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# The Loan Arranger

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Spring  
2018

Revolving Loan Section  
Drinking Water and Municipal Assistance Division  
Michigan Department of Environmental Quality



## Pilot Drinking Water Grant Program

*By Karol Patton*

The Revolving Loan Section received \$9.5 million to establish a pilot program for lead (and galvanized steel) service line replacement. A mix of 18 small, medium and large communities located throughout the state were invited to apply for funding within a short application period.

The grant funds can be used for updating the inventory of distribution system material, updating or improving the asset management program, and lead service line construction. The priority task is updating the materials inventory since the locations of the lead service lines must be known before they can be replaced.

One of the questions that arose during program development was how communities could handle the private portion of the service line. Recent information has established that the partial replacement of lead service lines does more harm because the disturbance causes the flaking of the lead in the remaining lead portion of the line into the water. Based on this problem, it was decided that only full line replacement would be eligible for grant funding. To assist grantees with handling the issues with the private portion, RLS staff contacted cities that are in the process of full-line service line replacement to gather information on how the private portion was handled. The information obtained was put in a guidance document, which includes ordinances and public information documents. Call or e-mail our office for a copy of the guidance document.

Grant awards are expected in early June. Unfortunately, \$9.5 million distributed among 18 communities (they all applied by the deadline) didn't allow RLS to give most of the communities the amount they requested. The grant recipients and their award amounts are below:

Name	Amount	Name	Amount
Battle Creek	\$500,000	Kalamazoo	\$1,000,000
Benton Harbor	\$284,000	Ludington	\$469,000
Detroit	\$1,000,000	Manistee	\$331,000
Escanaba	\$389,000	Mt. Clemens	\$346,000
Ewart	\$433,000	Muskegon	\$600,000
Grand Rapids	\$1,000,000	Muskegon Heights	\$318,000
Hudson	\$368,000	Owosso	\$508,000
Ironwood	\$469,000	Saginaw	\$963,000
Jackson	\$250,000	St. Joseph	\$272,000

## Project Highlight: Hillsdale Upgrades Facilities

*By David J. Worthington, Senior Project Manager*

The city of Hillsdale, whose wastewater system serves not only the city but Hillsdale College and portions of Hillsdale and Cambria Townships, has tapped into the State Revolving Fund (SRF) loan program to build substantial upgrades to its wastewater treatment plant. Additionally, the city was awarded a SAW grant to complete the SRF Project Plan.



Secondary Clarifier

Major improvements were needed after numerous discharge permit limit exceedances were recorded in recent years, including dissolved oxygen, ammonia nitrogen, total residual chlorine and biochemical oxygen demand. There have been sanitary sewer overflow incidents as well. Much of the wastewater treatment plant equipment was nearing or well past its design life.

Financing was divided into two segments due to a bond ceiling limitation on the first loan. Segment Two allowed the city to add tertiary filtration, a backup generator, and contamination cleanup costs. Basic improvements included headworks, clarifiers, oxidation, and digesters. Green components include combined heat and power from “biogas” which will provide a portion of the energy used by the wastewater treatment plant.



New Storage Building

Despite many construction challenges, the project has been a success and is nearing completion. Congratulations to the city, Fleis & VandenBrink, Inc. (engineers), L. D. Docsa (main contractor), and DEQ District Office Staff (Lansing and Jackson).

## Money, Money and More Money?

*by Sonya Butler*

As communities consult their water asset management plans and make presentations to city councils and village boards, consider the Drinking Water Revolving Fund (DWRF) and State Revolving Fund (SRF) as financial resources to get your projects funded. Over the last three years, loan demand has been low. It's averaged \$33 million in DWRF loans and \$185 million in SRF loans. Thus, at a minimum you can expect the fundable range in the DWRF and SRF to be \$200 million and \$400 million for the next three fiscal years. Additional funds can be accessed if project demand exceeds these amounts. The deadline to submit project plans is May 1<sup>st</sup> and July 1<sup>st</sup>; respectively. If you have project ideas, then give our office a call to help make your ideas tangible.

**Michigan Finance Authority (MFA)/Department of Environmental Quality (DEQ)**

**FY 2019 FINANCING SCHEDULE  
for the State Revolving Fund (SRF), the  
Drinking Water Revolving Fund (DWRf) and the  
Strategic Water Quality Initiatives Fund (SWQIF)**

Note: 1 <sup>st</sup> Quarter Loan Closings are Available for Financial Segments or Prior-Approved Projects Only.	<b>QUARTER 1</b>	<b>QUARTER 2</b>	<b>QUARTER 3</b>	<b>QUARTER 4</b>
Rate Methodology Approved	<b>08/29/2018</b>	<b>11/16/2018</b>	<b>01/31/2019</b>	<b>04/26/2019</b>
EAs Published No Later Than	<b>08/17/2018</b>	<b>11/21/2018</b>	<b>02/07/2019</b>	<b>04/26/2019</b>
Part I and Part II Application Due	<b>08/31/2018</b>	<b>11/30/2018</b>	<b>02/15/2019</b>	<b>05/17/2019</b>
FNSI Clearance Plans & Specs Approved	<b>09/17/2018</b>	<b>12/21/2018</b>	<b>03/08/2019</b>	<b>05/28/2019</b>
Bid Ad Published No Later Than	<b>09/17/2018</b>	<b>12/21/2018</b>	<b>03/08/2019</b>	<b>05/28/2019</b>
Part III of Application Due Bid Data Submittal (With Tentative Contract Award)	<b>11/02/2018</b>	<b>02/01/2019</b>	<b>04/18/2019</b>	<b>07/05/2019</b>
DEQ Order of Approval Issued*	<b>11/16/2018</b>	<b>02/28/2019</b>	<b>05/17/2019</b>	<b>08/09/2019</b>
Borrower's Pre-Closing with the MFA	<b>11/30/2018</b>	<b>03/15/2019</b>	<b>05/31/2019</b>	<b>08/22/2019</b>
<b>MFA CLOSING</b>	<b>12/12/2018</b>	<b>03/27/2019</b>	<b>06/07/2019</b>	<b>08/30/2019</b>
Notice to Proceed Issued No Later Than	02/10/2019	05/27/2019	08/06/2019	10/29/2019

\*In addition to MFA requirements, all municipal bond sales must be reviewed and approved by the Local Audit and Finance Division of the Michigan Department of Treasury before an Order of Approval can be issued.

**AN APPROVABLE APPLICATION FOR A REVOLVING FUND LOAN MUST INCLUDE:**

1. A completed revolving fund application (Parts I, II, and III) including all required application information and assurances.
2. A detailed project description, cost breakdown, and project schedule.
3. Financial documentation to demonstrate ability for timely repayment of the loan and other assurances required by the application. (Part I)
4. If applicable, all executed intermunicipal service agreements. (Part II)
5. An approved User Charge System. (Part II)
6. An approved Project Plan. (Part II)
7. A set of plans and specifications suitable for bidding, including DEQ construction permit. (Part II)
8. A certified resolution from the applicant designating an authorized representative. (Part II)
9. Verification that the project has been advertised for bids or other appropriate procurement action. (Part II)
10. A fiscal sustainability plan certification form. (Part III for SRF only)

# Loan Programs Lean Process Improvement Update

*by Izabel Hartman*

The Revolving Loan Section (RLS) went through a Lean Process Improvement (LPI) for the State Revolving Fund (SRF), Drinking Water Revolving Fund (DWRf), and Strategic Water Quality Initiatives Fund (SWQIF) loan programs beginning in August 2017. This involved internal and external stakeholder participation. Out of that process, three main teams were formed to provide recommendations for: (1) pre-planning process, (2) Project Plan, and (3) project scoring and prioritization for funding.

The pre-planning process group developed an Intent-to-Apply (ITA) form, to be submitted when a community first identifies that the need for a project exists. The purpose of this form is to help us help you, not to hinder the application process. The form can be submitted at any time but is due no later than December 31 the year before an applicant would submit the project plan (i.e. December 31, 2018 for a project plan submittal May 1, 2019 for DWRf or July 1, 2019 for SRF/SWQIF, for Fiscal Year 2020 funding). The ITA form is voluntary for the upcoming Fiscal Year 2019 funding cycle (project plan submittals May 1, 2018 for DWRf or July 1, 2018 for SRF/SWQIF), but it is requested that applicants utilize the form where applicable, so we can receive feedback. Contact the RLS for a copy of the ITA form. Beginning next year, use of the form will be implemented.

Following submittal of an ITA form, the RLS will set up a meeting with the community, DEQ district engineer, consultant (if applicable) and other parties as appropriate. The purpose of the meeting will be to provide information on the program(s) and review what is needed for your identified project(s) in the project plan. Note, submitting an ITA form and having a pre-application meeting with the DEQ does not lock a community into coming through our program for funding. We want to help communities determine what fits best.

The project plan group looked at how to streamline the project planning process. Several recommendations were made, including replacing the traditional project plan with a more streamlined document tiered and tailored to project type and environmental impact, reducing the public participation requirements for lower-tiered projects, using standard checklists/Table of Contents as a “template” for the planning document, and allowing some primary documents in lieu of or in addition to the project plan (e.g. Asset Management Plan or Rural Development-Preliminary Engineering Report). Some of these items would require statute change, while others could be realized sooner. The RLS is working through the recommendations for implementation.

The scoring and prioritization group primarily recommended scoring updates to include relevant topics (such as AMP, Affordability) as well as the utilization of two funding cycles a year. Two funding cycles would allow for project plans to be submitted twice a year to allocate more funding for projects ready to proceed with construction. These recommendations would also require statute changes.

Let us know if you have any questions and stay tuned!

## WIFI – Aye?

*by Sonya Butler*

Recently there have been large dollar amounts used to describe the amount of wastewater and drinking water infrastructure needs for Michigan and the rest of the country. There are several ways to pay for these needed infrastructure projects: system fees and revenue, traditional bank loan, SRF and DWRf programs, U.S. Department of Agriculture Rural Development programs and Water Infrastructure Finance and Innovation Act (WIFIA). What's WIFIA you say? WIFIA is a financial assistance program to fund wastewater and drinking water projects; \$5 million minimum for communities with a population less than 25,000 and \$20 million minimum for all other communities. WIFIA has the same program requirements as a DWRf or SRF loan. The interest rate for a WIFIA loan is based on the U.S. Treasury rate and loan terms extend to 35 years. Please note that WIFIA can only fund up to 49% of eligible project costs. Read more about WIFIA financing at [www.epa.gov/wifia](http://www.epa.gov/wifia).

## ***Making Tracks***

*by Sonya Butler*

In February, Wendy Fitzner (East Unit Manager) retired from state service. Wendy worked for the DEQ 25 years! Wendy worked in the Air Quality Division, Environmental Assistance Division, Water Resources Division and the Drinking Water & Municipal Assistance Division. Wendy came to the section from Water Resources Division in 2013. In retirement, Wendy plans to travel and spend time with family.

In March, Kelly Green (West Unit Manger) moved on to another position in DEQ. Kelly came to the DEQ in 2006 and worked in the section as a project manager. In 2012, she was promoted as the West Unit Manager. Kelly may continue to interact with infrastructure projects as she is now the Infrastructure Coordinator. We wish her well in her role.



Karol Patton and Izabel Hartman were both promoted in March. Karol is the new supervisor for our West Unit. Karol holds a bachelor's degree in wildlife biology from Michigan State University. Karol has worked as a project manager in the section and in the nonpoint source program. Karol is excited to help the loan programs grow and adapt to the changing economic realities and renewed focus on infrastructure needs, while keeping true to the environmental protection requirements.

Izabel is the new supervisor for our East Unit. Izabel holds a bachelor's degree in biology and environmental science from Central Michigan University. Izabel began working in the section in 2008 as a project manager. Izabel is proud of the work she does to assist Michigan's infrastructure needs, to help ensure clean water for our state.



We also wish to send farewell wishes to Debra Foye. After 10 years of service in the East Unit, Debra will be missed by her coworkers and the projects she leaves behind.

### **PUBLIC HEARING DATES ARE ANNOUNCED**

**The Michigan Department of Environmental Quality has set the dates for the fiscal year 2019 public hearings on the draft Project Priority Lists and draft Intended Use Plans.**

**Drinking Water Revolving Fund – August 22, 2018, at 1:30 p.m.  
(for project plans received or postmarked no later than May 1, 2018)**

**State Revolving Fund – September 19, 2018, at 1:30 p.m.  
(for project plans received or postmarked no later than July 1, 2018)**

**Both public hearings will be held in Constitution Hall, at 525 W. Allegan in downtown Lansing.**

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MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY  
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