



Drinking Water State Revolving Fund Eligibility Guidance

This guidance was developed by the Michigan Department of Environment, Great Lakes, and Energy (EGLE) to clarify the types of projects and components eligible for Drinking Water State Revolving Fund (DWSRF) assistance. It presents both general and specific eligibility criteria to be considered by a water supplier when requesting financial assistance from the DWSRF. It is recognized that this document cannot be comprehensive and will be modified as necessary. Further questions regarding eligibility should be discussed with your [SRF Project Manager](#).

This guidance explains the requirements included in the following statutes and rules:

- The federal Safe Drinking Water Act (SDWA) Amendments of 1996, [42. U.S.C. §300f et seq.](#)
- Part 54 (Safe Drinking Water Assistance) of Michigan’s Natural Resources and Environmental Protection Act, 1994 PA 451, [MCL §§324.5401-324.5418.](#)
- The Michigan Safe Drinking Water Act, 1976 PA 399, [MCL §§325.1001-325.1023.](#)
- The Act 399 Administrative Rules, Michigan Admin. Code [R325.10101-325.12820.](#)

Definitions

To enhance understanding of this document, please note the following definitions:

- A. **“Project”** means a project related to the planning, design, and construction or alteration of a waterworks system.
- B. **“Water supplier”** means a municipality, legal business entity, or other person who owns a public water supply, as defined in MCL§324.5403(d).
- C. **“Waterworks system”** means a system of pipes and structures through which water is obtained or distributed and includes any of the following that are actually used, or intended to be used, for the purposes of furnishing water for drinking or household purposes:
 - i. Intakes and cribs
 - ii. Pipelines and appurtenances
 - iii. Pumping stations
 - iv. Storage tanks
 - v. Treatment plants
 - vi. Wells and well structures
 - vii. A combination of any of these items

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General Eligibility Criteria

Qualifying Water Suppliers

Water suppliers who meet all applicable DWSRF program requirements, and who own the following types of public water supplies at the time they submit project planning documents, may qualify to receive assistance from the DWSRF:

- A. A community water supply, as defined in MCL §324.5401(f) [e.g., municipal water supply, subdivision, manufactured housing community, or apartment building].
- B. A non-community water supply, as defined in MCL §324.5402(h), that operates as a non-profit [e.g., a church camp, hospital, nursing home, or school]. DWSRF assistance can be provided to schools that own and operate a water system, making it a public water supply.

The DWSRF can award loans that result in the creation of new community water systems to address an existing public health problem caused by unsafe drinking water provided by individual wells or surface water sources. This policy also extends to a situation where a new regional water system is created by consolidating several existing water systems that have technical, financial, or managerial difficulties.

Ineligible Water Suppliers

Private water systems, including private residential wells, as well as federal or state entities and water supplies not regulated by EGLE are ineligible for DWSRF assistance.

Qualifying Projects

To qualify for DWSRF assistance, the project for which DWSRF assistance is sought must be needed to assure maintenance of, or progress towards, compliance with the provisions of the federal SDWA [MCL§324.5405(3)]. Additionally, a water supplier must comply with all program requirements and demonstrate the following:

- A. Feasible alternatives to the project were evaluated during project planning [MCL§324.5405(3)(b)].
- B. The environmental and public health impacts were analyzed, and appropriate mitigation plans were included. [MCL§324.5405(3)(d)].
- C. The water supplier has the legal, institutional, technical, financial, and managerial capacity to build, operate, and maintain the project [MCL§324.5409(1)(d)].
- D. The water supplier has no outstanding prior-year fees under sections 325.1011a or 325.1011b of Act 399.

Refinancing Project Debt

As of fiscal year 2009, no new project submittals for projects that proceeded to construction with non-DWSRF financing will be accepted for refinancing through the DWSRF.

Specific Eligibility Criteria

Accommodation of Future Growth or Development

Expansion or extension of public water supply systems that occur primarily in anticipation of development are not eligible for DWSRF assistance (e.g., extension of water mains into areas not presently developed or served by a water supply, or expansion of capacity within existing facilities that accommodates growth or development). Identified needs within a 20-year planning period that are substantiated by valid population projections may be included in the scope of the project. EGLE will examine each potential project to determine whether a primary purpose is the accommodation of growth or development.

Asset Management Plan

An applicant can request up to \$2 million in loan funds to complete or further develop/expand upon an asset management plan (AMP), provided that the need was identified and discussed in the project planning document. The AMP cannot be a stand-alone project; it must be developed in conjunction with a DWSRF-financed construction project.

For project planning documents that have already been submitted, loan eligible AMP work may also include adding DWSRF-financed construction project assets and processes into an existing AMP, to make it current, even if this was not specifically outlined in the project planning document since it would still be considered within the requested scope. The expectation is that this AMP work would be done after the assets are installed and the associated new processes are in operation.

In contrast, AMP development or expansion work that is unrelated to the construction project assets and processes proposed for a DWSRF loan must be specifically identified and discussed in the project planning document to be eligible. An applicant cannot add unrelated AMP work to a DWSRF loan after the project planning document is submitted. Instead, in such a case, a new project planning document would have to be prepared to include the unrelated AMP work into the DWSRF loan. In addition, to help facilitate future AMP work activities, a DWSRF-financed construction project may also include leak detection devices and equipment and/or database infrastructure or software (e.g., asset management systems, inventory tracking software).

Bid Allowances

In many cases, unit price bid proposal forms contain line items designated as "allowances" for which a price has been specified by the owner. Lump sum contracts may also contain allowances, but details will often be found in the specifications rather than in the bid proposal form itself. An allowance is used to identify construction goods or services that are integral to the project, but for which it may not be feasible to establish a cost through the competitive bidding process. For example, an allowance for electric utility relocation is commonly used because the work is performed by the electric power company serving the area and the cost should be the same for each bidder and would not be a factor in the outcome of the bidding competition.

A second type of allowance involves circumstances for which bidders cannot reasonably be expected to know and evaluate factors pertinent to preparation of a bid. An example of this situation is construction at a contaminated site where the extent of the contamination or the details of on-site operations and overall waste handling requirements cannot be fully determined during the bidding phase of a project.

A third type of allowance falls under the general description of "owner's preference" or "owner's convenience." Examples of allowances in this category may range from a relatively small allowance for several pieces of office furniture, to a substantial amount covering a complete system of computer hardware and software. In the example concerning office furniture, it is possible that the owner would not yet have developed a biddable specification because the furniture was considered to be incidental to the primary objective of the contract and would not be needed until late in the project schedule. In the case of computer equipment, the owner may choose to rely on an allowance in an attempt to provide flexibility to adapt to the rapidly changing technology and pricing structure associated with the computer market.

To a certain extent, allowances circumvent the bidding process because the value of the allowance is specified by the owner (usually the DWSRF loan applicant). Consequently, applicants are encouraged to avoid the use of allowances wherever possible and, instead, fully develop specifications to enable bidders to competitively establish the cost of goods and services. Nevertheless, all three types of allowances described above can be included in the DWSRF loan computation if documentation is provided to support both the need for the allowance and its estimated cost.

In a variation on the "owner's convenience" type of allowance, an applicant may use an allowance that serves as a non-specific contingency line item. Such allowances are not linked to goods or services and are typically identified as "allowance for differing site conditions" or "project overrun allowance" in the bidding documents. The DWSRF loan will already include a standard 6-percent contingency based on the subtotal of eligible project costs. Therefore, since this type of allowance serves only to augment project contingency funds beyond the 6-percent already calculated, such an allowance will be excluded from the DWSRF loan computation.

Bonding Costs and Treasury Fee

The financial costs directly associated with obtaining a DWSRF loan are eligible for DWSRF assistance. For example, the expenses incurred in hiring a bond counsel to issue a qualified opinion or a financial advisor to assist the water supplier in preparing the rate methodology may be included in the DWSRF loan.

A municipality seeking a DWSRF loan may be unable to obtain an investment grade rating for its bonds, as required by the Michigan Finance Authority (MFA). In such cases, the purchase of bond insurance by the municipality to guarantee its debt service payments will be eligible for DWSRF assistance, as will the similar administrative charges for conduit financing from an umbrella unit of government (i.e., county, or regional authority) who may help a smaller municipality obtain a loan from the DWSRF.

It should be noted that any municipality who opts to use a debt service reserve to satisfy the requirement for an investment grade rating cannot include the money deposited in the reserve as an eligible expense of the DWSRF. Such deposits will be returned in time and, therefore, are not true expenses. The fee charged by the Local Audit and Finance Division of Treasury for a "Long Form" application filed by the applicant seeking authorization to issue DWSRF debt is eligible for DWSRF reimbursement. This authorization is necessary in cases where Treasury has denied a Qualifying Statement.

Communication Equipment

Equipment, fittings, accessories, and modifications are often incorporated into the design and construction of elevated water storage tanks to accommodate the installation and operation of non-water-system communications antennas, with beneficial use anticipated either immediately upon completion of construction or at some unspecified future time (e.g., police/fire radio systems, commercial wireless phone networks, etc.). Since these communications facilities and appurtenances are for non-DWSRF purposes, all such items are ineligible for DWSRF assistance. The contract documents must clearly identify such costs, and project accounting methods must ensure that the costs are excluded from the loan and from any disbursement requests. Because such materials and labor are classified as ineligible construction costs, the construction eligibility ratio will be affected; and associated line items for engineering, etc. must be prorated in accordance with established DWSRF eligibility proration procedures.

Computer Hardware and Software

Computer hardware and software are not eligible for DWSRF assistance unless needed and used as a direct interface, process control component of the waterworks system. For example, a computer that automatically monitors and controls process operating cycles, chemical feed rates, or start-up and shutdown of pumps and motors is an eligible item. Computers and software to be used solely for administrative tasks such as billing, timekeeping, or general office work are not eligible for DWSRF assistance.

Construction Contract Awards

Except in the case of an approved sole source procurement, all construction contracts worth **\$50,000 or more** must be awarded through an open, competitive bidding process where a solicitation to bid is made by means of a formally advertised public notice and a public opening of the sealed bids is held. The water supplier is not required to accept the lowest bid tendered, provided the construction contract language and local ordinances do not prohibit awarding the contract to a bidder other than the lowest bidder. However, unless the water supplier can demonstrate that the low bidder is nonresponsive or non-responsible, the DWSRF loan computation will be limited to the amount of the low bid.

The term "nonresponsive" means the bidder has not complied with the requirements set forth in the bidding documents (e.g., the bidder did not provide a bid bond in the proper amount; the bidder did not include required documentation in the bid, and so on). The term "non-responsible" means the bidder has not proven that it has the capability to fulfill the terms of the contract (e.g., the contract requires experience that the bidder does not have). If the water supplier can demonstrate that the low bidder is either nonresponsive or non-responsible, the contract can be awarded to the next lowest bidder who is both responsive and responsible and the DWSRF loan computation will include that bidder's amount.

All the bids received may be rejected by the water supplier if it has sound, documented business reasons for doing so. The construction contract may then be rebid, which might push the DWSRF loan closing date back by one quarter. If this situation occurs for a 4th quarter loan, the water supplier will need to fall within the established fundable range for the next fiscal year in order to receive a 1st quarter loan.

If the water supplier receives only one bid in response to its advertised solicitation to bid, the construction contract must either be awarded to that bidder or be rebid through an open, competitive bidding process. If no bids are received, the water supplier must rebid the contract through an open, competitive bidding process.

Construction Site Restoration

Restoration of work sites disrupted by project construction is eligible for DWSRF assistance, provided the restoration is strictly limited to those areas directly affected by construction and is necessary to restore the disrupted areas to pre-construction conditions. Utilities, roadways, sidewalks, driveways, and landscaping disrupted by the project may be restored with DWSRF assistance to a quality equal to, but not exceeding, that of the original facilities. For example, replacing a gravel road with a gravel road is an eligible item, but upgrading to a paved road is only partially eligible for DWSRF assistance. The addition of curb and gutter along a road without curb and gutter would be ineligible for DWSRF assistance. The intent is to preclude the use of DWSRF loan funds for the general upgrade of roads or other infrastructure components that are more appropriately financed through other means.

Road Restoration

When a trench box can be used for eligible underground installations, the DWSRF-eligible width of street restoration is the trench width plus one foot of overlap on each side of the trench. Exceptions to eligible road restoration costs will be considered on a case-by-case basis depending on needs for construction. The eligible width of roadway restoration can be rounded up to the nearest quarter of the road width as follows:

- If the eligible road restoration area is less than a quarter of the width of the road, up to 25 percent of the road width restoration would be eligible for DWSRF financing.
- If the eligible road restoration area is greater than 25 percent up to 50 percent of the width of the road, up to 50 percent of the road width restoration would be eligible for DWSRF financing.
- If the eligible road restoration area is greater than 50 percent up to 75 percent of the width of the road, up to 75 percent of the road width restoration would be eligible for DWSRF financing.
- If the eligible road restoration area is greater than 75 percent of the width of the road, up to the 100 percent road width restoration would be eligible for DWSRF financing.

Full bituminous overlays that are proposed as a result of water main installation in streets are eligible to maintain structural integrity and to protect the pavement surface from premature deterioration, which can result from partial width replacements over the trench/lateral cuts where joints between the old and new pavement can be a source for water to enter. These overlays are eligible only when the pre-existing road is in good condition based on supporting documentation from knowledgeable local public works/road commissions that provides information such as road age, thickness, design life, and other indexes of road quality. Overlays will not be eligible where the existing roads are in poor condition and the full width overlay would constitute an improvement.

Contamination Discovered at the Project Site

Typically, three types of contamination can be encountered during project construction:

1. Contaminated soils
2. Discarded materials such as abandoned chemical drums
3. Contaminated groundwater or surface waters

All cleanup activities (i.e., excavation, testing, removal, handling, transportation, and disposal of contaminated materials) may be eligible for DWSRF assistance; however, eligibility is limited to those areas directly affected by DWSRF project construction. For example, if contamination exists on ten acres of a project site, but construction activities directly affect only three acres, only those costs associated with the cleanup of the affected three acres are eligible for DWSRF assistance. Cleanup activities outside the three-acre area are ineligible items. As another example, in a project undertaken to replace water distribution mains, only costs associated with the proper handling and disposal of contaminated materials encountered in the trench would be eligible for DWSRF assistance.

The cleanup of contamination at a DWSRF project site must be factored into the assessment of project alternatives, especially regarding cost-effectiveness. This requirement applies not only to sites of known contamination, but also in cases where contamination is discovered after DWSRF-financed project construction has begun. If analysis reveals significant new financial or environmental impacts, it may be necessary to re-evaluate part or all of the selected alternative in favor of a more cost-effective or environmentally acceptable alternative. Activities related to the identification or investigation of contamination at a DWSRF project site, such as an environmental audit, the installation of monitoring wells to document groundwater conditions, or a waste characterization analysis associated with the disposal of contaminated materials, are eligible for DWSRF assistance.

For cleanup activities to be eligible for DWSRF assistance after an Order of Approval (OOA) has been issued, the loan recipient must provide written confirmation to the project manager that the appropriate staff has been notified that contamination was encountered during project construction. The loan recipient must then provide the project manager with a description of the contamination problem, the proposed cleanup activities, and the analysis of the discovery's impact on the selected alternative in terms of its cost-effectiveness.

Dams and Reservoirs

The construction or rehabilitation of a dam is not eligible for DWSRF assistance [40 C.F.R. §35.3520(e)(1)]. The construction or rehabilitation of a reservoir is not eligible for DWSRF assistance unless the reservoir is for finished water storage or is part of the treatment process and located on the same property as the treatment facility [40 C.F.R. §35.3520(e)(3)].

Delay Costs

To the extent they satisfy other eligibility criteria, costs associated with delays in project completion, regardless of cause, are eligible for DWSRF assistance within the limits of the loan's remaining project contingency funds.

Demolition or Decommissioning of Public Water Supply Systems

Demolition necessary to accomplish project construction is eligible for DWSRF assistance. Site enhancements such as paving, additional landscaping, and playground equipment, would not be eligible. For example, DWSRF funds can be used for the removal of an underground tank located within the area to be occupied by a new treatment building (that is itself an eligible part of the project). When the demolition and/or decommissioning of existing operational or abandoned components of a waterworks system are not necessary to accomplish project construction, the associated costs will be eligible for DWSRF assistance only when all of the following conditions are met:

- A. The demolition/decommissioning is done in conjunction with new construction at the actual site of the system component to be demolished/decommissioned. The exception to this is where abandonment of currently operating facilities (i.e., wells, storage tanks, pump stations, etc.) is occurring in conjunction with the construction of new facilities to replace the facilities being abandoned. In this case, the construction of the new facilities does not have to occur at the same site where the existing facilities to be abandoned are located.
- B. The demolition/decommissioning is part of the cost-effective alternative in an approved DWSRF project planning document.
- C. The demolition/decommissioning is necessary as a direct result of the project proposed for DWSRF assistance, even if actual demolition is not directly necessary to accomplish new project construction.

Energy And Water Conservation

Energy and water assessments and audits are eligible activities when conducted in conjunction with an eligible DWSRF construction project.

Fire Hydrants

The installation of fire hydrants will not be eligible for DWSRF assistance unless those hydrants will be connected to a new water main being installed for an eligible purpose as detailed in the *Water Mains* section of this document. The rehabilitation of existing fire hydrants will not be eligible for DWSRF assistance unless those hydrants will be connected to a new water main being installed for an eligible purpose. If a new water main is being installed for an eligible purpose, then new fire hydrants along that main will be eligible for DWSRF assistance provided:

- A. The spacing of the hydrants is consistent with the provisions of the most current edition of the *Recommended Standards for Water Works*, and
- B. The proposed spacing conforms with the typical spacing used throughout the remainder of the existing water distribution system.

Force Account Project Administration/Technical

Force account administration consists of accounting, bookkeeping, and legal project work performed by municipal employees where such work is not otherwise required in the normal conduct of their jobs. Force account technical work consists of engineering services in connection with planning, design, inspection, and construction. Eligibility of force account services is governed by limitations that are

intended to ensure that the applicant consider the impacts of borrowing funds to subsidize salaries that may already be included under existing municipal budgets and will have to be paid back concurrent with funding future salaries.

Eligible activities include DWSRF project implementation tasks that are typically contracted out but may be more economically performed by qualified municipal staff. Eligible force account costs are reserved only for staff that perform tangible, hands-on services that have substantial and specific linkage to implementation of the project. The documentation must show that the costs are justified and appropriate based on the number of staff hours required relative to the construction implementation schedule and the complexity of the project. Additionally, the documentation must demonstrate that there is no overlap with work proposed to be contracted to other parties.

Force account costs (direct labor costs, indirect costs, and other project allocable expenses, such as travel, printing, or postage) incurred by an applicant for administration and technical services are eligible for reimbursement if such costs are adequately documented, as described in the *Instructions for Completing the Project Cost Worksheet* (which requires detailed project time accounting) that accompanies the Part II DWSRF Application. In addition to specific hours worked, this documentation includes the specific staff titles/classifications and their specific roles with respect to the proposed project.

A summary of estimated hours will not be accepted for those tasks that have been completed or partially completed. Actual hours must be accounted for by providing a ledger of dates, hours worked, employee names, rates (including indirect costs) where the source of information is timesheets, daily logs, or other records to document costs incurred by each municipal employee for which funding is being sought. The following is a breakdown of eligible/ineligible tasks associated with force account administration and technical:

Administration (Eligible)

- Preparation of loan application materials.
- Preparation of disbursement requests.
- Project cost accounting (up to 2 hours/week).
- Preparation of project closeout documentation.
- Easement/land acquisition services (appraisals, agreement preparation, relocation assistance).
- Legal services associated with preparation and review of contracts related to project implementation, the resolution of bid protests, the resolution of contract claims, and services associated with contract enforcement.
- Financial/legal services associated with preparation of a revenue system.

Administration (Ineligible)

- Services provided by clerical support staff such as typing and filing.
- Services provided by elected officials.
- Employee supervision.
- Drinking water program administration that is not sufficiently linked to a specific DWSRF project.

Technical (Eligible)

- Procurement of engineering services required to implement the project.
- Planning, design, inspection, and construction engineering where there are no consulting engineers providing these services for project contract(s)
- Management (limited to two positions) of technical/construction contracts which may include duties/activities in the following areas:
 - Bidding process, including addendum preparation/approval, and contract award.
 - Review/approval of engineering invoices and amendments.
 - Review/approval of construction contractor pay estimates and change orders.
 - Attendance at progress meetings.
 - Review/approval of design documents, shop drawings, as-built drawings.
 - Overtime/holiday pay for eligible technical staff for project-related work.
 - Vehicle charges and mileage for eligible staff for project-related work.

Technical (Ineligible)

- Services that are a duplication of services provided by the project consulting engineer, any other service provider or other force account staff.
- Costs incurred by operational staff of the drinking water distribution/source/treatment system.
- Cell phone usage charges for project-related work.

Other

- Force account costs incurred by staff of a “conduit borrower” (for example where a county applies for and receives a loan on behalf of a smaller unit of government) are eligible provided a contractual basis exists for incurring/billing those expenses based on hours/tasks.
- Costs associated with a single-purpose millage election held to increase local property taxes in order to service the DWSRF debt, or a referendum on the DWSRF bond issue, where necessary, are eligible for reimbursement.

Force Account Project Construction

The use of the water supplier’s employees to construct a DWSRF project (force account labor) may be approved for DWSRF assistance only when the following conditions are met:

- A. The construction work can be effectively performed by permanent staff on the water supplier’s current payroll within the course of their regular duties.
- B. The total labor cost (salaries, fringe benefits, travel expenses) and associated equipment/materials purchase costs are less than \$50,000.
- C. The supplier can demonstrate to EGLE that force account labor will be cost-effective when compared with contracted labor.

For lead service line replacement projects, force account construction can be considered for projects that exceed the \$50,000 threshold above. You should discuss this with your [SRF Project Manager](#) during the planning process to identify what additional items are necessary.

Furnishings

Desks, tables, chairs, storage cabinets, refrigerators, microwaves, stoves, floor treatments (e.g., carpets, epoxy coatings), window treatments (e.g., curtains, venetian blinds), and other furnishings for a waterworks facility are eligible for DWSRF assistance, provided they are necessary to furnish new construction or areas where remodeling or expansion of existing facilities has occurred. In all other cases, the purchase of new desks, appliances, window treatments, or other furnishings are considered to be routine replacement costs, which are not eligible for DWSRF assistance.

Inspector Days

Inspector (crew) days can be used in construction contracts to motivate a contractor to finish on time or ahead of schedule. When called for in a bid proposal, each bidder will enter an estimated quantity of inspection (usually given as a number of days) that will be required for completion of the project. This number is then multiplied by the unit price (\$/day) supplied by the owner/engineer in the bid proposal. This unit price reflects the costs that are incurred by the owner for each day of on-site engineer representation during construction to arrive at a total inspection budget.

On construction pay requests, the actual number of inspector days used will be entered. The resulting amount will be deducted from the request. A running total of inspector days used and inspector days available is tracked on each pay request. The contractor is not actually paying anything unless the inspection days are exhausted. The owner is paying the engineer directly from the inspection bills submitted each month.

If the contractor completes the work using fewer inspector days than the number stated in his proposal, final payment will include an amount equal to the unused inspector days. This is essentially a bonus to the contractor for finishing ahead of schedule. Bonuses are not eligible in the DWSRF program.

If the work under the contract is incomplete when the contractor has expended the number of inspector days stated in his proposal, subsequent payments to the contractor will be “net” payments after deducting an amount for the excess inspector days used during the period covered by the payment. This is essentially a penalty to the contractor for not finishing on time.

While DWSRF applicants may choose to use the inspector day methodology, the costs of (resident) inspection engineering to be included in the loan will be established based upon the budget reflected within the engineering agreement. Applicants need to ensure that an appropriate amount for on-site inspection has been included in the engineering agreement, as the amount bid for inspector days will not be included in the loan. Applicants will be reimbursed from only the bills due and payable from their engineers for resident inspection.

Legal Services and Litigation Costs

Standard legal services that are necessary to implement the project are eligible. Examples include services associated with the acquisition of property for project construction, the preparation and review of contracts related to project construction, the resolution of bid protests, the resolution of contract claims, the establishment of special assessment districts, and services associated with contract enforcement.

Costs associated with the litigation of project-related personal injury or property damage claims, whether defending against or bringing a suit, are not eligible for DWSRF reimbursement because such actions are not directly necessary to implement the project.

Costs associated with litigation related to land acquisition are not eligible since the law specifically precludes the cost of land obtained from an unwilling seller.

Costs associated with the establishment of authorities or other units of government that are necessary to implement the project are not eligible for DWSRF reimbursement because these costs are not considered standard legal services and are incurred prior to the existence of a legal applicant. However, costs associated with the establishment of a special assessment district (SAD) as a financial mechanism to implement the project are eligible.

Minor Repair vs. Major Replacement of Water Distribution Systems

Costs for the periodic replacement of distribution system water mains may be eligible for DWSRF assistance. Infrequent breaks or blockage may necessitate minor repair or flushing, and these expenses are considered to be routine maintenance costs, which are not eligible for DWSRF assistance. However, a substantial increase in breaks may be an indication that a section of the distribution system has reached the limit of its useful life and major replacement may be necessary to restore its structural integrity. If so, the water supplier must demonstrate in the project planning document that the existing condition of the distribution system has deteriorated to a point where major rehabilitation and/or replacement is necessary to maintain structural integrity. Alternatives should be examined to assess the condition of the transmission and distribution system and determine the most cost-effective method of accomplishing any major repairs that are needed.

Mitigation of Adverse Environmental Impacts

Short-term mitigative measures, such as siltation barriers and dust control, are eligible for DWSRF reimbursement, but are normally included in the construction bid costs. Costs associated with the significant, long-term mitigation of adverse environmental impacts due to project construction may be approved for DWSRF reimbursement only when the following conditions are met:

- A. The specific mitigation measures to be utilized have been described in the project planning document and included in the costs listed for the selected alternative.
- B. The specific mitigation measures to be utilized have been demonstrated to be the cost-effective means of mitigation.
- C. The specific mitigation measures to be utilized are not otherwise ineligible for the receipt of DWSRF assistance. For example, to mitigate a loss of wetlands, the applicant may be required to purchase a suitable land parcel (an ineligible item) and modify the project site to enhance wetland value by excavating pothole ponds or building a dike (an eligible item).

Multi-Purpose Projects

Some projects proposed for DWSRF assistance include work, such as the full-width repaving of streets, which is over and above what is necessary to complete the needed water system improvements. Such multi-purpose projects can be financed through the DWSRF, but not all of the project costs will be eligible to receive DWSRF assistance. Where there is a physical overlap between eligible and ineligible project components, EGLE will require the submittal of an analysis utilizing the Alternative Justifiable Expenditure (AJE) accounting methodology. This analysis will identify the portion of the project costs that are directly related to the needed water system improvements so that they may be appropriately included in the DWSRF loan amount.

[AJE preparation Guidance](#) is available on the [SRF Forms and Guidance Website](#) or from your project manager. Multi-purpose projects that do not have overlap between the eligible and ineligible items will calculate an eligibility ratio based on the eligible and ineligible bid costs. This ratio will be used to adjust the engineering costs.

Operation, Maintenance, and Replacement Costs

Goods or services that can be classified as routine operation and maintenance (O&M) or replacement items are not eligible for DWSRF assistance. This also includes expenses for deferred maintenance that may accrue to a larger amount if annual O&M is not performed consistently over multiple years. The purpose of the DWSRF is to assist with capital construction for improvements, upgrades, or other projects necessary to maintain safe drinking water supplies, not to fund current O&M costs.

Maintenance contracts, service contracts, and extended warranties beyond the scope of standard one-year product warranties are classified as O&M services, which are not eligible for DWSRF assistance.

The replacement of waterworks system equipment will not be eligible for DWSRF assistance unless the component being replaced is past or near the end of its useful life and the need for its replacement was established in the project planning document. An example would be the replacement and/or rotation of valves in the system that are inoperable and documented past their useful life. In addition, loan applicants who have previously received DWSRF assistance are required to establish a replacement account and finance equipment replacement with monies set aside in that account.

Costs associated with the flushing of water mains, service lines, or fire hydrants are not eligible for DWSRF reimbursement because these costs are considered routine O&M costs, which are not eligible for DWSRF assistance.

Painting of Water Storage Tanks

The painting of a water storage tank will not be eligible for DWSRF assistance unless either:

- (a) the painting is done in conjunction with a major rehabilitation that is necessary to restore the integrity of the water tank; or
- (b) the painting is a stand-alone improvement that is necessary to restore the integrity of the tank's interior or exterior coating, involving extensive surface preparation such as sand blasting and priming.

The project planning document must document why the painting is necessary, rather than routine maintenance, and a technical report from a tank inspection firm **must** be part of this justification. The project planning document must also include a comparison of tank refurbishment or stand-alone painting versus tank replacement as part of the cost-effectiveness analysis. Routine maintenance painting is not eligible for DWSRF assistance. Reasonable enhancements painted in conjunction with an eligible repainting project, such as the painting of letters or logos, can be reimbursed in the DWSRF loan.

Procurement of Well Drilling Services

A water supplier may hire any well driller it wishes to drill a test well during the planning or design phase of a project without following DWSRF program requirements for formal advertising and competitive bidding and still be reimbursed for those well drilling services in the DWSRF construction loan. The procurement of a driller's services to convert a test well to production status may be included as part of a competitively bid construction contract or, if the cost of the service is less than \$50,000, may be handled as a minimal cost procurement for which the water supplier obtains a waiver from bidding requirements from their project manager prior to the acquisition of the driller's services. See the *test well* section of this guidance for further information on test well eligibilities.

Professional Services

The costs of engineering, legal, and financial services related to planning, designing, or constructing the project are eligible for DWSRF assistance. Examples of eligible engineering services include project planning document development, drafting design plans, and facility start-up assistance and the preparation or revision of a facility's O&M Manual. All costs associated with municipal borrowing that were necessary to pay for DWSRF project planning and design work are eligible for DWSRF reimbursement, provided the debt instrument can be retired at the time of DWSRF loan closing.

Interest paid on moneys transferred from one municipal account to another is not eligible for DWSRF reimbursement. Reasonable carrying charges (i.e., at the prevailing interest rate) assessed by an engineering firm or other provider that accepts deferred payment for its planning or design work are also eligible for DWSRF reimbursement.

Project Cost Overruns

The maximum amount of the DWSRF loan is set at the time the OOA is issued and includes a 6-percent contingency, which is based on the subtotal of all eligible line-item costs. If the project experiences cost overruns, the contingency amount may be spent up to the amount of the loan. There will be no increases in the loan amount, nor will the water supplier be permitted to apply for another loan covering any cost overruns.

Project Planning Document Amendments

When the selected alternative contained in a project planning document has been significantly changed, a project planning document amendment will need to be submitted. Significant changes are those that:

- Substantially alter the design, scope (the problem or issues to be resolved), or the cost of the project including user costs.

- Alter the type of treatment to be provided.
- Substantially alter the location, size, capacity, or quality of any major equipment item.
- May be controversial.

These types of changes will require the preparation of a formal project planning document amendment, subject to all the public participation requirements. Project planning document amendments shall be submitted by the project planning document submittal deadline indicated on the [SRF website](#) for the fiscal year so the revised project can be appropriately ranked on the Project Priority List. Contact your [SRF project manager](#) for guidance on your specific situation.

Significant increases in project costs and user rates because of the change must be addressed as part of this process. Any significant inflationary cost increases or user cost impacts that may occur during a prolonged period between project planning document submittal and Environmental Assessment publication should at least be public-noticed and discussed at a public meeting.

Project Planning Costs

Planning costs directly related to the project for which DWSRF assistance is being sought can be reimbursed in a DWSRF loan. Eligible planning costs include costs associated with:

- Archaeological surveys
- Environmental audits of project sites (Phase I)
- Hydrogeological studies
- Project planning document preparation and submission.
- Public participation activities, including meeting minutes/transcripts.
- Reliability studies
- Vulnerability assessments in conjunction with full project planning efforts.
- Water storage tank inspections.

Costs associated with the preparation of a wellhead protection plan are not eligible for DWSRF assistance, but may be funded under [EGLE's Source Water Protection Grants Program](#).

It is also important to differentiate between professional services provided during the planning stages of a project and those that may occur in the design phase. While both planning and design are identified as eligible activities, there are significant distinctions embodied in MCL§324.5404 that require a careful delineation of costs. For example, engineering services for the development of the project planning document would be considered a planning cost. However, services related to costs of soil borings or other design services necessary to compile plans and specifications are considered to be design costs. If planning/design services involve pilot studies to demonstrate the effectiveness of a technology, the DWSRF loan can cover these costs. However, this excludes costs of any permanent construction that is part of the pilot study and that would become a tangible asset of the project.

Property Acquisitions

The acquisition or long-term lease of land or structures is eligible for DWSRF assistance, provided the acquisition is integral to an eligible waterworks system project and the purchase is from a willing seller at fair market value. Willing seller means that the property owner voluntarily agrees to the terms and conditions of the purchase without compulsion to sell. Federal regulations implementing the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 ([49 C.F.R. §24.1 et seq.](#)) are applicable to the acquisition of property necessary for a DWSRF project, and the cost of complying with these regulations is eligible for DWSRF assistance. Common examples of acquisition-related costs include:

- The cost of an appraisal of any property to be acquired for project construction, including any studies necessary to properly value improvements, minerals, timber, or other resources on the property.
- The cost of surveys and legal boundary descriptions of any property to be acquired for project construction.
- The costs associated with relocation and moving expenses for displaced persons, businesses, and farms, including the cost of a relocation specialist to facilitate compliance with the Act.
- The cost of necessary services associated with the acquisition of property for project construction, including title searches, lease or easement agreement preparation, legal descriptions of the property, legal notices, and closing costs.

Land for a waterworks system project may be acquired through the purchase of the fee simple title or a permanent easement or through donation by its owner to the water supplier. Except for the exceptions discussed below, a land parcel or structure to be purchased must first be appraised so that its fair market value can be established. An appraisal is a written statement independently and impartially prepared by a qualified appraiser that sets forth an opinion of the defined value of the property as of a specific date, supported by the presentation and analysis of relevant market information. Criteria that govern property appraisals appear in [49 C.F.R. §24.103](#).

A property appraisal is not required in the following cases:

- A. The owner is donating the property to the water supplier and releases the water supplier from its obligation to obtain an appraisal; or
- B. The water supplier determines that the valuation of the property is uncomplicated, has a low fair market value, and the value of acquisition is estimated to be \$15,000 or less. In this case, a market study by the water supplier can be used in lieu of an appraisal. The market study will be an examination of the record of recent sales of comparable properties obtained from the local assessor to verify that the property to be acquired is valued under \$15,000. No review appraisal is required.

Uncomplicated valuations are usually considered for projects that involve unimproved strips of land and do not include improvements, damages, changes to best use, or significant costs to cure.

Uncomplicated valuations are further discussed in [Appendix A to Part 24](#).

When a property appraisal is determined to be unnecessary, the water supply must obtain a waiver valuation. The individual used by the water supplier to determine the use of a waiver valuation and complete the waiver valuation must be knowledgeable in appraisals, the local market, and valuation techniques and rules to determine it is uncomplicated and has low fair market value.

If the valuation of the property is uncomplicated and has a low fair market value, EGLE may approve exceeding the \$15,000 threshold, up to \$35,000, if the water supply acquiring the property offers the property owner the option of having the water supply obtain an appraisal of the property. If the property owner chooses to have the water supply appraise the property, the \$15,000 threshold cannot be exceeded. Documentation must be submitted to your EGLE Project Manager for any potential approval of exceeding the \$15,000 threshold.

A railroad crossing permit is considered a right-of-way easement and is, therefore, eligible for DWSRF assistance. An appraisal to determine the value of the easement is not necessary, provided the permit fee is \$15,000 or less.

To be eligible for DWSRF assistance, a land parcel cannot be larger than what is needed to construct the project (e.g., the cost of purchasing a ten-acre parcel is not eligible when a five-acre parcel is the land needed). Every effort should be made by the water supplier to evaluate the size of the parcel to be purchased against the needs identified in the project planning document. If a parcel to be purchased is larger than can be justified, the cost of the parcel and expenses related to its acquisition must be prorated by the project manager.

To be eligible for DWSRF assistance, the land parcel or structure must be purchased after the water supplier adopted the project planning document demonstrating the need for the acquisition. The water supplier may acquire an option on the land in anticipation of adopting a project planning document, but to preserve the opportunity to receive DWSRF reimbursement for the actual purchase, cannot exercise the option until the project planning document is adopted. This ensures that a full hearing is given to the selected alternative without undue pressure to direct the outcome. To meet the “willing seller” test, the water supplier and the owner of the desired land parcel or structure must reach amicable agreement on the purchase price. As soon as feasible, the water supplier must notify the owner of the supplier’s interest in acquiring the property and the obligation the supplier has to secure an appraisal. The owner must be given an opportunity to accompany the appraiser during the appraiser’s inspection of the property.

Before the initiation of negotiations with the property owner, the water supplier must establish an amount that it believes is just compensation for the property. The amount shall not be less than the approved appraisal of the fair market value of the property, taking into account the value of allowable damages or benefits to any remaining property upon the appraisal of the fair market value of the property.

In order to establish the just compensation amount, the water supplier must have a qualified reviewing appraiser examine all appraisals to assure that they meet the requirements of [49 C.F.R. §24.103](#) and must then seek any necessary corrections or revisions before accepting the appraisals. The reviewing appraiser may either be a contracted appraiser or a qualified employee of the water supplier or other public agency such as the Michigan Department of Transportation (MDOT). Listings of approved appraisers and reviewing appraisers are maintained by MDOT.

Upon reviewing the appraiser's certification of the just compensation for the property, the water supplier will send a written purchase offer to the property owner. The purchase offer must contain:

- A. A statement of the amount being offered as just compensation.
- B. An identification of the real property and the particular interest being acquired, including buildings, structures, and other improvements that are considered to be part of the real property for which the offer of just compensation is made.
- C. In the case of a partial acquisition, the compensation for the real property to be acquired and the compensation for damages (if any) to the remaining real property shall be separately stated.

When property appraisals are required, the initial offer to the property owner may not be less than the amount that is certified through the appraisal review process outlined above. The final offer to the owner may exceed the appraised amount when reasonable efforts to negotiate an agreement at that amount have failed and the water supplier can justify the final purchase price as being reasonable, prudent, and in the public interest. However, since the DWSRF loan computation must be based on fair market value, the amount approved for inclusion in your loan may be less than the final purchase price.

Documentation of fair market value must be provided with the Part II DWSRF Application, including a copy of the appraisal(s) or market study, the initial purchase offer, and the final purchase agreement. If an amount greater than the initial purchase offer is requested for DWSRF loan participation, the information that resulted in a revised appraisal and a reestablishment of the just compensation amount must also be provided.

Property acquired through condemnation or the exercise of the power of eminent domain is not eligible for DWSRF assistance.

Purchase of Public Water Supply Capacity

Purchase of public water supply capacity from another supplier is eligible for DWSRF assistance if it is determined to be the most cost-effective alternative for meeting the needs identified in the project planning document. The contractual basis for a capacity buy-in from an existing waterworks system must be carefully documented to ensure that capacity is available, and ownership of the stated capacity share is demonstrated to EGLE's satisfaction. The DWSRF will not assist with purchase of capacity in excess of need identified over the 20-year planning period.

If the DWSRF has previously committed assistance to one water supplier for the purchase of capacity from another existing water supplier, EGLE will subtract the amount of the previously funded capacity buy-in from any assistance requested from the providing supplier that directly enables capacity delivery. For example, EGLE receives and commits to a request to fund capacity purchase through a transmission main to be built and operated by another water supplier. If the providing water supplier also seeks funding assistance from the DWSRF for construction of the main, that loan would be reduced by the amount of the earlier loan to the supplier that benefits from the purchased capacity. A similar reduction would occur from any other buy-in, either within or apart from the DWSRF.

In addition, the purchase of distribution main, storage or treatment capacity in facilities where the DWSRF previously funded the construction of the capacity will not be eligible for DWSRF assistance.

Purchasing vs. Rental

The purchase of equipment that is necessary for the completion of DWSRF projects is eligible in any instance when purchasing is more cost-effective than renting.

Residuals Handling Equipment

Facilities or equipment designed to handle residuals are eligible for DWSRF assistance.

Service Lines

The replacement of service lines on public and private property is DWSRF eligible provided there is a public health threat (i.e., lead, galvanized steel, other contaminants) that is being addressed.

Regulatory provisions governing the use of DWSRF funds do not require the public water system to have ownership over the private portion of a service line.

The service line from the public water main up to and including the meter is DWSRF eligible regardless of pipe material as long as the replacement reduces a health risk. Additionally, any replacement of the private portion of a service line that does not address a public health threat is not DWSRF-eligible under the current criteria. A project planning document requesting DWSRF assistance for service line replacement must contain sufficient documentation of compliance with the lead service line replacement requirements in Act 399, the public health threat (such as the location and pipe material), and the basis of prioritizing work (explain why replacement in one area/neighborhood will be completed prior to other areas).

Michigan's 2018 revisions to the Lead and Copper Rule of Act 399 prohibit partial replacement of lead service lines since this activity may result in an increased potential for lead exposure due to line disruption. This ban includes partial replacement of galvanized steel lines that are or were connected to lead, based on research showing that galvanized lines can become pitted, and lead can accumulate there for future release. Therefore, replacement of a service line that contains any lead or any galvanized steel that is or was connected to lead, must disconnect all of the lead and galvanized steel material. A lead service line that is left in place in the ground but remains out of service may qualify as fully replaced if a new, non-lead service line is installed for use. No lead or potentially impacted galvanized steel can remain in service after the line replacement has occurred. Examples of acceptable service line replacements include:

- Full lead service line replacement (LSLR), including replacement of lead service line on both public and private property.
- Replacement of a portion of a service line that contains either lead or galvanized steel that is or was connected to lead, leaving only plastic, copper, or other acceptable material in service.

Both scenarios would be DWSRF-eligible because they remove a public health threat associated with the lead and/or galvanized steel materials while complying with the partial LSLR ban in Act 399. Any partial LSLR that leaves either lead or galvanized steel that is or was connected to lead in service is not DWSRF-eligible and is in violation of Act 399. Visit [Michigan.gov/LCR](https://www.michigan.gov/LCR) for more information on Michigan's Lead and Copper Rule and LSLR requirements.

Per the Michigan Lead and Copper Rule:

“**Lead service line**’ means either a service line which is made of lead or any lead pigtail, lead gooseneck, or other lead fitting that is connected to the service line, or both.”

“**Service line**’ means the pipe from the discharge of the corporation fitting to customer site piping or to the building plumbing at the first shut-off valve inside the building, or 18 inches inside the building, whichever is shorter.”

If the public water system wishes to purchase and retain an easement so that it maintains control of the infrastructure, that purchase is DWSRF eligible if the easement is determined to be integral to the project and the seller is willing. Expenses related to collecting field information, coordinating, and educating homeowners, and the creation of maps may also be eligible planning costs. However, to avoid ineligible costs, it is imperative to contact your [SRF Project Manager](#) in the pre-planning stages to confirm eligibility.

Single Audit Compliance

The Single Audit Act of 1984 (with amendment in 1996) and OMB Circular A-133 ("Audits of State, Local Governments, and Non-Profit Organizations") provide audit requirements for ensuring that federal funds provided to non-federal agencies such as cities, townships, and tribal governments are expended properly. The costs associated with the single audit are eligible for DWSRF assistance provided that the DWSRF is the only source of federal funding related to the project. Only costs directly associated with single audit compliance for the DWSRF project are eligible for loan reimbursement.

Supplies and Spare Parts

Costs associated with expendable supplies, such as chemicals or replacement parts, are not eligible for DWSRF reimbursement because these costs are considered to be routine O&M costs, which are not eligible for DWSRF assistance.

Test Wells

In cases where a test well must be drilled, the water supplier may acquire a temporary easement to allow drilling to proceed and then receive reimbursement for that easement under a DWSRF construction loan. Land purchase or easement cannot be finalized until after the applicant’s resolution to adopt the final project plan takes place in order for the land acquisition costs to remain eligible. Also, for equivalency projects, all environmental clearances must be obtained prior to test drilling at any well site for the drilling and land acquisition costs to remain eligible. See the [SRF Equivalency Project Planning Applicant Actions Guidance](#) for more information on these clearances.

The EGLE [District Engineer](#) should be contacted for an on-site inspection of proposed well sites prior to the commencement of exploratory drilling. If a test well comes up dry and an additional test well(s) needs to be drilled, the costs associated will be eligible for DWSRF reimbursement. Also, if land is purchased and is discovered to not produce a suitable well(s), the additional costs (legal, etc.) will be eligible for DWSRF reimbursement. However, only the purchase cost of the final property (i.e., the property that is ultimately used for the well(s) or treatment plant) will be eligible for DWSRF reimbursement. See the [Property Acquisitions](#) Section of this guidance for additional information.

Water Mains

The installation and replacement of undersized water mains is eligible for DWSRF assistance provided the project planning document identifies the need. This includes documentation of existing problems, such as low residential pressures/flows, age/past useful life, materials, frequency of breaks, or capacity issues, resulting in the need for new water main. **Necessary fire flows cannot be the sole justification for water main replacement.**

The ten-state standards require water main that provides fire protection to be 6 inches in diameter and larger sizes to meet minimum residual pressures and flow requirements during fire flow. Where local code requirements mandate a minimum size of 8 inches in diameter and it is documented in the project plan as part of the selected alternative, replacements with 8-inch-diameter water main are allowable. However, please note that a local ordinance requirement alone is not a sufficient demonstration of need for water main replacement. Construction activities, such as interior plumbing work performed within the confines of individual private structures, are not eligible for DWSRF assistance.

Looping of water mains is eligible for DWSRF assistance provided the need is identified in the project planning document. This must include a discussion of water quality issues currently experienced. All water main looping will be reviewed by the EGLE District Engineer to ensure that a water quality issue is addressed.

Water Meters

The installation of water meters for a new waterworks system or an existing unmetered system is eligible for DWSRF assistance, provided the meters are owned by the water supplier. The replacement or upgrading of existing water meters is allowable, but the need must have been demonstrated in the project planning document (e.g. upgrading meters to have remote read capabilities, inoperable meters past the end of their useful life, etc.). While ancillary costs such as providing the meter reading equipment is eligible, billing software to process the information obtained from the meters is not eligible. Installation or replacement of water meters is a separate project and alternative from lead service line replacement.

Waterworks System Expansion

The extension of a water main into an area not presently served by a public water supply will not be eligible for DWSRF assistance unless

- (a) the extension is necessary to address a drinking water problem in that area that was documented in the project planning document,
- (b) the extension is the cost-effective solution to that problem,
- (c) the extension is necessary to meet clearly identified needs for the 20-year project planning period that are substantiated by valid population projections (e.g., projections prepared by the state of Michigan or the appropriate regional planning agency, using a nationally recognized model such as the one produced by the U.S. Census Bureau). A waterworks system component sized to accommodate development or growth beyond the 20-year project planning period will not be eligible for DWSRF assistance, and
- (d) a minimum of 50% of established residential properties along the new water main route agree to connect to the community water system.

Connection Requirement

It is required that a minimum of 50% of established residential properties along the new water main route must agree to connect to the community water system by the earlier of within three years of loan issuance or prior to administrative completion of the project. Demonstration of meeting the connection requirement includes voluntary agreements from homeowners to connect or a local ordinance requiring connection to the water system.

Waterworks System Security Measures

Waterworks system security measures are eligible for DWSRF assistance, provided the need for each measure was established by the time draft plans and specifications are submitted for EGLE review. The hiring of security personnel and the purchase of chemicals for enhanced disinfection are not eligible for DWSRF assistance.

Eligible security measures include:

- Facility lighting
- Perimeter fencing
- Security cameras and motion detectors
- Secured storage for chemicals or fuel
- Backflow prevention devices in the distribution system.
- Covers for finished water reservoirs.
- Security hatches on reservoir or tank access panels and vents.

Security measures that are extensive in scope or cost may be eligible for DWSRF assistance, provided the need for each measure was documented in a vulnerability assessment and discussed at the public meeting held for the proposed project. Examples of such security measures include:

- Enhanced filtration or disinfection for biological agents.
- Enhanced treatment for chemical agents.
- Other measures the need for which is demonstrated to EGLE's satisfaction.

Well Rehabilitation

Well rehabilitation will not be eligible for DWSRF assistance unless the following two conditions are met:

1. The applicant can demonstrate that the proposed work is not part of an operation and preventative maintenance program. A distinction is made between preventative maintenance and well rehabilitation. Preventative maintenance is a scheduled, budgeted process of monitoring, testing, inspection, repair, and treatment to maintain well performance and water quality. Preventative treatments are applied "pro-actively," usually on a schedule, and, frequently at low doses to control well and pipeline fouling in its early "light" stages. Well rehabilitation occurs after deterioration is evident, treatments/repairs are more intense, use more chemicals, and take more time.

2. The applicant can demonstrate that well rehabilitation is more cost-effective than replacing the well. Considerations that need to be part of this evaluation include capital costs, design life of the new well versus the rehabilitated well, and operation and maintenance costs (i.e., if the water supplier is likely to have to repeat the rehabilitation process every several years, this cost needs to be included).

Use Tax

The payment of the 6% Use Tax for owner-furnished equipment that will be installed by the contractor under a DWSRF construction contract is eligible for inclusion in the DWSRF loan. See the [SRF Design Phase Guidance](#) for more information on Use Tax.

Vehicles

Cars, trucks, or vehicles that are used for waterworks system O&M activities are not eligible for DWSRF assistance.