization grant can be used to administer the fund. Michigan intends to utilize the full 4 percent, which is \$1,023,160. Any funds not utilized in FY 2014 will be retained on account for administration costs in future years.

### **Small Systems Technical Assistance**

DEQ is requesting 2 percent of the 2013 grant or approximately \$511,580. Most of these monies will support program staff that provide technical assistance to small public water systems. This work includes, but is not limited to:

- Administer and conduct a statewide Abandoned Well Management program.
- Administer and maintain the Wellogic Data System.
- Provide training, assistance, and outreach on proper water well construction techniques.
- Engineering plan review, permitting, and consultation associated with the operation of treatment systems at small public water supplies.
- Provide technical assistance and training to operators of small public water supplies.
- Provide training to Michigan's local health department staff, who are contracted to implement the non-community water supply program in Michigan.
- Provide training; develop and distribute informational material on new drinking water regulations including lead and copper and the revised Total Coliform Rule.
- Provide special training; develop and distribute informational material to campgrounds and other seasonal public water supply systems on requirements of the revised Total Coliform Rule.
- Continue work to transition from Water Track, the database system used for the non-community water supply program, to the State Drinking Water Information System (SDWIS).
- Work with EPA, Region V on improving and maintaining compliance with the Safe Drinking Water Act at schools and daycares via the Small Systems Initiative.
- Provide financial support to small disadvantaged communities for the project plans needed when applying for a DWRF loan.

### **Program Set-Asides - \$ 2,400,000**

The DEQ intends to continue four programs in FY 2014 using program set-asides. The additional required matching funds will be provided through the Public Water System Supervision Program from the state general fund and restricted fund (fee) revenue, plus the perpetual match from the FY 1993 Public Water System Supervision matching money. The following is a breakdown of the \$2,400,000 projected amount:

**Capacity Development** – State staff, augmented by contracts for services with local health departments (LHD), are being used to implement the program based upon EPA guidance and DEQ policies for new systems. The 1998 amendments to

the Michigan Safe Drinking Water Act, 1976 PA 399, as amended (Act 399), provided authorization to conduct the program. The amendments allow the DEQ to apply capacity assessment criteria to new community and non-transient non-community public water supplies, to DWRP applicants, and existing systems selected under a state strategy. The DEQ developed guidance for these efforts using stakeholders for public participation. Capacity development activities are inherent in the job functions of staff implementing the Public Water System Supervision Program, and DEQ will continue to support these activities in FY 2014 to the extent necessary to meet current workload and maintain current level of effort.

To conduct financial capacity assessments of new community systems, DEQ staff review financial information submitted by proposed systems. Approval must be granted before these systems commence operation. The LHDs also conduct capacity assessments of new, non-transient non-community systems and are reimbursed for this activity.

The DEQ is requesting \$400,000 from the 2013 grant to fund the above activities.

**Source Water Protection** – The DEQ is requesting \$900,000 from the 2013 grant to support source water protection activities. Most of the funds will support staff that directly implement the following source water protection programs:

Source Water Protection - Surface Water Intake Program

There are 70 communities in Michigan that use surface water as their drinking water source. The funding allows the DEQ to facilitate implementation of surface water-related source water protection activities in these communities.

Well Construction Regulation Program

This program serves to protect public and private drinking water source aquifers by proactively administering proper well construction practices. This program provides the first line of defense for Michigan's groundwater source drinking water supplies by preventing contaminant entry into well intakes and protecting aquifers through field implementation of protective well drilling and decommissioning practices. The program provides training, enforcement assistance, and field consultation services to 44 LHDs, as well as training and field consultation to well installation and plugging contractors.

On-Site Wastewater Program

This program serves to protect public health and the groundwaters of the state used for drinking water by assuring proper treatment of effluent from individual residential and collective residential wastewater treatment and disposal systems where the wastewater effluent is discharged to the ground and ultimately make its way to the groundwaters of the state. The DEQ provides assistance in administration of this program to staff at 44 LHDs under contract to assure that on-site systems are designed and operated so that effluent wastes will receive the maximum natural attenuation of microbial agents, nutrients, and other contaminants before the effluent enters the groundwater. In addition to this core activity, the DEQ would also continue to provide the following oversight activities:

- Accreditation of LHD on-site wastewater programs conducted on a 3-year cycle to assure compliance with DEQ minimum program requirements.
- Administration of current DEQ statewide program that regulates on-site systems with flows less than 10,000 gallons conducted by authorized LHDs.
- Administration of the current statewide review and approval process for subdivisions and condominiums that rely on individual on-site wastewater systems.
- Training of and consultation with LHD staff.

**Operator Certification** – The DEQ is requesting to use \$500,000 from the 2013 grant for Operator Certification activities. Most of the funds requested will support staff dedicated to implement all aspects of the drinking water operator training and certification program. In addition to staff salaries, monies will be used for waterworks operator training and certification materials, public participation, exam validation, and enhancements to the internet home page and other software updates and enhancements. The DEQ also will continue to expand the continuing education program for certified operators of non-transient non-community water supplies. Courses will be developed that are geared toward operators serving a population of 3,300 or fewer.

**Public Water System Supervision** – The DEQ requests \$600,000 from the 2013 grant to support existing staff and the existing scope of the Public Water System Supervision Program. No additional staff are proposed; however, this funding will allow for additional management flexibility to address priority work efforts, including the highest priority activities associated with new drinking water regulations.

#### **Wellhead Protection (Section 1452(k)) - \$1,000,000**

The DEQ is requesting \$1,000,000 for the Wellhead Protection set-aside from the 2013 grant. Approximately one-third of the total requested will support wellhead protection program work done by DEQ staff. Wellhead protection staff review and approve traditional wellhead protection delineations conducted by municipalities and provide provisional wellhead protection delineations to community and non-community water supplies using the recently developed Michigan Groundwater Management Tool (MGMT). MGMT is a groundbreaking software product developed by Michigan State University that can model wellhead protection delineations by particle tracking using data collected over the years by the DEQ. Comparisons of the MGMT modeled delineations to those done by traditional methods reveal nearly identical delineations. Using MGMT to create provisional wellhead delineations allows DEQ staff to provide delineations to small community water systems and non-community water systems that do not have the financial ability to conduct a traditional delineation. The DEQ has held workshops throughout the state that have provided MGMT delineations to the participants, many who represent schools, daycares, and other non-community systems, and included educational presentations on what the delineations mean, and small steps that can be taken to protect the groundwater from contamination within wellhead protection areas. The development and use of MGMT and the outreach it has provided to owners and operators of public water systems of all sizes would not have occurred without funding from the Wellhead Protection set-aside over the last several years.

The DEQ expects to use approximately one-third of the requested amount for enhancements and improvements to MGMT. Although the MGMT software package is nearly complete, some additional database modifications and software enhancements are needed to accommodate the delineation of wellhead protection areas throughout the remainder of the state, primarily in the Upper Peninsula. Since MGMT was first written, there is a wealth of newly acquired groundwater data that needs to be pre-processed and made amenable to manipulation within the MGMT software environment. There are also plans for another four to six outreach meetings where wellhead protection training will be provided to the owners and operators of community and non-transient non-community public water supplies throughout the remaining areas of Michigan.

Finally, a third of the requested amount will allow DEQ to continue to provide matching (50/50) wellhead protection grants to local governments so they can increase their source water protection efforts, activities, and initiatives. The table below lists the total amount of funding provided to communities each year from the grant program:

Fiscal Year	Number of Communities	Grant Dollars Awarded
1999	54	\$1,014,044
2000	62	\$1,080,390
2001	66	\$1,044,266
2002	85	\$1,286,589
2003	84	\$1,260,180
2004	67	\$ 857,772
2005	57	\$ 848,143
2006	50	\$ 682,029
2007	43	\$ 677,629
2008	43	\$ 699,247
2010	43	\$ 642,967
2011	27	\$ 298,600
2012	37	\$ 311,804
2013	32	\$ 423,000

Note: No grants were awarded in 2009 because of spending restrictions ordered by Michigan's Governor.

## VII. CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS - PROJECT LOANS

Michigan's DWRF will commit loans for qualified projects based on project plans that were submitted to the RLS by May 1, 2013. Plans were reviewed by staff of the DEQ to ensure compliance with Section 5405 of Act 451, before being placed on the final PPL for FY 2014. The DWRF, to the maximum extent practicable, must give priority to projects that:

- address the most serious risks to human health,
- are necessary to ensure compliance with the requirements of the federal SDWA,
- in addition, assist systems most in need according to the state's affordability requirements.

Michigan's priority system takes these factors into account in the assignment of priority points. Acute violations receive a larger number of points than any other category. In fact, standard compliance offers over 41 percent of a project's total possible points. All

factors point to the need for the project to comply with federal drinking water requirements; affordability is addressed by the award of additional points for disadvantaged community status, and is the ultimate tiebreaker. Michigan's priority point system is detailed in Section 5406 of Act 451.

The DWRP final PPL has 44 projects totaling \$206 million. This includes 25 projects and/or segments equaling \$144 million for funding in the future.

Section 1452(a)(2) of the federal SDWA requires the state to first make available 15 percent of all funds annually credited to the DWRP for financial assistance to water suppliers serving fewer than 10,000 persons. For the 2013 capitalization grant, Michigan must reach or exceed \$3,836,850 to satisfy this requirement.

All projects are reviewed and scored based upon the priority point system outlined in Part 54 of Act 451. Funds are made available for commitment based on the priority ranking and projects will only be funded out of order to satisfy requirements for small community assistance. Thus, only projects on the PPL are funded in priority order.

Employing the criteria found in Section 5415 of Act 451, the Director of the DEQ set the interest rate at 2.5 percent for FY 2014. The term of the loan will run up to 20 years for most projects. Those suppliers meeting disadvantaged community criteria will, however, be able to extend their terms for up to 30 years, if desired.

Part 54 of Act 451 also permits suppliers serving less than 10,000 persons to receive reimbursement of project planning costs upon delivery of an approvable project plan to the DEQ. Legislation has been passed to provide a funding mechanism for this reimbursement. Interim planning loans first became an option for DWRP applicants in FY 2001.

#### **VIII. DISADVANTAGED BUSINESS ENTERPRISE**

Beginning October 1, 2009, the DEQ implemented the EPA's new Disadvantaged Business Enterprise (DBE) Rule (40 CFR Part 33). The DBE rule applies specifically to ANY procurement made utilizing EPA financial assistance. EPA financial assistance includes DWRP funding. The new DBE rule changed substantially from the prior Minority Business Enterprise (MBE) and Women's Business Enterprises (WBE) rule. The DBE rule requires that MBE and WBE firms be certified. Certification applies to enterprises that are at least 51-percent owned and/or controlled by socially and economically disadvantaged individuals who are of good character, are citizens of the United States, and have an initial and continued personal net worth of less than \$750,000.

DBE requirements apply to the DEQ, DWRP loan recipients, and the loan recipient's prime contractors. Additional information regarding the DBE requirements is available on the DEQ, DWRP website ([www.michigan.gov/drinkingwaterrevolvingfund](http://www.michigan.gov/drinkingwaterrevolvingfund)).

#### **IX. DISADVANTAGED COMMUNITY STATUS**

Disadvantaged community status is determined by the DEQ based on information submitted with a supplier's project plan. To qualify, an applicant must first meet the definition of "municipality" found in Part 54 of Act 451. Next, the updated median annual

household income (MAHI) of the area to be served must be less than 120 percent of the state's updated MAHI. Finally, the costs of the project must be borne by the customers in the service area. If costs are spread over a larger area, then that area must demonstrate that it meets the poverty or affordability criteria.

Once these conditions are met, a community will be awarded the disadvantaged community status if one of the following is true:

- More than 50 percent of the area to be served by the proposed project is identified as a poverty area by the U.S. Census Bureau.
- The updated MAHI of the area to be served is less than the most recently published federal poverty guidelines for a family of four in the contiguous United States.
- The updated MAHI is less than the updated statewide MAHI and the annual user costs for water supply exceed 1 percent of the service area's MAHI.
- The updated MAHI is more than the updated statewide MAHI and the annual user costs for water supply exceed 3 percent of the service area's MAHI.

The major benefits for qualified communities include 50 additional priority points, extension of loan terms to 30 years, and assistance to help defray the costs of preparing project plans. There are three projects, the city of Flint, the village of Benzonia, and the village of Nashville, on the FY 2014 final PPL that qualify for disadvantaged community status.

A complete discussion of the disadvantaged community status may be found in a guidance document prepared by the DEQ to more fully explain how a supplier can achieve the status and benefit from it. RLS staff encourages all applicants to supply the pertinent data to allow the DEQ to perform a disadvantaged community status analysis.

#### **X. EPA AUTOMATED CLEARINGHOUSE ACTIVITIES**

The EPA employs an Automated Standard Application for Payments (ASAP) system to make disbursements of federal funds. Michigan will comply with this system's requirements and deposit funds drawn from it into appropriate accounts set up for the DWRP.

Beginning in the 2<sup>nd</sup> Quarter of FY 2014, Michigan anticipates drawing capitalization grant funds from the ASAP system. The draw ratio will be 80.14 percent (federal) and 19.86 percent (state) for the 2013 capitalization grant and 80.32 percent (federal) and 19.68 percent (state) for the 2012 capitalization grant.

One request for disbursement may be submitted by the local project's authorized representative (or state agencies) each month. As project costs (or program administrative/set-aside costs) are incurred, the request for disbursement of funds will be sent directly to the DEQ, who will then process the request as part of a weekly draw request. Upon delivery to its office, the Authority will execute the fund drawdown electronically by transferring money from the federal ASAP and state accounts. Monies will be automatically deposited into the debt service reserve account of the DWRP, while funds are electronically wired to a municipal water supplier's bank from a DWRP

account. For non-municipal water suppliers, the funds will be transferred from direct federal and state capitalization amounts established specifically for the purpose of reimbursing their eligible project costs.

**XI. ASSURANCES**

The final guidelines from the EPA set forth provisions that the state must provide certain assurances in order to qualify for capitalization grant funding. Such assurances are incorporated into the Operating Agreement and are included here by reference.

**XII. OUTPUT/OUTCOME MEASURES**

To comply with the EPA requirements on Environmental Benefits of the DWRF, Michigan estimates that the following outputs could result from project loans in FY 2014 (excluding any projects noted as future on the PPL):

- A. Output: Michigan could fund approximately 16 drinking water transmission/distribution loans to construct/rehabilitate/upgrade drinking water transmission and distribution systems across the state. The dollar amounts of these applications total approximately \$38,135,886.

Outcome: The funding of these projects could result in more people receiving improved drinking water from existing treatment systems in Michigan.

- B. Output: Michigan could fund approximately three drinking water treatment projects to construct and/or rehabilitate drinking water treatment facilities across the state. The dollar amounts of these applications total approximately \$13,072,110.

Outcome: The funding of these projects could result in improved drinking water for thousands of people in Michigan and, upon completion of the projects, facilities that meet all applicable permits and SDWA requirements.

- C. Output: Michigan could fund approximately six drinking water storage projects to construct and/or rehabilitate drinking water storage facilities across the state. The dollar amounts of these applications total approximately \$4,673,365.

Outcome: The funding of these projects could result in improved drinking water and storage facilities that meet all applicable permits and SDWA requirements.

- D. Output: Michigan could fund approximately five drinking water source projects to construct and/or rehabilitate drinking water source facilities across the state. The dollar amounts of these applications total approximately \$5,015,646.

Outcome: The funding of these projects could result in improved drinking water for thousands of people across Michigan.

Please note that the number of applications will not agree with the number of loans on the PPL, as many of the project loans include work in more than one category (i.e., transmission/distribution, treatment, storage, and source).

### **XIII. PUBLIC REVIEW AND COMMENT**

In order to satisfy public participation requirements, the DEQ held a public hearing to discuss the DWRF draft IUP on August 21, 2013. This hearing was publicly noticed in the *Detroit Legal News*, the *Lansing State Journal*, and the *Marquette Mining Journal*; posted on the DEQ calendar of events; mailed to all persons and engineering firms on our newsletter mailing list; and individually noticed to each water supplier on the FY 2014 draft PPL. These sources promote the hearing to ensure maximum public input from those interested in the DWRF. The hearing affords stakeholders and other interested parties an opportunity to hear and comment on how the DEQ plans to disburse the DWRF loan funds. All comments were responded to upon the close of the hearing record.

Questions about the DWRF final IUP may be directed to:

**Ms. Sonya T. Butler, Chief  
Revolving Loan Section  
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P.O. Box 30241  
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Other contacts for the DWRF are:

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### **XIV. ORIGINATION OF DOCUMENTS**

The ODWMA is responsible for issuing the DWRF final IUP and its accompanying information.



DWRF

Michigan Department of Environmental Quality  
 Drinking Water Revolving Fund Green Projects  
 Fiscal Year 2014 in Final Project Priority List Order

DWRF

Project No.	Loanee	Location	Project Description	GPR Amount	Binding Commitment Amount	Type of GPR	
						Categorical	Business Case
7380-02	Bay Co - County Road	Bay City	Membrane wtp; trans wm;--Segment 2	\$ 1,464,715	\$ 12,000,000		X
7394-01	Grand Rapids	Grand Rapids	Concrete restor at filter cells; resv pump replac	\$ 680,000	\$ 3,410,000		X
7395-01	Benzonia	Benzonia	New well, watermain, tank, SCADA improv	\$ 255,000	\$ 690,000		X
7396-01	Northport	Northport	New well, SCADA, watermain imp	\$ 555,400	\$ 790,000		X
7390-01	Nashville	Nashville	Watermain repl, pump and well improv	\$ 715,000	\$ 715,000		X
7387-01	Grand Blanc	Genesee Co	Water system improvements	\$ 709,700	\$ 1,650,000		X
7389-01	Beecher Metro District	Genesee Co	Water sys improvement, distribution, optimization	\$ 2,092,000	\$ 2,300,000	X	
7355-01	Livonia	Wayne Co	Phase 1 WM repl; PRV	\$ 2,850,000	\$ 4,000,000		X
7300-01	Melvindale	Wayne Co	Repl mains/services; looping	\$ 3,600,000	\$ 3,600,000		X
7320-01	YCUA	Washtenaw Co	Repl mains (E. Michigan Ave)	\$ 390,000	\$ 390,000		X
7322-01	YCUA	Washtenaw Co	Repl mains (E. Clark Rd)	\$ 2,330,000	\$ 2,470,000		X
7393-01	Bay City	Bay Co	Capital Improvement Prog, watermain, storage tank, telemetry	\$ 3,000,000	\$ 4,475,000	X	
7290-01	Wayne	Wayne Co	Upgrd meters w/ cent read sys; repl mains	\$ 2,315,000	\$ 4,465,000		X

13 Projects w/ GPR

\$ 20,956,815 \$ 40,955,000

DWRf

Michigan Department of Environmental Quality  
 Drinking Water Revolving Fund Future Projects  
 Fiscal Year 2014 in Final Project Priority List Order

DWRf

Project No.	Loanee	Location	Project Description	Total Points	Binding Commitment Date	Binding Commitment Amount
7380-99	Bay Co	Bay City	Membrane WTP, Trans WM-Segment 3	625	Future	\$26,325,000
7341-01	Genesee Co	Genesee Co	WM Repl	725	Future	\$1,060,000
7328-01	Allegan	Allegan Co	New stg; main repl/looping (future phases)	630	Future	\$4,200,000
7347-01	Grand Rapids	Kent Co	Water sys impr (future phases)	615	Future	\$20,215,000
7368-01	Leslie	Ingham Co	Water sys impr (Phase 2)	545	Future	\$1,510,000
7238-01	St Joseph	Berrien Co	WTP upgrade	540	Future	\$9,970,000
7310-01	Flint	Genesee Co	PS upgrd; trans main repl	500	Future	\$13,870,000
7385-01	YCUA	Washtenaw Co	Pines Subdivision--WM repl	450	Future	\$1,470,000
7385-99	YCUA	Washtenaw Co	Future phases (2014-2015)	450	Future	\$740,000
7272-01	St Joseph	Berrien Co	Repl/loop mains (Morton/Wolcott/Orchard)	440	Future	\$3,340,000
7271-01	St Joseph	Berrien Co	River crossing	440	Future	\$340,000
7329-01	Grand Blanc Twp	Genesee Co	Trans WM; Ground Strg Tank	390	Future	\$5,605,000
7397-01	Burton	Genesee Co	WM replacement - Phase 2	365	Future	\$4,295,000
7399-01	Burton	Genesee Co	WM replacement - Phase 4	365	Future	\$2,995,000
7398-01	Burton	Genesee Co	WM replacement - Phase 3	365	Future	\$2,765,000
7400-01	Burton	Genesee Co	WM replacement - Phase 5	365	Future	\$2,215,000
7316-01	Macomb Twp	Macomb Co	WM repl	325	Future	\$3,965,000
7173-01	YCUA	Washtenaw Co	Future Phases	325	Future	\$2,690,000
7131-01	Port Huron	St Clair Co	Repl mains; looping (future phases)	315	Future	\$20,825,000
7330-01	Macomb Twp	Macomb Co	Trans main; looping	315	Future	\$3,380,000
7339-01	Wayne Co	Sumpter Twp	WM repl	315	Future	\$105,000
7298-01	Belleville	Wayne Co	Repl mains/services	305	Future	\$1,500,000
7322-01	YCUA	Washtenaw Co	Repl mains (E. Clark Rd)	300	Future	\$2,470,000
7320-01	YCUA	Washtenaw Co	Repl mains (E. Michigan Ave)	300	Future	\$390,000
7296-01	Clinton Twp	Macomb Co	Repl mains	225	Future	\$8,005,000
<b>25</b>	<b>Total Number of Projects</b>					<b>\$ 144,245,000</b>



Category Description	Points	7010-06	7131-01	7173-01	7238-01	7271-01	7272-01	7290-01	7291-01	7296-01	7298-01	7300-01	7310-01	7316-01	7320-01	7322-01	7328-01	7329-01
<b>DRINKING WATER SYSTEM COMPLIANCE - TOTAL</b>	<b>450 (max)</b>	150	150	150	375	150	150	150	150	150	150	150	150	150	150	150	150	150
Acute Viol. of DW Standards, Health Advisory Levels, SWTT, Disease	250																	
Non-Acute Viol. of DW Standards, Health Advisory Levels, SWTT, Disease	200				■													
Facility Upgrade to Maintain Compliance	150	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Aesthetic Upgrades to Maintain Compliance	25				■													
<b>INFRASTRUCTURE IMPROVEMENTS/UPGRADES - TOTAL</b>	<b>350 (max)</b>	125	125	125	125	250	250	25	125	25	125	125	250	125	100	100	350	200
Source/Treatment w/ Connecting Mains	125 (max)	0	0	0	125	0	0	0	0	0	0	0	0	0	0	0	125	0
Meet Minimum Capacity	100				■												■	
Reliability	75				■												■	
Other Upgrades	25				■												■	
Enforcement Action	25																	
Source Water Protection	50				■												■	
Transmission/Distribution Mains	125 (max)	125	125	125	0	125	125	25	125	25	125	125	125	125	100	100	125	100
Meet Minimum Capacity	100	■	■	■		■	■		■		■	■	■	■	■	■	■	■
Reliability	75	■	■	■		■	■		■		■	■	■	■			■	
Other Upgrades	25	■	■	■				■		■	■	■	■					
Enforcement Action	25																	
Storage Facilities/Pumping Stations	125 (max)	0	0	0	0	125	125	0	0	0	0	0	125	0	0	0	100	100
Meet Minimum Capacity	100					■	■						■				■	■
Reliability	75												■					
Other Upgrades	25					■	■						■					
Enforcement Action	25																	
<b>POPULATION - TOTAL</b>	<b>50 (max)</b>	40	40	50	40	40	40	40	20	50	30	40	50	50	50	50	30	40
0-500	10		■															
501-3,300	20			■	■		■		■									
3,301-10,000	30	■									■						■	
10,001-50,000	40	■	■		■	■	■	■	■	■	■	■	■	■	■	■		■
>50,000	50			■				■		■	■	■	■	■	■	■		
<b>DISADVANTAGED COMMUNITY - TOTAL</b>	<b>50 (max)</b>	0	0	0	0	0	0	0	0	0	0	0	50	0	0	0	0	0
Granted	50												■					
<b>CONSOLIDATION - TOTAL</b>	<b>100 (max)</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Achieve Compliance	100																	
Correct Deficiencies	60																	
Other	40																	
<b>COMP. WELLHEAD/SOURCE WATER PROTECT PLANS - TOTAL</b>	<b>100 (max)</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	100	0
Granted	100																■	
<b>TOTAL PRIORITY POINTS ASSIGNED</b>	<b>1000 (max)</b>	315	315	325	540	440	440	215	295	225	305	315	500	325	300	300	630	390

Category Description	Points	7330-01	7335-01	7339-01	7341-01	7347-01	7355-01	7368-01	7369-01	7378-01	7379-01	7380-02	7380-99	7385-01	7385-99	7387-01	7388-01	7389-01
<b>DRINKING WATER SYSTEM COMPLIANCE - TOTAL</b>	<b>450 (max)</b>	150	150	150	450	175	150	150	150	150	150	450	450	150	150	150	150	150
Acute Viol. of DW Standards, Health Advisory Levels, SWTT, Disease	250																	
Non-Acute Viol. of DW Standards, Health Advisory Levels, SWTT, Disease	200				■							■	■					
Facility Upgrade to Maintain Compliance	150	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Aesthetic Upgrades to Maintain Compliance	25					■						■	■					
<b>INFRASTRUCTURE IMPROVEMENTS/UPGRADES - TOTAL</b>	<b>350 (max)</b>	125	275	125	125	350	125	275	100	125	125	125	125	250	250	275	175	150
Source/Treatment w/ Connecting Mains	125 (max)	0	125	0	0	125	0	125	0	0	0	125	125	0	0	125	25	0
Meet Minimum Capacity	100		■			■		■				■	■			■		
Reliability	75		■									■	■					
Other Upgrades	25							■								■	■	
Enforcement Action	25					■												
Source Water Protection	50																	
Transmission/Distribution Mains	125 (max)	125	125	125	125	125	125	125	100	125	0	0	0	125	125	125	125	125
Meet Minimum Capacity	100	■	■	■	■	■	■	■	■	■				■	■	■	■	■
Reliability	75	■	■		■	■	■	■	■	■				■	■	■	■	■
Other Upgrades	25		■	■	■		■	■	■	■						■	■	■
Enforcement Action	25																	
Storage Facilities/Pumping Stations	125 (max)	0	25	0	0	125	0	25	0	0	125	0	0	125	125	25	25	25
Meet Minimum Capacity	100					■					■			■	■			
Reliability	75					■								■	■			
Other Upgrades	25		■					■			■			■	■	■	■	■
Enforcement Action	25																	
<b>POPULATION - TOTAL</b>	<b>50 (max)</b>	40	50	40	50	50	50	20	40	40	40	50	50	50	50	30	40	40
0-500	10																	
501-3,300	20							■										
3,301-10,000	30																	
10,001-50,000	40	■		■					■	■	■						■	■
>50,000	50		■		■	■	■				■	■	■	■				
<b>DISADVANTAGED COMMUNITY - TOTAL</b>	<b>50 (max)</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Granted	50																	
<b>CONSOLIDATION - TOTAL</b>	<b>100 (max)</b>	0	0	0	100	40	0	0	0	0	0	0	0	0	0	0	0	0
Achieve Compliance	100				■													
Correct Deficiencies	60																	
Other	40					■												
<b>COMP. WELLHEAD/SOURCE WATER PROTECT PLANS - TOTAL</b>	<b>100 (max)</b>	0	0	0	0	0	0	100	0	0	0	0	0	0	0	0	0	0
Granted	100							■										
<b>TOTAL PRIORITY POINTS ASSIGNED</b>	<b>1000 (max)</b>	315	475	315	725	615	325	545	290	315	315	625	625	450	450	455	365	340

Category Description	Points	7390-01	7391-01	7393-01	7394-01	7395-01	7396-01	7397-01	7398-01	7399-01	7400-01						
<b>DRINKING WATER SYSTEM COMPLIANCE - TOTAL</b>	<b>450 (max)</b>	150	150	150	175	150	150	150	150	150	150						
Acute Viol. of DW Standards, Health Advisory Levels, SWTT, Disease	250																
Non-Acute Viol. of DW Standards, Health Advisory Levels, SWTT, Disease	200																
Facility Upgrade to Maintain Compliance	150	■	■	■	■	■	■	■	■	■	■						
Aesthetic Upgrades to Maintain Compliance	25				■												
<b>INFRASTRUCTURE IMPROVEMENTS/UPGRADES - TOTAL</b>	<b>350 (max)</b>	200	250	50	350	275	275	175	175	175	175						
Source/Treatment w/ Connecting Mains	125 (max)	100	0	25	125	125	125	25	25	25	25						
Meet Minimum Capacity	100	■			■	■	■										
Reliability	75																
Other Upgrades	25					■	■	■	■	■	■						
Enforcement Action	25			■	■												
Source Water Protection	50																
Transmission/Distribution Mains	125 (max)	100	125	0	125	125	125	125	125	125	125						
Meet Minimum Capacity	100	■	■		■	■	■	■	■	■	■						
Reliability	75		■		■	■		■	■	■	■						
Other Upgrades	25						■	■	■	■	■						
Enforcement Action	25																
Storage Facilities/Pumping Stations	125 (max)	0	125	25	125	25	25	25	25	25	25						
Meet Minimum Capacity	100		■		■												
Reliability	75		■		■												
Other Upgrades	25		■	■		■	■	■	■	■	■						
Enforcement Action	25																
<b>POPULATION - TOTAL</b>	<b>50 (max)</b>	20	50	40	50	20	20	40	40	40	40						
0-500	10																
501-3,300	20	■				■	■										
3,301-10,000	30																
10,001-50,000	40			■				■	■	■	■						
>50,000	50		■		■												
<b>DISADVANTAGED COMMUNITY - TOTAL</b>	<b>50 (max)</b>	50	0	0	0	50	0	0	0	0	0						
Granted	50	■				■											
<b>CONSOLIDATION - TOTAL</b>	<b>100 (max)</b>	0	0	0	40	0	0	0	0	0	0						
Achieve Compliance	100																
Correct Deficiencies	60																
Other	40				■												
<b>COMP. WELLHEAD/SOURCE WATER PROTECT PLANS - TOTAL</b>	<b>100 (max)</b>	100	0	0	0	100	100	0	0	0	0						
Granted	100	■				■	■										
<b>TOTAL PRIORITY POINTS ASSIGNED</b>	<b>1000 (max)</b>	520	450	240	615	595	545	365	365	365	365						