

The Loan Arranger

Spring/Summer 2009

Revolving Loan and Operator Certification Section
Water Bureau

Michigan Department of Environmental Quality 

Delhi Township Wastewater Plant Wins USEPA Award By Cindy Clendenon

For each of the past four years, the U.S. Environmental Protection Agency has recognized achievement in the State Revolving Fund programs for water (DWSRF) and wastewater (CWSRF). Awards are given for outstanding performance and innovation that yield environmental improvement. Known as the PISCES awards (Performance and Innovation in the SRF Creating Environmental Success); these national honors are given to facilities throughout the United States and its territories. The acronym mimics the Latin word for "the fishes," which are easily recognized representatives of all creatures that rely on clean streams and lakes.

Michigan's winner of the 2008 PISCES award for wastewater infrastructure is the Delhi Charter Township Wastewater Treatment Plant. DEQ Director Steven Chester presented the award to township representatives, recognizing their efforts to establish Michigan's first integrated biomass-to-energy digester system.

Located in Ingham County, the Delhi Township wastewater plant serves more than 23,000 people in the township, two small portions of the city of Lansing, and a foster care facility in Windsor Township. Residuals of the wastewater treatment process are microbially digested (treated and stabilized) so they can be safely returned to the environment as nutrient-rich biosolids commonly used as a soil supplement.

In September 2007, Delhi Charter Township received a \$9.85 million CWSRF loan for the construction of new digesters to replace the old digesters, which were running out of processing capacity. This project became the first full-scale project in Michigan to uniquely and symbiotically combine two established technologies with the goal of cost-effectively producing Class A biosolids (traditional digester systems produce Class B biosolids).

The innovative project will help close the energy loop on wastewater residuals treatment in two ways.

Instead of routinely being wasted by flare-off, the methane gas byproduct of the two-phase anaerobic digestion process will be captured and reused to fire two 30-kilowatt microturbines, which in turn will generate electricity. In addition, exhaust heat recovered from the microturbines will heat the digesters in lieu of natural gas. The heat and energy component of the system will reduce the demand for natural gas and electricity, yielding an annual cost savings of more than \$75,000.

A major operational impact will be the greatly reduced volume of Class A biosolids. Delhi Township has initiated discussions with the Lansing Board of Water and Light (LBWL) to explore the possibility of using a dried form of the biosolids as blended feedstock for coal-burning generators. This potential collaboration could provide the Township with an economic benefit from the reuse of biosolids, and the LBWL could gain a source of renewable fuel.

Today, construction of the new digesters and digester building is nearing completion. The new system should go online this summer (2009).

Once the project is completed, the entire restored landscape will be planted in native grasses and managed as a "no mow" habitat. Even the exterior brick design on the two new mesophilic digesters suggests waves, thereby reminding residents of the benefits to watershed quality.

The first-of-a-kind digester project is the latest stride taken by Delhi Township in its ongoing commitment to recycling, reuse, environmental education, and a "green" approach to wastewater and solid waste management. In addition to its excellence in wastewater treatment, the Delhi Township plant has a large, successful, efficiently run recycling center onsite. It is a statewide leader in household grease recycling and proper medication disposal. The plant is very active in community environmental education through its annual Water Quality Open House and Reuse Rally, and participates in community school events to promote recycling.



Photo 1: This photo shows a newly constructed thermophilic digester (foreground) and mesophilic digester (middle) at the Delhi Township WWTP. The gas piping will convey gas generated in the new digesters to the Digester Building, where it will be used to fire either the microturbines or the boiler. The existing nitrification tower is in the distant background.



Photo 2: At the 2008 Delhi Township Water Quality Open House and Reuse Rally, which is held annually at the WWTP, "Gill" was a huge fish sculpture made of recyclable laundry detergent bottles. Visiting schoolchildren helped assemble the sculpture at the WWTP onsite recycling center.

Update on The American Recovery and Reinvestment Act of 2009 (ARRA)

Staff continue to work hard to effectively obligate the additional capitalization provided to Michigan's State Revolving Fund (SRF) and Drinking Water Revolving Fund (DWRf) programs from the "stimulus bill." Michigan received \$168.5 million for the SRF and another \$67.5 million for the DWRf. For many areas receiving ARRA funding, programs had to be designed from the ground up. Water and wastewater

funding, however, was provided for use through existing programs/structures, but with a handful of new/additional requirements peculiar to the ARRA. What follows is an update on some key ARRA topics:

Obligation of ARRA Funding



The SRF/DWRf portion of the ARRA requires states to obligate stimulus funds within 12 months (by February 17, 2010), or the funds will be lost to reallocation. In part because of this very tight timeframe, Michigan opted to attempt to obligate 75 percent of available ARRA funds to projects from the current

Fiscal Year (FY) 2009 Project Priority Lists that are able to proceed to loan closing before October 1, 2009, with the intent of obligating remaining funds in the 1st Quarter of FY 2010.

To date, Michigan has obligated \$43 million (25 percent) of its SRF allotment and \$20 million (31 percent) of its DWRf project allotment. We currently anticipate that when 4th Quarter FY 2009 loans are closed, these figures will jump to approximately \$80 million (48 percent) and \$47.5 million (73 percent) respectively. Decisions by a handful of SRF applicants with sizable needs to delay projects and forgo ARRA assistance will result in about one-half of the state's SRF allotment remaining available for FY 2010. One thing is crystal clear however, ARRA funds remaining for obligation in FY 2010 in the SRF and DWRf will not be sufficient to meet the volume of demand from new applications. For FY 2009 Michigan is providing 40 percent principal forgiveness to each SRF and DWRf loan recipient willing and able to meet ARRA requirements, and is also allocating ARRA monies to the regular loan portion of some projects. The amount of principle forgiveness and the mix of ARRA assistance for FY 2010 projects is yet to be determined.

Fiscal Year 2010

Staff are currently in the process of preparing the draft FY 2010 DWRf Project Priority List (PPL) and Intended Use Plan (IUP), which will identify nearly \$250 million in projects seeking loan assistance in FY 2010. The draft PPL is scheduled to be public noticed in mid-July with the public hearing set for August 26, 2009.



(Continued on Page 4)

FY 2010 FINANCING SCHEDULE
for the State Revolving Fund (SRF), the
Drinking Water Revolving Fund (DWRF) and the
Strategic Water Quality Initiatives Fund (SWQIF)

	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
Part I of Application Due	09/04/09	11/30/09	02/19/10	05/28/10
Part II Application Due FNSI Clearance Plans & Specs Approved User Charge System Approved	10/26/09	01/08/10	03/26/10	06/18/10
Bid Ad Published No Later Than	10/26/09	01/04/10	03/29/10	06/21/10
Part III of Application Due Bid Data Submittal (With Tentative Contract Award)	12/07/09	02/19/10	05/14/10	08/06/10
DEQ Order of Approval Issued*	12/21/09	03/10/10	06/02/10	08/25/10
Borrower's Pre-Closing with the Michigan Municipal Bond Authority (MMBA)	01/11/10	03/19/10	06/11/10	09/10/10
MMBA CLOSING	01/22/10	04/01/10	06/23/10	09/22/10

*In addition to MMBA 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)

Project plan submittals for the FY 2010 SRF PPL/IUP are due on or before July 1, 2009. The SRF PPL/IUP will be public noticed in mid August, with the public hearing to be held September 30, 2009.

Demand for loan assistance in FY 2010 will likely exceed the lending capacities of both the DWRP and SRF.

Transparency and Accountability

Guidance on reporting and oversight continues to flow from the Environmental Protection Agency, the Office of Management and Budget, the U.S. House of Representatives' Transportation and Infrastructure Committee and the Michigan Recovery Office. As a result, the state, as well as recipients of SRF/DWRP loans that include ARRA assistance, will be faced with additional responsibilities. Michigan did what it could to detail these developing responsibilities in the local loan commitments (Exhibit D to the Order of Approval) and will pass on additional guidance/instruction as it becomes available. Recipients should be aware they will be required to report specific project employment information, are responsible to post signage at construction sites announcing ARRA involvement in the project, and should expect heightened oversight from EPA's Office of the Inspector General.

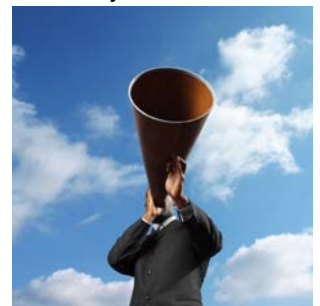
Green Reserve

The ARRA requires each state to the extent there are sufficient qualifying applications, to use at least 20 percent of its SRF and DWRP allotments on projects that "address green infrastructure, water or energy efficiency improvements or other environmentally innovative activities." Due to incomplete green reserve guidance from the EPA, coupled with the fact the economy has left most Michigan communities reluctant or unable to pursue projects that involve additional capital costs, this requirement has been extremely difficult to implement, particularly in the DWRP. Staff are currently working with those projects that may be legitimate green reserve qualifiers to obtain the documentation necessary to support qualification. To date ARRA funds have been awarded to only one Michigan SRF project qualifying from the green reserve.



(SWQIF) provide low-interest financing for local units of government to make needed improvements to wastewater collection and treatment facilities, while assistance from the DWRP finances improvements to public drinking water systems. The loans announced total \$108,220,000.

"We continue to take huge strides in protecting and enhancing Michigan's irreplaceable water resources," said Director Chester. "While funding needed infrastructure improvements, these loans stimulate construction activity and represent a real investment in Michigan's environmental and economic future. With loan interest rates well below those otherwise available in the open market, the SRF and DWRP also allow communities to pass savings along to users of their water and wastewater systems. Nine of the 11 loans are being funded in part with proceeds from the ARRA and include some principal loan forgiveness, further enabling these recipients to temper rate increases to their customers."



The funded SRF projects will see wastewater infrastructure improvements in eight communities across the state. The cities of Lansing and Port Huron will continue long-term efforts to address combined sewer overflows through sewer separation, while Detroit will replace and upgrade aging combined sewers in the southwest corner of the city. The city of Big Rapids will upgrade its wastewater treatment plant and accomplish the rehabilitation of sewers, while Niles will upgrade its wastewater treatment plant. Benton Harbor will replace aging sanitary sewers concurrent with road replacement being done by the Michigan Department of Transportation. Both the cities of Center Line and Fraser will construct projects to eliminate sanitary sewer overflows, by providing interceptor relief to accommodate the transport of additional flows to the Detroit Water and Sewerage Department's regional system for treatment. Much of the SRF lending is supported by proceeds from the sale of Great Lakes Water Quality Bonds, which were authorized by Michigan's voters in November of 2002.

These commitments bring SRF financing awarded to Michigan communities to date to over \$3.3 billion. These projects are further examples of the commitments being made by local units of government in Michigan to ensure protection of the state's valuable water resources and the public health of its citizens.

A loan from the SWQIF was awarded to Ann Arbor, the sixth in a series of loans to finance the city's footing drain disconnection program. Removing clear water from the city's sanitary sewer system will

Revolving Fund Loan Commitments Announced

The Department of Environmental Quality's Director, Steven E. Chester, has announced 11 new loan commitments from the revolving fund programs. The SRF and Strategic Water Quality Initiatives Fund

prevent sanitary sewer overflows and basement back ups. All SWQIF capital originates from the Great Lakes Water Quality Bond Fund.

The funded DWRP projects will see water main replacements accomplished in Benton Harbor and Port Huron. The improvements financed by these loans will help ensure compliance with the requirements of the federal Safe Drinking Water Act and protect the public health of system users. Since the inception of Michigan's DWRP program in 1998, over \$533 million in assistance has been tendered.

These awards constitute the 2nd Quarter loans in the SRF and DWRP. As this edition of the Loan Arranger goes to print, binding commitments on sixteen 3rd Quarter loans have been issued, with those loans scheduled to close on June 22, 2009.

Revolving Loan and Operator Certification Section is Moving!

Well, we aren't moving physically, but we are being moved into the Field Operations Division within the Department's Water Bureau. Only a few things will be changing but we wanted to make sure all of our readers knew about the restructuring.

The first and foremost change for everyone to know is that we will no longer be a part of the Environmental Science and Services Division, which has been dissolved. Because of this change, our post office box number will change. Effective May 31, 2009, our mailing address will be:

RLOCS
DEQ-Water Bureau
Revolving Loan & Operator
Certification Section
P.O. Box 30273
Lansing, MI 48909-7773

Our street address for overnight deliveries and for the people that wish to visit with us will remain the same.

MAKING TRACKS



Mr. Les Prether, who had served as a project manager in the Section's East Unit has opted to leave state service. Mr. Prether had been with the SRF and DWRP programs since early 2005. We wish him the best in his new career.

We are also pleased to announce the addition of **Ms. JoAnn Dimond** to our staff. JoAnn comes to us from the Field Operations Section of the Water Bureau where she most recently worked in the Industrial Pretreatment Program. JoAnn has been with the Michigan Department of Environmental Quality for 29 years and brings a wealth of experience in a variety of water quality programs with her. She received her bachelor's degree in Biochemistry from Michigan State University. JoAnn will serve as a project manager in the East Unit.

JoAnn worked in the Environmental Laboratory performing organic analysis for 7½ years and in the National Pollution Discharge Elimination System program for 11 years. For two years, she was on special assignment in the Pollution Prevention Unit as one of the first rotators in the Environmental Assistance Division. Her husband Bill Dimond also works for DEQ and has run the Whole Effluent Toxicity Laboratory for 23 years.

Reminders for All Applicants

- The public hearing on the Draft FY 2010 Project Priority List/Intended Use Plan for the DWRP is scheduled for Wednesday, August 26, 2009 at 1:30 p.m. in Constitution Hall, while the hearing for the SRF is scheduled for Wednesday, September 30, 2009, at 1:30p.m., also in Constitution Hall.
- Do not forget that a final project plan for the SRF and/or SWQIF needs to contain a transcript of the public hearing, prepared by a court reporter or transcribed verbatim from an audio recording. For the DWRP, this requirement can also be met by submitting an audible/understandable audio recording from the hearing.
- Media coverage of the state's budget difficulties is everywhere. Even though the revolving fund programs in FY 2009 will receive no support whatsoever from the General Fund, staff may be furloughed and unavailable for some number of workdays the remainder of the fiscal year.



If you know someone, who would like to be added to *The Loan Arranger* mailing list, or have an address change, please e-mail the editor, Mrs. Deana M. Kinney, at Kinneyd@michigan.gov



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