

The Loan Arranger

Spring/
Summer 2014

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



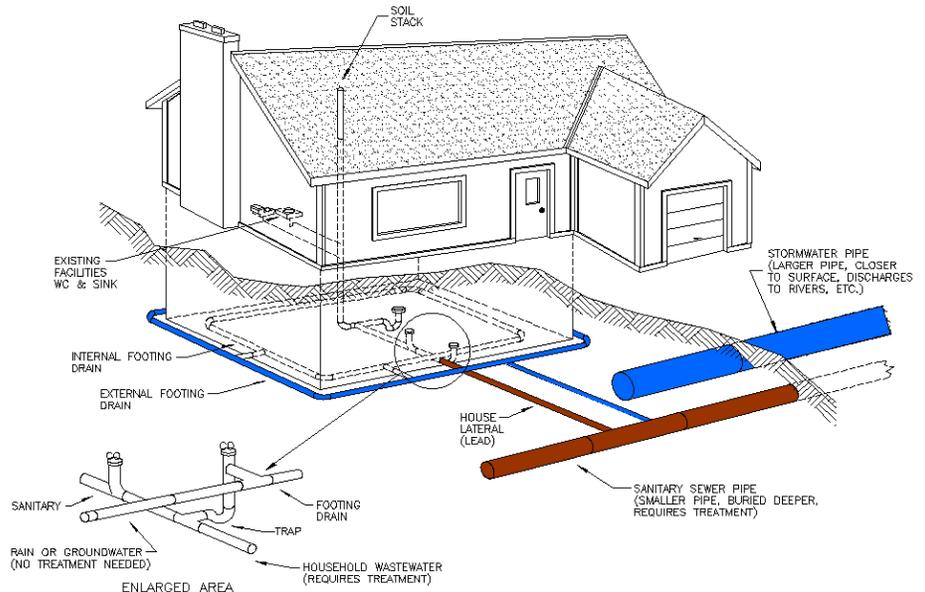
Project Highlight: City of Alma by Jessica Ferris

The Strategic Water Quality Initiatives Fund (SWQIF) provides low-interest loans for communities in need of performing work on private property. Projects eligible for funding under the SWQIF program include those for water pollution control involving the on-site upgrade or replacement of failing septic systems and for the removal of groundwater or stormwater from sanitary sewer leads.

The most popular type of project to come through the SWQIF program are footing drain disconnection projects. Footing drains are a series of pipes that can be found around and under both residential and commercial properties. This pipe system guides groundwater and stormwater away from buildings in an effort to keep basements dry. In some homes, the footing drains are connected directly to the sanitary system and not the storm system. When they are connected to the sanitary sewer lines, the stormwater is directed to the wastewater treatment plant (WWTP) resulting in excessive flows during rain events that the WWTP is incapable of treating effectively.

In July of 2010, the city of Alma submitted a project plan that focused on determining the location of excess wastewater flows during periods of wet weather. On average, the daily flows to the WWTP in 2009 were 2.6 million gallons per day (MGD). However, during wet weather, flows were as high as 10.2 MGD. Analyses indicated that approximately 60 percent of the water treated at the WWTP was associated with infiltration and inflow (I/I). Infiltration is groundwater that enters the collection system from the soil via cracks, defects, and/or breaks in sewer pipes or manholes. Inflow is water that enters the system directly through connected foundation/footing drains. Alma received loans to eliminate the excess wet weather flows through the State Revolving Fund (SRF) and SWQIF programs. Construction activities associated with the SRF portion of the project included replacement of sanitary sewers and improvements to increase pumping capacity at two pump stations. The SWQIF portion of the project involved the disconnection of 260 footing drains that were connected directly to the sanitary system. The project in its entirety was to be completed in three phases, the last of which is currently under construction. The city has done a great job working one-on-one with the residents directly impacted by the footing drain disconnection efforts. The completion of this project will result in greatly reduced flows to the WWTP during wet weather events, along with protecting public health by eliminating the possibility of the sanitary sewer backing up into basements in the future.

For more information on SWQIF eligibility and program requirements, visit our website (www.michigan.gov/cleanwaterrevolvingfund) or contact any of the Revolving Loan Section project managers.





American Iron and Steel

by Debra Foye

The Consolidated Appropriations Act of 2014 (Public Law 113-76) includes an "American Iron and Steel (AIS)" provision that requires Clean Water State Revolving Fund (SRF) and Drinking Water Revolving Fund (DWRf) assistance recipients to use iron and steel products that are produced in the United States. This requirement applies to projects for the construction, alteration, maintenance, or repair of a public water system or treatment works if the project is funded through a loan agreement executed beginning January 17, 2014 (enactment of the Act), through the end of fiscal year (FY) 2014.

Projects receiving SRF or DWRf funding after January 17, 2014, and before September 30, 2014, are required to comply with the AIS provisions unless the project plans and specifications were approved by the Department of Environmental Quality (DEQ) prior to January 17, 2014, or the project was provided a waiver.

It should be emphasized that the AIS requirement applies to all parts of a project, no matter the source of funding, if the applicant is receiving any assistance from SRF or DWRf. A "project" according to the U.S. Environmental Protection Agency (EPA), consists of all construction necessary to complete the building or work regardless of the number of contracts or assistance agreements (loans) involved so long as all contracts and loan agreements awarded are closely related in purpose, time, and place. If you have a multi-phased project that had a loan closing for the first phase of the project before January 17, 2014, the project as a whole may be exempt from AIS. However, a multi-phased project with its first loan closing after January 17, 2014, may have the entire project, regardless of phase, subject to AIS requirements. If the phases are distinct, and a project has engineering plans and specifications that are approved or the loans close on after January 17, the latter project or projects will be required to comply with AIS. If you have a multi-phased or segmented project, you should consult with your Revolving Loan Section Project Manager.

It should also be noted that FY 2014 projects that close on loans after January 17, regardless of when the construction starts, must comply with AIS. For example, if construction on the project won't start until after September 30, 2014, AIS would still apply.

The EPA has provided guidance regarding the AIS requirement, which can be read at the following link: http://water.epa.gov/grants_funding/aisrequirement.cfm. This guidance document provides valuable information regarding the implementation of and compliance with the AIS requirements and lists the following items on pages 2 and 5 as those that explicitly must be made primarily (greater than 50 percent iron or steel, measured by cost) of iron and steel:

- Lined or unlined pipes or fittings;
- Manhole Covers;
- Municipal Castings;
- Hydrants;
- Tanks;
- Flanges;
- Pipe clamps and restraints;
- Valves;
- Structural steel;
- Reinforced precast concrete; and
- Construction materials.



Items such as reinforced precast concrete, where the rebar is not likely to make up 51 percent of the product, must still comply with AIS requirements. Some of the general items are further defined later in the document, such as structural steel, municipal castings, and construction materials. If the item is not listed on page 5, or further defined in Sections 11 – 24, then it may not be required to meet AIS requirements. Items impacted by AIS are those to be permanently incorporated into the project. Temporary items necessary to construct the project but will not be permanently incorporated do not need to comply with AIS requirements.

In order to comply with AIS, specific AIS contract language must be included in each contract, including purchase agreements. The DEQ has posted a copy of the AIS contract language on our SRF and DWRf Forms and Guidance webpage.

The EPA strongly recommends the use of a step certification, similar to one used by the Federal Highway Administration. Under step certification, each handler of the product (supplier, fabricator, manufacturer, processor, etc.) certifies that their step in the process was domestically performed. The final manufacturer can also certify that the manufacturing process occurred in the United States. Refer to the EPA guidance (see link above) for more detail (see page 9). Review of the certification(s) may occur during site visits of the project by the EPA, the DEQ, or contracted staff.

If use of a noncompliant iron and/or steel product is permanently incorporated into a project, one or more of the following can occur:

1. Request a waiver where appropriate.
2. Require the removal of the non-domestic item.
3. Withhold payment for all or part of the project.



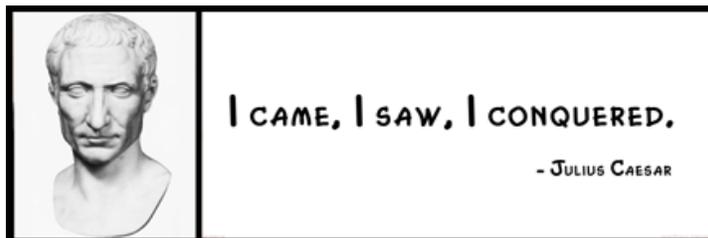
A waiver may be provided if the EPA determines that:

1. Applying these requirements would be inconsistent with the public interest;
2. Iron and steel products are not produced in the United States in sufficient and reasonably available quantities and of a satisfactory quality; or
3. Inclusion of iron and steel products produced in the United States will increase the cost of the overall project by more than 25 percent.

As of April 15, 2014, a national De minimis waiver pursuant to Section 436 of P.L. 113-76 was approved. Under that waiver, funds used for de minimis incidental components may not comprise of more than a total of 5 percent of the total cost of the materials incorporated into a project; the cost of an individual item may not exceed 1 percent of the total cost of the materials incorporated into a project.

Additional waivers (pending, approved, and denied) will be posted on the EPA website noted above. Note that public interest waivers will only apply to those communities that applied for them unless a national waiver is issued.

Though AIS currently applies only to the remainder of the 2014 fiscal year, it should not be assumed that this requirement will end after September 30, 2014. The act could be amended, or reauthorized to extend beyond the current end date.



A Roman Holiday

**Catching up with Stormwater, Asset Management, Wastewater (SAW)
by David Worthington**

Julius Caesar said, “*I came, I saw, I conquered.*” Revolving Loan Section staff came to work on December 2, 2013, saw that 673 SAW applications had arrived, and “conquered” them by reviewing each and every one thoroughly in an amazingly short time span (with a key gladiatorial assist from district specialists and engineers of the Water Resources Division).

A few applications were found to be incomplete or not approvable, whereas a few more received after December 2 had to be set aside for review at a future date. All others were entered into the exciting lottery that everyone so eagerly awaited. Results were announced March 12, 2014, on the DEQ website. Lucky winners of a share of the \$97 million pot in fiscal year 2014 have been notified by mail that grant agreements will be signed in May/June. All approved applications are listed in funding order based on the lottery drawing. As additional funding is authorized, projects will be funded in the order listed.

No new SAW grant or loan applications will be accepted as the amount of approved applications already received exceeds the \$450 million available in the SAW program.

Thanks to all who contributed to conquering the SAW “lion”! Julius Caesar would be proud. You know who you are! Please go to www.michigan.gov/cleanwaterrevolvingfund or [SAW FAQ](#) for more SAW news, Frequently Asked Questions, and other information.

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

**FY 2015 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	08/29/2014	11/26/2014	02/13/2015	05/12/2015
EAs Published No Later Than	08/19/2014	12/04/2014	02/20/2015	05/14/2015
Part II Application Due FNSI Clearance Plans & Specs Approved User Charge System Approved	09/18/2014	01/05/2015	03/23/2015	06/15/2015
Bid Ad Published No Later Than	09/18/2014	01/05/2015	03/23/2015	06/15/2015
Part III of Application Due Bid Data Submittal (With Tentative Contract Award)	11/03/2014	02/13/2015	05/04/2015	07/24/2015
DEQ Order of Approval Issued*	11/19/2014	03/13/2015	06/03/2015	08/26/2015
Borrower's Pre-Closing with the MFA	12/03/2014	03/30/2015	06/12/2015	09/04/2015
MFA CLOSING	12/12/2014	04/09/2015	06/25/2015	09/17/2015
Notice to Proceed Issued No Later Than	02/10/2015	06/08/2015	08/24/2015	11/16/2015

*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)

Construction Management Update

by Cheri Meyer

Starting in fiscal year 2012, the Design-Build and Construction Management (CM) methods were discontinued in the State Revolving Fund (SRF) and Drinking Water Revolving Fund (DWRf) programs. After receiving a request to re-evaluate the decision for Construction Management, and to provide Michigan's communities the flexibility to utilize a CM firm while ensuring they are operating within the constraints of our programs, the Revolving Loan Section (RLS) will allow CM to be used in the SRF and DWRf programs as of March 1, 2014, under the following conditions:

- The project designer and construction manager are separate entities.
- A General Contractor (GC) is heavily involved in the design stage early on in the project.
- Three cost quotes are obtained for the owner prior to construction (from the designer, the GC, and an independent cost evaluator).
- The construction manager does not hold any contracts with the GC, subcontractors, or designer.

Implementing the CM program as described above will ensure our programs are in alignment with other state and federal agencies and that applicants are adhering to the guidelines of the Construction Management Association of America (CMAA). It is recommended that the applicant contact an RLS project manager in the early stages of the project to ensure proper requirements are met. Further information on the CM process can be obtained at CMAA's website www.cmaanet.org or by contacting your RLS project manager.

News Feed.....

- Name Change: Please note that Kelly Green, formerly known as Kelly Hoffman, are one and the same, resulting in a new email address as well – greenk1@michigan.gov.
- Pink Cards! Remember, instead of sending paper copies of the Finding of No Significant Impact / Environmental Assessments (FNSI/EA) to all concerned citizens and agencies regarding an infrastructure improvement project in their area, we are sending a postcard to inform readers of where to find the FNSI/EA on our webpage.
- The interest rate for DWRf, SRF, and SWQIF loans closing in fiscal year 2014 is 2.5 percent.
- The Environmental Protection Agency set the discount rate for fiscal year 2014 at 4 3/8 percent (0.04375). This rate is to be used for project planning that begins on or after October 1, 2013, for preparation of the cost-effectiveness analysis. This rate is an increase from last fiscal year, which was 4 1/8 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 2015 public hearings on the draft Project Priority Lists and draft Intended Use Plans.

Drinking Water Revolving Fund – August 20, 2014
(for project plans received or postmarked no later than May 1, 2014)

State Revolving Fund – September 17, 2014
(for project plans received or postmarked no later than July 1, 2014)

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

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