



Michigan Department of Environment, Great Lakes, and Energy

Dan Eichinger, Acting Director

Drinking Water State Revolving Fund Fiscal Year 2022 Annual Report

Prepared by:
Water Infrastructure Funding & Financing Section
Finance Division
PO Box 30457

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ATTACHMENTS

FY 2022 DWSRF Projects Financed	Attachment 1
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I. Introduction

The federal Safe Drinking Water Act (SDWA) requires a report of annual Drinking Water State Revolving Fund (DWSRF) activities. This report, compiled by the Water Infrastructure Funding and Financing Section (WIFFS) of the Department of Environment, Great Lakes, and Energy (EGLE), is hereby submitted for the state fiscal year (FY) 2022, October 1, 2021, through September 30, 2022. This annual report is available on EGLE's website at www.Michigan.gov/DWSRF.

This report describes uses of funds, the DWSRF financial position, and the manner in which WIFFS met the FY 2022 Intended Use Plan goals and objectives.

EGLE and the Michigan Finance Authority (MFA) jointly administer the DWSRF under the authority of Part 54, Safe Drinking Water Assistance, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended (NREPA), and the Shared Credit Ratings Act, 1985 PA 227, as amended. EGLE operates as the lead agency for management of the DWSRF with the WIFFS serving as EGLE's program administrator.

II. Executive Summary

Since 1999, Michigan's DWSRF program has issued over \$1.6 billion to local municipalities undertaking drinking water infrastructure projects throughout the state. This financial assistance has protected public health across the state, yet much work is still needed. Infrastructure continues to approach and extend beyond its design limits while the need to reduce exposure to emerging contaminants such as perfluoroalkyl and polyfluoroalkyl substances (PFAS) continues to grow.

The DWSRF plays a crucial role in meeting needs by providing secure, low interest financing annually. In FY 2022, Michigan's DWSRF committed over \$334 million in loans and forgiveness dollars to 45 municipalities with over \$109 million being awarded as principal forgiveness plus an additional \$27 million being award as state funded grants in conjunction with the DWSRF program. The amount of dollars awarded in FY 2022 nearly doubled the total awarded last year with an uptick of nearly three times the total number of distinct municipalities.

III. Project Activity

EGLE was granted the 2021 federal capitalization grant from EPA in the amount of \$27,004,000. Additionally, in FY 2022 the transfer of funds under the federal Water Infrastructure Transfer Act (WIFTA) allowed Michigan to utilize an additional \$102,175,063 towards lead service line removal projects in disadvantaged communities. The WIFTA funds were transferred from the companion Clean Water State Revolving Fund program into the DWSRF.

Moreover, as part of the state’s new Michigan Clean Water Plan, WIFFS was able to award up to \$35,000,000 from the Drinking Water Infrastructure (DWI) grant program to applicants with a project receiving a DWSRF loan. These grant dollars complimented DWSRF loan funding thereby extending the fundable range. Attachment 1 illustrates total dollars awarded to applicants in each funding category.

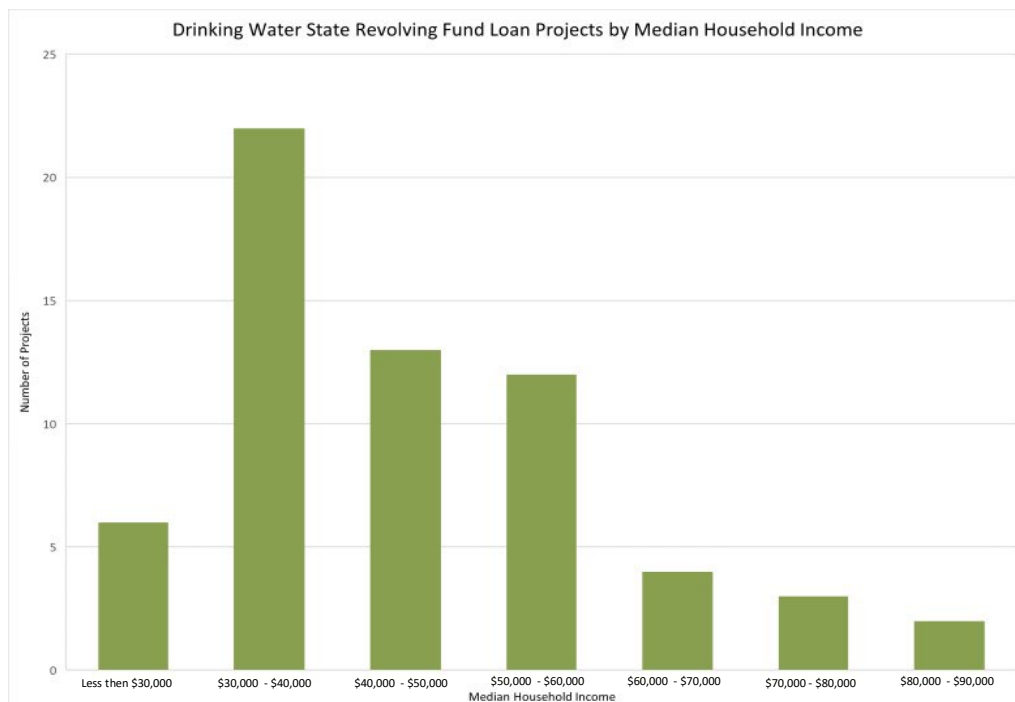
In FY 2022, WIFFS executed milestone schedules with all applicants willing to proceed and completed environmental reviews on all projects that were awarded DWSRF financing. Appropriate determinations were executed pursuant to the State Environmental Review Process (SERP) prior to acting on any project.

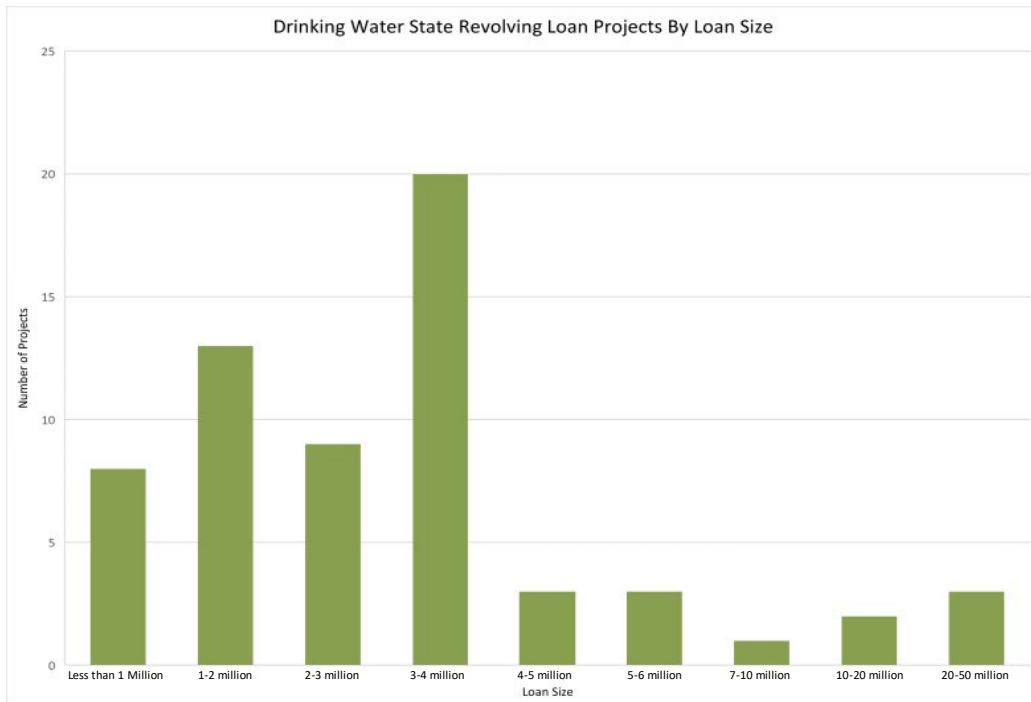
Sixty-two bidding commitments totaling \$361,931,087 (includes DWI grant dollars) were made as illustrated on Attachment 1. The total commitment amount included \$109,457,257 in principal forgiveness and \$27,292,272 in grants. Interest rates for projects were set at 1.875 percent for 20-year loan terms and 40-year loan terms for disadvantaged applicants. 30-year loan terms were established at 2.125%.

Fifty-two projects, or 84 percent of total loans awarded, went to qualified disadvantaged communities under Michigan’s definition.

The DWSRF FY 2022 Intended Use Plan (IUP) identified 62 projects for funds and established total funding of \$387,175,063. All projects identified on the IUP moved forward however, due to substantially higher bids than estimated, limited DWSRF dollars and local bonding limits, some applicants had to reduce project scopes.

The Following tables provide metrics regarding the DWSRF FY 2022 funding cycle.





IV. Short Term Goals

Michigan’s FY 2022 IUP included two short-term goals for FY 2022:

1. *Secure Michigan’s full share of federal funding and to expeditiously obligate these monies along with the state contribution.*

WIFFS offered funds to 62 projects that submitted a project plan in FY 2022. EGLE captured the full federal capitalization grant by utilizing general fund dollars for the required 20% state match. WIFFS entered into binding commitments that require construction notice to proceeds within 90 days of loan closing. The final dollars of the loan portion of the 2021 grant from EPA was spent down in October 2022.

WIFFS offers a twice monthly draw schedule for applicants to expedite funds to communities and spend down of federal grant dollars.

2. *Ensure requirements of the capitalization grant terms and conditions are met, including those imposed on local borrowers.*

All projects were required per their loan agreement to comply with the Davis-Bacon Act as well as use iron and steel products produced in the United State for construction, alteration, maintenance, and repair of treatment works.

Further requirements such as, equivalency, and additional subsidization are discussed below.

V. Additional Subsidization

EGLE's definition of a disadvantaged community was changed with recently passed legislation. However, projects receiving financing in FY 2022 were governed by the disadvantaged definition under Part 54, Safe Drinking Water Assistance, of the Natural Resources and Environmental Protection Act, 1994 PA 451 as amended. Classification as a disadvantaged applicant garners additional financial resources such as the award of principal forgiveness, additional priority points for scoring/ranking of projects, and the option of selecting an extended financing term of 40 years.

Attachment 1 illustrates the disadvantaged projects that were awarded DWSRF dollars in FY 2022. EGLE issued loans to 52 disadvantaged projects in FY 2022.

A total of \$109,457,257 in principal forgiveness was awarded in FY 2022. Of that amount, \$10,993,167 was awarded as traditional principal forgiveness and \$98,464,090 awarded in WIFTA forgiveness. Projects considered disadvantaged with a MAHI less than \$35,000 that did not receive WIFTA funds were awarded 29% of their loan amount as traditional principal forgiveness. Projects considered disadvantaged with a MAHI greater than \$35,000, that did not receive WIFTA funds were awarded 24% of their loan amount as traditional principal forgiveness.

VI. WIFTA

WIFTA was awarded solely to disadvantaged communities undertaking lead service line removal projects at 100 percent forgiveness for construction costs up to the maximum amount per applicant based on the population served by a water system as follows:

- Populations served below 50,000 = \$3,000,000
- Populations served between 50,000 and 99,999 = \$5,000,000
- Populations served at or above 100,000 = \$10,000,000

WIFFS anticipated awarding the full transfer amount of \$102,175,063 however due to projects coming in higher than estimated and communities needing to reduce the project scopes, \$98,464,090 was awarded. WIFTA funds not yet allocated to projects, \$3,710,973, will be awarded to a project on the FY 2023 project priority list via an amended FY 2023 DWSRF IUP.

VII. DWI Grant Program

As part of the new Michigan Clean Water Plan, \$35,000,000 was allocated to be awarded as grant funds to projects receiving a DWSRF loan. This funding is referred to as the DWI grant program. A DWSRF applicant was eligible to receive the lesser of 30 percent of DWSRF project costs or \$2,000,000. Projects receiving WIFTA funding were not eligible for this grant program. Funding was awarded to applicants in priority order on the FY 2022 Project Priority List resulting in 24 projects receiving \$27,292,272 in grant funding. Attachment 1 illustrates projects that received DWI funds and their associated award amount.

VIII. NEPA Review and Equivalency

All projects receiving DWSRF dollars were subject to an environmental review by WIFFS consistent with Michigan's National Environmental Policy Act (NEPA)- like State Environmental review process as described in Part 54, Safe Drinking Water Assistance, of the Natural Resources and Environmental Protection Act, 1994 PA 451 as amended. Findings of no significant impact were issued for all projects awarded dollars.

FY 2022 was the first year Michigan applied equivalency for DWSRF projects. As Michigan's capitalization grant was \$27,004,000, this was the minimum amount of dollars that must be applied to the equivalency program. WIFFS works with all applicants to select those projects that are typically, not disadvantaged, high dollar construction projects. Equivalency project must meet EPA's equivalency requirements including compliance with all federal cross cutters. Projects below were used to meet the equivalency requirement in FY 2022.

Project Number	Applicant	Equivalency Amount
7532-01	GLWA	\$34,075,000
Total		\$34,075,000

IX. Sources and Uses of Funds

DWSRF – Sources of Funds as of 9/30/22	
Federal cap grants (FY21+FY22+BIL EC+BIL Sup+BIL LSLR)	\$142,622,352
State match	\$7,857,200
DWSRF Bond Proceeds	\$124,440,326
Principal Repayments	\$36,178,664
Interest Repayments	\$10,125,164
Investment Earnings	\$14,642,673
Other Sources	\$20,278
Total Sources	\$335,886,657

DWSRF – Uses of Funds for FY2022 Expenses	
Loan Assistance Disbursed	\$102,256,336
Leveraged Bond Debt Service	\$20,737,712
State Match Bond Debt Service	\$0
Administrative Expenses	\$21,953,441
Other Uses	\$0
Total	\$144,947,489

EGLE has agreed to administer the DWSRF in accordance with the capitalization grant terms, the FY 2022 IUP, and the Operating Agreement. In doing so, certain administrative procedures are implicit. The operation of the fund is bound by the following provisions:

- Agreement to accept payments
- State laws, rules, and procedures
- State accounting and auditing procedures
- Sub-recipient accounting and auditing procedures
- Use of the Automated Standard Application for Payments
- Debit Repayment
- Annual audit requirements
- Annual performance review

Additionally, the state of Michigan has provided all necessary certifications from the state Attorney General's office, which attest to its ability to implement the DWSRF and bind itself to the terms of the Capitalization Grant Agreement.

X. DWSRF Accomplishments and Looking Forward

Clean, safe drinking water is vital to the protection of public health and economies across the state of Michigan. While Michigan is fortunate to have an abundance of freshwater resources, both surface and ground water, treatment and distribution of safe drinking water is costly. The state has numerous varied challenges such as cities with oversized infrastructure that is approaching or surpassing its useful life. This includes residential areas with wells that may be contaminated with PFAS or other emerging contaminants where the impacts are just now being discovered. These issues are front and center of why the DWSRF is so important to Michigan citizens.

DWSRF project highlights in FY 2022 included the award of nearly \$100 million to disadvantaged communities to remove their lead service lines. Seventeen communities that were awarded WIFTA forgiveness for removing lead service lines also took advantage of traditional DWSRF dollars and forgiveness to update the associated water mains or other distribution infrastructure. This approach of leveraging multiple sources of funding keeps project costs down by being able to mobilize contractors to prioritized areas of a community once rather than disturbing the same neighborhoods multiple years in a row. Costs for lead service line removal projects ranged from \$6,000 per line upwards to \$10,000 per line.

EGLE recognizes there are affordability challenges with water treatment and distribution. Nearly 85 percent of all funds awarded through the DWSRF process in FY 2022 were allocated to disadvantaged applicants. WIFFS staff continue to market the DWSRF program to communities using webinars, EGLE list serve messages, phone calls, and continuous website updates.

FY 2022 also brought improvements to WIFFS interactive online [dashboard](#) that illustrates loans awarded through DWSRF and the companion Clean Water State Revolving Fund. This dashboard is updated quarterly and allows users to sort data through filters such as fiscal year, legislative district, or applicant.

Michigan's WIFFS of EGLE have financed drinking water infrastructure projects for 23 years, we look forward to working with our partners to continue to develop innovative solutions to assist communities addressing infrastructure needs for generations to come.

DWSRF FISCAL YEAR 2022 FUNDED PROJECTS

Project #	Project Name	Project Description	Binding Commitment Date	DWSRF Loan Amount	WIFTA Principal Forgiveness Awarded	Principal Forgiveness (non WIFTA)	Drinking Water Infrastructure Grant Amount Awarded	Disadvantaged Community	Loan Terms (yrs)	Interest Rate (%)
7609-01	Charter Township of Brownstown	New storage tanks	08/29/2022	\$ 1,067,000			\$ 457,500		20	1.875
7593-01	Charter Township of Hampton	LSLR	08/28/2022	\$ 1,270,000	\$ 1,270,000			Yes	20	1.875
7529-01	Charter Twp. of Royal Oak	LSLR	04/08/2022	\$ 3,000,000	\$ 3,000,000			Yes	20	1.875
7577-01	City of Allegan	LSLR	08/29/2022	\$ 3,000,000	\$ 3,000,000			Yes	20	1.875
7569-01	City of Ann Arbor	Pump station improvements	05/16/2022	\$ 3,220,000			\$ 1,380,000		20	1.875
7509-01	City of Bay City	LSLR	04/12/2022	\$ 2,736,590	\$ 2,736,590			Yes	20	1.875
7595-01	City of Benton Harbor	LSLR	04/12/2022	\$ 3,000,000	\$ 3,000,000			Yes	20	1.875
7567-01	City of Coldwater	LSLR	06/27/2002	\$ 3,000,000	\$ 3,000,000			Yes	20	1.875
7599-01	City of Corunna	LSLR	08/29/2022	\$ 305,000	\$ 305,000			Yes	20	1.875
7622-01	City of Eastpointe	Watermain and LSLR	08/08/2022	\$ 5,970,000			\$ 2,000,000		20	1.875
7558-01	City of Ecorse	LSLR	04/12/202	\$ 3,000,000	\$ 3,000,000			Yes	20	1.875
7607-01	City of Escanaba	LSLR	05/16/2022	\$ 4,935,000	\$ 3,000,000			Yes	20	1.875
7634-01	City of Escanaba	WTP Improvements	08/08/2022	\$ 3,955,000		\$ 1,146,950	\$ 1,695,000	Yes	30	2.125
7541-01	City of Grand Haven	LSLR	04/15/2022	\$ 3,000,000	\$ 3,000,000			Yes	20	1.875
7492-01	City of Grand Rapids	Watermain and LSLR	08/29/2022	\$ 21,515,000	\$ 10,000,000			Yes	20	1.875
7557-01	City of Grand Rapids	WTP and pump station improvements	08/08/2022	\$ 4,567,500			\$ 1,957,500		20	1.875
7604-01	City of Hamtramck	Watermain improvements	08/29/2022	\$ 2,730,000		\$ 791,700	\$ 1,170,000	Yes	40	1.875
7603-01	City of Hamtramck	LSLR	08/08/2022	\$ 3,510,000	\$ 3,000,000			Yes	40	1.875
7490-01	City of Highland Park	Watermain improvements	11/15/2021	\$ 7,515,000		\$ 2,179,350	\$ 2,000,000	Yes	40	1.875
7516-01	City of Highland Park	LSLR	04/12/2022	\$ 2,195,000	\$ 2,195,000			Yes	40	1.875
7471-01	City of Howell	Watermain replacement	02/25/2022	\$ 2,327,500		\$ 558,600	\$ 997,500	Yes	20	1.875
7630-01	City of Howell	LSLR	04/12/2022	\$ 160,000	\$ 160,000			Yes	20	1.875
7502-01	City of Inkster	LSLR	08/29/2022	\$ 100,000	\$ 90,000			Yes	20	1.875
7637-01	City of Inkster	Watermain replacement	08/29/2022	\$ 3,745,000		\$ 898,800	\$ 1,605,000	Yes	40	1.875
7517-01	City of Kalamazoo	LSLR	05/16/2022	\$ 4,890,000	\$ 4,890,000			Yes	20	1.875
7521-01	City of Lapeer	LSLR	08/29/2022	\$ 1,205,000	\$ 1,205,000			Yes	20	1.875
7591-01	City of Melvindale	Watermain replacement	06/27/2022	\$ 3,370,500		\$ 808,920	\$ 1,444,500	Yes	40	1.875
7590-01	City of Melvindale	LSLR	08/08/2022	\$ 3,000,000	\$ 3,000,000			Yes	20	1.875
7565-01	City of Muskegon	LSLR	08/29/2022	\$ 3,240,000	\$ 3,000,000			Yes	20	1.875
7566-01	City of Muskegon	Watermain replacement	08/29/2022	\$ 1,603,000		\$ 464,870	\$ 687,000	Yes	20	1.875
7575-01	City of Muskegon Heights	LSLR	08/08/2022	\$ 3,640,000	\$ 3,000,000			Yes	20	1.875
7576-01	City of Muskegon Heights	WTP and watermain improvements	08/08/2022	\$ 2,831,500		\$ 821,135	\$ 1,213,500	Yes	20	1.875
7555-01	City of Owosso	LSLR	02/25/2022	\$ 3,000,000	\$ 3,000,000			Yes	20	1.875
7458-01	City of Owosso	Watermain and LSLR	04/08/2022	\$ 941,500		\$ 225,960	\$ 403,500	Yes	20	1.875
7601-01	City of River Rouge	LSLR	06/27/2022	\$ 3,000,000	\$ 3,000,000			Yes	20	1.875
7534-01	City of Saginaw	LSLR	08/29/2022	\$ 5,000,000	\$ 5,000,000			Yes	20	1.875
7487-01	City of St Joseph	Watermain and LSLR	02/25/2022	\$ 2,800,000			\$ 1,200,000		30	2.125
7623-01	City of Traverse City	Water system improvements and LSLR	08/30/2022	\$ 3,510,500			\$ 1,504,500		20	1.875
7573-01	City of West Branch	WTP and watermain improvements	08/29/2022	\$ 1,603,000		\$ 464,870	\$ 687,000	Yes	30	2.125
7572-01	City of West Branch	LSLR	08/29/2022	\$ 1,810,000	\$ 1,810,000			Yes	20	1.875
7443-01	East Lansing Meridian Water & Sewer Authority	Watermain extension and filter backwash improvements	05/16/2022	\$ 7,100,000			\$ 2,000,000		20	1.875
7532-01	GLWA	96 inch transmission main relocation	08/29/2022	\$ 34,075,000					20	1.875
7548-01	GLWA/DWSD	LSLR	04/08/2022	\$ 10,000,000	\$ 10,000,000			Yes	20	1.875

DWSRF FISCAL YEAR 2022 FUNDED PROJECTS

Project #	Project Name	Project Description	Binding Commitment Date	DWSRF Loan Amount	WIFTA Principal Forgiveness Awarded	Principal Forgiveness (non WIFTA)	Drinking Water Infrastructure Grant Amount Awarded	Disadvantaged Community	Loan Terms (yrs)	Interest Rate (%)
7553-01	Oakland County	LSLR	05/16/2022	\$ 5,000,000	\$ 5,000,000			Yes	20	1.875
7610-01	St Clair River Sewer and Water Authority	Watermain replacement	08/29/2022	\$ 6,500,000					30	2.125
7613-01	Village of Baldwin	LSLR	09/14/2022	\$ 1,250,000	\$ 1,250,000			Yes	20	1.875
7635-01	Village of Elberta	Watermain, well, well house improvements	08/29/2022	\$ 35,000		\$ 8,400	\$ 15,000	Yes	40	1.875
7581-01	Village of Elberta	LSLR	08/29/2022	\$ 1,885,000	\$ 1,585,000			Yes	40	1.875
7508-01	Village of Kaleva	LSLR	04/08/2022	\$ 395,000	\$ 325,000			Yes	20	1.875
7636-01	Village of Kaleva	Watermain, pump station, SCADA improvements	04/08/2022	\$ 2,968		\$ 712	\$ 1,272	Yes	20	1.875
7525-01	Village of Marcellus	LSLR	08/29/2022	\$ 3,250,000	\$ 2,795,000			Yes	40	1.875
7562-01	Village of Marcellus	Watermain, filter improvements	08/29/2022	\$ 2,506,000		\$ 601,440	\$ 1,074,000	Yes	40	1.875
7540-01	Village of Muir	LSLR	04/12/2022	\$ 1,000,000	\$ 1,000,000			Yes	20	1.875
7519-01	Village of Nashville	LSLR	05/16/2022	\$ 1,148,500	\$ 1,148,500			Yes	20	1.875
7625-01	Village of Onsted	Watermain replacement, well improvements	08/29/2022	\$ 2,152,500		\$ 516,600	\$ 922,500	Yes	40	1.875
7624-01	Village of Onsted	LSLR	08/29/2022	\$ 685,000	\$ 579,000			Yes	20	1.875
7580-01	Village of Paw Paw	Watermain, storage tank rehab	08/29/2022	\$ 3,990,000		\$ 1,157,100	\$ 1,710,000	Yes	40	1.875
7579-01	Village of Paw Paw	LSLR	08/29/2022	\$ 3,000,000	\$ 3,000,000			Yes	20	1.875
7606-01	Village of Shelby	Watermain replacement, new well, storage tank work	05/16/2022	\$ 1,449,000		\$ 347,760	\$ 621,000	Yes	20	1.875
7605-01	Village of Shelby	LSLR	05/16/2022	\$ 2,015,000	\$ 1,920,000			Yes	20	1.875
7617-01	Village of Westphalia	Watermain replacement	08/29/2022	\$ 1,274,000			\$ 546,000		30	2.125
7632-01	Village of White Pigeon	LSLR	08/29/2022	\$ 1,200,000	\$ 1,200,000			Yes	20	1.875
TOTALS					\$ 225,181,558	\$ 98,464,090	\$ 10,993,167	\$ 27,292,272		