

Missouri Clean Water Commission Meeting
Department of Natural Resources
Lewis and Clark State Office Building
LaCharrette/Nightingale Creek Conference Rooms
1101 Riverside Drive
Jefferson City, Missouri

July 13, 2016

Increase in State Revolving Loan Funds for the village of Renick

Issue: The village of Renick has requested an increase in their funding for the amount of \$231,208 to fund the costs to construct a fixed sprinkler irrigation system to replace their current center pivot land application system, upgrade their current collection system lift stations and costs for purchasing the property for the land application system, which was previously leased.

Background: The actual discharge flow of the wastewater system is higher than the currently permitted discharge flow, resulting in the need for larger capacity to land apply than was originally designed. Additionally, the system was constructed in 1985 and due to age, two of the three lift stations need to be replaced, while the third lift station requires minor repairs. In December of 2015, the village of Renick signed an Abatement Order of Consent (AOC) to make upgrades to the wastewater system to eliminate their repeated discharges from their no-discharge treatment system.

The village of Renick is currently in its second year and is listed on the carryover fundable list of the Clean Water State Revolving Fund (SRF) Fiscal Year (FY) 2016 Intended Use Plan for a \$296,334 loan and a \$296,333 grant. The total current eligible estimated project costs are now estimated to be \$823,875. The Department is recommending that the SRF loan amount be increased from \$296,334 to a total of \$527,542 which is a \$231,208 increase. The funding increase is necessary due to higher than anticipated original projected construction costs.

Recommended Action: The Department recommends that the Commission approve the increased allocation of funding in the amount of \$231,208 for a state revolving fund loan to the village of Renick.

Suggested Motion Language: "I move to approve the increased allocation of funding in the amount of \$231,208 for a total state revolving fund loan amount of \$527,542 for the village of Renick."

Attachment: Copy of Renick's SRF funding increase letter.

May 20, 2016

Ms. Kelsey Kemper, Project Coordinator
Water Protection Program, Financial Assistance Center
Missouri Department of Natural Resources
P.O. Box 176
Jefferson City, MO 65102-0176

RE: SRF Funding Increase Request
SRF Project No. C295810-01, Village of Renick Wastewater Upgrades

Dear Ms. Kemper,

The Village of Renick is currently listed on the fundable carryover list in the Clean Water State Revolving Fund (SRF) Fiscal Year (FY) 2016 Intended Use Plan (IUP) for a \$296,334 loan and a \$296,333 grant. Since Renick is located in a Priority Watershed, 50% grant funding was allocated through the Our Missouri Waters Initiative. This is Renick's second year on the IUP and the current allocation of grant and loan funding will expire after September 30, 2016. The Village is progressing in its achievement of project milestones and is expected to open bids for construction no later than August 15, 2016.

The Village currently operates a land application system on a leased field used by the landowner for planting row crops. The center pivot is past its useful lifespan and access to the field is very limited due to crop requirements. As a result, the operator is often forced to allow the lagoon to discharge to the stream. The SRF funding is allocated for the construction of a new wastewater irrigation system on a Village-owned site to allow the elimination of non-permitted discharges from the storage lagoon. The project also includes much needed upgrades to the collection system liftstations.

The amount of funding allocation in the FY 2016 IUP was based on Renick's SRF Application, dated March 15, 2014. The Wastewater System Engineering Report, revised August 2012, formed the foundation for this application. The report's cost estimate was updated on February 26, 2014 for inclusion in the application package.

During the subsequent design phase, it was determined that the cost of construction would be higher than initially estimated. This was due to several factors. These include that the actual flow of the wastewater system is higher than the currently permitted flow. Therefore, the system had to be designed with a larger capacity than previously projected. Further, the current condition of the collection liftstations was found to be worse than in 2012. In lieu of simple pump replacements, both larger liftstations require a complete overhaul, with only minor repairs needed at the third, single user liftstation.

At the increased design flow, 21.6 wetted acres are required to apply the Village's wastewater within the MDNR's operating parameters. In order to allow for setback requirements, unusable corner sections and other unusable zones, a total land application site of 30 acres was developed in the 2012 Engineering Report. The SRF Application used a per acre value of \$4,000 to derive a total land purchase price estimate of \$120,000. However, the owner of the only feasible land application area was not willing to sell the land to Renick unless the Village purchased a much larger area. By adding the perimeter to the needed application area, the property owner was able to eliminate small remnants of land that would be of little value to him. In addition, the landowner insisted on a purchase price of \$5,000 per acre, which was \$1,200 above the appraised value of \$3,800 per acre.

The Village of Renick has been subject to DNR Enforcement action due to repeated discharges from their no-discharge treatment system. Renick signed an Abatement Order of Consent (AOC), which was fully executed by the MDNR in December of 2015. The AOC has strict timelines for upgrades to the wastewater system to eliminate the discharges. In order to meet the timelines of this legally enforceable contract, the Village saw no choice but to purchase the land at the requested price. An area of 49.94 acres was purchased by Renick for a total price of \$249,700.

Renick is aware that the portion of the land purchase price which exceeds the appraised value is not eligible for SRF funding and has made other financial arrangements to cover this shortfall of \$1,200 per acre for a total of \$59,928. However, in order to move forward with this project, the Village will need to receive additional funding assistance. The currently estimated total project cost is \$883,802. The latest cost estimate is attached. Deducting the ineligible land purchase cost, leaves a total funding need of \$823,874, equivalent to a shortfall of \$231,208.

Please find enclosed Selected Economic characteristics generated through the 2010-2014 American Community Survey (ACS) 5-Year Estimates. Page 2 shows the Median Household Income (MHI) for 2014. The MHI is estimated at \$42,292, which is significantly lower than the 2010 Census estimate of \$51,500. All four years of available ACS data since 2010 show a much lower MHI than the Census, which the SRF funding allocation was based on. The income data for small communities is inherently inaccurate as can be seen by the margin of error of \$14,885 in the 2014 ACS MHI. This margin means that the MHI for Renick could have been as low as \$27,407 in 2014, which appears to be much closer to the actual value than the 2010 Census MHI.

In order for the Village of Renick to meet the strict AOC deadlines, protect water quality in this priority watershed, and keep user rates at a manageable level, we hereby request an increase in SRF funding in the amount of \$231,208 for a total IUP amount of \$823,874. Since the original funding was allocated under the Our Missouri Waters Initiative, which consists of 50% grant and 50% loan funds, we further request that the increase will consist of \$115,604 in grant and \$115,604 in loan funding. However, we understand that grant funding is limited and must be allocated to the communities with the greatest need. While potentially causing hardship on our sewer users, at a minimum an increase in loan only funds would be needed to make this project possible.

Without an increase in funding this project would simply not be feasible. We appreciate your consideration. Should you need any additional information, feel free to contact me at (309) 360-4495. Alternatively, you may contact the Village of Renick engineer, Ms. Elke Boyd, at (573) 234-2648 or elke.boyd@skw-inc.com.

Sincerely,

 5-21-16

Mr. John Muehe, Chairman of the Board.
VILLAGE OF RENICK

Cc: SKW

Enclosure

SKW 110105-020