



Legislation Text

File #: 11-0988, **Version:** 1

Resolution Authorizing the S2 Grant Agreement

We request your approval of the attached agreement with the Michigan Department of Environmental Quality (MDEQ) for the City to accept an S2 Grant in the amount of \$273,083.40 for 90% of the costs to complete the application for a loan under the State Revolving Fund (SRF) program to finance the Facilities Renovations Project (FRP) at the City's Wastewater Treatment Plant (WWTP).

The purpose of the FRP is to construct the renovations identified in the Ann Arbor WWTP Facilities Master Plan. The WWTP Facilities Master Plan is a comprehensive, 25-year planning document that provides the basis and schedule for rehabilitation and replacement of major equipment at the WWTP. The older West Plant portion of the WWTP was first constructed in the 1930's and the newer East Plant was constructed in the late 1970's.

The West Plant has exceeded its useful life and was taken out of service in 2006 due to its dilapidated condition. Replacement of the West Plant is necessary for the WWTP to reliably meet current and future wastewater treatment capacity requirements. In addition to the complete demolition and replacement of the West Plant, the FRP includes miscellaneous renovations and improvements throughout the facility to maintain treatment viability and reliability. Construction of the FRP must be done without impeding the flow of wastewater into the WWTP or the plant's ability to effectively treat the flow in compliance with regulatory requirements.

Malcolm Pirnie, Inc. (MPI) was selected as the most qualified engineering firm to provide the engineering design services for the FRP. The design of the FRP has been complex and spanned a period of six years. Most recently, MPI has submitted design drawings and specifications to MDEQ for securing necessary permits. Once approved, the design documents will be used to solicit bids from qualified contractors, which is expected to take place this fall. In addition, MPI assisted the City in applying to MDEQ for a low interest loan under the SRF program to finance the FRP. The draft Project Priority List (PPL) for the SRF program that was recently released by MDEQ indicated the FRP is in the fundable range for fiscal year 2012, which begins October 1, 2011. The City will know whether the SRF loan is approved when the final PPL is released by MDEQ on or before October 1, 2011. Construction of the FRP will extend over five fiscal years and is estimated to cost \$80 million. The savings to the City by financing the FRP through the SRF program over the 20-year life of the loan will be in the range of approximately \$23 to \$33 million, depending on the interest rate for municipal revenue bonds.

On December 14, 2010, the State of Michigan enacted the S2 Grants Program. This program is to provide assistance to municipalities to complete the application for a loan under the SRF program. The costs eligible for the S2 Grant are for planning and design of sewage treatment works projects incurred on or after December 14, 2010. MDEQ released the S2 Grant Application on September 1, 2011, and is accepting administratively complete and non-deficient applications on a first come, first served basis. The eligible costs for which the City will apply are both the actual costs incurred by MPI since December 14, 2010, and the estimated costs expected to be incurred by MPI to complete

the planning and design of the FRP. These costs total \$303,426.00, of which the S2 Grant would pay 90% (\$273,083.40) and the City would pay 10% (\$30,342.60).

The budget for this project is included in the approved capital budget and in the approved FY 11-16 CIP.

Prepared by: Earl J. Kenzie, P.E., Wastewater Treatment Services Manager

Reviewed by: Sue F. McCormick, Public Services Area Administrator

Approved by: Tom Crawford, Interim City Administrator

City of Ann Arbor

County of Washtenaw

Resolution Authorizing the S2 Grant Agreement

Minutes of the regular meeting of the City Council of the City of Ann Arbor, County of Washtenaw, State of Michigan, (the "Municipality") held on September 6, 2011.

PRESENT: Mayor Hieftje, Councilmembers Smith, Briere, Rapundalo, Derezinski, Kunselman, Taylor, Higgins, Teall, and Hohnke

ABSENT: Councilmember Anglin

Councilmember Briere offered and moved the adoption of the following resolution, seconded by Councilmember Taylor.

Whereas, Part 52 (strategic water quality initiatives) of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended ("Part 52"), provides at MCL 324.5204a that the Michigan Finance Authority (the "MFA") in consultation with the Michigan Department of Environmental Quality (the "DEQ"), shall establish a strategic water quality initiatives grant program; and

Whereas, In accordance with the provisions of 2010 PA 231, which provides grants to assist municipalities in completing loan application requirements under MCL 324.5308 or completing loan application requirements for other sources of financing for sewage treatment works projects, storm water treatment projects or nonpoint source projects; and

Whereas, in accordance with the provisions of 1985 PA 227, as amended, Part 52, and other applicable provisions of law, the MFA, the DEQ, and the Municipality that is a grant recipient shall enter into a grant agreement (the "S2 Grant Agreement") that requires the Municipality to repay the grant under certain conditions as set forth in MCL 324.5204a, as amended; and

Whereas, the Municipality does hereby determine it necessary to undertake planning, revenue system development, and/or design activities related to a project for which it intends to seek financing for construction; and

Whereas, It is the determination of the Municipality that at this time, a grant in the aggregate amount not to exceed \$273,083.40 ("Grant") be requested from the MFA and the DEQ to pay for the planning and/or design activities; and

Whereas, The Municipality shall obtain this Grant by entering into the S2 Grant Agreement with the

MFA and the DEQ.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. Interim City Administrator, a position currently held by Tom Crawford, or City Administrator, a position held by Steven Powers on and after September 15, 2011, is designated as the Authorized Representative for purposes of the S2 Grant Agreement.
2. The proposed form of the S2 Grant Agreement between the Municipality, the MFA and DEQ (attached hereto as Appendix I) is hereby approved and the Authorized Representative is authorized and directed to execute the S2 Grant Agreement with such revisions as are permitted by law and agreed to by the Authorized Representative.
3. The Municipality shall repay the Grant, within 90 days of being informed to do so, with interest at a rate not to exceed 8 percent per year, to the Authority if any of the following conditions occur:
 - (a) the Municipality fails to submit an administratively complete loan application for assistance from the SRF, the SWQIF or other sources of financing for the project within 3 years of the Grant award;
 - (b) the project has been identified as being in the fundable range or is approved for funding from another source and the Municipality declines loan assistance for 2 consecutive fiscal years unless the Municipality proceeds with funding from another source; or
 - c) the Municipality is unable to, or decides not to, proceed with constructing the project.
4. The Grant, if repayable, shall be a first budget obligation from the general funds of the Municipality, and the Municipality is required, if necessary, to levy ad valorem taxes on all taxable property in the Municipality for the payment thereof, subject to applicable constitutional, statutory and Municipality tax rate limitations.
5. The Municipality shall not invest, reinvest or accumulate any moneys deemed to be Grant funds, nor shall it use Grant funds for general local government administration activities or activities performed by municipal employees.
6. The Authorized Representative is hereby jointly or severally authorized to take any actions necessary to comply with the requirements of the MFA and the DEQ in connection with the issuance of the Grant. The Authorized Representative is hereby jointly or severally authorized to execute and deliver such other contracts, certificates, documents, instruments, applications and other papers as may be required by the MFA or the DEQ or as may be otherwise necessary to effect the approval and delivery of the Grant.
7. The Municipality acknowledges that the S2 Grant Agreement is a contract between the Municipality, the MFA and the DEQ.
8. All resolutions and parts of resolutions insofar as they conflict with the provisions of this Resolution are rescinded.

YEAS: Councilmembers: Mayor Hieftje, Councilmembers Smith, Briere, Rapundalo, Derezinski, Kunselman, Taylor, Higgins, Teall, and Hohnke

NAYS: Councilmembers: None.

RESOLUTION DECLARED ADOPTED

Jacqueline Beaudry, City Clerk
City of Ann Arbor, County of Washtenaw

I hereby certify that the foregoing is a true and complete copy of a resolution adopted by the City Council of the City of Ann Arbor, County of Washtenaw, said meeting was conducted and public notice of said meeting was given pursuant to and in full compliance with the Open Meetings Act, being Act 267, Public Acts of Michigan, 1976, and that the minutes of said meeting were kept and will be or have been made available as required by said Act.

Jacqueline Beaudry, City Clerk
City of Ann Arbor, County of Washtenaw