
The Loan Arranger

Spring/
Summer 2013

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



DRINKING WATER REVOLVING FUND AIDS CITY OF CADILLAC'S NEW WATER WELLS *by David J. Worthington*

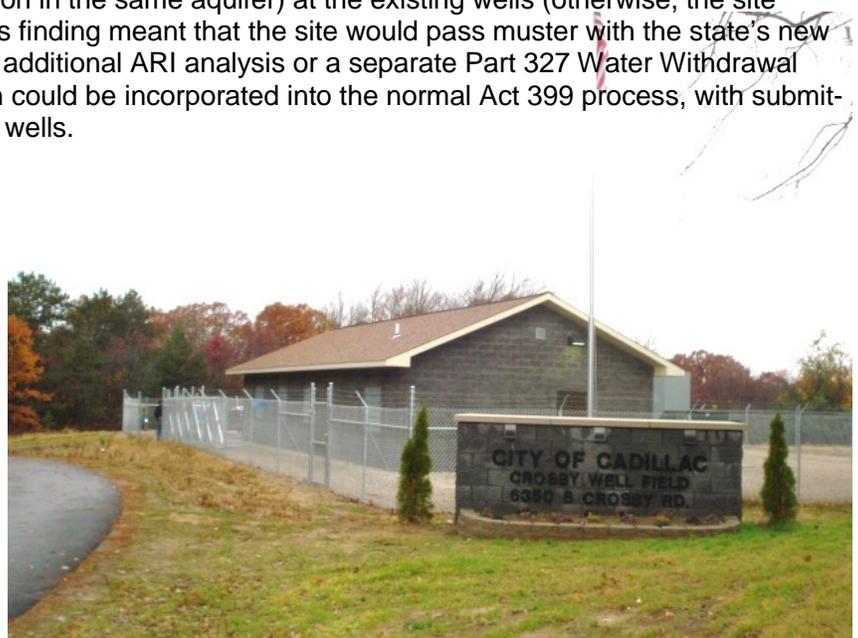
A city of 10,000 people faced a dangerous threat from groundwater contamination of its only drinking water source, and an affordable answer was needed quickly to locate a safe and reliable new water supply. The DEQ's Drinking Water Revolving Fund (DWRf) was that answer for the city of Cadillac.

I first got wind of the city's need for a new well field in 2006, but it was 2010 before the project plan was ready. The DWRf Project Plan for Cadillac made it abundantly clear that isolation concerns for the city's well field were increasing. Groundwater contamination in multiple plumes surrounding the Cadillac well field had been identified in the delineated wellhead protection area. Chemical compounds containing the element chromium ("hexavalent" chromium is a known human carcinogen) and volatile organic compounds such as Trichloroethylene (a colorless chemical used in industry and various household items) and Methyl Tertiary Butyl Ether (a gasoline additive) were emerging as threats. Fortunately, only one well had been affected, and it was removed from service. Nevertheless, a new well field was highly recommended due to the contamination threat and isolation concerns, as well as the age and projected future capacity deficiency of the wells.

Several alternative sites were explored and tested for the new well field. After a lengthy review process, the city selected a spot that seemed ideal – the water quality was acceptable, the isolation was sufficient, and there was no source of contamination nearby. The selected property, along Crosby Road, had potential capacity for up to three new wells at 1,000 gallons per minute with no adverse resource impact (ARI) to the watershed as long as equivalent capacity was shut down ("traded" gallon for gallon in the same aquifer) at the existing wells (otherwise, the site would have flunked the ARI prescreening). This finding meant that the site would pass muster with the state's new large capacity withdrawal requirements without additional ARI analysis or a separate Part 327 Water Withdrawal Permit. Instead, water withdrawal authorization could be incorporated into the normal Act 399 process, with submittal of plans and specifications for equipping the wells.

Well field investigations had determined that the city's replacement of existing well capacity was best achieved through multiple well fields for safety considerations and to reduce the risk involved in having a large capture zone from a centralized well field that could draw contaminants toward it. Therefore, a second phase is proposed that will require the evaluation of alternatives for an additional well field in a future DWRf project plan.

Funding was provided at 2.5 percent interest over a 20-year payback period, with a loan closing in September 2011. A Green Project



Reserve (GPR) subsidy in the form of "principal forgiveness" has provided the city with significant additional savings on its loan terms. New, high-efficiency pumps, motors and variable frequency drives in the construction contract were the GPR qualifying items at 40 percent forgiveness, while 15 percent forgiveness was offered for all other project costs.

Cadillac's Crosby Road Well Field was fully operational by June 2012. The city celebrated with an Open House ceremony in the fall of 2012 with the work 99 percent completed. Final closeout is pending.

This project's success would not have happened without a team effort from many players. Fishbeck, Thompson, Carr & Huber, Inc., conducted the Well Field Investigations, completed the Water System Reliability Study, and prepared the DWRP Project Plan (including the GPR business case). C2AE completed design-bid documents and performed construction engineering. Strata Environmental Services prepared the Assessment of Aquifer Performance Test Data for submittal to the DEQ. City of Cadillac staff, spearheaded by Larry Campbell, Jeff Dietlin, Brian Cardinal, and Owen Roberts, provided project oversight and coordination. Brant Fisher of the DEQ reviewed the aquifer analyses. Sue Anne Renken, Brad Slater, and Scott Conradson of DEQ-Cadillac performed Act 399 reviews. Richard Benzie of the DEQ provided valuable planning/design assistance. Contractors included Erhardt Construction for wells equipment, well houses, and control building; Birkmeier Well Drilling for test well drilling, casings, and screens; and CJ's Excavating for transmission mains and water distribution mains.

Congratulations to the city of Cadillac on a great project!

Stormwater, Asset Management, and Wastewater (SAW) Program

by Jonathan Berman

The Michigan Department of Environmental Quality (DEQ) is proud to announce the ongoing development of the new state-funded SAW program. The new SAW program will offer financing, up to \$450 million dollars, to Michigan municipalities in the form of grants for asset management plan development, stormwater plan development, sewage collection and treatment plan development and design, the planning and design of a State Revolving Fund or Strategic Water Quality Initiatives Fund project, and loans to construct projects identified in the plans. The DEQ, with input from the SAW workgroup, is currently developing guidelines and application materials. The application should be available in mid-to-late summer. SAW funding (grant and loans) will be available starting in October 2013 and awarded on a first come, first served basis. Grants will be limited to \$2 million dollars per community with a 10-percent local match to the first million and a 25-percent local match to the second million. Communities considered disadvantaged by the DEQ can receive a 100-percent grant with no local match required and can expend up to \$500,000 in grant funds to construct projects identified in a plan. Information on the new SAW program will be posted on our website, www.michigan.gov/cleanwaterrevolvingfund, along with a 'Frequently Asked Questions' document, which will be updated as needed.

ASSET MANAGEMENT

by Bob Schneider

In water and wastewater systems, an "asset" is a component of a facility with an independent physical and functional identity and age (e.g., pump, motor, sedimentation tank, water main). Assets are the most expensive resources that a community can own, maintain, and replace. Asset management is a planning process that ensures that you get the most value from each of your assets and have the financial resources to rehabilitate and replace them when necessary. Asset management also includes developing a plan to reduce costs while increasing the efficiency and the reliability of your assets. Successful asset management depends on knowing about your system's assets and regularly communicating with management and customers about your system's future needs.

Asset management helps in making sound decisions by answering questions about what you have, how critical it is, how you pay for it, what is your level of service, and how are you planning for the future.

The DEQ has recently incorporated asset management into National Pollutant Discharge Elimination System (NPDES) permitting, sanitary surveys, and SAW grants. The Revolving Loan Section is in the process of developing an Excel-driven asset management plan workbook and accompanying guide that will satisfy these new initiatives. The intent of the workbook is to provide municipalities with a tool that will satisfy the new NPDES asset

management plan requirement for greater than 1 million-gallon-per-day facilities, the new Office of Drinking Water and Municipal Assistance 5 and 20-year capital improvement planning for drinking water systems, and the user charge system requirement for SRF and DWRP loans. The Asset Management Workbook can be used as a tool for asset management or as an example of what an asset management plan should include.

Currently the Asset Management Workbook and accompanying guide are under final review. It is anticipated that the finalized documents will be available through our website by the end of May. If you have any questions please contact Bob Schneider at 517-373-4761.

BONUS POINTS FOR SEPTAGE FACILITIES

by Cindy Clendenon

Domestic septage is a high-strength waste that is removed from septic tanks and portable toilets, to name only two examples. These wastes can be hauled and either land applied, delivered to a storage facility, or delivered to a Septage Waste Receiving Facility (SWRF), if done in accordance with state and federal laws.

A SWRF provides environmental and public health benefits by providing a convenient alternative to land application, particularly during the winter months when septage cannot be applied to frozen ground. The local availability of a SWRF promotes more frequent pumping of residential onsite systems and therefore reduces the likelihood of system failure resulting in overflows. A SWRF also provides revenue to the owner, and in municipal settings can help offset increases in residential water and sewer rates.

The State Revolving Fund (SRF) low-interest loan program recognizes the environmental and public health benefits of SWRFs. Municipalities who are planning to construct a new SWRF or expand an existing one at their Publicly Owned Treatment Works (POTW) will receive **100 “bonus” points** when their proposed projects are scored for ranking on the annual Project Priority List. The higher-ranked projects have a greater likelihood of receiving SRF funding in years when the demand for loan monies outpaces the supply.



Municipalities who are planning septage facility improvements are encouraged to seek SRF loan funding. In the past decade, the SRF program has funded installations and upgrades of SWRFs at several POTWs owned by cities, counties, and sewer authorities.

A municipality seeking SRF loan funding will need to prepare a comprehensive project plan that meets the SRF requirements. A new Asset Management program soon will provide another source of funding.

A Part 41 permit is needed from the DEQ, Water Resources Division prior to septage facility construction at a POTW. Part 41 refers to the sewerage systems portion of Michigan’s Natural Resources and Environmental Protection Act

(NREPA), 1994 Public Act 451, as amended. Before the septage facility becomes operational, the DEQ Septage Waste Program must review and approve its operating plan under Part 117, Septage Waste Servicers, of NREPA.

For information on the SRF program, contact your SRF project manager, or call the phone numbers listed in this newsletter. For information on the DEQ Septage Waste Program, contact Matt Campbell at campbellm4@michigan.gov or call 517-335-4178. Regional septage waste program representatives are identified on the DEQ septage website at www.michigan.gov/deqseptage.

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

**FY 2014 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	08/30/2013	11/27/2013	02/14/2014	05/23/2014
EAs Published No Later Than	08/21/2013	12/04/2013	02/19/2014	05/14/2014
Part II Application Due FNSI Clearance Plans & Specs Approved User Charge System Approved	09/20/2013	01/03/2014	03/21/2014	06/13/2014
Bid Ad Published No Later Than	09/20/2013	01/03/2014	03/21/2014	06/13/2014
Part III of Application Due Bid Data Submittal (With Tentative Contract Award)	11/01/2013	02/14/2014	05/02/2014	07/25/2014
DEQ Order of Approval Issued*	11/22/2013	03/11/2014	06/03/2014	08/26/2014
Borrower's Pre-Closing with the MFA	12/03/2013	03/28/2014	06/13/2014	09/05/2014
MFA CLOSING	12/12/2013	04/09/2014	06/25/2014	09/17/2014
Notice to Proceed Issued No Later Than	02/10/2014	06/08/2014	08/24/2014	11/16/2014

*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)

Welcome A New Wendy, New East Unit Chief

The Revolving Loan Section welcomes, Wendy Fitzner, the new supervisor to our East Project Management Unit. In January, Wendy transferred from the Water Resources Division, where she was the unit chief of the Land and Water Permit Consolidation Unit. Wendy's 30-year environmental protection career includes working for the US EPA, in Region IX's air programs; for an Environmental Engineering firm in western Michigan; and for over 20 years with the DEQ in the Air Quality, Environmental Assistance, Land and Water, and Water Divisions. Wendy holds a bachelor's degree from the University of Denver and a master's degree in Urban Planning, with a minor in Business Administration, from the University of Washington. Wendy is married and has two adult (Wolverine) sons, and loves to travel in her free time. She looks forward to working with communities to secure new loans and grants and welcomes calls and emails!

GOOD TO KNOW.....

- We are now posting Finding of No Significant Impact (FNSI)/Environmental Assessments (EA) to our webpage. Instead of sending hard copies to all concerned citizens and agencies, we will now be sending a postcard informing readers of where to find the EA (www.michigan.gov/cleanwaterrevolvingfund, under the Related Links section, FNSI/EA link), which has been issued for an infrastructure improvement project in an area near their property. We will continue to mail a hard copy of the FNSI/EA to the municipal office to have available should the public request one from them, or they may contact us.
- The interest rate for DWRP, SRF, and SWQIF loans closing in fiscal year 2013 is 2 percent.
- \$5 million remains in the S2 Grant program to be awarded to communities. Apply for an S2 Grant today to cover the planning and design for your SRF/SWQIF project. S2 Grant information is available at http://www.michigan.gov/deq/0,4561,7-135-3307_3515_4143-236401--,00.html
- The Environmental Protection Agency set the discount rate for fiscal year 2013 at 4 1/8 percent (0.04125). This rate is to be used for project planning that begins on or after October 1, 2012, for preparation of the cost-effectiveness analysis. This rate is a decrease from last fiscal year, which was 4 3/8 percent.

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.

PUBLIC HEARING DATES ARE ANNOUNCED

The Michigan Department of Environmental Quality has set the dates for the fiscal year 2014 public hearings on the draft Project Priority Lists and draft Intended Use Plans.

Drinking Water Revolving Fund – August 21, 2013
(for project plans received or postmarked no later than May 1, 2013)

State Revolving Fund – September 18, 2013
(for project plans received or postmarked no later than July 1, 2013)

Both public hearings will be held at 1:30 p.m. in Constitution Hall, at 525 W. Allegan in downtown Lansing.

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, Ms. Carla Winegar, at WinegarC@michigan.gov.

If you are interested in receiving **THE LOAN ARRANGER** electronically, please e-mail a request to the editor and your e-mail address will be added to our growing on-line community.

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