

E-Bulletin Newsletter



To provide affordable financial assistance to communities within Wisconsin for water infrastructure projects that protect and improve public health and water quality for current and future generations.



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Market Rate for Next Quarter

The Wisconsin Department of Administration (DOA) has set the market rate at 3.200% for loans with municipal bond meetings on or after July 1, 2020, through September 30, 2020, and with a final maturity of twenty years or less. There is no change from the current market rate of 3.200%.

- View current rates at dnr.wi.gov/Aid/documents/EIF/Guide/Interest.html.

Project Expenditures Over 18 Months Old

Municipalities should submit invoices for reimbursement in a timely manner to avoid the issues related to complying with U.S. Department of Treasury reimbursement regulations.

The adoption of a [declaration of intent](#) (as required with an EIF loan application) addresses many of the U.S. Department of Treasury reimbursement regulations, but even after adopting that declaration of intent and after closing on your Financial Assistance Agreement, there are time requirements for completing a reimbursement.

Generally, the reimbursement of municipal accounts from EIF loan proceeds must occur not later than eighteen (18) months after the later of (i) the date on which the expenditure is made, or (ii) the date the project is placed in service. However, the reimbursement cannot occur more than three (3) years after the expenditure is paid.

A project is "placed in service" when, based on all the facts and circumstances, (i) the facility has reached a degree of completion that would permit its operation at substantially its design level, and (ii) the facility is, in fact, in operation at such level.

There are exceptions to the reimbursement time requirements, but completing a reimbursement plan around these exceptions is not recommended. A couple exceptions include:

- The Preliminary Expenditure Exception: primarily for planning and design costs not exceeding 20% of the EIF loan amount, can be used regardless of the 18-month limit.
- The De Minimis Exception: lesser of \$100,000 or 5%, can be used regardless of the 18-month limit.

Upcoming Deadlines

June 24

SFY 20 SDWLP final loan closing date.

June 30

- SFY 21 SDWLP application deadline. Submit P&S to DNR DG and EL.
- ALL required bid documentation (including executed construction contracts) due for SFY 20 CWFP PF projects.
- SFY 20 CWFP application deadline for non-PF projects.

August 14

SFY 21 SDWLP PERF score reevaluation requests deadline (within 45 days of application deadline).

[View Deadlines PDF](#)

DNR, Environmental Loans Section—CF/2, 101 S. Webster Street, PO Box 7921, Madison, WI 53707-7921
dnr.wi.gov/aid/eif.html | CWFP phone: 608-267-7475 | SDWLP phone: 608-266-0849 | [staff directory webpage](#)



Program implementation details are outlined in chs. [NR 162](#) and [NR 166](#), Wis. Adm. Code. [Legal notice](#): This document is intended solely as guidance and does not contain any mandatory requirements except where requirements found in statute or administrative rule are referenced. Any regulatory decisions made by the Department of Natural Resources in any matter addressed by this guidance will be made by applying the governing statutes and administrative rules to the relevant facts. The Wisconsin Department of Natural Resources provides equal opportunity in its employment, programs, services, and functions under an Affirmative Action Plan. If you have any questions, please write to Equal Opportunity Office, Department of Interior, Washington, D.C. 20240. This publication is available in alternative format upon request, call 608-267-9481 for more information.

CWFP Intended Use Plan Coming Soon

The State Fiscal Year 2021 draft CWFP Intended Use Plan (IUP) is under development and is anticipated to be ready to publish by the end of June.

The IUP contains information on:

sources and uses of funds; amounts of principal forgiveness; the priority principal forgiveness programs; program policies; federal requirements; loan terms,

including information on the design life calculation worksheet that is required for applications seeking loan terms greater than 20 years; the Pilot Project Program; water quality and other scoring criteria for SFY 2022 projects; and other information required by EPA.

Once the draft IUP is published, comments will be taken for 21 days.

Updates to New Private Lead Service Line (LSL) Replacement Program

After publishing our draft Safe Drinking Water Loan Program (SDWLP) Intended Use Plan (IUP), which included information on the new private lead service line (LSL) replacement program, EPA informed us that our plan to prioritize applications in order of receipt during the first funding cycle was not acceptable.

Federal regulations require that all projects funded by the SDWLP be scored and ranked on the Project Priority List.

Since the current Priority Ranking and Evaluation Form (PERF) does not adequately address private LSL replacement projects, the LSL team decided to develop a scoring system specific to private LSL replacements.

We are currently working on this new scoring system. Once we are done, the new system will be published for 21-day public comment as an amendment to the SDWLP IUP.

A new scoring form will be developed, and a deadline set for submittal of the form. The deadline will be sometime in the fall of 2020.

Application in September

Just a reminder that we are **not** taking applications for the new private LSL replacement program this June 30.

Applications will be taken starting in September.

The private LSL application form will also serve as the Intent to Apply (ITA) so no separate ITA submittal is required.

LSL scoring forms and the LSL application will not be submitted through the online application system but instead will be pdfs that are emailed to a dedicated email box.

More information will be forthcoming on this once the forms are ready.



Staff Change: Environmental Loans Section Chief

We are pleased to share the news that Jim Ritchie is the new Bureau Director in the DNR Bureau of Community Financial Assistance. Jim began his new position on Monday, May 11, 2020. He works out of the DNR Central Office in Madison. His contact info will remain the same: 608-215-6235, Jim.Ritchie@Wisconsin.gov.

This position is responsible for supervising the loan and grant section chiefs as well as the development and implementation of policies for the sections.

Before his promotion, Jim was the Environmental Loans Section Chief, a position he has held since August 6, 2018. He has been with the DNR for 25 years.

Jim Ritchie is the lead for filling the Environmental Loans Section Chief position, located in GEF 2 in Madison.

Financial Report/Audit Submission Requirements

If you have an Environmental Improvement Fund (EIF) loan, your financial assistance agreement requires you to submit an annual financial report each year by the end of June. We anticipate that the COVID-19 pandemic will delay financial reports for many borrowers. Please submit your financial report as soon as it is available.

Reviewing borrowers' financial reports helps the EIF borrow on favorable terms, increasing funding for water and sewer projects. Small municipalities that do not have an audit can fulfill the requirement with an unaudited financial compilation or internal accounting report showing water and sewer revenues, expenses, and long-term liabilities. If your loans are secured only with regulated water revenue, you can submit the same report you already submit to the Public Service Commission.

We prefer that you email the document to doaeif@wisconsin.gov. Electronic documents allow us to more easily comply with Wisconsin's open records law.

Alternately, you can mail a paper copy to:
Environmental Improvement Fund
PO Box 7864
Madison WI 53707

The EIF's audit submission requirement does not satisfy annual audit or report requirements that may apply to your municipality for bonds issued or money borrowed from other sources.

American Iron & Steel Certification Letters

Based upon the Financial Assistance Agreement Section 5.05(b), DNR staff have the right to request and review all records relating to the Environmental Loan project. As requested by Environmental Loan staff, submit the American Iron and Steel (AIS) certification letter documentation in an organized manner to help construction management engineers (CMEs) determine if the loan recipient is certifying all the items/products required by the USEPA AIS regulations. It is requested that certification letter documentation be organized based upon where an item/product is found in the project (specification) manual. Tabs should be labeled with the tab number, the specification section number, and description. Here is an example of the tabs that might be used to organize the certification letters:

Additional tabs would be added as necessary to include all other items/products requiring AIS certification. The USEPA memorandum, dated 3/20/2014, in the Covered Iron and Steel Products Section (Items 11-24), defines what items/products require AIS certification.

AIS compliance cheat-sheet

This [two-page PDF](#) is essentially a cheat sheet of key AIS concepts and points. Now everyone can know a little bit about AIS compliance.

Product/Item	Tab #	Specification Section #	DESCRIPTION
Rebar	1	03 15 13	CONCRETE REINFORCEMENT
Fabricated metal	2	05 05 00	METAL FABRICATIONS
Structural steel	3	05 12 00	STRUCTURAL STEEL
Process valves	4	40 05 23	PROCESS VALVES

Visual Aids for Deadlines, Due Dates, & Timelines

The [Deadlines and Due Dates During Calendar Years 2020-2022](#) handout is a visual calendar of deadlines, listed by deadline date, for the Environmental Loans programs. This visual aid was created to help clarify:

- Start of State Fiscal Years (SFYs) in relation to calendar years.
- Overlapping SFY funding cycles and corresponding deadlines.
- Separate deadlines & timelines amongst programs.

The Deadlines During SFY 2021 handouts are visual calendars of deadlines, listed by deadline date, for a loan program. These visual aids were created to emphasize the timelines for loan closings & the application process.

- [CWFP Deadlines During SFY 2021](#)
- [SDWLP Deadlines During SFY 2021](#)

Equipment Replacement Fund (ERF) and Compliance Maintenance Annual Report (CMAR)

The best way to describe the [Equipment Replacement Fund \(ERF\)](#) is as a required rainy-day fund to ensure that a municipality is adequately prepared for potential expenses associated with the cost of replacing equipment as it wears out. This would include: wastewater treatment works, urban runoff treatment works, and/or structural urban BMPs. Municipalities with an active [Clean Water Fund Program \(CWFP\)](#) loan are required, as part of the [Financial Assistance Agreement \(FAA\)](#), to maintain an ERF.

Eligible costs

A municipality may use ERF to pay for repairs and replacements ranging from rebuilding an engine or pump to replacing a piece of equipment. If a municipality includes installation costs when determining the replacement cost of a piece of equipment, those costs may be paid out of the ERF.

Ineligible costs

There are costs, however, which are not covered under the ERF, such as: architectural or engineering fees, routine maintenance costs, replacing the entire treatment plant or collection system, pipes and other non-mechanical items, improving or expanding a system design, or other municipal operation costs.

Scheduling models

There are two acceptable methods a municipality may use when establishing an ERF: an itemized schedule or a percentage schedule.

An itemized schedule establishes a list of equipment items and determines an amount to be deposited annually into the ERF for each item. The itemized schedule must include the type of equipment, purchase date, anticipated service life, purchase cost including installation, and annual deposit needed to replace each piece of equipment.

The percentage schedule requires a minimum percentage of the mechanical equipment assets shown on the municipality's internal financial document or annual audit. The municipality has three years from the first principal payment on a CWFP loan, or three years from the year they switch from the itemized schedule to the percentage schedule, to achieve the required minimum balance/percentage. When the ERF is used, the municipality has three years from the installation year to reach/return to the required minimum balance/percentage.

User Charge System

The [User Charge System \(UCS\)](#) is the method by which the municipality funds the ERF and should be reviewed by the municipality every two years to reflect changes in expected equipment life and cost, identify new equipment, and remove obsolete or retired equipment.

Compliance Maintenance Annual Report

All municipalities with a Wisconsin Pollutant Discharge Elimination System (WPDES) permit are required to submit the [Compliance Maintenance Annual Report \(CMAR\)](#), which is a self-evaluation tool that, in part, summarizes ERF transactions as well as other topics related to the management, operation, and maintenance activities of wastewater treatment systems.

The Environmental Loans program reviews the CMAR of all municipalities with active CWFP loans. If there are identified deficiencies in the ERF, a letter is sent to the municipality with an offer of assistance with correcting the deficiency(ies). Additionally, there are penalties related to [noncompliance](#) and [breach of contract](#).

Adequate funds

Municipalities that received Wisconsin Fund Grants or Clean Water Fund Program monies and **no EPA grant funds** are able to discontinue the ERF. However, it is recommended that the ERF be adequately funded so that equipment can be replaced on a timely basis without the need for a capital improvement project. For wastewater treatment plants that received EPA grant funds during the Construction Grants Program in the 70s and 80s, the owners must maintain an equipment replacement fund for as long as that facility is functional.

Contact information

If you have any questions or concerns related to the ERF or the CMAR you may contact [Dave Calhoon](#) or [Kevin Olson](#).

