



November 14, 2011

## **State Revolving Loan Fund**

Michigan's Water Pollution Control Revolving Fund, better known as the State Revolving Fund (SRF), is a low 2.5% interest loan financing program that assists qualified local municipalities with the construction of needed water pollution control facilities. Michigan enacted 1988 PA 317, The Clean Water Assistance Act, to establish the SRF which is now codified as Part 53, 1994 PA 451, of the Natural Resources and Environmental Protection Act. If you are interested in applying for an SRF 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 SRF program has provided low interest loans for 433 projects, totaling \$3.7 billion.

Scroll for more information.

An aerial photograph of a wastewater treatment plant. The central feature is a large, irregularly shaped pond highlighted in a bright cyan color. Surrounding the pond are various industrial buildings, including a large white rectangular structure and several smaller buildings with flat roofs. There are also several circular tanks and smaller ponds scattered throughout the facility. The background shows a mix of green trees and residential or commercial buildings, indicating the plant's location within a community.

Financing Water Pollution Control Projects  
Through the

**STATE REVOLVING  
FUND (SRF)**

# THE STATE REVOLVING FUND

Provides funds to municipalities (i.e., city, village, township, county, authority or Indian tribe) to plan, design, and build water pollution control projects

# Financing Advantages

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

# SRF projects involve construction on publicly-owned sites

- Treatment plants and lagoons
- Collection, trunk, interceptor and relief sewers
- Retention, treatment, and equalization basins
- Cost-effective inflow and infiltration removal
- Gravity and pressure sewers
- Pump/lift stations
- Grinder pumps
- Residuals handling systems
- Stormwater treatment facilities
- Septage acceptance/treatment systems
- Nonpoint source control projects

# New municipal wastewater systems may be eligible if:

Need for project is well documented and must include:

- Nature, number, and location of malfunctioning septic systems
  - Based on sanitary surveys and county health department records
- Public health and water quality problems in area
- Unsuitability of soils on site for septic system replacement

# To Apply for an SRF loan:

- Community must submit a completed project plan that documents need for the project 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 funding the subsequent fiscal year (Beginning October 1<sup>st</sup>)

# SRF Project Ranking Factors:

1. Water quality severity points
2. Enforcement points
3. Population served by project
4. Dilution ratio
5. On-site system failures where conditions prevent replacement
6. Addition of septage treatment facilities

# Factor 1: Water Quality Severity Points

- 0-100 points assigned based on pre- and post-project conditions
  - Dissolved oxygen
  - Nutrients
  - Toxic substances
  - Microorganisms
  - Nitrate levels in wells

## Factor 2: Enforcement Points

- 300 points assigned if municipality has:
  - Enforcement order
  - Construction schedule in an order, permit or other document issued by DNRE director

Factor 3:

## Population Points

- 30-100 points based on existing populations served by project

Factor 4:

## Dilution Ratio Points

- 25-100 points based on ratio of wastewater discharge to receiving water flow

## Factor 5:

### Failing on-site sewage disposal points

- 0 or 100 points are assigned for proposed projects which address failing on-site sewage disposal systems:
  - That are adversely affecting public health or the environment

#### **AND**

- Where site conditions are not suitable for on-site replacement systems

# Factor 6: Septage Facility Points

0 or 100 points are assigned for proposed projects which include

- Construction of new facilities for receiving/treatment of septage from on-site septic tanks
- Improvement of existing septage facilities

# Project Plan Requirements

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:
    - Collection, transport, treatment, and residuals handling
  - Overview of all work necessary during the next 20 years

## 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
- User costs (current and proposed)

# 4. Environmental Impacts

- Comprehensive overview and evaluation of direct, indirect, and cumulative impacts
- Evaluate impacts to determine if they are beneficial or adverse, and short or long-term

## 5. Mitigation of Impacts

- Identify structural and nonstructural 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) 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

# Nonpoint Source project ranking factors:

1. Enforcement points
2. Water quality severity points
3. High quality waters
4. High public use value
5. High willingness to participate
6. Ongoing initiatives

# Project Priority List

- All project plans received by the annual deadline will be reviewed and assigned priority points
- DEQ publishes draft PPLs in August ranking wastewater and NPS projects separately
- After any necessary changes are made, the final PPLs will be in effect October 1

# Eligible Project Costs include:

- Project planning
- Design and construction engineering
- Preparation of plans and specifications
- Legal and financial services
- Acquisition of land, if it is integral to the treatment process (both land costs and attendant costs)
- Construction costs/bid contracts
- Reasonable administration costs

# Ineligible items include:

- “Oversized” project components beyond 20-year needs
- Site restoration beyond a return to pre-existing conditions (e.g., roadway improvements)
- Privately owned service lines, meters
- Other work not related to specific goal of eligible project

# When are loans awarded?

- Specific dates in December, March, June, and September are selected for loan closings
  - Applicants select the quarter best suited for their needs
    - December loans                      1<sup>st</sup> Quarter
    - March loans                              2<sup>nd</sup> Quarter
    - June loans                                 3<sup>rd</sup> Quarter
    - September loans                        4<sup>th</sup> Quarter

# Loan Award Process

- Environmental assessment/FNSI
- 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
- Immediate repayment of funds drawn for ineligible/undocumented costs

# 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 payment

# Questions on administrative or eligibility

Revolving Loan Section

Resource Management Division

Department of Environmental Quality

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# Questions on Financing

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