



November 14, 2011

Strategic Water Quality Initiatives Fund

The Strategic Water Quality Initiatives Fund (SWQIF) is a low 2.5 percent interest revolving loan program that allows qualified municipalities to access financing for the construction of needed water pollution control facilities that cannot qualify for SRF assistance. Two types of projects can be financed under the SWQIF, the on-site upgrade-replacement of septic systems and the removal of ground water or storm water from sewer leads. This fund was created by the passage of Proposal 2 by Michigan voters in November of 2002. The implementation of the fund is codified as Part 52, 1994 PA 451, of the Natural Resources and Environmental Protection Act. If you are interested in applying for an SWQIF loan, a final project plan must be submitted or postmarked on or before July 1 to be considered for funding in the next fiscal year. As of October 1, 2011, the SWQIF program has provided low interest loans for 18 projects, totaling over \$22 million. The discount rate that should be used in SRF or SWQIF project planning beginning FY 2012 should be 4 3/8% or .04375.

For more information, please visit http://www.michigan.gov/deq/0,1607,7-135-3307_3515_4143---,00.html.

Or scroll for more attached information.

Financing projects through the

**Strategic Water Quality
Initiatives Fund
(SWQIF)**

Purpose of the SWQIF Program:

This program, embodied in Part 52 of Act 451, PA 1994 provides low interest loans to Michigan communities. The loan funds are specially earmarked for the design and construction of projects which have not qualified for funding assistance from the State Revolving Fund, but are contributing to pollution of the waters of the state, either surface waters or ground water aquifers.

The **SWQIF** is jointly administered by:

**Michigan
Finance
Authority**

**Revolving Loan
Section,
DEQ**

**Water
Resources
Division,
DEQ**

Two types of projects qualify for SWQIF loans:

1) Projects which are designed to reduce or eliminate the amount of groundwater or storm water entering sanitary or combined sewer leads.



The other type of project that qualifies for SWQIF loans.....

2) Upgrades or replacements of failing on-site wastewater systems that are adversely affecting public health or the environment, or both.



SWQIF Program Background:

- Established in 2002, by Public Acts 396, 397, and 398, later codified as Act 451 P.A. 1994.
- Public referendum of November 5, 2002 approved a one billion dollar general obligation bond issue by the state, a portion of which was earmarked to finance loans to qualifying entities for removal of storm water or groundwater from entering privately owned sewer leads, as well as projects to replace failing on-site wastewater systems in areas where soils are unsuitable for traditional on-site system replacements.

SWQIF Loan Awards to date

The first two loans were awarded during Fiscal Year 2004 for qualifying projects. From June 2010 the SWQIF has funded 11 projects totaling over \$14.5 million.

SWQIF Financing Advantages:

💧 The interest rates for SWQIF loans are set below market rates each year; for 2009 loans, a rate of 2.50% was used.

💧 Loans have a twenty-year repayment period.

Who can borrow from the SWQIF?

- ▶ Cities
- ▶ Counties
- ▶ Townships
- ▶ Villages
- ▶ Public Bodies Authorized by state law
- ▶ Native American Tribes

SWQIF Eligible Costs:

\$ Design and Construction
Engineering

\$ Legal and financial services

\$ Preparation of plans and
specifications

\$ Construction costs

\$ Reasonable administration costs

SWQIF INELIGIBLE COSTS

Site restoration beyond a return to pre-existing conditions (e.g., property improvements beyond approved wastewater system work in Project Plan)

How do we apply for a SWQIF loan?

A community must first submit a complete SWQIF project plan documenting that the project is needed to protect water quality and public health.

Project plans must be received by the DEQ no later than **July 1st** of each year to be considered for SWQIF loan funds the subsequent fiscal year (beginning October 1st).

What is required
in a SWQIF
Project Plan?

The Six Project Plan Components:

- 1) Project Background
- 2) Alternatives Analysis
- 3) Selected Alternative
- 4) Environmental Impacts
- 5) Mitigation
- 6) Public Participation

1) Project Background includes:



Detailed description and documentation of need for project



Description of entire existing system, whether or not work is currently proposed throughout



Population data, now and 20 years into future



Study Area Characteristics

2) Analysis of Alternatives includes:







Identification of Potential Alternatives



Analysis of Principal Alternatives (cost-effectiveness, environmental impacts, implementability, etc.)

3) Selected Alternative includes:

-  Demonstration of ability to implement the selected alternative
-  Monetary Cost Estimate
-  User costs
-  Description of the selected project

4) Environmental Impacts includes:



A Comprehensive overview and evaluation of potential direct, indirect and cumulative impacts



Impacts must be evaluated to determine if they are beneficial or adverse, and short- or long-term

5) Mitigation of Impacts includes:



Identification of structural and nonstructural measures that the applicant will take to avoid, eliminate or mitigate adverse impacts.

6) Public Participation includes:



The Public Meeting
(Highly Recommended)



The Public Hearing
(Required by law)

Public Participation Documentation

- 30 days public notice of hearing and project plan availability for public viewing prior to hearing
- Public Hearing written transcript (NOTE: summaries or minutes are **NOT** acceptable)
- List of Public Hearing attendees (names, addresses)
- Governing body's resolution to adopt the project plan and implement the selected alternative (adopt only after the hearing)

When is a project ranked on the SWQIF Project Priority List (PPL)?

- 💧 DEQ will review all project plans submitted by the **July 1st** deadline and assign priority points
- 💧 A draft **PPL** is published in August ranking all projects
- 💧 After any necessary changes are made, the final **PPL** will go into effect **October 1st**

Three factors considered when ranking SWQIF projects:

1. Water Quality Improvement Expected
2. Compliance Points
3. Dilution Ratio

Factor 1: Water Quality Improvement

Based on pre- and post-project conditions, improvement to the receiving waters is modeled and judged by these criteria:

- 💧 Dissolved Oxygen
- 💧 Nutrients
- 💧 Toxic Substances
- 💧 Microorganisms
- 💧 Groundwater Discharge Impacts

Factor 2: COMPLIANCE POINTS

- 💧 Points are awarded if the SWQIF project is necessary to comply with a construction schedule established in an order, permit or other document issued by the DEQ Director, or entered as part of an action brought by the State against a municipality.

Factor 3: DILUTION RATIO

- 💧 **Points are awarded based on wastewater discharge volume and receiving water flow**

Steps leading to SWQIF loan award:

- 🔹 Environmental Assessment/FNSI
- 🔹 Plans and Specifications
- 🔹 Issuance of Construction Permit
- 🔹 SWQIF Application
- 🔹 Bidding of Construction Contracts
- 🔹 Revenue System Review
- 🔹 Financial Capability Review
- 🔹 Bond Sale Preparation

SWQIF Loan Disbursement Process:

- \$ Incurred cost reimbursement program
- \$ Inclusion of documentation with disbursement request is recommended
- \$ Funds are wired to loanee's financial institution, usually within 10 days
- \$ Disbursements are limited to one per 30-day period (except first draw)
- \$ Loan amount is **limited** to Order of Approval amount

SWQIF Loan Closeout Process:

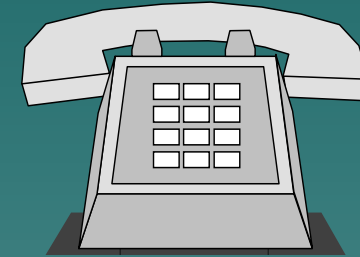
- 💧 All documented costs are totaled and reconciled with funds drawn
- 💧 Final eligible project cost determined
- 💧 Any funds drawn for ineligible costs are due for immediate repayment

SWQIF Loan Repayment Process:

- 💧 Interest payments on funds drawn are made semi-annually
- 💧 First principal payment is due within one year of project's targeted initiation of operation; annual principal payments due thereafter
- 💧 If final eligible costs total less than the OOA amount, an adjusted repayment schedule will be provided by MMBA after closeout, reducing the annual repayment amount

How can I get more information about the Strategic Water Quality Initiatives Fund?

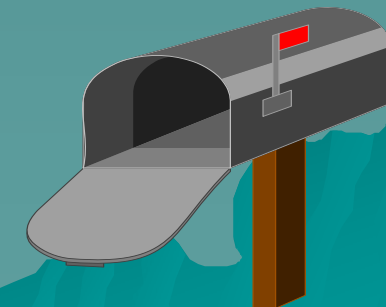
By Phone?



By Internet?



By Mail?



On Administrative Issues, contact:

Ms. Sonya T. Butler, Chief

Revolving Loan Section

Department of Environmental Quality

P.O. Box 30241

Lansing, MI 48909-7741

OR

Constitution Hall, 3rd floor South

525 W. Allegan

Lansing, MI 48933

517-373-2161

ButlerS2@michigan.gov

On Municipal Bond and Financing Issues, contact:

**Mr. Joe Feilek, Executive Director
Michigan Finance Authority
Michigan Department of Treasury
430 W. Allegan, 1st Floor
Lansing, MI 48922**

517-373-1728

treas.mmba@michigan.gov

On Technical Issues, contact:

💧 **DEQ Water Resources
Division**

💧 **Phone 517-373-1170 to
locate the DEQ Water
Resources Division district
staff serving your
community**

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