



# Water Infrastructure Project Update

December 15, 2021

The Federal Infrastructure Bill has been signed into law and we are starting to learn what it means for Pleasant Ridge. It is still early, and this is a preliminary analysis. The following is subject to change and update as we learn more about how the infrastructure funding will roll out.

Many kinds of infrastructure are included in the bill: \$284 billion for transportation, \$73 billion for energy, \$65 billion for broadband, \$55 billion for water and so on. Of particular importance to Pleasant Ridge is the \$55 billion for water. The key points are:

- There is no direct funding to local governments, and we are not guaranteed a known amount of funding. Water infrastructure money either flows to the State of Michigan, which will determine how it is spent, or it will be in the form of Federal grants that communities can apply for.
- The State of Michigan expects to receive \$1.3 billion for water infrastructure over the course of 5 budget years (until 2026). That is roughly \$260 million per budget year. The Governor [recently directed State agencies to expedite planning](#) for how this money will be spent. This is the primary pool of money we will be competing for.
- Federal and State law prioritize funding to disadvantaged communities, or communities that have been disproportionately impacted. The cutoff for disadvantaged community status is a median household income of about \$68,400. Pleasant Ridge has a median annual household income of about \$122,000, so this places us at a lower priority for funding. “Disproportionately Impacted” communities are typically poor and minority communities as used in State and Federal law.
- The final decision on funding will rest largely with the State. We hope that the substantial amount of Federal funding will improve our chances of accessing funds, but it is unknown how much money the State will direct to disadvantaged communities, how much it will direct to communities like Pleasant Ridge, and if the State will award that money in the form of loans, grants, or some combination of the two.

## Early Conclusions

It is too soon to say anything definitive about how this may benefit Pleasant Ridge. The final decision on funding will rest largely with the State. We hope that the amount of Federal funding will substantially improve our chances of receiving funding from the State, but it is unknown how much money the State will direct to disadvantaged communities, how much it will direct to communities like Pleasant Ridge, and if the State awards that money either in the form of loans, grants, or some combination of the two.

If the State makes only loan funding available to Pleasant Ridge it will increase our short-term ability to complete more work more quickly, but it will not reduce our overall cost for our water infrastructure project and will add financing costs.

## What are We Doing Now?

- We will pursue infrastructure funding through the State of Michigan Drinking Water Revolving Loan Fund (DWRLF). We will apply for funding sufficient to complete the entire water infrastructure project to ensure that we have the greatest possible chance of receiving the largest amount possible of Infrastructure Bill funding for our project. After the State makes its funding decisions, including any grants or loan principal forgiveness amounts, we will determine how to proceed to complete the project for the lowest cost in the shortest amount of time.
- We are and will continue to aggressively pursue all available outside funding, including Federal grants when they become available. For example, we have been working with Congressman Levin's office on securing \$650,000 of Federal [Community Project Funding](#) for the Kensington water main project. The appropriation request has passed the House and has been waiting for action in the Senate for months now. We remain hopeful that this funding will be approved by Congress. The Community Project Funding is unrelated to the Infrastructure Bill funding. Our project was one of 10 projects that Congressman Levin's office chose to forward to Congress from over three dozen projects that were submitted for consideration.
- We are proceeding with our plan to replace lead service lines as mandated by the State and the water mains, which was developed under the assumption that we would receive no outside Federal or State funding. Kensington will be replaced during local FY23 (July 1, 2022 through June 30, 2023). If we receive outside funding, we will adjust our plans accordingly.
- We will continue to update residents as water infrastructure funding discussions proceed at the Federal or State level. As always, please contact City Hall if you have specific questions.

## What Does This Mean for Pleasant Ridge?

We have conferred with our State and Federal lawmakers and their staffs, and the State, and they do not yet know exactly how this water infrastructure funding will roll out. The Infrastructure Bill allocates drinking water funding largely to the State Drinking Water Revolving Loan Fund meaning that the State of Michigan will decide how the money is distributed, but EGLE (the department that administers the DWRLF) does not yet know how they will award funding.

Here is what we do know:

1. A total of \$55 billion is appropriated for water, energy, and environment, with \$44.3 billion dedicated to water infrastructure and lead service line replacement nationwide. Michigan is expected to receive \$1.3 billion of this over the course of five fiscal years (FY22 through FY26).

- a. \$29.3 billion will be distributed to State Drinking Water Revolving Loan Funds. Of important note is that this money will be made available both in the form of loans which must be repaid, and grants. This could be a source of funding for Pleasant Ridge to accelerate projects via financing, but it may or may not be free money to offset local expense. This is an important point that requires clarification by the State.
  - b. \$15 billion is allocated for Capitalization grants nationwide, with 49% of that funding being made available to local governments for various purposes which are not all related to lead service line replacement. It is unclear what the process for applying for the \$7.5 billion local government pool of money will be, what exactly the grants will fund, or how competitive it will be to win that money against a nationwide pool of applicants. These will be Federal grants.
2. The Federal infrastructure bill and the DWRP funding process require that “disadvantaged communities” take preference in funding decisions. The State of Michigan’s definition of a disadvantaged community is established in [State Law, MCL 324.5402](#). There are several poverty and income levels and limits included in the definition.

The income components to the State’s disadvantaged community determination will preclude Pleasant Ridge from disadvantaged community status. A community must have a median income lower than 120% of the statewide median annual household income (MAHI) to be eligible. Michigan’s MAHI is around \$57,000, so the cutoff for disadvantaged community status is about \$68,400. Pleasant Ridge has a median annual household income of about \$122,000. We do not qualify for disadvantaged community status and will not receive priority status for funding decisions.

3. For further reference, the [State of Michigan DWSRF FY22 intended use plan](#) identifies the communities and projects that won revolving loan fund awards. 53 projects were awarded funding, with 38 awards going to disadvantaged communities. Also of note is that no awards were made to Oakland or Macomb County communities.
4. We have applied for grant funding from the State of Michigan for water infrastructure as it has become available. For an example, [refer to this grant summary](#) for a drinking water asset management grant we applied for. The summary highlights the level of competitiveness for such grants given the number of applications the State received, where we ranked, and how many communities received funding vs. those that did not.

## Infrastructure Bill Summary and Full Text

[Here is a link to an overview of the full infrastructure bill prepared for SEMCOG.](#)

[The full text of the Infrastructure Bill is available online at this link.](#) Refer to Division E – Drinking Water and Wastewater Infrastructure starting on page 707 of the .pdf file.

## How Will Pleasant Ridge Fund this Project?

The water infrastructure millage was approved by the voters at the November 2021 election. The City Commission can choose to levy all, some, or none of the millage during FY23 starting July 1, 2022. The City Commission is in the process of convening a Citizens Advisory Committee (CAC) to study the funding options for this project and to recommend a funding mix sufficient to raise the annual revenue needed to complete the work for the lowest total cost in the shortest amount of time.

Residents should expect to hear regular reports and updates from the CAC in the months leading up to the City's FY23 budget being adopted in June, 2022.