
The Loan Arranger

Spring/
Summer 2015

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



SHPO Application Reminders by Kurt Swendsen

All loan applicants submitting a project plan for the Drinking Water Revolving Fund (DWRF), State Revolving Fund (SRF), and Strategic Water Quality Initiatives Fund (SWQIF) loan programs are required to request comments on the proposed project from the State Historic Preservation Office

(SHPO). This requirement is accomplished by submitting an adequately completed "Application for Section 106 Review" form to the SHPO. This article provides useful tips for making the SHPO review process proceed as quickly as possible.

Tip #1: The U.S. Environmental Protection Agency has officially delegated its responsibilities to the DEQ, so Sonya Butler is the correct answer for Part I, item d, "Name of Federal Agency."

Tip #2: The State Agency can be left blank (Part I, item e).

Tip #3: Part II of the SHPO application request for a description of the ground disturbing activity should be more specific than stating "The right-of-way (ROW)." A more useful response is to provide separate United States Geological Survey (USGS) Quad Maps for direct and indirect impacts. The applicant may think that stating "ROW" implies previous disturbance, but that is not an appropriate assumption for SHPO to conclude. Quad maps can be downloaded for free at [www.michigan.gov/dnrmaps](http://www.michigan.gov/dnrmmaps) under "Topography."

Tip #4: Please note that a project's physical boundaries or a ROW are not usually satisfactory parameters for describing a project's Area of Potential Effects (APE) in Part III of the SHPO application. The APE should be thought of as the geographic area within which a project may directly or indirectly have a visual, auditory, or sociocultural (such as land use, traffic patterns, public access, etc.) impact.

Tip #5: Part IV of the SHPO application requests information to identify historic properties in the APE. Please note that a list of historic properties is not currently provided online by SHPO. Listed historical sites can be found at www.nps.gov/nr/research or on Google Earth.

Tip #6: The more information that is provided clearly in the application, the more quickly SHPO can eliminate concerns and make an assessment. Therefore, be willing to spend more time with the initial application submittal by providing additional narrative about the previous uses of the area(s) directly impacted by a project.

Tip #7: An alternative to an engineer, or the community itself, submitting the application is to hire a Cultural Resources professional. This is an eligible Revolving Loan planning cost. If an applicant or its consultant will be completing the application, then please look at the following link for assistance: www.achp.gov/docs/CitizenGuide.pdf.

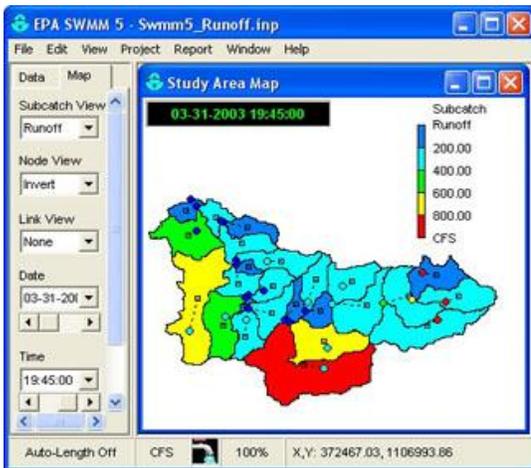
Tip #8: The process will go more smoothly if the applicant directs its questions to SHPO when preparing the SHPO application rather than waiting for a response after the application has been submitted. If an applicant has questions about the Section 106 Application, then they should contact Mr. Brian Grennell at the SHPO office by phone at 517-335-2721.

The applicant may be required by the SHPO to conduct a survey to ascertain the existence of scientific, prehistorical, historical, or archeological data in the vicinity of the proposed project.

- If the SHPO determines that significant scientific, prehistorical, historic, or archeological data will be destroyed by the proposed project, the applicant must either undertake a plan to recover and preserve the data as part of the project or alter the project in order to avoid the destruction.
- If the SHPO determines that the proposed project could adversely affect a property that is included in or eligible for inclusion in the National Register of Historic Places, the applicant must either select an alternative project site or integrate into the project design the mitigative measures that have been recommended by the SHPO.

New Project Delivery Methods *by Cheri Meyer*

In an effort to continuously improve our programs and provide the best experience for our applicants, the Revolving Loan Section (RLS) is pleased to announce that starting May 1, 2015, applicants will have the option of utilizing three new project delivery methods for the SRF and DWRP programs. These methods are in addition to the traditional Design-Bid-Build method and include Construction Management At-Risk, Progressive Design-Build, and Fixed-Price Design-Build. Guidance material, including an overview of each method and a Frequently Asked Questions document, is available on the RLS website (see Project Delivery Methods in the Forms and Guidance). As these methods include additional requirements, we highly encourage discussions with DEQ RLS and District staff early in the planning stage to ensure an eligible, approvable project is being bid. It is important for the applicant to evaluate each method thoroughly to decide which is the best fit for the project. Please contact your project manager or call 517-284-5433 for more information.



Climate Change: Will Your Stormwater System be Ready? *by Karol Patton*

More communities are beginning to plan for the potential effects of climate change on their infrastructure. Climate change models are predicting fluctuations in precipitation patterns and increases in severe storm events. Changes in the frequency and intensity of precipitation can threaten the integrity of stormwater systems, leading to community-wide impacts.

The Climate Action Plan Toolkit was developed by the U.S. Environmental Protection Agency to provide a variety of downloadable tools to assist communities interested in identifying vulnerabilities and hazards to prepare for climate change. Urban stormwater systems can be evaluated with the Stormwater Management Model-Climate Adjustment Tool (SWMM-CAT), which adds climate change projections based on the

Intergovernmental Panel on Climate to the widely-used Stormwater Management Model. The SWMM-CAT also provides the ability to model the impact of various green infrastructure practices, such as permeable pavement, rain gardens, green roofs, infiltration trenches and vegetative swales on the flow of stormwater through the system. The traditional stormwater system-storm drains, pipes and channels, as well as overland flow can be modeled. The model outputs can be used to identify adaptation strategies to make planning and design decisions to minimize climate change impacts.

For smaller-scale decisions, the National Stormwater Calculator-Climate Assessment Tool is available to model stormwater runoff from specific sites. The tool utilizes local soil conditions, land cover, topography, and historic rainfall and evaporation data to estimate annual rainfall and runoff frequency. This model also includes a selection of green infrastructure practices that can be located on the site. Different climate change scenarios can be applied to determine the selection and sizing of the practices that will help minimize stormwater runoff.

For more information on the SWMM-CAT model, visit www2.epa.gov/water-research/storm-water-management-model-swmm

For more information on the Stormwater Calculator-Climate Assessment Tool, visit www2.epa.gov/water-research/national-stormwater-calculator

If you know someone, who would like to be added to **THE LOAN ARRANGER** mailing list, have an address change, or would like to receive **THE LOAN ARRANGER** electronically, please e-mail a request to the editor, Ms. Carla Winegar, at WinegarC@michigan.gov



Davis-Bacon/Prevailing Federal Wage Rate Requirements and the State Revolving Fund and Drinking Water Revolving Fund *by Jonathan Berman*

Davis-Bacon/Prevailing Federal Wage Rates first became a requirement of the application process for loan assistance from the SRF and DWRF in 2009. The following is an informal guide to Davis-Bacon wage rate requirements for SRF/DWRF loans and is meant for reference purposes only. If you have additional questions, you will want to contact your DEQ project manager and/or consult the U.S. Department of Labor (DOL) website at www.dol.gov or call 616-456-2004.

Davis-Bacon wage rate requirements apply to any federally funded project contract for construction, alteration, and/or repair of public buildings or public works that is in excess of \$2,000. Since SRF/DWRF project contracts contain construction costs in excess of \$2,000, it is implicit that all applicants will have to comply with Davis-Bacon. A contractor hired for construction under a contract subject to Davis-Bacon, must pay employed laborers/mechanics no less than the local prevailing wage and fringe benefits for corresponding work on similar projects in the area, as determined by DOL.

Given that compliance with Davis-Bacon wage rate requirements will likely increase the cost of a project, communities considering the SRF/DWRF are advised to carefully evaluate financing options. The SRF/DWRF programs offer low-interest loans along with possible principal loan forgiveness from green project reserve funding as well as subsidies for communities qualifying as disadvantaged. Nonetheless, we encourage potential applicants to consult their legal/financial advisor and hired bond counsel in order to determine if the SRF/DWRF is the right choice for their project.

Bid Specifications and the Pre-Bidding Process

The bid specifications for SRF/DWRF projects must contain the entire **'Required Contract Language'** document (under **'Forms and Guidance'** at the bottom of the SRF and DWRF websites), which covers Davis-Bacon. The appropriate wage rate decision is obtained directly from the DOL website (www.wdol.gov). Construction type, such as "Heavy" or "Building," is identified based on the work the majority of loan funding supports in the contract. For example, if the breakdown of a total contract cost estimate indicates 60 percent for water main construction, 30 percent for water treatment plant upgrades, and 10 percent for road/pavement work, we would expect to see a "Heavy" wage rate decision in the applicant's bid specifications. To help identify the correct construction type, the DOL provides online resources, which consist of Agency Memorandum Nos. 130 and 131 and Section Title 6 **'Davis-Bacon Wage Determinations'** from the March 2014 Prevailing Wage Resource Book. Usually the bid specifications will have only one wage decision for each contract. However, there can be two or more wage decisions in the same contract if the total contract cost estimate exceeds \$1 million and the work associated with each individual wage rate decision represents more than 20 percent of the total contract cost estimate. As a result, if the contract in the example above were estimated at \$5 million, it may be acceptable to include both a "Heavy" wage rate decision and a "Building" wage rate decision in the applicant's bid specifications. Questions or disputes regarding the appropriate wage rate decision for a construction contract, should be referred to the DOL for resolution prior to bid opening.

After Bid Opening and Pre-Construction

The appropriate wage rate decision provided in the final contract specifications for award must be the one in effect 10 days before bid opening. If the successful contractor determines the wage decision does not have sufficient information to issue the proper rate for any worker classification that is necessary for the contract, a conformance procedure will be used to establish the enforceable rate for the missing classification. The DOL outlines the entire conformance procedure process online, including a summary of conformance information under Davis-Bacon, frequently asked questions on Davis-Bacon conformances, and an overview of Davis-Bacon with many relevant web links. The awarded contractor initiates a conformance request by submitting a completed SF-1444 form to the contracting officer. The contracting officer or agency for the purposes of both the SF-1444 form and Davis-Bacon wage decision posters on jobsites is the loan applicant/bond issuer.

Construction (Disbursement Requests, Recordkeeping, etc.)

The loan applicant/bond issuer must submit a **'Davis-Bacon Act Compliance Certification Form,'** found under **'Forms and Guidance'** at the SRF and DWRF websites, with each disbursement request that includes construction costs. Although disbursement requests are processed no more frequently than once a month, certification that the project has remained in compliance with wage rate requirements must be based on a weekly review of contractor payroll records. For more information on the Davis-Bacon requirements for reporting and recordkeeping in an SRF/DWRF project, refer to the **'Davis-Bacon Act Compliance During Revolving Fund Loan Project Construction Questions & Answers'** document under **'Information'** on the SRF and DWRF websites.

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

**FY 2016 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	08/28/2015	11/30/2015	02/12/2016	05/13/2016
EAs Published No Later Than	08/19/2015	12/04/2015	02/19/2016	05/13/2016
Part II Application Due FNSI Clearance Plans & Specs Approved User Charge System Approved	09/18/2015	01/05/2016	03/21/2016	06/13/2016
Bid Ad Published No Later Than	09/18/2015	01/05/2016	03/21/2016	06/13/2016
Part III of Application Due Bid Data Submittal (With Tentative Contract Award)	11/03/2015	02/16/2016	05/02/2016	07/22/2016
DEQ Order of Approval Issued*	11/20/2015	03/14/2016	06/01/2016	08/24/2016
Borrower's Pre-Closing with the MFA	12/03/2015	03/30/2016	06/13/2016	09/02/2016
MFA CLOSING	12/11/2015	04/11/2016	06/24/2016	09/16/2016
Notice to Proceed Issued No Later Than	02/10/2016	06/10/2016	08/23/2015	11/15/2016

*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.

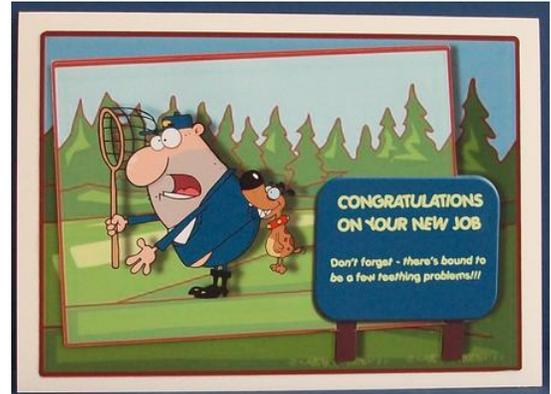
AN APPROVABLE APPLICATION FOR A REVOLVING FUND LOAN MUST INCLUDE:

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)

Comings and Goings – Revolving Loaners

Lucky for us none of these good people have left the building!

We are happy that **Renee Arntz** has come back to the RLS to fill the West Unit Secretary position. She began her state career with the DEQ in 2003 in the Operator Training and Certification program, which was in the RLS at that time. She worked for a year in the Hazardous Waste Section, and had enough of that garbage. ☺ Renee graduated from Michigan State University, with a Bachelor's of Arts degree in Employment and Public Relations. Besides having the skills we need, we already enjoy her enthusiasm and good nature.



One of our senior project managers, **Kurt Swendsen**, took a position as a Drinking Water engineer in the Lansing/Jackson district office in March. He will be assisting community water supplies in Gratiot, Lapeer, and Shiawassee Counties. Kurt was with RLS for 20 years and says he will miss the relationships he developed with the communities and engineers and hopes he gets to work with many of the same people in his new role as District Engineer. He has a different phone number, but the same email address and is still located in Constitution Hall.

Cheri Meyer, who rejoined the RLS in 2011, accepted a position with DEQ's Office of the Great Lakes, Coastal Zone Management Program in April. While she knows she is leaving her projects in good hands, she will miss the dedicated communities and consultants she's had the privilege to work with over the years. However, she looks forward to seeing you on the water trails!

In the Know.....

- Go to our website, at www.michigan.gov/cleanwaterrevolvingfund, and click on the red envelope  on the upper right side of the webpage to sign up for news and updates from the Revolving Loan Section! When you click on the red envelope you will be directed to a website where you can input your email address and subscribe to all kinds of different DEQ topics.
- **New SRF federal statute requirements:** If you missed our March Webinar, you can view and listen to a recording of RLS staff discussing these new SRF federal statute requirements. Visit the DEQ website, www.michigan.gov/deq, click on News and Events, on the left navigation pane, then Training and Workshops, DEQ Webinars, and finally under Past DEQ Webinars, you will find DEQ Revolving Loan Fund Opportunities and Recent Program Changes. If you have any questions or need help, please call us at 517-284-5433.
- The interest rate for DWRF, SRF, and SWQIF loans closing in fiscal year 2015 is 2.5 percent.
- The U.S. Environmental Protection Agency set the discount rate for fiscal year 2015 at 4 5/8 percent (0.04625). This rate is to be used for project planning that begins on or after October 1, 2014, for preparation of the cost-effectiveness analysis. This rate is an increase 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 2016 public hearings on the draft Project Priority Lists and draft Intended Use Plans.

Drinking Water Revolving Fund – August 19, 2015
(for project plans received or postmarked no later than May 1, 2015)

State Revolving Fund – September 16, 2015
(for project plans received or postmarked no later than July 1, 2015)

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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