



Financing Drinking Water Projects
through the

**DRINKING WATER
REVOLVING FUND (DWRF)**

The DWRF Program

- Assists public water suppliers in meeting the requirements of the Safe Drinking Water Act
 - Provides low interest loans for planning, design, and construction of water supply projects
- Community water suppliers and non-profit non-community water suppliers are eligible

Financing Advantages

- Interest rates for loans are set below market rates each year
- Loans have a repayment period of up to twenty years (may be extended to 30 years for disadvantaged communities)
- For new systems, interest during construction may be capitalized

Eligible public water supply projects consist of pipes and structures through which water is obtained, stored, treated, or distributed such as:

- Wells and well structures
- Intake structures and cribs
- Pumping stations
- Treatment plants
- Storage tanks
- Security systems
- Pipelines and appurtenances

New water systems are eligible if private wells have documented public health problems with serious risks.

Eligible project costs include:

- Planning costs
- Design and construction engineering
- Legal and financial services
- Preparation of plans and specifications
- Construction costs
- Reasonable administration costs
- Land Acquisition/easements (if integral to project and seller is willing)

Ineligible Costs

- Fire protection
- Growth

To Apply for a DWRF loan:

- Community must submit a completed project plan that documents need for the project to protect drinking water quality and public health
- Project plans must be received by the DEQ no later than **May 1st** of each year to be considered for funding the subsequent fiscal year (Beginning October 1st)

Requirements for Project Plans

1. Project background
2. Analysis of alternatives
3. Selected alternative
4. Environmental impacts
5. Mitigation
6. Public participation

1. Project Background

- Detailed description and documentation of project need
- Study area characteristics
 - Land use
 - Environmental setting
 - Population (present and next 20 years)
- Overview of entire existing system
 - Condition and capacity of:
 - Water source treatment and distribution system process
 - Overview of all work necessary during the next 20 year

2. Analysis of Alternatives

- Identification and detailed analysis of all alternatives considered
 - Environmental impacts
 - Ability to implement
 - **Cost effectiveness analysis**
 - MUST examine ALL alternatives, each of which addresses same need, same customers, and provides same capacity

3. Selected Alternative

- Description of selected project and site(s)
- Demonstration of ability to implement
- Estimated project cost

4. Environmental Impacts

- Comprehensive overview and evaluation of direct, indirect, and comprehensive impacts

5. Mitigation of Impacts

- Identify measures that can be taken to avoid, eliminate, or mitigate adverse impacts

6. Public Participation

- Public meeting (recommended)
- Public hearing (required)
 - 30 day public notice of hearing required
 - Project plan **MUST** be available for public review during this period

Public Hearing Documentation

- Verbatim written, audio, or video transcript of public hearing
 - Summaries or minutes are **NOT** acceptable
- Hearing attendees names and addresses
- Resolution by the governing bodies to adopt project plan and implement the selected alternative
 - Adopt only after the hearing

Ranking system based on SDWA

- Category I: Drinking Water System Compliance (450 points maximum)
 - Acute violations of drinking water standards HAL's, SWT techniques, or waterborne disease outbreak (250 points)
 - Non-acute violations of drinking water standards, HAL's, or other treatment techniques (200 points)
 - Facility upgrades to maintain compliance(150 points)
 - Aesthetic water quality upgrades (25 points)

- **Category II**

- Infrastructure improvements or upgrades of

- Source or treatment facilities
 - Transmission/distribution mains
 - Storage facilities/pumping stations

- 125 points available in each of above

- To meet minimum capacity-100 points
 - Reliability-75 points
 - Other upgrades-25 points
 - Enforcement action-25 points

- **Category III: Population served by project**

- Greater than 50,000 50 points
- Greater than 10,000 40 points
- Greater than 3,300 30 points
- Greater than 500 20 points
- Less than/equal to 500 10 points

- **Category IV: Disadvantaged Community**
 - Must be a municipality
 - Must directly assess users within area served by proposed project
 - Median annual household income (MAHI) for proposed project area must not exceed 120% of Michigan MAHI

Disadvantaged community benefits

- 50 additional priority points
- Extended loan terms to 30 years
- To the extent available, technical assistance set-aside funds will be used to pay for qualified planning costs if population is less than 10,000

- **Category V: Consolidation (not cumulative)**

Maximum points 100

To achieve compliance (100 points)

To correct deficiencies (60 points)

Other (40 points)

Category VI: Approved Wellhead or Source Water Protection Plan

0 or 100 points

Planning Loans

- Separate planning loans are available from MFA to communities with less than 10,000 persons
- These separate 5-year loans use the current DWRF fiscal year interest rate
- Loan maximum is \$100,000 for eligible planning costs incurred for a DWRF-PPL ranked project
- Loan closings occur once a year, in December
- Principal and interest payments are due each subsequent October 1st

Loan Award Process

- Environmental assessment/FNSI issued by DEQ for 30 day public comment period
- Revenue system review (if applicable)
- Plans and specifications approval
- Issuance of permit to construct (if applicable)

Loan Award Process (cont.)

- Application (3 parts)
- Construction contract bidding and tentative award
- Financial capability review
- Investment grade bond sale preparation

Loan Disbursement Process

- Incurred cost reimbursement program
- Include cost documentation with every disbursement request
- Funds wired to your financial institution
 - usually within 7-10 days of request submittal
- Disbursements limited to one per 30 day period (except first draw)
- Loan amount limited to Order of Approval amount
 - **NO LOAN INCREASES**

Loan Closeout Process

- All documented costs are totaled and reconciled with funds drawn
- Final eligible project costs determined
- Funds drawn ineligible/undocumented costs due for immediate reimbursement to MFA

Loan Repayment Process

- Interest payments on funds drawn from loan are made semi-annually in April and October
- First loan principal payment due within one year of projects targeted initiation of operation
 - Annual principal payments due thereafter
- If total loan amount is not spent, then MFA will adjust repayment schedule, reducing annual loan payment

Administrative or Eligibility Questions

Revolving Loan Section

Resource Management Division

Michigan Department of Environmental Quality

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Questions on Financing

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