



Financial Services Audit Committee Communication

Date: May 21, 2021

To: Great Lakes Water Authority Audit Committee

From: Kim Garland, CPA, Reporting & Compliance Manager

Re: Resolution to Adopt the city of Detroit Water and Sewerage Department Water Main Replacement – FY 2022 Drinking Water State Revolving Fund (DWSRF) Project Plan

Background: The Great Lakes Water Authority (GLWA) Board secures capital improvement financing for the of Detroit Water and Sewerage Department (DWSD) in accordance with foundational documents related to the establishment of GLWA.

Analysis: Pending review and recommendation from the Audit Committee, the GLWA Board of Directors will be asked to approve the city of Detroit Water and Sewerage Department Water Main Replacement Project Plan for FY 2022 Drinking Water State Revolving Fund (DWSRF) Project funding at the June 23, 2021 Board meeting.

Key Takeaways:

- The deadline for submitting all DWSRF project plans to the Michigan Department of Environment, Great Lakes, and Energy (EGLE) is July 1, 2021.
- Prior to submitting the project plans, a public hearing must be held for the affected area. This requirement was met when a project plan was presented at the DWSD public hearing on May 19, 2021.
- The estimated cost of this project is \$29,300,000.
- Debt service on this project is directly allocable to DWSD and is anticipated to begin in FY 2025 and will be included as part of the FY 2023 financial plan.

Proposed Action: The GLWA Audit Committee recommends the approval of the Resolution to Adopt the city of Detroit Water and Sewerage Department Water Main Replacement – FY 2022 Drinking Water State Revolving Fund Project Plan, as presented.

..Title

Resolution to Adopt the city of Detroit Water and Sewerage Department Water Main – FY 2022 Drinking Water State Revolving Fund (DWSRF) Program

..Body

Agenda of: June 23, 2021

Item No.: 2021-

TO: The Honorable
Board of Directors
Great Lakes Water Authority

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

DATE: June 23, 2021

RE: Resolution to Adopt the city of Detroit Water and Sewerage Department Water Main Replacement – FY 2022 Drinking Water State Revolving Fund (DWSRF) 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 2022 Drinking Water State Revolving Fund (DWSRF) 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 2022 to 2025 Capital Improvement Plan (CIP) for submittal to the Michigan Department of Environment, Great Lakes and Energy (EGLE) for the DWSRF financing program for funding in the state's 2022 fiscal year. The deadline for submitting all DWSRF project plans to EGLE is July 1,

2021, but prior to submitting the project plans, a public hearing must be held for the affected area.

This project is comprised of replacing an aging water main in the Midtown, Cultural Center, and Medical Center neighborhoods (Project B), and full lead service line replacement (Project B) 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 \$29,300,000.

The FY 2022 DWSRF 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 May 19, 2021.

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 DWSRF 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 June 23, 2021. The resolution must be approved and signed to ensure that the finalized Project Plan is assembled, printed, and submitted to EGLE by the deadline of July 1, 2021.

GLWA concurs with the DWSD Water Main Project adoption, and as the DWSRF applicant, is seeking low interest loan assistance from the DWSRF Program. Although the EGLE interest rate for FY 2022 has not yet been determined, the current year's interest rate of 1.875% (30-year loan) is less than the present conventional rate. Based on the estimated project amount, DWSD could save an estimated \$13.4 million in interest costs and avoided issuance costs, based on similar market revenue bond with a 30-year and 3.5% interest rate. This will afford savings to DWSD and its customers. This will afford savings to DWSD and its customers.

BUDGET IMPACT

GLWA will be the loan applicant on DWSRF loans issued on behalf of the DWSD, and DWSD will be the DWSRF loan recipient as determined by EGLE. All project costs

financed by GLWA, on behalf of DWSD, through the DWSRF 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 2025 for this project and will be included as part of the FY 2023 financial plan.

COMMITTEE REVIEW

This matter was presented to the GLWA Audit Committee at its May 21, 2021 meeting. The Audit Committee [insert action] that the Great Lakes Water Authority Board of Director approve the attached Resolution to Adopt the city of Detroit Water and Sewerage Department Water Main Replacement – FY 2022 Drinking Water State Revolving Fund (DWSRF) Project Plan as presented.

SHARED SERVICES IMPACT

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

Great Lakes Water Authority
Resolution 2021-

RE: Resolution to Adopt the Detroit Water and Sewerage Department (DWSD)
Water Main Replacement Final Project Plan
FY 2022 Drinking Water State Revolving Fund (DWSRF) Project Plan

By Board Member: _____

Whereas: The City of Detroit through its Detroit Water and Sewerage Department (DWSD), and the Great Lakes Water Authority (GLWA), both jointly recognize the need to make improvements to portions of the existing water distribution system that are owned and operated by the City of Detroit and that are physically located within the city limits; and

Whereas: 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;

Whereas: The DWSD prepared a Drinking Water State Revolving Fund (DWSRF) Project Plan, which recommends replacing aging water main in Midtown, Cultural Center, and Medical Center neighborhoods in the City of Detroit and full lead service line replacement at various locations throughout the City of Detroit;

Whereas: The Project Plan was presented by DWSD at a virtual Public Hearing held on May 19, 2021, and all public comments were considered and addressed;

Whereas: The DWSD formally adopted said Project Plan and agreed to implement the identified selected alternative of water main and lead service line replacements as described in said document;

Whereas: It is the desire of the GLWA Board of Directors to secure low interest loan assistance through the DWSRF program.

Now Therefore Be It:

Resolved The GLWA Board hereby accepts and approves the DWSD Water Main Replacement DWSRF Project Plan as approved by the DWSD BOWC at its May 19, 2021 meeting; and Be It Further

Resolved The GLWA concurs with the DWSRF Project Plan adoption and agrees to serve as the DWSRF loan applicant on behalf of the City of Detroit, the loan recipient, for all activities required by DWSRF financing, and in accordance with local and state intergovernmental agreement; and Be It Further

Resolved The GLWA Resolution identifying Designated Representatives adopted on April 26, 2017 established the GLWA authorized representatives for all DWSRF program activities, and no updates to these designations are necessary at this time and Be It Further

Resolved That the Chief Executive Officer (CEO) is authorized to transmit the final FY 2022 DWSRF Project Plan for the Water Main Replacement project to the Michigan Department of Environment, Great Lakes and Energy on behalf of the GLWA Board of Directors and take all appropriate steps to secure approval of a low interest loan in accordance with the State of Michigan's DWSRF procedures so that the project can proceed expeditiously to construction.

Adopted by the Great Lakes Water Authority Board on: