Pleyte, Beth (Treasury)

From:	Barton, John (Treasury)
Sent:	Monday, January 25, 2016 6:07 PM
To:	Saxton, Thomas (Treasury)
Subject:	FW: Jan 24 call notes
Attachments:	January 24-2015call notes.docx

I am not sure if you were on the call Steve mentioned, but I wanted to pass along Steve's e-mail. Steve is the EPA contact I talked to last fall.

From: Marquardt, Steve [mailto:marquardt.steve@epa.gov]
Sent: Monday, January 25, 2016 5:46 PM
To: Butler, Sonya (DEQ) <BUTLERS2@michigan.gov>; Barton, John (Treasury) <BartonJ@michigan.gov>
Subject: Jan 24 call notes

My notes from a call yesterday where your names came up.

Let me know if questions. thanks

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January 24, 2015 Call Notes

Call arranged by Emily Barson – HHS
Included representatives from Michigan Governor's office, MDEQ, USEPA headquarters and Region 5

On the call the Governor's office requested information regarding press related to $80M in infrastructure funds going to Michigan. USEPA responded that this was the annual appropriation of Clean Water State Revolving Funds (CWSRF) and Drinking Water State Revolving Funds (DWSRF) and these funds are awarded to the state as a grant and then state provide these funds to communities primarily in the form of low interest loans. It would be up to the state to determine the amount of funds provided to Flint.

There was then discussion of the state revolving fund and options under the fund to provide resources to Flint. The State asked about the eligibility of lead service line replacement and USEPA responded that they were eligible. The state also asked about eligibility of items inside the home and USEPA indicated that this would be investigated.

Options discussed for further investigation:

- Old Debt – The Michigan Finance Authority holds approximately $20M in DWSRF Flint Debt. The state should examine any savings that could be provided to Flint on this old debt including lowering the interest rate which is at 2.5% and possible extending the term of the debt from 20 year to 30 year. The extended term may make the semi-annual payments more affordable but costs more in the long run. Also, the State could pay off a portion of the debt. The Michigan Finance Authority may also have other ideas of actions that could be taken.
- New Funding - FY15 USEPA Funding – In September 2015, the MI DWSRF program identified $35M in projects they plan to fund in 2016 and provide $5.5M in principal forgiveness for those projects. The FY15 USEPA funding allowed stated to provide 20%-30% of the grant to the state as principal forgiveness to communities. This would be approximately $5.5M-$8M. The state should investigate the ability to award Flint a DWSRF loan that provides principal forgiveness up to the maximum allowed.
- FY16 USEPA Funding – FY16 CWSRF and DWSRF allocations to states have not yet been released. It is anticipated that MI would receive a similar allocation to FY15 – in FY15 USEPA awarded approximately $60M in CWSRF and $27M in DWSRF. If Flint applies for funding, the state could provide a loan to Flint and provide principal forgiveness up to the amount allowed under the FY16 appropriation language which is 20% of the DWSRF grant. The issue is that these funds would not be available for some time if the normal state SRF process is followed. The state normally applies for the funds in summer and provides funds to communities in the fall.

All options for new funding are dependent on Flint providing detailed information on needs, prioritizing the needs, and applying for funds.

Action items:

- USEPA look into eligibility options for SRF related to internal home plumbing replacement – Peter Grevatt (USEPA)
- USEPA, Michigan Finance Authority and MDEQ to investigate SRF funding options listed above and any other possible options. – John Barton (Michigan Finance Authority), Sonya Butler (MDEQ), Steve Marquardt (USEPA R5)
    - Look for most effective, economic and efficient way to approach needs
- USEPA Finance Center offered assistance – Jim Gebhardt (USEPA)
- Investigate the ability to transfer funds from the CWSRF to the DWSRF and the pros and cons of approach
- MDEQ requested the formation of a Municipal Finance Team - The USEPA Region 5 representative is Steve Marquardt and the request was made by EPA to have Sonya Butler from MDEQ and John Barton from the Michigan Finance Authority.