



**Michigan Department of
Environment, Great Lakes, and
Energy**

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**Clean Water State
Revolving Fund
Fiscal Year 2022 Annual
Report**

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January 2023

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I. Introduction

The federal Clean Water Act (CWA) requires a report of annual Clean Water State Revolving Fund (CWSRF) 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/CWSRF.

This report describes the use of funds, environmental performance of construction activities, the CWSRF financial position, and the manner in which WIFFS met the FY 2022 Intended Use Plan (IUP) goals and objectives. WIFFS is required to submit this report to the Environmental Protection Agency within 90 days following the end of the fiscal year per the state's CWSRF operating agreement.

EGLE and the Michigan Finance Authority (MFA) jointly administer the CWSRF under the authority of Part 53, Clean 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 CWSRF with the WIFFS serving as EGLE's program administrator.

II. Executive Summary

Since 1989, Michigan's CWSRF program has issued over \$5.9 billion to local municipalities undertaking water quality infrastructure projects throughout the state. This financial assistance has positively impacted the water quality of the state, yet much work is still needed. Infrastructure continues to approach and extend beyond its design limits and useful life and climate change impacts necessitate improvements and innovative solutions.

The CWSRF plays a crucial role in meeting this ever-growing need by providing secure, low interest financing annually. In FY 2022, Michigan's CWSRF committed nearly \$448 million in loans and forgiveness dollars to 37 projects with over \$21,000,000 being awarded as principal forgiveness.

III. Project Activity

EGLE was granted the 2021 federal capitalization grant from EPA in the amount of \$68,320,000. As required, Michigan provided a 20-percent state match of \$13,664,000 from proceeds of the sale of a state match revenue bond. In addition to the federal and state capital contributions, the CWSRF is also capitalized with principal and interest payments from earlier loans, account earnings, state match bonds, and released funds from debt service reserve accounts.

Capital financing through the CWSRF program assist's wastewater system's in complying with their treatment standards for discharging into rivers, lakes, streams, and groundwater per the

National Pollutant Discharge Elimination System (NPDES) administered by EGLE or Michigan’s groundwater discharge program.

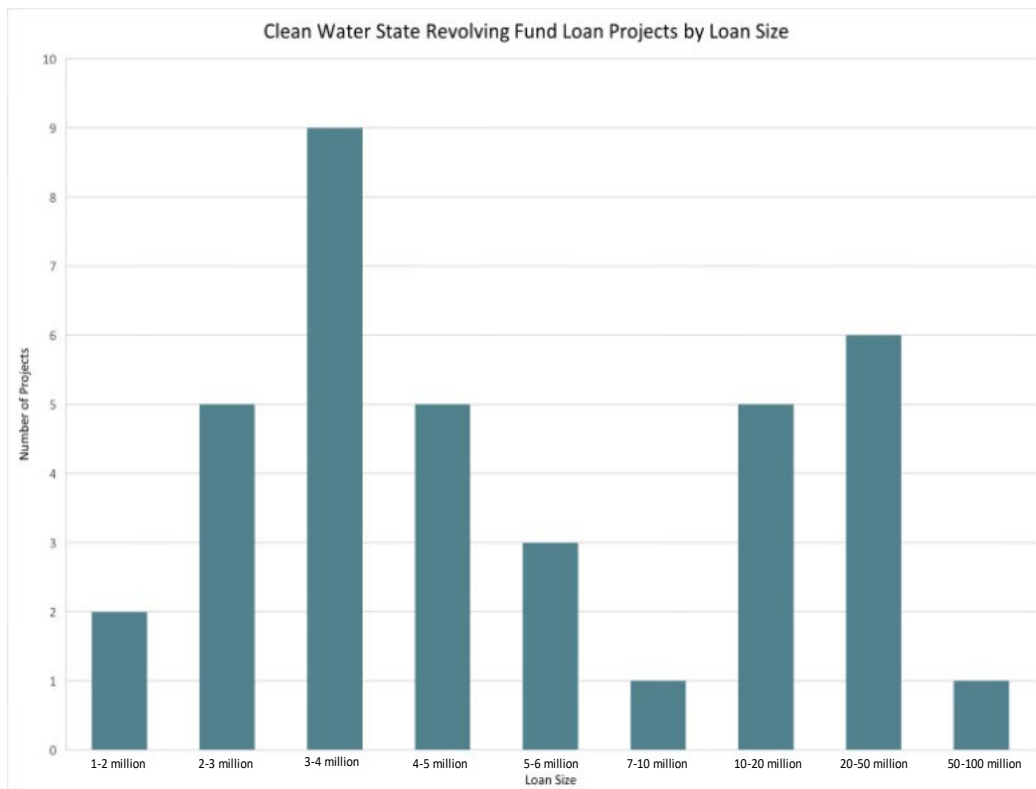
In FY 2022, WIFFS executed milestone schedules with all applicants and completed environmental reviews on all 37 projects that were awarded CWSRF financing. Appropriate determinations were executed pursuant to the State Environmental Review Process (SERP) prior to acting on any project.

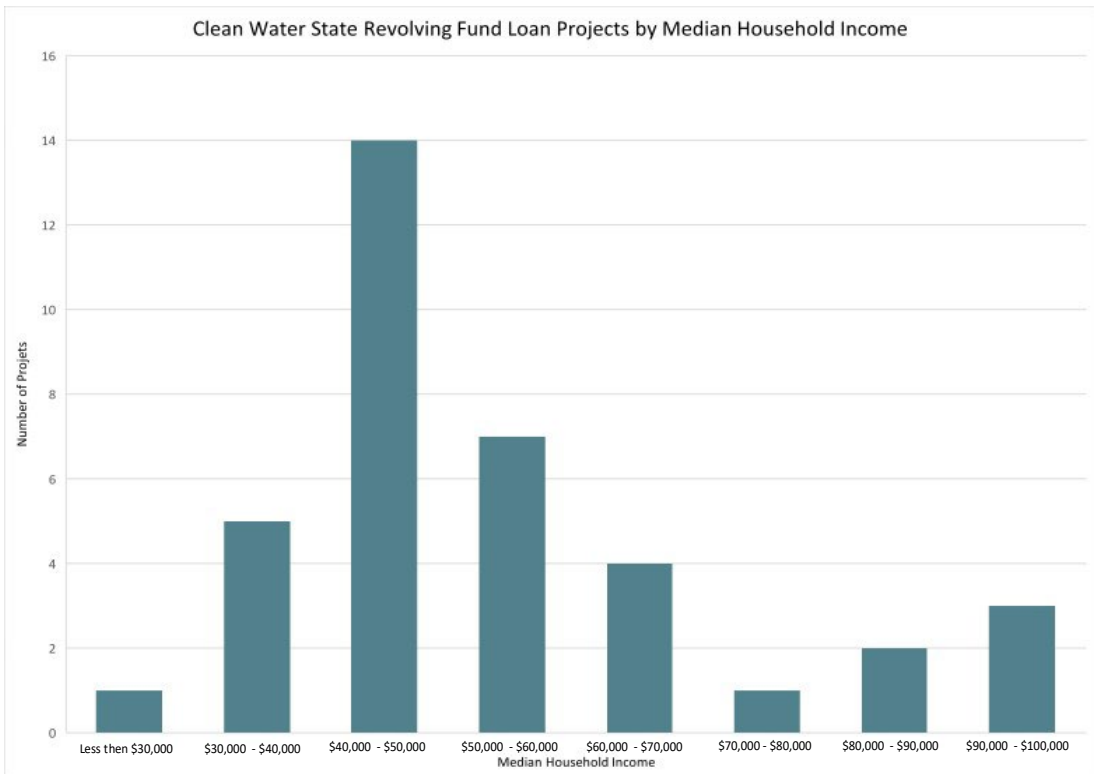
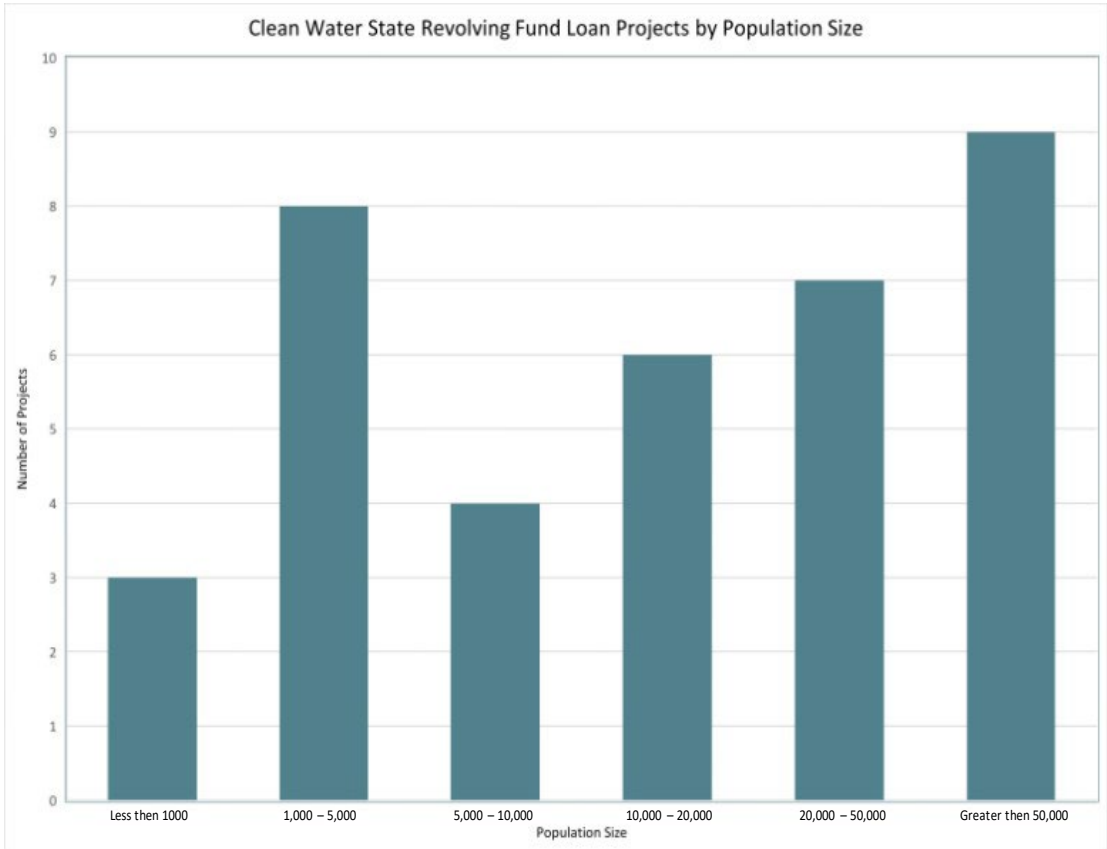
Thirty-seven bidding commitments totaling \$447,995,000 were made as illustrated on Attachment 1. Total principal forgiveness awarded was \$21,065,250. Interest rates for projects were set at 1.875 percent for 20-year loan terms and 2.125 percent for 30-year loan terms. All 37 loans were awarded to Section 212, publicly owned treatment works projects. Fifteen projects, or 40 percent of total loans awarded, went to qualified disadvantaged communities under Michigan’s definition.

The CWSRF fundable range for FY 2022 was established at \$800,000,000 on the final IUP published September 2021. Between issuance of the IUP and the end of FY 2022, 16 projects declined funds. Reasoning for projects dropping included:

- cost of bids coming in substantially higher than estimates
- unwillingness/inability to increase rates to cover debt
- inability to increase bond ceilings
- projects not ready to proceed
- delaying in hopes of receiving grant funds or additional forgiveness in future years

The following tables provide metrics regarding the CWSRF FY 2022 funding cycle.





IV. Short Term Goals

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

1. Provide financing to the maximum number of applicants as possible including communities that have not utilized the CWSRF program in recent years.

WIFFS offered CWSRF funds to all 53 projects that submitted a project plan for FY 2022 activity, 37 projects moved forward with closing a loan in FY 2022. Projects dropped for several reasons as described above. First time borrowers included:

- City of Jackson
- City of Hartford
- City of Portland
- City of Durand
- City of Hart
- City of Traverse City
- Charter Township of Royal Oak
- Village of Columbiaville
- Independence Township
- Benton Charter Township
- City of Mackinac Island
- Charter Township of Pittsfield

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

EGLE utilized bond proceeds as match dollars to capture the full federal capitalization grant. Funds were obligated with the issuance of the final IUP in October 2021. Additionally, EGLE offers applicants the ability to draw funds on their loan twice monthly to expedite funds to communities. This is especially important for applicants that may be disadvantaged and unable to reimburse contractors with cash on hand until reimbursement from CWSRF is made.

3. 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 Green Project Reserve, 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 53, Clean 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 30 years.

Attachment 2 illustrates the 15 disadvantaged projects that were awarded CWSRF dollars in FY 2022. EGLE's FY 2022 IUP included 24 disadvantaged projects; however, during the year nine of these projects declined funds or opted to push their projects into future years due to a number of issues including:

- construction bids coming in substantially higher than estimated
- applicants delaying as they anticipated additional state grant dollars in later years
- projects not being ready for construction
- applicants seeking alternative financing options

A total of \$21,065,250 in principal forgiveness was awarded in FY 2022. All principal forgiveness awarded was allocated to our FY 2021 capitalization grant from EPA, as the maximum amount EGLE could award from that grant was \$26,628,500. Forgiveness was awarded solely to disadvantaged applicants, not to exceed 15 percent of the total loan amount (up to IUP illustrated award). Additionally, applicants with a Median Annual Household Income (MAHI) of less than \$36,000 were awarded an additional 5 percent of project costs as forgiveness.

VI. Green Project Reserve

The FY 2021 capitalization grant conditions require EGLE award not less than 10 percent of the grant to be used for Green Project Reserve (GPR) projects, to the extent there are sufficient eligible projects. GPR projects must address green infrastructure, water or energy efficiency improvements or other innovative activities. EGLE's IUP proposed an estimated \$52,671,000 in GPR. However, the projects selected for GPR did not proceed with a loan closing in FY 2022. EGLE will carry over the minimum GPR (\$6,832,900) and apply it to loans in FY 2023. In December 2022, a loan was issued to Genesee County that included \$25,955,000 of GPR. The FY 2022 GPR minimum will be applied to this FY 2023 loan.

VII. NEPA Review and Equivalency

All projects receiving CWSRF 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 53, Clean 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 CWSRF projects. As Michigan's capitalization grant was \$68,320,000, 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, and that may already

have local ordinances requiring qualification-based selection processes for their engineering services. Equivalency project must meet EPA's equivalency requirements including compliance with all federal cross cutters and qualifications-based selection process. Projects below were used to meet the equivalency requirement in FY 2022.

Project Number	Applicant	Equivalency Amount
5655-03	GLWA	\$34,195,000
5713-01	Charter Township of Pittsfield	\$30,000,000
5742-01	GLWA	\$50,245,000
Total		\$114,440,000

VIII. Sources and Uses of Funds

CWSRF – Sources of Funds as of 9/30/22	
Federal cap grants (FY 2020+FY 2021+FY 2022+BIL EC+BIL Sup)	\$214,719,586
State match (FY 2021+FY 2022+BIL Sup)	\$31,267,000
CWSRF Bond Proceeds	\$78,695,206
Principal Repayments	\$172,261,882
Interest Repayments	\$37,667,307
Investment Earnings	\$11,116,552
Other Sources	\$319,369
Total Sources	\$546,046,902

CWSRF – Uses of Funds for FY2022 Expenses	
Loan Assistance Disbursed	\$139,068,799
Leveraged Bond Debt Service	\$132,451,902
State Match Bond Debt Service	\$16,000,000
Administrative Expenses	\$2,195,114
Other Uses	-
Total	\$289,715,815

EGLE has agreed to administer the CWSRF 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 CWSRF and bind itself to the terms of the Capitalization Grant Agreement.

IX. CWSRF Accomplishments and Looking Forward

Michigan's water resources are vast and invaluable to the state's economy as well as the health of its nearly 10 million residents and numerous visitors. There has been tremendous progress to restore and protect the lakes, streams, tributaries, and ground waters across the state. Still, many challenges remain such as inadequate sewers, outdated systems, and raw or partially treated discharges. A changing climate and emerging contaminants are also now at the forefront of how the State Revolving Fund programs need to adapt and evolve.

CWSRF project highlights in FY 2022 included the financing of three projects with enforcement/compliance orders in place, City of Lansing, Wayne County, and City of Durand. CWSRF remains a valuable tool to correct infrastructure failures in communities facing enforcement actions. FY 2022 scoring criteria awarded additional points to those applicants with EGLE compliance schedules in place. Additionally, the City of Lansing completed their 24th project segment related to their combined sewer separation project to substantially reduce sewer overflows into the Grand and Red Cedar Rivers. Lansing's 24 CWSRF loans total greater than \$270 million and are estimated to have eliminated more than 960 million gallons of raw sewage from entering local waterways each year.

EGLE continues to internally evaluate management of the CWSRF program to ensure it is meeting the needs of all communities across the state of Michigan. WIFFS strives to balance the needs of large water authorities as well as those small underserved local units of government. The CWSRF program continues to assist with the development and improvement of water pollution control infrastructure. Since the award of the first loan in 1989, Michigan's CWSRF has provided over \$5.9 billion dollars of assistance to projects across the state, with \$1.9 billion of that going to address combined sewers and another \$1.9 billion towards secondary treatment. Yet the needs continue to grow. In November 2022 alone, WIFFS received intent to apply notices for FY 2024 funds from over 250 applicants seeking nearly \$3 billion in assistance.

FY 2022 also brought improvements to WIFFS interactive online [dashboard](#) that illustrates loans awarded through CWSRF and the companion Drinking 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 clean water infrastructure projects for 33 years, we look forward to working with our partners to continue to develop innovative solutions to assist communities addressing their infrastructure needs for generations to come.

EGLE CWSRF Projects Financed in Fiscal Year 2022 - Attachment 1

Project Number	Applicant	Project Description	Project Category	Loan Amount	Loan Award Date	Principal Forgiveness Amount	Principal Forgiveness Type	Interest Rate	Loan Term (years)
5702-01	Charter County of Wayne	Rouge Valley Sewage Disposal System Long-term corrective action plan	Major Rehab	\$5,235,000	12/10/2021			1.875	20
5713-01	Charter Township of Pittsfield	Reconstruction of a 36-inch interceptor and abandonment of three pump stations	Major Rehab	\$30,000,000	12/10/2021			1.875	20
5720-01	City of Highland Park	Sewer rehab in southeast, emergency sinkhole repairs, and wastewater asset management plan	Major Rehab	\$1,115,000	12/10/2021	\$223,000	Disadvantaged	2.125	30
5728-01	Rollin-Woodstock Sanitary Drain Improvements Drainage District	Lift station replacement	Major Rehab	\$11,090,000	12/10/2021			1.875	20
5005-24	City of Lansing	Combined sewer separation	CSO, Major Rehab	\$23,570,000	3/25/2022	\$3,535,500	Disadvantaged	2.125	30
5710-01	City of Owosso	Wastewater Treatment Plant work	Secondary Treatment	\$4,885,000	3/25/2022			2.125	30
5762-01	City of Mackinac Island	Pump station improvements	Major Rehab	\$4,155,000	3/25/2022			1.875	20
5729-01	Benton Charter Township	Sewer rehabilitation and replacement	Major Rehab	\$15,925,000	3/25/2022	\$3,185,000	Disadvantaged	2.125	30
5738-01	City of Burton	Collection system sewer rehabilitation	Major Rehab	\$3,030,000	3/25/2022			2.125	30
5784-01	YCUA	Pump station and force main replacement	New Interceptor	\$3,235,000	3/25/2022			1.875	20
5759-01	YCUA	Wastewater treatment plant improvements	Secondary Treatment	\$3,125,000	3/25/2022			1.875	20
5727-01	City of Gladstone	Wastewater treatment plant improvements	Secondary Treatment	\$21,305,000	6/6/2022	\$3,195,750	Disadvantaged	2.125	30
5725-01	Delta Charter Township	Wastewater treatment plant improvements	Secondary Treatment	\$82,725,000	6/6/2022			1.875	20
5655-03	GLWA	Detroit River Interceptor rehabilitation	Major Rehab	\$34,195,000	6/6/2022			1.875	20
5753-01	Independence Township	Pump station improvements	Major Rehab	\$4,000,000	6/6/2022			1.875	20
5747-01	City of Marysville	Collection system rehabilitation and wastewater treatment plant upgrades	Major Rehab	\$4,855,000	6/27/2022			1.875	20
5749-01	Cottrellville Township	Sewer rehabilitation and pump station improvements	Major Rehab	\$4,000,000	6/27/2022	\$600,000		2.125	30
5760-01	Commerce Township	Wastewater treatment plant improvements	Secondary Treatment	\$5,500,000	6/27/2002			1.875	20
5724-01	Village of Manchester	Wastewater treatment plant improvements.	Secondary Treatment	\$2,800,000	8/8/2022			2.125	30
5746-01	City of Lincoln Park	Sewer system rehabilitation	Major Rehab	\$3,155,000	8/8/2022	\$473,250	Disadvantaged	1.875	20
5754-01	Village of Columbiaville	Pump station and lagoon improvements.	Secondary Treatment	\$2,995,000	8/8/2022	\$449,250	Disadvantaged	2.125	30

EGLE CWSRF Projects Financed in Fiscal Year 2022 - Attachment 1

Project Number	Applicant	Project Description	Project Category	Loan Amount	Loan Award Date	Principal Forgiveness Amount	Principal Forgiveness Type	Interest Rate	Loan Term (years)
5757-01	Charter Twp. of Royal Oak	Sewer rehabilitation and lining. Closed circuit televising of sanitary sewer as part of the asset management program.	Major Rehab	\$1,000,000	8/8/2022	\$200,000	Disadvantaged	2.125	30
5776-01	East China Township	Sanitary sewer system improvements	Minor Rehab	\$3,080,000	8/8/2022			2.125	30
5744-01	City of New Baltimore	Collection system improvements, minor sewer rehabilitation, major sewer rehabilitation.	Major Rehab	\$3,860,000	8/8/2022			1.875	20
5745-01	City of Traverse City	Lower Boardman River Wall sanitary sewer rehabilitation	Major Rehab	\$2,725,000	8/28/2022	\$408,750	Disadvantaged	1.875	20
5722-01	City of Hart	Wastewater treatment plant and collection system improvements	Major Rehab	\$3,070,000	8/28/2022			1.875	20
5751-01	City of Midland	Collection system rehabilitation.	Minor Rehab	\$42,585,000	8/28/2022			1.875	20
5741-01	GLWA	Conveyance system improvements	Major Rehab	\$19,035,000	8/28/2022			1.875	20
5756-01	City of Durand	forcemain replacement, rehabilitation of primary treatment system, and addition of backup generator	Major Rehab	\$2,500,000	8/28/2022	\$375,000	Disadvantaged	1.875	20
5758-01	City of Portland	Sewer rehabilitation and replacement, wastewater treatment plant improvements	Secondary Treatment	\$13,000,000	8/28/2022	\$1,950,000	Disadvantaged	2.125	30
5742-01	GLWA	Connor Creek sewer rehabilitation	Major Rehab	\$50,245,000	8/28/2022			1.875	20
5761-01	City of Three Rivers	Wastewater treatment plant, collection system, and pump station upgrades	Minor Rehab	\$8,655,000	8/28/2022	\$1,298,250		1.875	20
5767-01	City of Muskegon	Sewer rehabilitation	Major Rehab	\$3,535,000	8/28/2022	\$707,000	Disadvantaged	1.875	20
5771-01	City of Hartford	Wastewater treatment plant and collection system upgrades	Secondary Treatment, Minor Rehab	\$3,950,000	8/28/2022	\$592,500	Disadvantaged	2.125	30
5773-01	City of Allegan	Sewer replacement - downtown & Rossman Park	Major Rehab	\$2,000,000	8/28/2022	\$300,000	Disadvantaged	2.125	30
5779-01	Village of Paw Paw	Wastewater treatment plant improvements	Secondary Treatment	\$5,925,000	8/28/2022	\$1,185,000	Disadvantaged	2.125	30
5740-01	City of Jackson	Wastewater treatment plant improvements	Secondary Treatment	\$11,935,000	8/28/2022	\$2,387,000	Disadvantaged	1.875	20
Total				\$447,995,000		\$21,065,250			

EGLE FY 2022 CWSRF Disadvantaged Principal Forgiveness Awarded - Attachment 2

Project Number	Applicant	PF Type	Order of Approval Date	Loan Amount	Principal Forgiveness	Reporting Year
5005-24	City of Lansing	Disadvantaged	2/25/2022	\$23,570,000.00	\$3,535,500.00	FY 2022
5756-01	City of Durand	Disadvantaged	8/29/2022	\$2,500,000.00	\$375,000.00	FY 2022
5746-01	City of Lincoln Park	Disadvantaged	8/8/2022	\$3,155,000.00	\$473,250.00	FY 2022
5740-01	City of Jackson	Disadvantaged	8/29/2022	\$11,935,000.00	\$2,387,000.00	FY 2022
5740-01	City of Jackson	MAHI				FY 2022
5767-01	City of Muskegon	Disadvantaged	8/29/2022	\$3,535,000.00	\$707,000.00	FY 2022
5767-01	City of Muskegon	MAHI				FY 2022
5745-01	City of Traverse City	Disadvantaged	8/29/2022	\$2,725,000.00	\$408,750.00	FY 2022
5729-01	Benton Charter Township	Disadvantaged	4/8/2022	\$15,925,000.00	\$2,388,750.00	FY 2022
5729-01	Benton Charter Township	MAHI			\$796,250.00	FY 2022
5761-01	City of Three Rivers	Disadvantaged	8/29/2022	\$8,655,000.00	\$1,298,250.00	FY 2022
5773-01	City of Allegan	Disadvantaged	8/29/2022	\$2,000,000.00	\$300,000.00	FY 2022
5758-01	City of Portland	Disadvantaged	8/29/2022	\$13,000,000.00	\$1,950,000.00	FY 2022
5727-01	City of Gladstone	Disadvantaged	5/16/2022	\$21,305,000.00	\$3,195,750.00	FY 2022
5779-01	Village of Paw Paw	Disadvantaged	8/29/2022	\$5,925,000.00	\$1,185,000.00	FY 2022
5779-01	Village of Paw Paw	MAHI				FY 2022
5757-01	Charter Twp of Royal Oak	Disadvantaged	8/8/2022	\$1,000,000.00	\$200,000.00	FY 2022
5757-01	Charter Twp of Royal Oak	MAHI				FY 2022
5720-01	Highland Park	Disadvantaged	11/15/2021	\$1,115,000.00	\$167,250.00	FY 2022
5720-01	Highland Park	MAHI			\$55,750.00	FY 2022
5749-01	Cottrellville Township	Disadvantaged	6/27/2022	\$4,000,000.00	\$600,000.00	FY 2022
5771-01	City of Hartford	Disadvantaged	8/29/2022	\$3,950,000.00	\$592,500.00	FY 2022
5754-01	Village of Columbiaville	Disadvantaged	8/8/2022	\$2,995,000.00	\$449,250.00	FY 2022
Principal Forgiveness						
FY 2022 Minimum	\$6,832,000.00					
FY 2022 Maximum	\$26,628,500.00					
FY 2022 Actual	\$21,065,250.00					