

MICHIGAN MUNICIPAL LEAGUE **CONVENTION 2023**



State Revolving Loan Funds 101

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Agenda

1. Introduction
2. State Revolving Fund (SRF)
3. Scoring Criteria Review
4. Workshop



#MMLCONV | convention.mml.org

M M L
CONV
2023

Introduction

A stylized landscape illustration. The background is a solid blue sky. In the foreground, there are rolling hills. On the left, a green hill has two small green diamond shapes on top. To its right is a larger yellow hill with two small orange diamond shapes on top. Below the yellow hill, there are two orange shapes that look like stylized trees or bushes. At the bottom, there is a black silhouette of a jagged mountain range.

Introduction

What is MI Water Navigator?

- Free resource for municipalities and utilities to navigate water infrastructure funding.
- Website with funding resources.
- Helpdesk that provides consultation and technical assistance.

- Led by the Michigan Municipal League Foundation (MMLF).
- Funded by EGLE, Joyce Foundation, Masco Foundation, and Charles Stewart Mott Foundation.
- OHM Advisors manages the Helpdesk and supplies technical assistance to communities.

Why MI Water Navigator?

Complexity of funding programs

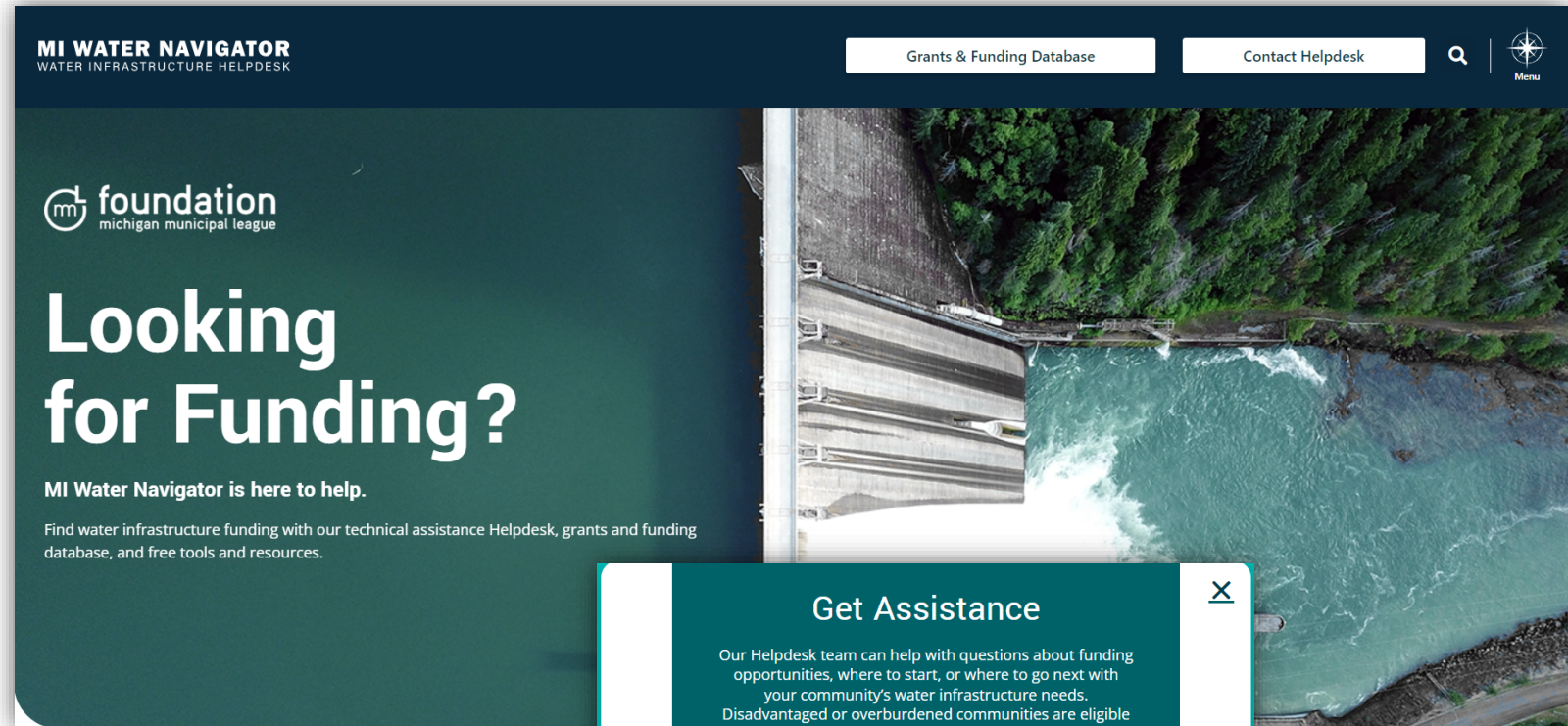
- Requirements
- Eligibility
- Deadlines

Ever-changing availability of funding programs



Website and Helpdesk

- www.miwaternavigator.org
- Contact Helpdesk
- Database of funding programs
 - Drinking Water
 - Wastewater
 - Stormwater



Get Assistance

Our Helpdesk team can help with questions about funding opportunities, where to start, or where to go next with your community's water infrastructure needs. Disadvantaged or overburdened communities are eligible for additional technical assistance completing applications. Request a risk free consultation with the Helpdesk today.

First Name * Last Name *

Email * Phone *

Message

protected by reCAPTCHA [Privacy](#) - [Terms](#)

Submit

State Revolving Fund (SRF)



Overview

Three Programs

1. **Clean Water State Revolving Fund (CWSRF) - Established in 1987:**

- Assist municipalities with construction of wastewater and stormwater infrastructure as well as nonpoint source pollution control measures.

2. **Drinking Water State Revolving Fund (DWSRF) - Established in 1996:**

- Assist water suppliers in financing the costs of replacement and repair of drinking water infrastructure and maintain compliance with the Safe Drinking Water Act.

3. **Strategic Water Quality Initiative Fund (SWQIF) - Established in 2002:**

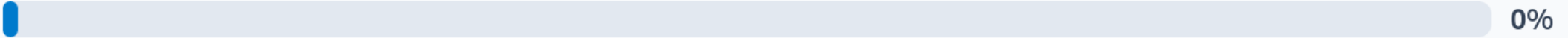
- Building footing drain disconnections from the sanitary sewer
- Upgrades or replacements of failing privately-owned on-site septic systems affecting public health (enabling legislation not passed)

Did you apply for funding for FY2024?

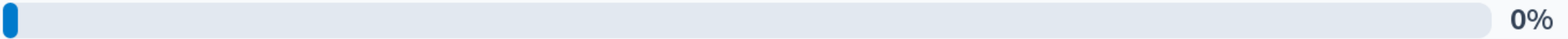
No, did not submit an ITA



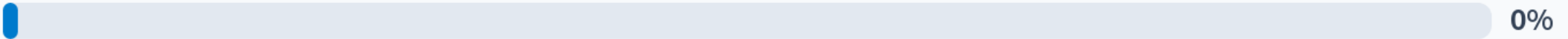
No, submitted an ITA but did not submit a project planning document



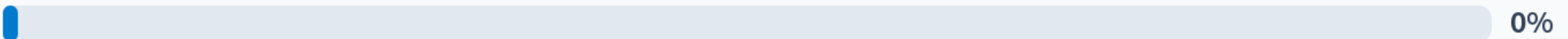
Yes, did not receive funding



Yes, did receive funding



None of the above



Criteria Changes Starting FY2024

Scoring and Overburdened/
Significantly Overburdened
Criteria



Project Planning Document
Preparation Guidance



<https://www.michigan.gov/egle/Regulatory-Assistance/Grants-and-Financing/Drinking-Water-State-Revolving-Fund>



FY 2024

CWSRF/SWQIF INTEREST RATES

Term	Disadvantaged Status	Rate
20-year	NA	2.50%
30-year	NA	2.75%
20-year	Overburdened	2.00%
30-year	Overburdened	2.00%
20-year	Significantly Overburdened	1.00%
30-year	Significantly Overburdened	1.00%

DWSRF INTEREST RATES

Term	Disadvantaged Status	Rate
20-year	NA	2.50%
30-year	NA	2.75%
20-year	Overburdened	2.00%
30-year	Overburdened	2.00%
20-year	Significantly Overburdened	1.00%
30-year	Significantly Overburdened	1.00%
40-year	Overburdened	2.00%
40-year	Significantly Overburdened	1.00%

FY 2024

CWSRF Funding

Award	Amount
ARPA Grant	\$202,968,158
CWSRF Loan	\$842,928,342
CWSRF Forgiveness	\$13,900,000
BIL PFAS Forgiveness	\$9,144,000
BIL CWSRF Loan	\$45,708,750
BIL CWSRF Forgiveness	\$43,916,250
Total	\$1,158,565,500

DWSRF Funding

Term	Amount
ARPA Grant	\$374,031,430
DWSRF Loan	\$116,742,467
DWSRF Forgiveness	\$3,569,039
BIL DWSRF Loan	\$21,849,420
BIL DWSRF Forgiveness	\$20,992,580
BIL Emerging Contaminants Forgiveness	\$26,224,000
BIL LSLR Loan	\$36,234,461
BIL LSLR Loan Forgiveness	\$34,813,501
Drinking Water Infrastructure Grant	\$7,707,728
ARPA LSLR/Watermain Grant	\$78,800,000
Total	\$720,964,626

Key Terms/Requirements

1. Davis Bacon Act:

- All SRF projects are subject to Davis Bacon Wage Rates

2. American Iron and Steel:

- All projects receiving SRF Base funding or BIL dollars must comply with the American Iron and Steel provision unless an EPA waiver is granted

3. Fiscal Sustainability Plans:

- Required for CWSRF funded projects // Not Required for DWSRF funded projects

4. Equivalency Projects:

- Projects required to meet certain federal requirements such as federal crosscutter, signage, FFATA reporting requirements, single audit and Build America, Buy America
- Only applies to projects funded with SRF Base and BIL

5. Qualified Based Selection (QBS) applies to selecting engineering firms. (Only applies to CWSRF).

Financial Requirements

- **User rate analysis showing user rates have been adopted (not necessarily implemented) before closing to pay for the debt payments**
- **Investment grade bond rating**
 - ✓ Revenue sharing agreement or
 - ✓ Investment grade bond rating (rated by S&P, Moody's or Fitch) or
 - ✓ Current public bond rating with the same security (only applies to limited tax or unlimited tax general obligation bonds)

Bond Anticipation Notes (BANs)

What are these?

- “Bridge Loan”

Why are they used?

- Typically used to fund up-front soft costs to get to closing on the permanent financing
 - Many engineers in Michigan require up-front funding from community through cash or BAN
- Can be used to pre-purchase materials (subject to bond buyer rules)

Problems with using BAN's for SRF

FY 2024

Department of Environment, Great Lakes, and Energy (EGLE) and Michigan Finance Authority (MFA)
FY 2024 FINANCING SCHEDULE
 Clean Water and Drinking Water State Revolving Funds and the
 Strategic Water Quality Initiatives Fund (SWQIF)

	QUARTER 1	QUARTER 1.5	QUARTER 2	QUARTER 2.5	QUARTER 3	QUARTER 3.5	QUARTER 4
EAs Published No Later Than	08/15/2023	09/26/2023	11/17/2023	01/04/2024	02/06/2024	03/20/2024	04/24/2024
Part I and Part II Application Due	08/29/2023	10/10/2023	11/28/2023	01/09/2024	02/14/2024	03/28/2024	05/15/2024
FNSI Clearance Plans & Specs Approved	09/14/2023	10/26/2023	12/18/2023	02/05/2024	03/07/2024	04/19/2024	05/24/2024
Bid Ad Published No Later Than	09/14/2023	10/26/2023	12/18/2023	02/05/2024	03/07/2024	04/19/2024	05/24/2024
Part III of Application Due Bid Data Submittal (With Tentative Contract Award)	10/31/2023	12/12/2023	01/30/2024	03/13/2024	04/15/2024	05/28/2024	07/08/2024
EGLE Order of Approval Issued*	11/14/2023	01/08/2024	02/23/2024	04/08/2024	05/15/2024	06/26/2024	08/07/2024
Borrower's Pre-Closing with the MFA	11/28/2023	01/22/2024	03/13/2024	04/24/2024	05/28/2024	07/08/2024	08/21/2024
MFA CLOSING	12/11/2023	02/05/2024	03/25/2024	05/06/2024	06/05/2024	07/17/2024	08/28/2024
Notice to Proceed Issued No Later Than	02/09/2024	04/05/2024	05/24/2024	07/05/2024	08/04/2024	09/15/2024	10/27/2024

FY 2024

- Last year for American Rescue Plan Act (ARPA) dollars to be awarded.
- Emphasis on overburdened/significantly overburdened communities.
- New scoring criteria was developed for CWSRF and DWSRF by EGLE.

Next Steps

- Communities in fundable range should start working with a financial advisor.
- Secure engineering consultant for project design.
- If considered an equivalency project, must complete federal crosscutter requirements.

Action Items for Utilities Interested in FY2025 Funding

1. Gather Recent Reports

- Water Reliability Study
- EGLE Sanitary Survey
- Asset Management Plan/Capital Improvements Plan
- Rate schedules
- Pump and tank inspections
- Source Water Protection Plan

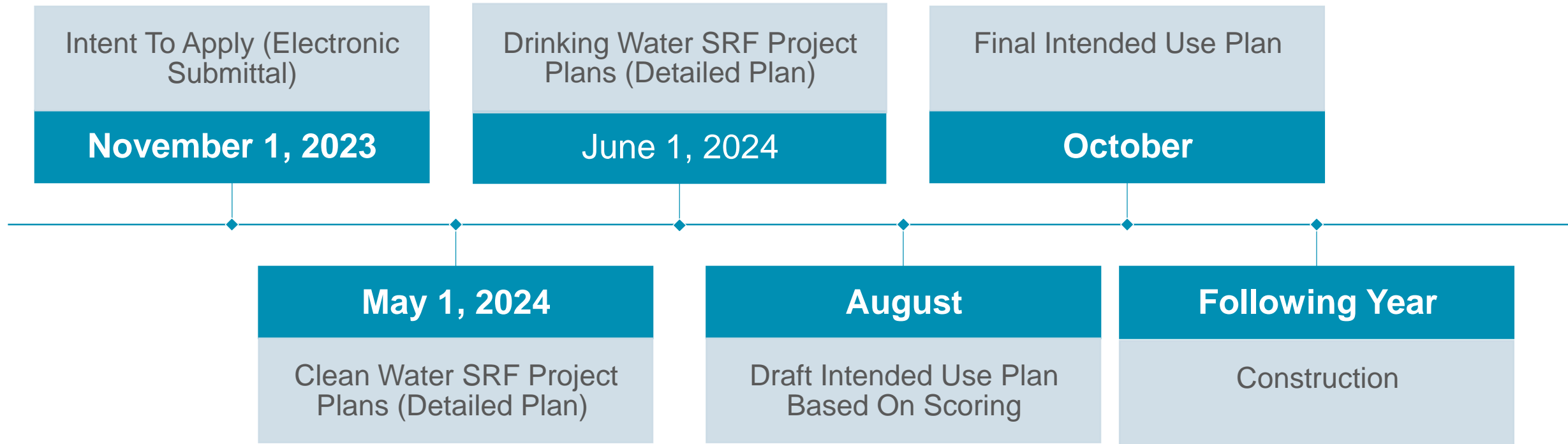
2. Seek Assistance at the MI Water Navigator Website

- Contact Helpdesk for general information and assistance.
- Up-to-date SRF resources
- Assistance with ITAs (overburdened/significantly overburdened)
- Understanding next steps if already submitted a Project Planning Document

(Availability of technical assistance is limited to available funds.)



FY2025 SRF Timeline



SRF Intent to Apply

- New electronic ITA submittal form.
- Must be submitted by interested applicants and carry over projects.
- Due by November 1, 2023, for FY 2025 consideration.
- Visit Michigan.gov/CWSRF or Michigan.gov/DWSRF
- Submit ITA under 'How to Apply

Michigan's State Revolving Funds - Fiscal Year 2025 Intent To A...



MICHIGAN DEPARTMENT OF
ENVIRONMENT, GREAT LAKES, AND ENERGY

Instructions

This form must be submitted by all applicants seeking funding from the State Revolving Fund programs in fiscal year (FY) 2025 (October 1, 2024 - September 30, 2025). This includes the Drinking Water State Revolving Fund (DWSRF), Clean Water State Revolving Fund (CWSRF), and Strategic Water Quality Initiatives Fund (SWQIF). The Intent to Apply form may be submitted at any time but is due on or before November 1, 2023. Applicants must complete a separate form for CWSRF and DWSRF, if applying for both.

For questions, please visit our website:

[Clean Water State Revolving Fund](#)

[Drinking Water State Revolving Fund](#)

Or contact us at:

Phone: 517-284-5433

Email: EGLE-WIFFS@Michigan.gov

FY 2025 – Anticipated Funding

CWSRF Funding

Award	Amount
ARPA Grant	\$202,968,158
CWSRF Loan	\$842,928,342
CWSRF Forgiveness	\$13,900,000
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FY2024 Total	\$1,158,565,500
FY2025 Anticipated Total	\$955,600,000

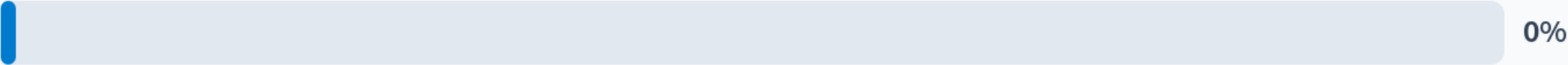
If all other funding remains the same.

DWSRF Funding

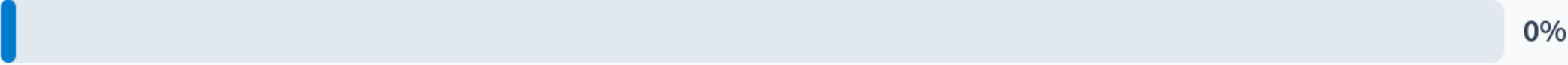
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Drinking Water Infrastructure Grant	\$7,707,728
ARPA LSLR/Watermain Grant	\$78,800,000
FY2024 Total	\$720,964,626
FY2025 Anticipated Total	\$260,400,000

Do you intend to apply for FY2025?

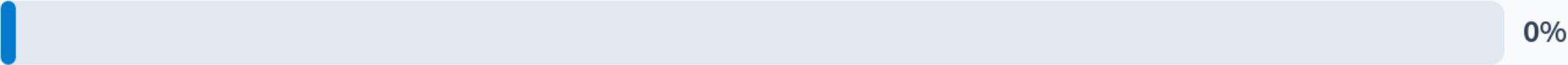
Yes



No



Not sure



Scoring Criteria



DWSRF Scoring Categories

I. Drinking Water Regulatory Compliance

- A. Facility Upgrades to Maintain Compliance
- B. Regionalization efforts to support improved TMF capacity, Managerial or Financial Capacity
Resource sharing to increase compliance
- C. Consolidation
 - CWS
 - Other PWS
- D. Project addresses enforcement order (CWS or NCWS)
- E. Source Water Protection Efforts

DWSRF Scoring Categories

II. Public Health Protection

- A. Lead Service Line Replacements
LSL, Galvanized previously served by lead
- B. Acute violations of standards or TTs
Project addresses acute MCLs or TTs (Nitrate, E-Coli, SWTR)
- C. Non-acute violations of standards
Project addresses non-acute MCLs, HALs, or TTs (Arsenic, PFAS, VOCs, ALEs, Radium, Manganese, etc.)
- D. History of Proactive Public Health Protection
Water supply has history of no HB violations in past 5 years

DWSRF Scoring Categories

III. Drinking Water Quality Standards

- A. Looping to eliminate dead-end watermains/Install Storage Tank Mixing or equivalent
- B. Change to more protective/higher quality source water
- C. Active Source Water Protection Program
- D. Treatment upgrades to address water quality

DWSRF Scoring Categories

IV. Improving Infrastructure

- A. Asset management implementation
Project addresses needs in Capital Improvements Plan/Reliability Study
- B. Project Includes infrastructure assets for multiple systems
Technical Capacity resource sharing (tanks, wells, intakes, etc.)
- C. Project includes multiple asset classes or financing sources
USDA RD, CWSRF, Grants, Loans, other matching sources, etc.

DWSRF Scoring Categories

V. Affordability/Disadvantaged Applicants

- A. Overburdened Communities
- B. Significantly Overburdened Communities

Overburdened / Significantly Overburdened Criteria

Overburdened

- **Median Annual Household Income (MAHI) below State MAHI. For FY24, that value is \$63,498.**
- **One of the following:**
 - Taxable value per capita (TVPC) in the lowest 20% of Michigan's population. For FY24, the value is less than \$22,920.
 - Annual user costs exceed 1% of the MAHI.

Significantly Overburdened

- **Median Annual Household Income (MAHI) below State MAHI. For FY24, that value is \$63,498.**
- **One of the following:**
 - MAHI below 125% of the Federal Poverty Line. For FY24, the MAHI would be less than \$37,500.
 - TVPC of the in the lowest 10% of Michigan's population within that category. For FY24, that value is less than \$15,170.

Workshop

A stylized landscape illustration. The background is a solid blue sky. In the foreground, there are rolling hills. On the left, a green hill has two small green diamond shapes on top. To its right is a larger yellow hill with two small orange diamond shapes on top. At the bottom, there are black silhouettes of trees and a jagged horizon line. A thin orange line runs across the yellow hill.

Hometown, MI

Population: 7,000

Median Household Income / Taxable Value Per Capita: \$55,600 / \$20,000

The community supplies its water from three supply wells, the most recent of which was constructed in 2017. The oldest well is in need of rehabilitation. The system has a Wellhead Protection Plan (WHPP), but it was completed in 2008 and is outdated. The water is pumped to a storage tank and is distributed to the residents and businesses of the community. The storage tank was inspected in 2020 and requires repainting due to structural deficiencies. Water main in the system is old and deteriorating and requires replacement and looping at a few dead ends. The community is currently investigating locations of lead service lines (LSLs) and has investigated 60% of the lines. So far, 50 LSLs have been identified. The water system has not had any violations in its consumer confidence report since 2015. A Water Reliability Study (WRS) was completed in 2022 and identified these improvements in the Capital Improvements Plan (CIP).

Projects included in FY2024 Project Planning Document:

- Water main replacements
- Water main looping



GRACE CAREY

Program Officer
MML Foundation



VICKI PUTALA, PE

Vice President
OHM Advisors



ANDY CAMPBELL

CPA, Director
Baker Tilly

Overburdened Criteria

1. **“Overburdened community” means a municipality in which all of the following conditions are met:**
 - a. Users within the area served by a proposed drinking water project, sewage treatment works project, or stormwater treatment project are directly assessed for the costs of construction.
 - b. The median household income of the area served by a proposed drinking water, sewage treatment works project or stormwater treatment project does not exceed 100% of the statewide median annual household income for this state.
 - c. The municipality demonstrates at least one of the following:
 - i. The taxable value per capita of the area served by a project falls into the communities representing the lowest 20% of Michigan’s population within that category. For FY24, the value is \$22,920 per capita.
 - ii. The annual user costs for the corresponding portion of the water system (sewage and stormwater treatment or drinking water) exceed 1% of the median annual household income of the area served by the proposed project.
2. **A community which qualifies as a significantly overburdened community would also be considered an overburdened community. However, any potential benefits may only be applied under one designation or the other.**

Significantly Overburdened Criteria

1. “Significantly overburdened community” means a municipality in which all of the following conditions are met:
 - a. Users within the area served by a proposed drinking water project, sewage treatment works project, or stormwater treatment project are directly assessed for the costs of construction.
 - b. The municipality demonstrates at least one of the following:
 - i. The median annual household income of the area served by a proposed project is less than 125% of the federal poverty guidelines for a family of four in the 48 contiguous United States. In determining the median annual household income of the area served by the proposed sewage treatment works project or stormwater treatment project under this sub-paragraph, the municipality shall utilize the most recently published statistics from the United States Census Bureau, updated to reflect current dollars, for the community that most closely approximates the area being served by the project. As used in this sub-paragraph, “federal poverty guidelines” means the poverty guidelines published annually in the Federal Register by the United States Department of Health and Human Services under its authority to revise the poverty line under 42 U.S.C. 9902. For FY24, the 125% level would be an annual household income of less than \$37,500.
 - ii. The taxable value per capita of the area served by a project falls into the communities representing the lowest 10% of Michigan’s population within that category. For FY24, that value is less than \$15,170 per capita.