

**Resolution to Adopt the city of Detroit Water and Sewerage Department Water Main – FY 2021 Drinking Water Revolving Fund (DWRF) Program**

Agenda of: May 27, 2020

Item No.:

**TO:** The Honorable  
Board of Directors  
Great Lakes Water Authority

**FROM:** Sue F. McCormick  
Chief Executive Officer  
Great Lakes Water Authority

**DATE:** May 27, 2020

**RE:** **Resolution to Adopt the city of Detroit Water and Sewerage Department Water Main Replacement – FY 2021 Drinking Water Revolving Fund (DWRF) Project Plan**

**MOTION**

Upon recommendation of Nicolette Bateson, Chief Financial Officer/Treasurer, the Board of Directors (Board) of the Great Lakes Water Authority (GLWA) **Approves the attached Resolution for the city of Detroit Water and Sewerage Department (DWSD) Water Main Replacement – FY 2021 Drinking Water Revolving Fund (DWRF) Project Plan;** and authorizes the CEO to take such other action as may be necessary to accomplish the intent of this vote.

**BACKGROUND**

DWSD has identified this water main replacement project in its FY 2021 to 2025 Capital Improvement Plan (CIP) for submittal to the Michigan Department of Environment, Great Lakes and Energy (EGLE) for the DWRF financing program for funding in the state's 2021 fiscal year. The deadline for submitting all DWRF project plans to EGLE is July 1, 2020, but prior to submitting the project plans, a public hearing must be held for the affected area.

This project is comprised of replacing aging water main in the Jefferson Chalmers area within the City of Detroit. Construction will include excavation of existing water mains,

installation of new pipes, rehabilitation of pipes, replacement of lead service lines between the water main and the water meter, pressure testing, backfill, and right-of-way. The estimated cost of this project is \$20,800,000.

The FY 2021 DWRP Project Plan and public hearing for DWSD Water Main Project has been posted on the DWSD website and can be found at:

<https://detroitmi.gov/events/public-hearing-jefferson-water-main-replacement>.

This project plan was presented at the DWSD public hearing on April 15, 2020.

### **JUSTIFICATION**

Pursuant to Section 7.2(b) of the Regional Water Supply System Lease between the City of Detroit and GLWA, the Authority shall cooperate fully with the City in the implementation of the Detroit Capital Improvement, including financing through the Authority. Therefore, GLWA will submit the local project plan as it will be the DWRP loan applicant. Per notification, from EGLE, GLWA does not need to hold a separate public hearing on the local project, however, the GLWA Board of Directors will need to act on the included resolution at its regularly scheduled meeting on May 27, 2020. The resolution must be approved and signed to ensure that the finalized Project Plan is assembled, printed, and submitted to the EGLE by the deadline of July 1, 2020.

GLWA concurs with the DWSD Water Main Project adoption, and as the DWRP applicant, is seeking low interest loan assistance from the DWRP Program. Although the EGLE interest rate for FY 2021 has not yet been determined, the current year's interest rate of 2.0% (30-year loan) is less than the present conventional rate. Based on the estimated project amount, DWSD could save an estimated \$3.9 million in interest costs and avoided issuance costs, based on recently priced new money bonds sold on April 30, 2020 with a 30-year term and 2.98% interest rate. This will afford saving to DWSD and its customers.

### **BUDGET IMPACT**

GLWA will be the loan applicant on DWRP loans issued on behalf of the DWSD, and DWSD will be the DWRP loan recipient as determined by EGLE. All project costs financed by GLWA, on behalf of DWSD, through the DWRP program bonds and resulting principal and interest payments on the bonds will be directly allocable to the DWSD local system. Debt service is anticipated to begin in FY 2022 for this project and will be included as part of the FY 2022 financial plan.

### **COMMITTEE REVIEW**

This matter was reviewed by the GLWA Audit Committee at its meeting on May 15, 2020. It is anticipated that the Audit Committee will recommend approval of the Resolution to Adopt the city of Detroit Water and Sewerage Department Water Main Replacement – FY 2021 Drinking Water Revolving Fund (DWRF) Project Plan as presented.

### **SHARED SERVICES IMPACT**

This item does not impact the shared services agreement between GLWA and DWSD.