

State of Michigan
Jennifer M. Granholm, Governor

Department of Environmental Quality



Steven Chester, Director

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

**State Revolving Fund
Strategic Water Quality Initiatives Fund
Final Intended Use Plan - Fiscal Year 2007**

Prepared by:
Revolving Loan and Certification Operation Section
Environmental Science and Services Division
October 2006

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SRF SWQIF SRF SWQIF SRF SWQIF

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I. INTRODUCTION

The State of Michigan provides a low-interest loan financing program to assist qualified local municipalities with the construction of needed water pollution control facilities. Michigan's fund is officially known as the Water Pollution Control Revolving Fund. Since its inception in 1989, however, the fund has more commonly been referred to as the **State Revolving Fund**, or **SRF**. This is an important distinction to be made because Michigan also offers similar financing programs: the **Drinking Water Revolving Fund** or **DWRF**, for drinking water projects, and the **Strategic Water Quality Initiatives Fund** or **SWQIF**, for the on-site upgrade/replacement of septic systems and the removal of ground water or storm water from sewer leads.

While these three programs run on parallel tracks, there are some differences in their requirements. It is important that interested parties work with the Department of Environmental Quality (DEQ) staff to increase their knowledge of these differences. This Intended Use Plan (IUP) will focus on the SRF and SWQIF.

Michigan's SRF program is used by local municipalities to finance construction of their water pollution control projects. These projects may involve wastewater treatment plant upgrades or expansions, combined or sanitary sewer overflow abatement, new sewers designed to reduce existing sources of pollution, and other publicly owned wastewater treatment efforts. The SRF can also fund projects to reduce the nonpoint source (NPS) of water pollution. The SWQIF program is used by municipalities to finance two types of projects: (1) the on-site upgrade/replacement of septic systems, and (2) the removal of ground water or storm water from sewer leads. Qualified municipalities must meet the federal and/or state requirements for either program, as well as demonstrate their ability to finance their project.

The SRF and the SWQIF are state-managed programs. This fiscal year (FY) 2007 IUP describes how the DEQ and the Michigan Municipal Bond Authority (Authority) will jointly administer the SRF and SWQIF during the upcoming fiscal year. The Revolving Loan and Operator Certification Section (RLOCS) of the Environmental Science and Services Division (ESSD) is charged with carrying out administrative responsibilities for the SRF and the SWQIF. The staff of the Authority will handle financial administration of both programs.

The administrative contacts for the SRF and the SWQIF are as follows:

**Mr. Chip Heckathorn, Chief
Revolving Loan and Operator Certification Section
Environmental Science and Services Division
Michigan Department of Environmental Quality
P.O. Box 30457
Lansing, MI 48909-7957
517-373-4725
E-Mail: heckathc@michigan.gov**

**Mr. Thomas Letavis, Executive Director
Michigan Municipal Bond Authority
Michigan Department of Treasury
Treasury Building
Lansing, MI 48922
517-335-0994**

The United States Environmental Protection Agency (EPA) continues to offer guidance and annual program oversight reviews that strengthen the management of the SRF and helps to ensure consistent application of federal requirements. The SWQIF is a state funded program that has requirements similar to the SRF.

II. STRUCTURE OF THE SRF

From 1989 through 1992, Michigan's SRF operated as a direct loan program. Municipalities requested reimbursement for project costs and draws were processed directly upon federal and state funds as they were requested. Since 1992, however, the state has sold State Revolving Fund Revenue Bonds that are secured by a reserve drawn directly from federal and state funds. Bond issuance costs are covered by the bonds sold and, thus, are not identified as direct administrative expenses of the SRF. These bond issuance costs have historically approximated one percent of the total bond issue.

It is from these bond issues that reimbursements are drawn by the local units of government. Concurrently, the EPA and state funds are deposited into the debt service reserve accounts that provide coverage for the revenue bonds.

Michigan has requested and received federal capitalization grants from the EPA since FY 1989. This federal contribution has been significant, amounting to \$1.063 billion to date. These funds, matched by a 20 percent contribution from state sources (\$213 million to date), have created the capital pool from which the low-interest loans can be made.

III. STRUCTURE OF THE SWQIF

The SWQIF was created by the passage of Proposal 2 by Michigan voters in November 2002. The implementation of the fund is codified as Part 52, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended (NREPA). The SWQIF is a low interest revolving loan program that allows qualified municipalities to access financing for the construction of needed water pollution control facilities that cannot qualify for SRF assistance. Two types of projects can be financed under the SWQIF, (1) the on site upgrade/replacement of septic systems, and (2) the removal of ground water or storm water from sewer leads. Capital for the SWQIF is provided solely by the state of Michigan. October 1, 2003, began the first fiscal year of SWQIF financing for projects.

The structure of the SWQIF is very similar to the SRF and utilizes the same project planning, application and review/approval process. Like the SRF, the SWQIF can operate as a direct loan program or can provide assistance through the sale of leveraged revenue bonds.

IV. ADVANTAGES OF THE SRF AND SWQIF

The primary advantage of the SRF and the SWQIF to Michigan municipalities is the ability to borrow funds below the market rate. The following table shows the interest rate history of the SRF program.

<u>Fiscal Year</u>	<u>Interest Rate</u>
1989-1994	2.000%
1995-1998	2.250%
1999-2003	2.500%
2004	2.125%
2005-2006	1.625%

Since the SRF's inception, 30-year tax exempt fixed interest rates have ranged from approximately 5 to 8 percent. The relative stability of the SRF has allowed communities to more adequately plan without factoring in major market rate adjustments.

The interest rate is 1.625 percent for SRF and SWQIF in FY 2007. It was announced at the public hearing on September 27, 2006. The interest rate decisions are based on demand, market conditions, program costs, and future project needs.

Apart from the low interest rate, municipalities also benefit from the SRF in that they can finance all eligible water pollution control costs. Municipalities often do not have to seek other sources or enter the market to obtain local share financing. Everything is handled by this "one-stop shopping" concept. The amount of time it takes to commence construction is greatly reduced. This streamlined financing approach has resulted in lower bid costs because of the tighter timeframe. A streamlined approach has removed the unexpected elements that occurred when communities would obtain a grant and then have to secure financing for the local share. We expect that municipalities will also experience a streamlined benefit by financing their SWQIF projects with DEQ.

The SRF can also be used to fund qualified projects to abate NPS of pollution. The DEQ director annually allocates funds between traditional point source projects and the NPS projects such as urban and agricultural runoff. There continues to be little interest from local units of government to finance projects for NPS pollution control through the SRF. The impediment likely results from the difficulty of generating a viable source of repayments for NPS projects. The DEQ will continue to make loans available to any Section 319, of the Federal Clean Water Act, NPS project within the fundable range that can meet program requirements. There is one NPS project seeking funding in FY 2007.

V. HARDSHIP ASSISTANCE GRANT

The DEQ executed a Partnership Agreement with the United States Department of Agriculture, Office of Rural Development (RD). This agreement addresses the award of hardship assistance grant funds. Appropriated by the federal government in 1996, the approximate \$2.4 million in hardship assistance grant funds were intended to provide an additional source of funds to supplement SRF loan awards to communities who met hardship criteria. The difficulty of having qualifying communities rank high enough on the annual SRF Project Priority List (PPL) to receive a loan has prompted the DEQ to seek another avenue to expend these funds. The agreement permits the award of hardship funds to communities concurrent with the RD award of its grant/loan funds. The hardship assistance will cover the planning and design costs incurred for the project and will take

the form of a direct pass-through grant to the recipient of the RD assistance. To date, the entire amount of hardship assistance has been awarded, and all eight hardship grant recipients have proceeded to construction and fully drawn awarded funds. Further information regarding hardship assistance can be obtained from the RLOCS.

VI. PROJECT PRIORITY

The NREPA requires the SRF and SWQIF to offer assistance in priority order from the state's annual PPLs. The criteria used to prioritize the projects are contained in the NREPA, with details set forth in administrative rules (R323.951 to R323.965).

This FY 2007 IUP and PPLs for the SRF, NPS, and the SWQIF includes projects seeking Orders of Approval (the state's binding commitment) between October 1, 2006, and September 30, 2007. On or shortly after the beginning of the FY 2007, letters will be sent to those communities on the PPL for the SRF, NPS, and the SWQIF to identify the fundable and contingency projects. Communities with projects in the fundable range must negotiate a milestone schedule with the RLOCS project manager assigned to their project.

Historically, many projects in the contingency range of the PPL have been funded when others in the fundable range fail to satisfactorily meet program requirements in a timely manner. Therefore, it is imperative that municipal officials work closely with the DEQ and the Authority to ensure that no opportunity for funding is lost.

NOTE: There is no actual or implied guarantee that inclusion on the PPL or the IUP will constitute a commitment of financial assistance from the SRF or SWQIF. All program requirements must be satisfied before a binding commitment will be offered and a loan closed.

VII. LONG-TERM GOALS

Michigan's SRF and SWQIF are funding sources used to protect and preserve the water resources within the state's boundaries. As more attention is given to water pollution abatement efforts within specific watersheds, the DEQ will continue to work toward establishing tighter integration of the federal/state/local partnership. This includes efforts to satisfy EPA that the pace of Michigan's SRF is satisfactory.

The DEQ has expressed its willingness to work together with various federal and state agencies, such as RD and the Michigan Department of Labor and Economic Growth, so that our agencies may collectively fund projects and maximize use of our capital pool to protect Michigan water resources.

Such protection of the state's waters will ultimately benefit everyone. Industry, tourism, and day-to-day quality of life are strengthened when our most valuable natural resource is preserved for our use and enjoyment. This includes improvement of existing surface waters that suffer impairment, protection of groundwater resources from improperly treated discharges, reduction of harmful discharges from sanitary and combined sewer overflows, and the protection of aquatic ecosystems, which cannot thrive in conditions of degraded water quality. To this end, long-term goals for Michigan's SRF and SWQIF are:

- A. To achieve and maintain statewide compliance with all applicable state and federal laws, rules, and standards.
- B. To protect the public health and environmental quality of our state.
- C. To further integrate principles of watershed management and water quality restoration within urban, as well as out-state areas.
- D. To secure Michigan's full share of federal funding available under Title VI of the Federal Water Pollution Control Act. To expeditiously obligate the federal funds, along with the state contributions for the construction of water pollution control projects that meet state and federal requirements.
- E. To maintain strategies within the SRF and SWQIF to assist smaller, hardship communities in meeting water quality standards.

VIII. SHORT-TERM GOALS

In order to accomplish the long-term goals, we must also focus on more immediate objectives. Therefore, our short-term goals for FY 2007 are:

- A. To fund those projects identified in the IUP for the SRF and the SWQIF, enabling municipalities to proceed with construction as adopted in their project plans.
- B. Work with other agencies and offices in developing integrated approaches in watershed management efforts.
- C. Coordinate disbursement practices with the DEQ's Financial Business and Services Division to ensure accurate reporting of program information for administrative/project expenditures.
- D. Increase awareness about the SWQIF and the SRF.
- E. Identify and integrate, wherever possible, outreach efforts focused on pollution prevention activities.
- F. To ensure that funded projects have reviewed and considered the security needs of the sewer system.
- G. Identify and report project outcome by participating in the EPA/Association of State and Interstate Water Pollution Control Administrators (ASIWPCA) Environmental Benefits data collection effort.

IX. ALLOCATION OF FUNDS FOR SRF

With Michigan's decision to utilize a leveraged SRF bond program, the establishment of a fundable range for any given fiscal year entails a series of steps that culminate in a determination of how much leveraged borrowing fund resources can support. Using a series of interest rate assumptions (SRF loan rate, return on investment rates, and revenue bond rate) the process for FY 2007 is outlined below:

1. The DEQ reviewed the total amount of loans committed through September 30, 2006, and other draw amounts that affect the SRF.

Total loan commitments through 9/30/06	\$2,357,990,000
Less reduction in loans for admin. complete projects	(\$ 32,567,601)
Less direct loan draws to date	(\$ 169,080,315)
Less total revenue bonds issued to date	<u>(\$1,935,928,003)</u>
Additional revenue bond amount needed to service loans through FY 2007	\$ 220,414,081

2. To establish an estimate of reserve fund capabilities, the DEQ assumed that the capitalization grant would remain constant for the next five years (for planning purposes only). Using the current appropriation amount of \$900 million, approximately \$35 million in capitalization funds from the EPA would be available in FY 2007. It was assumed that additional state match contribution from the general fund would not be available, necessitating the generation of state match needs from within the fund.
3. The DEQ then looked at how much the SRF could support in leveraged borrowing using a five-year forecast at varying capitalization levels and interest rates. These analyses indicate that the DEQ can leverage approximately \$250 million each year for five years.

After subtracting the amount needed to service existing loans, fund resources could support \$213 million in new loan commitments for FY 2007. DEQ is taking the necessary steps to make Proposal 2 funds available to fund the entire SRF PPL for FY 2007. The total amount of projects seeking SRF loans in FY 2007 is at \$600 million (amount taken from the SRF PPL). The total amount for the NPS projects seeking assistance is \$15,000,000 (see the NPS PPL).

X. SRF PROGRAM ASSETS

The DEQ and the Authority review the benefits of refunding previous bond issues each time a bond sale is anticipated. In November 2006, DEQ anticipates closing on an SRF bond issue for program use. DEQ will not be funding any prior year bond issues with this bond issue.

The following chart provides the SRF assets prior to the start of FY 2007. Funds drawn from leveraged bond issues will be used to pay program expenses and make loans to communities. Reserve account balances will be retained to use for future leveraging.

Capitalization Grant Amount (assumed for in FY 2007)	\$ 35,845,625
State Match Bond Amount (for FY 2007 cap. grant)	\$ 7,169,125
Direct Loan Repayment Balance (as of 9/30/06)	\$124,757,251
Released Account Balance (as of 9/30/06)	\$298,238,436
2005 Leveraged Bond Issue Balance	\$ 23,492,037
SRF Administration Amount (Estimated for FY 2007)	\$ 2,000,000

XI. ALLOCATION OF FUNDS FOR SWQIF

As additional projects apply for SWQIF loans, the SWQIF will be established as a leveraged program. Using a series of interest rate assumptions (project demand, loan rate, return on investment rates, and revenue bond rate), the establishment of a fundable range can be completed. The total amount of projects ready to receive SWQIF loans in FY 2007 is \$2,330,000. With the funds currently available, the SWQIF fundable range will extend through the entire PPL in FY 2007.

XII. 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.

XIII. CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS

The state of Michigan will provide financial assistance from the SRF and the SWQIF to municipalities in the relative order that they appear on the PPLs developed for the fiscal year covered by this IUP. It is probable, however, that lower-ranked communities will receive money sooner if higher-ranked communities are not ready to proceed.

As a result of the DEQ's review, 44 SRF projects totaling \$599,985,000 have expressed their intent to proceed in FY 2007 and are included on the FY 2007 SRF PPL. Staff also identified 16 projects and/or segments equaling \$1,126,665,000 that will be considered for funding in the future. There is one NPS project totaling \$15,000,000 on the FY 2007 NPS PPL.

Thus, 60 different projects totaling \$1.7 billion are identified on the SRF PPL, along with a brief description, their total priority points, population to be served, targeted binding commitment date, and targeted binding commitment amount. The attached Key to Project Priority List Headings identifies the project priority categories in which each project received points on the SRF and SWQIF PPLs. There is a Scoring Detail included for the NPS PPL.

For SWQIF, there are two projects totaling \$2,330,000 that have expressed intent to proceed in FY 2007 and appear on the FY 2007 SWQIF PPL.

The FY 2007 PPLs for the SRF, the NPS, and the SWQIF are included as part of the IUP process, and were presented as part of the public hearing notification package. Additional copies of the PPLs are available from the RLOCS.

Section 5309 of the NREPA permits the DEQ to limit funding in certain circumstances to maximize funds and achieve greater environmental gains. It reads:

To ensure that a disproportionate share of available funds for a given fiscal year is not committed to a single sewage treatment work project or storm water project, the department may segment a sewage treatment works project if either of the following criteria is present:

(a) The cost of the proposed project is more than 30 percent of the available funds.

(b) Upon application of a municipality, the department has approved a municipality's application for segmenting a project.

Financial assistance to municipalities during FY 2007 will consist solely of loans. There will be no guarantees of indebtedness.

XIV. PROPOSED PROGRAM CHANGE

As a result of increased demand for SRF/SWQIF resources exhibited in FY 2007, and a re-evaluation of program intent/priorities, the DEQ will discontinue providing SRF/SWQIF assistance to projects that accomplish the refinancing/refunding of construction debt. As such, beginning with FY 2008, no new project plan submittals for projects that proceeded to construction with non-SRF/SWQIF financing will be accepted. Those refinancing projects that appear on the FY 2007 PPL, Manton, Shelby, and Berrien Springs, will be considered for refinancing upon submittal of a complete application. This program change is being proposed because fund resources are limited and refinancing projects provides no new environmental/public health benefits to water quality.

FY 2007 will also see the first round of grant awards under Michigan's SRF/SWQIF "S2" Grant Program. In December of 2005, the Michigan Legislature allocated \$40 million of the Great Lakes Water Quality Bonds to the S2 grant Program. These funds can cover up to 90 percent of the costs incurred to complete project planning and design, requisite application tasks for any potential SRF/SWQIF applicant. Increased SRF/SWQIF demand starting in FY 2007 may in part be influenced by creation of the S2 Grant Program.

XV. PUBLIC REVIEW AND COMMENT

In order to satisfy public participation requirements, the DEQ held a public hearing on the SRF and SWQIF IUP and PPLs (including the NPS PPL) on September 27, 2006. The hearing was announced in newspapers throughout the state, published in the DEQ Calendar of Events, individually noticed to each municipality on the proposed draft FY 2007 PPLs along with their consulting engineer, and sent to interested parties.

Items addressed at the public hearing included Michigan's draft PPLs for the SRF, the NPS, and SWQIF, the draft IUP, priority point assignment, planned funding schedules, and proposed binding commitment amounts for projects that might be assisted with SRF or SWQIF moneys during FY 2007. The hearing provides an opportunity for municipalities and other interested parties to comment and request changes to their project's ranking criteria, if necessary.

Questions about the public hearing, the PPLs, or this IUP may be directed to:

**Mr. Chip Heckathorn, Chief
Revolving Loan and Operator Certification Section
Environmental Science and Services Division
Department of Environmental Quality
P.O. Box 30457
Lansing, MI 48909
Telephone: 517-373-4725
Fax: 517-335-0743
E-Mail: heckathc@michigan.gov**

XVI. ORIGINATION OF DOCUMENTS

The Chief of the Revolving Loan and Operator Certification Section of the DEQ is responsible for issuing the Intended Use Plan.

Fiscal Year 2007 Project Priority List By Rank

Rank	Project Number	Project Name and Description			Water Quality Severity Pts					Fal Osss	Sptg Rec	Enf Pts	Population	Pop Pts	Exist. Disch	Rec Waters	Dil Ratio	Rat Pts	Tot Pts	Bind. Com Date	Bind. Com Amount	
					DO	NUT	TOX	MICR	GWD													Tot
PROJECTS WITH PRIOR YEAR SEGMENTS																						
1	5229-04	Genesee Co	Ragnone Syste	Seg 4; NEES Intcp Swr - Cont 3B	0	0	0	0	0	0	0	0	242,010	100	26.73	220	0.1216	85	185	11/21/2006	\$12,570,000	
1	5229-05	Genesee Co	Ragnone Syste	Seg 5; NEES Intcp Swr - Cont 3A	0	0	0	0	0	0	0	242,010	100	26.73	220	0.1216	85	185	6/5/2007	\$11,280,000		
1	5229-06	Genesee Co	Ragnone Syste	Seg 6; NEES Intcp Swr - Cont 4	0	0	0	0	0	0	0	242,010	100	26.73	220	0.1216	85	185	8/30/2007	\$6,150,000		
1	5229-09	Genesee Co	Ragnone Syste	Seg 9; NEES Intcp Swr - Cont 3C	0	0	0	0	0	0	0	242,010	100	26.73	220	0.1216	85	185	11/21/2006	\$4,335,000		
1	5229-99	Genesee Co	Ragnone Syste	NEES Intcp Swr - Future Segs	0	0	0	0	0	0	0	242,010	100	26.73	220	0.1216	85	185	Future	\$3,050,000		
2	5230-03	Saginaw	Saginaw Co	Seg 3; WWTP Upgrd	0	0	0	0	0	0	0	88,271	95	21.25	580	0.0367	70	165	8/30/2007	\$3,375,000		
3	5217-02	Wayne Co	Wyandotte	WWTP Impr-Seg 2-Generators	0	0	0	0	0	0	0	283,590	100	61.05	29200	0.0022	55	155	Future	\$4,060,000		
3	5217-03	Wayne Co	Wyandotte	WWTP Impr-Seg 3-Clarifier/UV	0	0	0	0	0	0	0	283,590	100	61.05	29200	0.0022	55	155	Future	\$6,300,000		
3	5217-04	Wayne Co	Wyandotte	WWTP Impr-Seg 4-Solids	0	0	0	0	0	0	0	283,590	100	61.05	29200	0.0022	55	155	Future	\$6,320,000		
3	5217-05	Wayne Co	Wyandotte	WWTP Impr-Seg 5-SCADA	0	0	0	0	0	0	0	283,590	100	61.05	29200	0.0022	55	155	Future	\$2,750,000		
3	5217-99	Wayne Co	Wyandotte	Downriver WWTP Impr-Future Seg	0	0	0	0	0	0	0	283,590	100	61.05	29200	0.0022	55	155	Future	\$73,810,000		
PROJECTS WITHOUT PRIOR YEAR SEGMENTS																						
4	5175-06	Detroit	Wayne Co	Seg 6 CSO; Oakwood RTB/PS	100	100	0	27	0	227	0	0	300	938,000	100	18	20	>.6000	100	727	8/30/2007	\$157,660,000
4	5175-07	Detroit	Wayne Co	Seg 7 CSO; Oakwood Swr Impr	100	100	0	27	0	227	0	0	300	938,000	100	18	20	>.6000	100	727	Future	\$60,020,000
4	5175-99	Detroit	Wayne Co	CSO; Rouge Tunnel - Future Segs	100	100	0	27	0	227	0	0	300	3,016,461	100	18	20	>.6000	100	727	Future	\$584,400,000
5	5207-05	Dearborn	Wayne Co	Seg 5 CSO; Treatment Shafts	52	42	0	27	0	121	0	0	300	60,730	95	3.11	3.5	>.6000	100	616	8/30/2007	\$96,350,000
5	5207-99	Dearborn	Wayne Co	CSO; Future Segs	52	42	0	27	0	121	0	0	300	60,730	95	3.11	3.5	>.6000	100	616	Future	\$98,000,000
6	5005-20	Lansing	Ingham Co	Seg 20 CSO; Swr Sep, Phase IV,	7	100	0	37	0	144	0	0	300	62,301	95	1.268	48	0.0265	70	609	3/1/3/2007	\$23,030,000
6	5005-99	Lansing	Ingham Co	CSO; Swr Sep - Future Segs	7	100	0	37	0	144	0	0	300	62,301	95	1.268	48	0.0265	70	609	Future	\$279,545,000
7	5006-15	Port Huron	St. Clair Co	Seg 15 CSO; Swr Sep (Vanness)	0	30	0	27	0	57	0	0	300	32,338	90	2.67	30	0.0891	85	532	3/1/3/2007	\$3,900,000
7	5006-99	Port Huron	St Clair Co	CSO; Swr Sep Future Segs	0	30	0	27	0	57	0	0	300	32,338	90	2.67	30	0.089	85	532	Future	\$5,200,000
8	5287-01	Inkster	Wayne Co	Seg 1 CSO; Treatment Shafts	7	5	0	27	0	39	0	0	300	29,384	90	0.78	3.5	0.223	85	514	8/30/2007	\$26,840,000
8	5287-99	Inkster	Wayne Co	CSO; Future Segs	7	5	0	27	0	39	0	0	300	29,384	90	0.78	3.5	0.223	85	514	Future	\$33,865,000
9	5276-01	New Baltimore	Macomb Co	SSO; WWTP Upgrd	0	0	0	27	0	27	0	0	300	11,725	85	1.05	0	>.6000	100	512	8/30/2007	\$20,000,000
10	5173-01	Leoni Twp	Jackson Co	WWTP Expan/Upgrd	0	0	0	0	0	0	0	0	300	20,478	85	1.362	4.7	0.2899	85	470	8/30/2007	\$30,850,000
11	5282-01	Houghton Lake	Roscommon C	WWTP Upgrd	0	0	0	0	0	0	0	0	300	8,275	80	0.11	0.3	0.3668	85	465	8/30/2007	\$10,110,000
12	5210-01	Manton	Wexford Co	Lagoon/PS Impr (refinance)	0	0	0	0	75	75	0	0	300	1,350	55	0.75	9999999	<.0002	25	455	6/5/2007	\$1,500,000
13	5129-99	Sault Ste Marie	Chippewa Co	CSO; Sewer Sep - Future Segs	0	1	0	27	0	28	0	0	300	9,323	80	0.043	78000	<.0002	25	433	Future	\$8,000,000
14	5271-01	Harbor Beach	Huron Co	SSO	0	0	0	27	0	27	0	0	300	1,740	55	0.012	9999999	<.0002	25	407	6/5/2007	\$4,200,000
15	5254-01	Northport	Leelanau Co	New CS/WWTP	0	0	0	0	0	0	100	100	0	1,123	50	0.108	9999999	<.0002	25	275	3/1/3/2007	\$12,295,000
16	5288-01	Lenawee Co	Addison	Septage Handling; WWTP Improv	0	0	0	0	0	0	0	100	0	7,488	80	0.86	2.6	0.3309	85	265	6/5/2007	\$2,410,000
17	5266-01	Alpena	Alpena Co	WWTP Rehab/Upgrd, Septage Fa	0	0	0	0	0	0	0	100	0	17,500	85	2.49	160	0.0157	70	255	6/5/2007	\$5,035,000
18	5249-01	Geo W Kuhn D	Oakland Co	12 Towns RTB Flushing System	0	0	0	0	0	0	0	0	0	209,000	100	12.16	1.7	>.6000	100	200	8/30/2007	\$18,000,000
19	5236-01	Muskegon Co	Muskegon Co	WWTP Impr	0	0	0	0	0	0	0	0	0	109,153	95	27.05	1	>.6000	100	195	3/1/3/2007	\$1,910,000
19	5236-99	Muskegon Co	Muskegon Co	WWTP Impr-Future Segs	0	0	0	0	0	0	0	0	0	109,153	95	27.05	1	>.6000	100	195	Future	\$8,700,000
20	5277-01	Cadillac	Wexford Co	WWTP/PS Impr	0	0	0	0	0	0	0	0	0	10,300	85	2.16	2.1	>.6000	100	185	6/5/2007	\$3,800,000
21	5248-01	Lyon Twp	Roscommon C	New WWTP/CS-Camp Curnalia	0	0	0	0	0	0	100	0	0	1,490	55	0.104	9999999	<.0002	25	180	8/30/2007	\$4,130,000
22	5262-01	Marquette	Marquette Co	WWTP Impr; swr repl	0	0	0	0	0	0	0	0	0	26,500	90	3.04	22	0.1383	85	175	3/1/3/2007	\$16,050,000

Rank	Project Number	Project Name and Description			Water Quality Severity Pts					Fal OSSS	Sptg Rec	Enf Pts	Population	Pop Pts	Exist. Disch	Rec Waters	Dil Ratio	Rat Pts	Tot Pts	Bind. Com Date	Bind. Com Amount
					DO	NUT	TOX	MICR	GWD												
23	5274-01	Richmond	Macomb Co	EQ basin, repl/upsrize intcp swr	0	0	0	0	0	0	0	0	5,857	75	0.28	0	>.6000	100	175	3/13/2007	\$3,050,000
24	5275-01	Grand Valley R	GR/Wyoming	Solids Handling Impr	0	0	0	0	0	0	0	0	446,000	100	44	830	0.0531	70	170	8/30/2007	\$13,260,000
25	5256-01	Fenton	Genesee Co	Swr Repl; Upgrd PS.	0	0	0	0	0	0	0	0	11,907	85	2.6	4.8	0.5418	85	170	8/30/2007	\$2,650,000
26	5279-01	Delhi Twp	Ingham Co	Solids Handling Impr	0	0	0	0	0	0	0	0	21,528	90	2	67	0.03	70	160	6/5/2007	\$7,115,000
27	5273-01	Chelsea	Washtenaw Co	WWTP Expnd	0	0	0	0	0	0	0	0	5,001	75	0.79	1.9	0.4159	85	160	8/30/2007	\$11,170,000
27	5273-02	Chelsea	Washtenaw Co	Seg 2; WWTP Expnd/Upgrd - Terti	0	0	0	0	0	0	0	0	5,001	75	0.79	1.9	0.4159	85	160	Future	\$4,065,000
28	5269-01	Sturgis	St. Joseph Co	WWTP/PS Imp; New Intcp/Oflf; F	0	0	0	0	0	0	0	0	11,285	85	0.72	41	0.0177	70	155	6/5/2007	\$13,820,000
29	5263-01	St Clair Co	Emmett	WWTP, CS	0	0	0	0	0	0	100	0	243	30	0.017	9999999	<.0002	25	155	8/30/2007	\$2,440,000
30	5278-01	Monroe	Monroe Co	WWTP Upgrd	0	0	0	0	0	0	0	0	62,002	95	8.02	996	0.0081	55	150	8/30/2007	\$13,695,000
31	5281-01	Tecumseh	Lenawee Co	WWTP Upgrd	0	0	0	0	0	0	0	0	8,831	80	0.79	15	0.0528	70	150	8/30/2007	\$1,670,000
32	5252-01	Parma	Jackson Co	WWTP Xpan/Upgrd	0	0	0	0	0	0	0	0	907	50	1.07	1.2	>.6000	100	150	6/5/2007	\$4,865,000
33	5264-01	Big Rapids	Mecosta Co	WWTP upgrd: swr rehab/repl	0	0	0	0	0	0	0	0	12,344	85	1.07	400	0.0028	55	140	8/30/2007	\$7,700,000
34	5243-01	Caro	Tuscola Co	Rehab/Upgrd WWTP, PS	0	0	0	0	0	0	0	0	3,200	70	0.742	14	0.0531	70	140	3/13/2007	\$7,740,000
35	5265-01	Waterford Twp	Oakland Co	Swr/PS Rehab, Metering	0	0	0	0	0	0	0	0	71,981	95	7.88	130000	<.0002	25	120	6/5/2007	\$3,800,000
36	5272-01	Belding	Ionia Co	FM Repl; Swr Repl/Rehab/Sep; P	0	0	0	0	0	0	0	0	5,950	75	0.1	210	0.0006	40	115	6/5/2007	\$3,955,000
37	5280-01	Loch Alpine Au	Washtenaw Co	WWTP Expnd/Upgrd, EQ Basin, S	0	0	0	0	0	0	0	0	1,800	60	0.41	70	0.006	55	115	3/13/2007	\$1,955,000
38	5285-01	Ludington	Mason Co	PS/Sewer Repl	0	0	0	0	0	0	0	0	1,472	55	1.96	390	0.0051	55	110	6/5/2007	\$1,100,000
39	5284-01	Saranac	Ionia Co	WWTP/PS Upgrd; Rehab/Repl Se	0	0	0	0	0	0	0	0	1,333	55	0.72	310	0.0024	55	110	3/13/2007	\$1,795,000
40	5245-01	Gladstone	Delta Co	New Sludge Strg Tank	0	0	0	0	0	0	0	0	7,124	80	0.559	9999999	<.0002	25	105	11/21/2006	\$995,000
41	5168-01	Berrien Springs	Berrien Co	WWTP Repl (refinance)	0	0	0	0	0	0	0	0	2,543	65	0.25	1080	0.0003	40	105	Future	\$5,750,000
42	5268-01	Multi-Lake Aut	Washtenaw Co	Upgrd/expand WWTP	0	0	0	0	0	0	0	0	3,600	70	0.11	9999999	<.0002	25	95	3/13/2007	\$3,610,000
43	5253-01	Shelby	Oceana Co	WWTP Xpan/Upgrd (refinance)	0	0	0	0	0	0	0	0	1,942	60	0.53	9999999	<.0002	25	85	Future	\$2,850,000
44	5267-01	Oakland Co	Springfield Tw	Intcp, PS, Decom WWTP	0	0	0	0	0	0	0	0	743	45	0.03	9999999	<.0002	25	70	8/30/2007	\$2,820,000
60 Projects																				\$1,771,670,000	

Fundable State Revolving Loan Fund Projects for Fiscal Year 2007 - By Category

	Secondary Treatment	Advanced Treatment	Infiltration/ Inflow	Sewer System Rehabilitation	New Collector Sewers	New Interceptors	CSO Correction	Storm Sewers	Non Point Source	Totals
Project #	Cat I	Cat II	Cat IIIA	Cat IIIB	Cat IVA	Cat IVB	Cat V	Cat VI	Cat VII	Totals
5005-20							23,030,000			23,030,000
5006-15							3,900,000			3,900,000
5173-01	30,850,000									30,850,000
5175-06							157,660,000			157,660,000
5207-05							96,350,000			96,350,000
5210-01	1,425,000					75,000				1,500,000
5229-04						12,570,000				12,570,000
5229-05						11,280,000				11,280,000
5229-06						6,150,000				6,150,000
5229-09						4,335,000				4,335,000
5230-03	3,375,000									3,375,000
5236-01	1,910,000									1,910,000
5243-01	7,107,376			632,624						7,740,000
5245-01	995,000									995,000
5248-01	1,639,825				2,490,175					4,130,000
5249-01							18,000,000			18,000,000
5252-01	4,865,000									4,865,000
5254-01	3,754,359				8,540,641					12,295,000
5256-01			145,600	1,973,036		531,364				2,650,000
5260-01									15,000,000	15,000,000
5262-01	13,455,072				2,594,928					16,050,000
5263-01	785,331				1,654,669					2,440,000
5264-01	7,442,832		1,254	255,914						7,700,000
5265-01			2,429,508	1,370,492						3,800,000
5266-01		1,158,530		3,876,470						5,035,000
5267-01						2,820,000				2,820,000
5268-01	3,610,000									3,610,000
5269-01	9,674,000					4,146,000				13,820,000
5271-01				3,862,379		337,621				4,200,000
5272-01			2,479,930	1,171,275			303,795			3,955,000
5273-01	11,170,000									11,170,000

Fundable State Revolving Loan Fund Projects for Fiscal Year 2007 - By Category

	Secondary Treatment	Advanced Treatment	Infiltration/ Inflow	Sewer System Rehabilitation	New Collector Sewers	New Interceptors	CSO Correction	Storm Sewers	Non Point Source	Totals
Project #	Cat I	Cat II	Cat IIIA	Cat IIIB	Cat IVA	Cat IVB	Cat V	Cat VI	Cat VII	Totals
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5006-15							3,900,000			3,900,000
5173-01	30,850,000									30,850,000
5175-06							157,660,000			157,660,000
5207-05							96,350,000			96,350,000
5210-01	1,425,000					75,000				1,500,000
5229-04						12,570,000				12,570,000
5229-05						11,280,000				11,280,000
5229-06						6,150,000				6,150,000
5229-09						4,335,000				4,335,000
5230-03	3,375,000									3,375,000
5236-01	1,910,000									1,910,000
5243-01	7,107,376			632,624						7,740,000
5245-01	995,000									995,000
5248-01	1,639,825				2,490,175					4,130,000
5249-01							18,000,000			18,000,000
5252-01	4,865,000									4,865,000
5254-01	3,754,359				8,540,641					12,295,000
5256-01			145,600	1,973,036		531,364				2,650,000
5260-01									15,000,000	15,000,000
5262-01	13,455,072				2,594,928					16,050,000
5263-01	785,331				1,654,669					2,440,000
5264-01	7,442,832		1,254	255,914						7,700,000
5265-01			2,429,508	1,370,492						3,800,000
5266-01		1,158,530		3,876,470						5,035,000
5267-01						2,820,000				2,820,000
5268-01	3,610,000									3,610,000
5269-01	9,674,000					4,146,000				13,820,000
5271-01				3,862,379		337,621				4,200,000
5272-01			2,479,930	1,171,275			303,795			3,955,000
5273-01	11,170,000									11,170,000

Fiscal Year 2007 Project Priority List By Rank

Rank	Project Number	Project Name and Description			Water Quality Severity Pts				Fal OSSS	Sptg Rec	Enf Pts	Exist. Disch	Rec Waters	Dil Ratio	Rat Pts	Tot Pts	Bind. Com Date	Bind. Com Amount		
					DO	NUT	TOX	MCR											GWD	Tot
PROJECTS WITH PRIOR YEAR SEGMENTS																				
1	3002-04	Ann Arbor	Washtenaw Co	FDD; Seg 4	0	0	0	27	0	27	0	0	300	0.002	77	<.0002	25	382	3/13/2007	\$900,000
1	3002-05	Ann Arbor	Washtenaw Co	FDD; Seg 5	0	0	0	27	0	27	0	0	300	0.002	77	<.0002	25	382	Future	\$950,000
PROJECTS WITHOUT PRIOR YEAR SEGMENTS																				
2	3006-01	Davison	Genesee Co	Seg 1; FDD	1	0	0	27	0	28	0	0	0	0.45	2.4	0.1876	85	143	3/13/2007	\$1,430,000
2	3006-99	Davison	Genesee Co	Future Segs; FDD	1	0	0	27	0	28	0	0	0	0.45	2.4	0.1876	85	143	Future	\$4,670,000
4 Projects																		\$7,950,000		



Environmental Science and Services Division, Michigan Department of Environmental Quality

**State Revolving Fund (SRF)
Strategic Water Quality Initiatives Fund (SWQIF)
Priority List Ranking For SRF/SWQIF Projects**

AS REQUIRED BY PUBLIC LAW 92-500 (SRF), AS AMENDED, AND PARTS 52 (SWQIF) and 53 (SRF), ACT NO. 451 OF PA OF 1994

KEY TO PROJECT PRIORITY LIST HEADINGS

HEADING	DEFINITION
Rank	Order of eligibility for State Revolving Fund (SRF)/Strategic Water Quality Initiatives (SWQIF) loan funding in accordance with total points assigned.
Project Number	The identification number assigned to a project.
Project Name and Description	Name and location of applicant municipality. May include an additional identification when the applicant is a county or when more than one project is within the applicant area. The description identifies the basic type of project.
Water Quality Severity Pts	Points based on the pollutant load or the receiving water impairment that the proposed project will abate. The project is assessed in five categories (0-100 points each): 1. DO = Dissolved Oxygen 2. NUT = Nutrients 3. TOX = Toxic Materials 4. MICR = Microorganisms 5. GWD = Groundwater Discharge Tot = Total Water Quality Severity Points
Fin OSSS	On Site Septic Systems: points (100) are assigned for projects addressing on site system failures where conditions prevent replacement, necessitating off site remedy.
Sptg Rec	Septage Receiving: points (100) are assigned if the project includes the construction of septage receiving facilities.
Enf Pts	Enforcement points (300) are assigned if the project is necessary to comply with a construction schedule established by an order, permit, or other document issued by the director or entered as part of an action brought by the state against a municipality.
Pop Pts	Population points (30-100) are based upon the total existing residential population to be served by the project submitted. (SRF Only)
Dil Ratio/Rat Pts	The dilution ratio points (25-100) are based upon a ratio derived from the existing flow discharged (Exist. Disch), divided by the expected flow of the receiving waters (Rec Waters) during the period of discharge.
Tot Pts	The sum of the above comprises the total points assigned to each project for determining rank.
Bind. Com Date	The date projected by DEQ, based on the applicant's intentions, that it will issue a binding commitment for an SRF/SWQIF loan.
Bind. Com Amount	The estimated dollar amount of the SRF/SWQIF loan.
PROJECTS WITH PRIOR YEAR SEGMENTS	As specified by law and rule, after funding assistance for the first segment of a project is accepted, remaining segments retain first priority for funding assistance on the next three fiscal year Project Priority Lists. Project segments are ranked in order of total points.
PROJECTS WITHOUT PRIOR YEAR SEGMENTS	No segments of the listed project have been funded in the prior three fiscal years. Projects are ranked in order of total points.

Note: These criteria are specified in the Department of Environmental Quality's State Administrative Rules 323.958 (Rule 8) and 323.961 (Rule 11) and Parts 52 & 53 of ACT NO. 451 OF PA OF 1994.



MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY

Non Point Source Project Priority List (PPL)

NPS

Fiscal Year 2007 PPL by Rank

PPL Rank	Project #	Loanee	Location	PPL Description	Water Quality Points					Enf Pts	High Qual	Ongoing Int.	Use Value	Local Part	Total Pts.	Bind. Comm Date	Bind Comm Amount
					Microorganisms	Phosphorus	Nitrogen	TSS	Total Water Quality Points								
1	5260-01	Gabler Drain	Rochester Hills	Madison Park - NPS - Landfill R	0	0	0	0	0		0	0	0	200	200	3/13/2007	\$15,000,000.00

1 Total # of Projects: **\$15,000,000.00**

State Revolving Fund – NonPoint Source Ranking Criteria

NonPoint Source projects are ranked on the Project Priority List (PPL) in descending order based on the following criteria. The parenthetical information is the notation that appears on the PPL.

a) Enforcement (Enf. Pts.): *If the proposed nonpoint source project is necessary to comply with an order, permit or other document issued by the Michigan Department of Environmental Quality(MDEQ) director or water resources commission or entered as part of an action brought by the MDEQ against a municipality, 200 points may be assigned.*

If the applicant has been issued an administrative consent order, a National Pollutant Discharge Elimination System (NPDES) permit which requires construction of the project, or other similar document by the department, the proposed project may be awarded 200 points. If none of these actions have been taken, no points will be awarded.

b) *If the proposed project is a necessary component of a comprehensive plan developed pursuant to the provisions of R 323.1064, 100 points may be assigned.*

No points will be assigned based upon this subrule. This rule reference is no longer a viable reference for nonpoint source programs. Rule 323.1064 was not superceded, but is no longer viable.

c) Water Quality (Water Quality Points): *If the project will address violations of water quality standards in the watershed or project area, points will be assigned based upon the severity of the receiving water impairment that the proposed project will abate. Each project may receive a score of between 1 and 100 for each standard violated based on the severity of the violation. Maximum of 400 points may be assigned for each project.*

Points will be assigned based on the estimated pre- and post-project levels of microorganisms, phosphorus, nitrogen and total suspended solids (TSS) in the waterbody primarily affected by the project.

d) High Quality (High Quality): *If the watershed contains high quality waters which must be maintained, 200 points may be assigned.*

Using high quality waters as defined in the administrative rules for the Clean Michigan Initiative-Clean Water Fund (R 324.8904, Rule 4, (a) (i-vii) as attached, 0 or 200 points will be assigned.

e) *High Public Use (Use Value): If the watershed has high public use value, 200 points may be assigned.*

High public use value of a watershed will be defined as watersheds containing two or more of the following:

- 1) **An existing city, county, village, state or federal parks or recreation areas dedicated for public use for swimming, fishing or boating, or**

- 2) An existing ground water source public drinking water supplier who has an MDEQ-approved wellhead protection program (WHP) and/or an existing surface water source public drinking water supplier who has submitted to MDEQ a source water assessment (SWA) report.
- 3) An existing State of Michigan Natural River designation and/or an existing Federal Wild & Scenic Rivers designation.

[The actual number of park/recreation sites, number of approved WHPs, and number of SWAs within the project's watershed will be totaled and used as a tie-breaker, if needed.]

f) Local Participation (Local Part.): *If there is high landowner or municipal willingness to participate in controlling nonpoint sources in the watershed or project area, 200 points may be assigned.*

High willingness to participate can only be demonstrated by the following: Letters of commitment from local agencies and/or landowners regarding their participation in specific nonpoint source control activities contained in the proposed project plan. General letters of support will not be considered a demonstration of participation.

g) Ongoing Initiatives (Ongoing Int.): *If there are ongoing local, federal, or state nonpoint source initiatives in the watershed or project area, 100 points may be assigned.*

A project may receive 100 points, if federal, state or local initiatives have been implemented voluntarily by the local unit of government having jurisdiction over the project. Qualifying ongoing initiatives must include the following:

- 1) An in-place, comprehensive zoning program which controls development through encouragement of low impact development, open space preservation, restrictive zoning in areas with steep slopes, near water bodies, or highly erodible soils.
- 2) A storm water utility within the local unit which has provides oversight, inspection and/or promotion of nonpoint source pollution prevention programs.
- 3) Successful and timely completion of nonpoint source control projects funded by state or federal grants or loans.
- 4) Implementation of a comprehensive community education and citizen involvement program. This program must be based on knowledge of the audience, careful preparation of the message, demonstration of successfully reaching the audience using a variety of tools, and finally obtain citizen involvement (as feedback, volunteer monitoring, etc) plan.

Note: The proposed project, by itself, will not qualify as an 'ongoing initiative'.