

**S2 GRANTS PROGRAM
FREQUENTLY ASKED QUESTIONS
FOR THE STATE REVOLVING FUND (SRF) AND THE STRATEGIC WATER QUALITY
INITIATIVES FUND (SWQIF) APPLICANTS**

1. WHAT IS THE S2 GRANTS PROGRAM?

On December 14, 2010, Michigan's Governor Jennifer M. Granholm signed into law a bill that created the S2 Grants Program. The prime purpose of the S2 Grant program is to provide grant assistance to municipalities to cover the costs of completing an application to the SRF and/or the SWQIF for low-interest loan assistance. It is hoped and expected that this assistance will enable municipalities to better address their wastewater systems' needs and solve water quality problems they are experiencing.

2. HOW/WHEN CAN A MUNICIPALITY APPLY FOR AN S2 GRANT?

S2 Grant applications will be available online when the funds become available via the legislative appropriation process.

3. CAN A JOINT APPLICATION BE SUBMITTED FOR A PLANNING AND DESIGN SERVICES GRANT?

No, an application should initially be submitted for planning services only, with a subsequent application for remaining services when the project plan is complete and approvable (i.e. public participation requirements have been met).

4. WHAT ARE THE NAMES OF THE BILLS AND WHAT DO THEY DO?

The following bills were signed by Governor Granholm:

Public Act 231 of 2010: Established the grant program and provides specifics on how much money will be made available and when;

Public Act 232 of 2010: Added grants as a component of the previously enacted SWQIF authorization;

5. HOW MUCH GRANT MONEY IS AVAILABLE?

Grants totaling not more than \$40 million have been authorized. A municipality cannot receive more than \$1 million in total for grant assistance. The maximum amount also applies to a municipality which previously received S2 Grant funds in 2006.

6. HOW LONG WILL THE MONEY LAST?

Grant applications will be accepted until the money runs out.

7. WHAT CAN THE MONEY BE USED FOR? WHAT SERVICES ARE ELIGIBLE?

These grants are to be used for the planning and design of sewage treatment works projects, stormwater treatment projects, or nonpoint source projects, and for the development of a revenue system.

Examples of eligible planning costs include flow monitoring, infiltration/inflow analyses, sewer system evaluation surveys, soil surveys, wetlands surveys, archeological surveys, compliance with State Historical Preservation Office requirements, as well as any other activities necessary for the completion of a SRF/SWQIF project plan. The scope of

planning services and documentation of need must receive DNRE approval prior to any grant application approval.

Eligible design engineering costs include work necessary for the preparation and completion of final plans and specifications. Other eligible activities include preparing a basis of design and completing a value engineering report. Bidding services are not grant eligible. Design costs will not be awarded unless a submitted SRF/SWQIF project plan is approvable.

Examples of eligible user charge system development costs include contract/vendor fees for the preparation or amendment of sewer use and rate ordinances, preparation or revision of intermunicipal service agreements, submittal of the proposed budgets and rate methodologies for DNRE review, and related work.

8. ARE "PILOT STUDIES" GRANT ELIGIBLE COSTS?

If planning and design services involve pilot studies to demonstrate the effectiveness of a technology, the grant can cover these costs. However, the pilot study is not grant eligible if it results in permanent construction that will become a tangible asset. (Example: a footing drain disconnection "demonstration" project would not be grant eligible since it involves permanent construction.)

9. HOW SOON CAN A GRANT APPLICATION BE MADE?

Grant applications can be submitted at anytime; however, grants will be batch-processed and awarded on a quarterly basis in October, January, April, and July. The application will be available as a fill-able .pdf form on the DNRE website at S2 Grant Application as soon as monies are in place to fund the S2 Grants. Please use the application "AS IS" and do not try to alter it. Grants will be available for projects applying for SRF/SWQIF loan assistance on the Fiscal Year (FY) 2011 Project Priority List and beyond.

10. WHAT IF MY COMMUNITY IS ABOUT TO BEGIN, OR ALREADY HAS BEGUN, A PROJECT PLAN? DO WE STILL QUALIFY FOR A GRANT?

Yes, you may apply for a grant and are encouraged to do so. Please continue to prepare a plan as you normally would for submittal to the DNRE just as before. Costs you have already incurred on or after December 14, 2010, (the effective date of the legislation) can be included in your application. Costs incurred prior to December 14, 2010 are not eligible for grant funding, but are eligible for SRF/SWQIF loan funding.

11. IS A LOCAL MATCH REQUIRED?

Yes, the grant program will not provide more than 90 percent of costs incurred by the municipality to complete the application. There is a 10 percent local match required.

12. IS THE LOCAL MATCH ELIGIBLE FOR SRF OR SWQIF LOAN ASSISTANCE?

No. Please refer to Public Act 231 of 2010, Section 5204(a)(2)(b).

13. WHAT FINANCIAL REQUIREMENTS MUST BE MET BY APPLICANTS TO BE APPROVED FOR A GRANT?

A certified copy of an authorizing resolution from the municipality is all that will be required. A standard resolution form has been made a part of the S2 Grant Application, and must not be changed. Furthermore, the sample Grant Agreement MUST be attached to the resolution and not altered in any way.

14. WHAT COST DOCUMENTATION WILL BE REQUIRED IN THE GRANT APPLICATION?

You must provide a copy of an executed contract for services in excess of \$50,000. For estimated costs below \$50,000, provide either a contract or a letter from the vendor detailing the services to be provided and their associated costs. For all incurred costs, provide invoices or proof of payment.

15. WHAT HAPPENS IF THE PROJECT NEVER GETS COMPLETED BY THE GRANT RECIPIENT?

The grant must be repaid, with interest accrued from the time funds were disbursed, if any of the following conditions occur:

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

16. WHAT CONSTITUTES AN ADMINISTRATIVELY COMPLETE SRF/SWQIF LOAN APPLICATION?

For purposes of this grant program, the three basic elements that are eligible for grant assistance are also the activities that need to be completed and approved to receive an SRF or SWQIF loan. These include the project plan, plans and specifications suitable for bidding, and the user charge system.

17. DOES THE GRANT HAVE TO BE REPAYED IF ONLY A PORTION OF THE PROJECT IS CONSTRUCTED WITH A SRF/SWQIF LOAN?

The scope of work recommended in the project plan for implementation within three years of receiving a grant award is the "project" that needs to get constructed to avoid repayment. For project plans that identify segments of work that have varying start dates for construction, an implementation schedule needs to be identified in the project plan, with at least the first segment of the project correlating with a start date that meets the three year requirement.

18. WHAT IF AN OPPORTUNITY EXISTS TO CAPTURE OTHER GRANT FUNDS TO ASSIST WITH CONSTRUCTING THE PROJECT?

Financing the project through other means of assistance outside the SRF/SWQIF (grants, loans, cash-on-hand) will not require repayment of the grant.

19. IN THE EVENT OF REPAYMENT, FROM WHAT POINT WOULD INTEREST ACCRUE?

Interest would be calculated, at a rate not to exceed 8 percent, from the date(s) that grant funds were drawn by the grantee.

20. WHAT OTHER RESTRICTIONS APPLY?

Grant funds cannot be used for general local government administrative activities or activities performed by municipal employees.

21. WHERE CAN I GET MORE INFORMATION?

Watch this web page for updates. You may also write, phone, or e-mail the DNRE:

Ms. Sonya T. Butler
Department of Natural Resources and Environment
Environmental Resource Management Division
P.O. Box 30241
Lansing, MI 48909-7741
517-373-2161
butlers2@michigan.gov

OR

For financial questions, the contact is:

Mr. John Barton
Department of Treasury
Michigan Finance Authority
P.O. Box 15128
Lansing, MI 48901
517-335-0994
bartonj@michigan.gov