

memorandum

Date: October 6, 2022

To: Nick Sizeland

cc: File

From: Patrick M. Droze, P.E. *PM*

Re: FY 2023 Drinking Water Revolving Fund Intended Use Plan and Grosse Pointe Park Eligibility

The State of Michigan Department of Energy, Great Lakes and Environment (EGLE) recently released its Fiscal Year 2023 Intended Use Plan (IUP) for the Drinking Water State Revolving Fund (DWSRF). The IUP is developed annually to identify the DWSRF loan projects that will utilize the funds available in a given fiscal year as well as the set-asides. Within the IUP is a project priority list (PPL) that ranks projects and determines funding eligibility.

For FY2023, EGLE continued to see unprecedented increases in both the number and cost of projects submitted with the total value exceeding one billion dollars. While the value of funding available continues to rise, it has not kept pace with the project need despite significant cash infusions from the American Rescue Plan and the 2020 Bipartisan Infrastructure Law. As presented, EGLE will finance \$458M in FY2023 projects (\$91M principal forgiveness) leaving over a half billion dollars of unfunded projects.



Figure 1 - Value of Projects Submitted to EGLE over last 5 years



EGLE determines funding eligibility of projects based on a number of factors. These include drinking water system compliance, reliability, enforcement action, population, source water protection, and disadvantaged community status. Projects are scored individually and prioritized by EGLE's Drinking Water and Environmental Health Division. For FY2023, the City of Grosse Pointe Park scored 390 points ranking the project as #62. Although EGLE funded projects through #70 on the PPL, the prioritization showed that the department clearly placed an emphasis on systems serving disadvantaged communities which is a category that the City of Grosse Pointe Park does not qualify under. The City had also submitted a project in FY2022, and received a rank of #57 on the PPL with a cutoff for project funding at #53.

Moving forward, OHM recommends that the City continue to seek funding sources to help supplement the mounting funding requirement needed to replace its aging water supply system. While DWSRF and other one-time federal infrastructure programs provide assistance, they alone cannot meet the needs to modernize the City's infrastructure. It will remain good practice to seek out grants as a means to reduce the cost burden, but our experience with dozens of Southeast Michigan peer municipalities demonstrates that a robust annual system renewal program must be supported first and foremost by local revenue sources.

