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# The Loan Arranger

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Spring  
2017

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



## Project Spotlight: Clean Water Revolving Fund – Miller Road Green Corridor

*By Karol Patton*

The Clean Water project highlighted is the Washtenaw County Water Resources Commission's (WCWRC) Miller Road Green Corridor. The Miller Road Green Corridor project resulted from on-going cooperation between the WCWRC and the city of Ann Arbor to identify opportunities to implement nonpoint source (NPS) pollution control practices to improve the water quality of the Middle Huron River. This project also was an opportunity to implement green infrastructure practices in a Michigan Department of Transportation road reconstruction project.

The project included a series of 25 rain gardens within the rights-of-way on the north and south side of Miller Road between Maple and Newport Roads, a 7,990-square-foot rain garden installed in Garden Homes Park, and a 6,460-square-foot rain garden installed in the Miller Nature Area, located on each end of the project area. Oversized storm sewers were installed to provide flow attenuation and further settling and removal of pollutants. The project was funded with an SRF NPS loan to the WCWRC for \$1,000,000. The project received principal forgiveness (\$190,650) for the green infrastructure practices.

The Miller Road corridor is located in the Allen Creek watershed. Allen Creek contributes increased stormwater runoff volumes, sediment, and phosphorus to the Middle Huron River. The Middle Huron River is subject to total daily maximum load (TMDL) reductions for phosphorus and E. coli. The infiltration practices capture and treat stormwater runoff, slow down the stormwater runoff, and lengthen the discharge time to the downstream areas. The flashiness of the creek is reduced, which reduces stream bank erosion and sediment inputs. The practices are designed to remove 60 percent of the total suspended solids, 85 percent of the total phosphorus, and reduce the first-flush runoff stormwater volume by 34 percent. The project will reduce the NPS pollution inputs to the Middle Huron River, and help meet the TDML load reductions.



*Miller Road Corridor*

The Miller Road project created a beautiful corridor along one of Ann Arbor's main thoroughfares while improving water quality. Ann Arbor is responsible for the operation and maintenance of the practices, while volunteers assist with the upkeep of the roadside rain gardens.

## Project Highlight: Drinking Water Revolving Fund – Bay County

By Eric Pocan

The Drinking Water project highlighted is Bay County, which constructed a new 17.4-million-gallon-per-day Bay Area Water Treatment Plant (BAWTP) that uses membrane filtration. Dual transmission mains were also included in the project to connect the new water plant to a transmission main with raw water supplied by the Saginaw-Midland Municipal Water Supply Corporation (SMMWSC). The total project cost was \$59.6 million, which included three DWRP loans totaling \$38 million. Bay County also qualified for \$8.2 million in principal forgiveness because of green elements, which included the reduction of chemicals needed for the treatment process, energy savings, and a reduction to the waste stream flow. Customers began receiving water from the BAWTP on August 31, 2015, and the grand opening was held at the new facility on July 21, 2016.



BAWTP: 42-inch concrete dual transmission mains

Before this project could even break ground in October of 2013, the former Bay City Municipal Water Treatment Plant (BCMWTWP), which is no longer in service, had its ownership transferred from Bay City to Bay County and a water supply agreement was negotiated and signed by 14 communities agreeing to construct the BAWTP pursuant to a financing agreement with Bay County. In addition, The Board of County Road Commissioners of the County of Bay entered into a wholesale raw water service agreement with the SMMWSC to receive raw unfiltered water for 40 years. As a result of this project, the distribution system will have a more reliable source of water that will not be influenced by rapid fluctuations from the Saginaw Bay. The

new membrane filtration system significantly reduces the use of chemicals in the treatment process compared to what was used at the BCMWTWP, and the new water source should also eliminate customer complaints regarding taste and odor concerns as a result of algae blooms within the Saginaw Bay.

### SAW Deliverables

by Eric Pocan

As the 3-year performance period winds down for the first round of SAW grants this May, project managers are still answering questions on what deliverables are required of grantees. One common misconception is grantees are required to construct projects they identify in their Wastewater (WW) and Stormwater (SW) asset management plan's (AMP) in order to retain the grant. While the hope is communities will use their AMP as a guide to replace or rehabilitate aging infrastructure, completion of a construction project is **not** required to retain those grant funds. The only time a project is required to be constructed is when a design grant is awarded.

Grants with a WW AMP scope are required to submit a Rate Methodology review within 2 ½ years after the grant is awarded. If the WW AMP identifies a gap in the current revenue needed to meet expenses, then significant progress must be made toward achieving the funding structure necessary to operate the system. Significant progress is defined as a 5-year plan to eliminate the gap with a minimum initial rate increase adopted prior to the expiration of the 3-year grant period to close the funding gap by at least 10 percent. This 5-year plan would be submitted at the end of the 3-year grant period. The good news is no applicants identified a funding gap in the first round of grants; therefore, the 5-year plan was not required for those grantees.

Grants with both a WW and SW AMP are also required to submit a brief, 1-2 page project summary along with the signed Certification of Completeness form. This document should include a summary of the plan, the plan's major identified assets, and contact information for the local unit of government.

Each AMP should be made available to the DEQ upon request, and a copy of the AMP must be made available to the public for at least 15 years.

The following table lists the deliverables required for each type of grant:

Type of SAW Grant	Grant Deliverable
Planning	Project Proposal for SAW-funded projects, Project Plan for SRF-SWQIF projects, or Preliminary Engineering Report and Environmental Report for Rural Development projects
Design	Project Plan or Project Proposal, Plans and Specs, Notice to Proceed
WW AMP	Certification of Completeness, Rate Methodology, Project Summary
SW AMP	Certification of Completeness, Project Summary
SW Management Plan	Plan Submittal

## Groundwater Dewatering

*by Karen Nickols*

With project plan submittal deadlines right around the corner, the Revolving Loan Section (RLS) would like to remind applicants and their consulting engineers about the potential for project impacts from groundwater dewatering and how it relates to the State Revolving Fund and Drinking Water Revolving Fund projects.

Construction impacts must be described in detail in the project plan. This includes a description of all the areas that may be *directly* affected by the construction of the proposed project, **in addition to** the areas adjacent to the proposed project construction area. Typical items that should be discussed include the features located around the project such as floodplains, wetlands, stream crossings, shore lands, prime and unique agricultural lands, and the removal or alteration of landscapes and/or buildings.

One area in the project plan the RLS is finding that is either routinely briefly discussed or omitted is the effect on the local landscapes when a proposed construction project anticipates groundwater dewatering. During the project planning stage, a more in-depth assessment of any project dewatering should be included in the project plan under the Direct Impacts section. Items that should be discussed, but not limited to, include:

1. Will the project potentially lower the water table during construction of the project? If so, what is the anticipated draw down amount?
2. What is the anticipated cone of influence near the project site with groundwater dewatering?
3. What direction does the groundwater flow near the project site?
4. Is there anything located within the cone of influence of the project area that may be affected by groundwater dewatering during construction? For example, are there wetlands near the proposed construction site or residential sites supplied by individual wells that may be affected by the project dewatering?
5. Is there potential contamination in the surrounding area that may move with the dewatering activities?

By answering these questions and anticipating any project impacts early on in the planning process, the applicant can avoid any unforeseen surprises and begin planning for any mitigation measures. We encourage early coordination with the Department of Environmental Quality, Water Resource Division, Surface Water Assessment Section to review any potential problems related to project construction and so that the RLS can address any potential direct impacts in the required environmental assessment.

Please contact our office at 517-284-5433 if you have any questions or would like to talk with a project manager.

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

**FY 2018 FINANCING SCHEDULE  
for the State Revolving Fund (SRF), the  
Drinking Water Revolving Fund (DWRF) and the  
Strategic Water Quality Initiatives Fund (SWQIF)**

	<b>QUARTER 1</b>	<b>QUARTER 2</b>	<b>QUARTER 3</b>	<b>QUARTER 4</b>
Rate Methodology Approved	<b>08/29/2017</b>	<b>11/30/2017</b>	<b>02/13/2018</b>	<b>05/11/2018</b>
EAs Published No Later Than	<b>08/18/2017</b>	<b>12/05/2017</b>	<b>02/21/2018</b>	<b>05/11/2018</b>
Part I and Part II Application Due	<b>09/01/2017</b>	<b>12/15/2017</b>	<b>03/01/2018</b>	<b>06/01/2018</b>
FNSI Clearance Plans & Specs Approved	<b>09/19/2017</b>	<b>01/04/2018</b>	<b>03/23/2018</b>	<b>06/12/2018</b>
Bid Ad Published No Later Than	<b>09/19/2017</b>	<b>01/04/2018</b>	<b>03/23/2018</b>	<b>06/12/2018</b>
Part III of Application Due Bid Data Submittal (With Tentative Contract Award)	<b>11/02/2017</b>	<b>02/16/2018</b>	<b>05/02/2018</b>	<b>07/20/2018</b>
DEQ Order of Approval Issued*	<b>11/17/2017</b>	<b>03/14/2018</b>	<b>06/01/2018</b>	<b>08/23/2018</b>
Borrower's Pre-Closing with the MFA	<b>12/01/2017</b>	<b>03/30/2018</b>	<b>06/13/2018</b>	<b>09/04/2018</b>
<b>MFA CLOSING</b>	<b>12/12/2017</b>	<b>04/10/2018</b>	<b>06/22/2018</b>	<b>09/14/2018</b>
Notice to Proceed Issued No Later Than	02/10/2018	06/09/2018	08/21/2018	11/13/2018

\*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)

## Looking for \$\$ to Replace a Septic System?

Replacement of existing septic tanks is a Housing of Urban Development/Michigan State Housing Development Authority (MSHDA) eligible improvement under the [Property Improvement Program](#) (PIP). PIP is an amortized LOAN program so the household and property must meet the criteria listed on MSHDA's public Web site located online at [www.michigan.gov/homeimprovement](http://www.michigan.gov/homeimprovement).



A possible grant resource for septic systems may be the Federal Home Loan Bank of Indianapolis (FHLBI) Neighborhood Impact Program (NIP) grants. Homeowners can receive up to a \$7,500-grant if they qualify. FHLBI's spring funding will be announced on the [FHLBI Web site](https://www.fhlbi.com/products-services/communities-and-housing/NIP) (<https://www.fhlbi.com/products-services/communities-and-housing/NIP>).

## FYI

- The 20-year interest rate for DWRP (includes 30-year), SRF, and SWQIF loans closing in fiscal year 2017 is 2.5 percent. The interest rate for 30-year SRF loans is 2.75 percent.
- The Office of Management and Budget set the real discount rate (which does not include an inflation premium) for fiscal year 2018 at 0.5 percent (0.005). This rate is to be used for project planning that begins on or after October 1, 2016, for preparation of the cost-effectiveness analyses only.

Remember, this is NOT a rate that should be used to calculate debt retirement needs, but rather is used in cost-effectiveness analyses to “bring” future expenditures back into today's dollars for total present worth or equivalent annual cost comparisons.

- The first round of SAW grant awards must complete all grant expenditures and activities by May 2017. Contact your project manager if you anticipate any problems with meeting this deadline as soon as possible.
- Kelly Green will be joining the Administration Division for at least one year as the Department's Infrastructure Coordinator. In her new role, Kelly will work with various stakeholders and the Governor's Office on infrastructure issues, and serve as the Department's point of contact on the 21<sup>st</sup> Century Infrastructure Commission.

Karol Patton has agreed to help out and fill in as the West Unit Supervisor.

### PUBLIC HEARING DATES ARE ANNOUNCED

The Michigan Department of Environmental Quality has set the dates for the fiscal year 2018 public hearings on the draft Project Priority Lists and draft Intended Use Plans.

Drinking Water Revolving Fund – August 23, 2017, at 1:30 p.m.  
(for project plans received or postmarked no later than May 1, 2017)

State Revolving Fund – September 20, 2017, at 1:30 p.m.  
(for project plans received or postmarked no later than July 1, 2017)

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

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DRINKING WATER AND MUNICIPAL ASSISTANCE DIVISION  
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