

**Stormwater, Asset Management, and Wastewater (SAW)  
Workgroup Meeting on July 31, 2013  
At DEQ, Constitution Hall, 3<sup>rd</sup> Floor North  
Lillian Hatcher Conference Room, 9 am-12 pm**

**Attending:** Harry Sheehan, Washtenaw County  
Nate Zill, Lenawee County  
Larry Fox, C2AE  
Keith McCormack, HRC  
Gary Burk, City of Owosso  
*Brian Vilmont, Prein & Newhof*  
*Randy Kriscunas, Fleis & VandenBrink*  
*Ryan Stroud, Wightman & Associates*  
OAG: Alan Lambert, Shenique Moss  
DEQ: Liane Shekter Smith, Sonya Butler, Pete Ostlund, Bob Sweet, Charlie Hill (by conference call), Kelly Hoffman, Wendy Fitzner, Cheri Meyer, and Carla Winegar

**Not in Attendance:** Dima El-Gamal, Stantec  
Jim Sygo, Deputy Director, Phil Argiroff, Robert Schneider, DEQ

## Loans

### Project Proposal – project justification (in place of project plan)

- Comments from Dima and Larry were received and addressed
- Kelly shared draft document of minimum requirements for a project proposal
  - Objective is to make more streamlined than actual project plan.
  - Basically, overview of what you want to do and why you want to do it.
    - If applying for design grant, this is what we need...
  - The project proposal will vary depending on use: grant vs. loan
  - Item 3. Project Need – must be water quality issue
  - Item 4. Description of Project Options Considered - due diligence was done
- Concerns
  - Keith- it seems the same as SRF. How do we explain there is **no** cost-effective analysis?
    - Kelly- in trainings, we can point out the differences and use a FAQ.
  - Harry- need baseline for the application requirement; need an example.
    - Address how to complete the document. What is expectation? Liane-we do not expect same level of detail as in SRF. It is okay - clarify.
    - Pete- take SRF project description and shorten down for example
  - Keith- assurance that if not administrative complete, not disqualified.
  - Get rid of the words requirement or minimum- replace with guidance (at beginning of document).
  - Nate- any state laws requiring an environmental review? We want to avoid trouble down the road.

Draft SAW Loan Application**Part A – mostly all financial documentation that MFA requires, like in the SRF Part I Application.**

- Added a few things like federal ID number and that authorized representative should be mentioned in resolution. Where does applicant define if a municipality? Applicant must state borrowing statute to cover the municipality question.
- Item E. Project Estimates ...added will this project relate to user rate increase
  - Harry- we say we are not raising rates for a specific project, but then raise rates for other reasons.
  - Change to rates may go up? Use result instead of relate.
  - Say what is impact as result of project and explain. (Keith)
  - If project managers write fact sheet, we want to know if there is a rate increase, so we can include in fact sheet to let public know.
- Item F. added Targeted SAW construction date.
- Items through page 9 information that Treasury needs.
- Page 10 Project Cost Worksheet for gathering estimated costs to generate loan amount.
  - Note: no contingency rates for these loans. (bid package may include contingency)
  - Liane – do we want to limit contingency? If there is a limit, everyone would inflate their estimate. It is money we have to hold and cannot give out. Once loan amount is established, cannot exceed that amount. Can juggle between budget line items.
  - At what point do we tell the community they are going to get what amount? Adjust bid amount to actual loan.
    - Community would have to make a decision – things may be confusing.in beginning.
    - Standard planning contingency is 10 percent; 3-5 percent later for construction.
    - We don't want to set a limit, but consultants can. Engineers need to discuss with community.
    - For SAW loans, have to have asset management plan in place. Not foreseeing any SAW loans this year.
- Harry- Pages 1-9 all wastewater, not stormwater. Page 5 says sewage; need to have conversation with Treasury. Stormwater utility would be much easier.
- Page 11 contains information requested by Treasury;
  1. added Project Proposal,
  2. added Asset Management Plan and/or Stormwater Management Plan - change to whichever is applicable.
  - Pete- qualify as well stormwater management plan has to be approved. Asset management plan must meet minimum conditions of grant requirement. If submit something, have to define what it is going to be.
  - Gary- How extensive a submittal of asset management plan? How much detail? Checklist of expectations, same as something Pete said about asset management plan checklist.
  - Stormwater management plan, attached or provide link to document. Make reference and check off attached. Treasury likes electronic submittal of the financial data.
  - Gary- for clarification purposes, if community does asset management plan for treatment facility and collection system later, are those set of assets separate? Yes.

- Asset management plan can be done for wastewater treatment plant or collection system. If a collection system does an asset management plan and rate increases are needed, can make an assumption on rates.
- At what point can you apply for SAW loan? Collection and treatment systems with reasonable breaks.
- Pete- need to be clear that if same NPDES permit condition in grant related to asset management plan, it will be in the loan. If in loan, they must accept in permit.
  - Need to decide difference in grants and loans
  - Liane- let's make that decision. To determine if wastewater and collection, do you have to do asset management plan for both?
  - Charlie- Do the SAW loans have to address priority and critical assets? No, it is up to the community to determine the loan purpose.
  - Any limitation on loan amount? No.
- Guidance best of ability to balance grants and loans within \$97M (Liane)
  - We can't hold money with first come, first served.
  - Expect large workloads, trying to be prepared.
    - If a loan requests a large amount, lottery, do you kick out many grant and loan applications? Yes or the applicant can segment the project. Control over workload; reviewing applications as they come in.
- In resolution, take out public hearing required.
- Change verbage in design engineering.
- Look over instructions.
- Add contingency language – ok for community to add in loan amount.

**Part B – Project information submitted after applicant knows Part A accepted, similar to the SRF Part 2 Application (bid amount).**

- Removed some covenants that were for SRF.
- Page 3 remove contingency from worksheet.
- Supplemental agreement for SAW loan similar to SRF. NPS fit in? Yes. Bob to let us know if needs to be worded differently. Per DEQ grant agreement boilerplate. (Subsequently, determined that most current boilerplate language was used for SAW documents.)
- Contingency – Keith- How finance cash from community? Sell bonds, etc.
  - Can loan repayment be figured a low rate and bond higher?
  - If bids come in higher than estimated amount, what are options? What community needs, is what we are gearing for. Approved for this amount before plans and specifications are prepared. Timing issue.
  - Can come back for additional loans? Yes, if money is there.
  - Community could fund project with other resources than a SAW loan. If community has to initiate another funding source and if options are limited, then this will drive up contingency.
- Covenant 15. Is this a federal requirement? Took other non-applicable federal covenants out. Can we delete? DEQ will look into.

SAW Loan Process (in-house) hand out

- Need help in timing of reasonable dates. Trying to be flexible, but have to have something.
- Fact sheet will be posted to web, similar to SRF Environmental Assessment process. Community would need to provide addresses for affected system users.

### Financing Schedule

- Need to double check with Treasury to see if they are going to process loan quarterly.
- Not hard dates, no. of days before.
- Conference calls on the loan amounts and finance related matters before Order of Approval is prepared by the DEQ.

Training on applications will be done in mid-September.

### SAW Grant/Loan Submittal and Review Process

- Proposal to make dates same (currently October 1 and December 2, respectively) get away from early submittal; large influx of applications. Applications available and submittal date would be the same.
  - 1<sup>st</sup> come starts on December 2; expect onslaught of applications.
  - Pete- we would get poorer applications, and use more staff time to review applications.
  - Updating applications online as we go? No.
  - Pete- give no feedback before December 2.
  - Shenique suggested moving up acceptance date to November to accommodate current schedule for grants.
  - We don't have to give money out 1<sup>st</sup> quarter. Thus, December submittals could expect to have grant agreement signed by April 2014.
  - Pete- this is at least an orderly process, have time to do it right. Will be easier after first rush.
  - Gary, if somebody get application in and does not get funded this year, are they in line first for next year? Yes, if there is money.
  - Decision - Keep as is or move up to November 2? Leave as is.
  - Make clear application must be submitted hard copy; will not accept electronic submittals.
- **Postmark date** will be accepted date if mailed, since there are mail issues with DEQ office moves, construction, etc.
  - Best bet would be to hand deliver and have application stamped with date received.
- Review of Application by District Staff
  - Pete – staff meeting December 16<sup>th</sup>- 2 weeks after December 2 to allow for RLS staff to do initial reviews and determine which applications need district staff approval.

### SAW Loan Interest Rate

- SAW interest rate recommended to be same as SRF; will not be announced until SRF public hearing on September 18 in the afternoon.
- Harry- variable rate? Question for Treasury.
- What is advantage/disincentive for larger projects? Can make project bigger, can be higher than market rate, not really cap, ramp, incline, have conversation with Treasury.
- Gary- is there opportunity for public hearing for SAW interest rate? No.
- How much demand? Can adjust next year.
- Group recommends higher interest rate for SAW, what would be amount? Tiered, based on need.

### SAW Grant/Loan Submittal and Review Process

- Loans/grants same process, first come first served. Can make decision now. (Liane) 50 percent of money for loans. Asset management, we need to decide and publish/communicate.
  - Gary- we need more thought and discussion. Contact other interest groups to get feedback. Program should be subject to annual review.
  - Alan- depends on what Treasury decides if subsidized or market rates.
- Could be same as SRF except for asset management plan, which is big step for us.
  - Goal of SAW is suppose to be to make it easier to get money than from SRF.
  - Change project planning process to asset management process. Once complete, you are in (Keith) so for the state, do you want to make incentive by subsidizing loan? Not competing, incentivizes loan itself, argument for market rate.
  - Gary- recognize difficult to fund stormwater, trying to get utility to be self-sustaining.
  - Harry- we have billions in needs, streamline program and to fund asset management plan, etc.
- Liane- with higher interest rate, would be more money to come back to us to use.
- Harry- why wasn't it told that it is 50/50 split for the funds allocated to SAW?
  - Gary- former workgroup didn't know need or what would come in.
- No final decision for SAW interest rate. Advocating higher rates for loans? Yes, and subsidized for stormwater.
  - Harry advocates subsidized rate up to higher amount; incline for larger projects.
  - Keith- if more than market rate, nobody is going to go for a SAW loan.
- Do we truly earmark 50/50, or do for first year, and adjust?
  - No limit on loan, SRF caps percentage of amount available (no project more than 30 percent of total available).
  - Put proposals in survey monkey.
  - Grant have higher incentive for 1<sup>st</sup> million, than 2<sup>nd</sup> million.
  - If requests are for all grants, when would we make decision to split funding between grants and loans? Use artificial date and hold 50 percent in abeyance. If no loan applications by set date, release funds to use for grants.
  - Larry -Set cap on loan for first year, if don't receive on December 2, then fund more grants
    - Have to come in December 2; first come, first served.
    - Do we hold more later for loans?
    - We do want to spend all money, to show legislature there is need.
      - We could give loans more time.
      - Shenique- There is a statue for that. If money not used by certain date, it is released for another pot.
  - We do need to decide quickly by next meeting.
    - Liane- Establishing rules that are clear, transparent, and that we can stick to.
    - Put all options down, solicit input, DEQ Executive, workgroup, previous workgroup, and Treasury.
    - Email options tomorrow and outline deadline next Thursday for feedback.

### Environmental Reviews

- Handout – differences between Fact Sheets and Environmental Assessments
- Our staff will prepare fact sheet, put on web, and mail postcard to community residents.

### Supplemental Agreement

Part of transcript for loan, part of closing process.

Shenique reviewed and made changes.

- Updated with new program information. See premises: old C was deleted, not applicable.
- E. new project information
- Inserted J. carried over from application.
- N. is new.
- Historical information. P, Q, R inserted (application) for most part same as SWQIF.
- P. Larry- maintain revenues to fund operation.

### Grant Agreement

- Is money actually coming out of SWQIF? Change.
- Page 4 - insurance needed?
- Boilerplate from DEQ. New one just went online. DEQ state law. DTMB says we must include. IRAN linked business
- Discussion on boilerplate review.
- Look at Repayment section changes.
- Harry- stormwater management plan? Bob Sw. Include construction for disadvantaged? Is that boilerplate or something we can insert if disadvantaged. Add to No. 1 page 6

### **Follow-up**

#### Next Steps

- One last meeting – August 21
- Grant agreement - still making changes. Include what Larry and Dima sent. Copy will go in grant application.
- NPDES permit asset management plan information will be posted to website.
- Certifications - deliverable after 3 years, ask grant recipient to certify if work is done. All grant requirements met, significant progress made, revenue status.
  - 4 certifications: 1) wastewater management plan, 2) stormwater management plan, 3) stormwater asset management plan, and 4) innovative technology.
- Loan and Grant Applications - add table of contents, know from 1<sup>st</sup> page what is expected.
- Kelly- did we end up deciding the purchase of equipment is loan eligible?
  - Not reimbursible, unless using rental rate.
    - Need clearer perception of rates; MDOT rates not really usable for us.  
Simplify
  - Pipe must be 20 years or older.
  - This if for grant. What about loan? No restrictions. Justify.
  - For universities and state agencies, they have to comply with state law.