



Financial Services Audit Committee Communication

Date: January 17, 2020

To: Great Lakes Water Authority Audit Committee

From: Jon Wheatley, Public Finance Manager

Re: Resolution Regarding Approval of Series Ordinance Authorizing Issuance and Sale of Sewage Disposal System Revenue Bonds an Amount Not to Exceed \$35,000,000 (Ordinance 2020-01)

Background: On March 8, 2017, the Great Lakes Water Authority (“GLWA”) Board of Directors approved Resolution 2017-185, “Resolution of the Great Lakes Water Authority Authorizing Publication of Notice of Intent to Issue Sewage Disposal System Revenue Bonds in a principal amount not to exceed \$275,000,000” (the “Notice of Intent”). This is the fourth series of sewer bonds from that Notice of Intent in the amount not to exceed \$35,000,000.

The approval of the Series Ordinance presented today is the next formal step required by the GLWA Board of Directors in the bond issuance process. The Series Ordinance authorizes the issuance of the Bonds by GLWA, sets forth the guidelines for the State Revolving Fund (SRF) Bonds, designates the Bonds as 2020 SRF-1 Junior Lien Bonds, and authorizes the Chief Executive Officer or the Chief Financial Officer to execute the final terms of the Bonds, paying issuance costs and signing of the Purchase Contract and Sale Order, within the parameters set forth in the Series Ordinance.

Analysis: This series of bonds authorized by this ordinance will be sold through the state of Michigan’s SRF program and will be used to finance improvements to the GLWA’s regional system. The project funded will include the second phase of improvements to the Detroit River Interceptor (DRI). The first phase of the project (\$17,510,000) was also funded with an SRF bond issue. Per the Ordinance, this series of bonds will be designated *2020 SRF-1 Junior Lien Bonds*, with a loan amount not to exceed \$35,000,000.

The 2020 SRF-1 Junior Lien Bonds will be sold to the Michigan Finance Authority in a separate series. The current program interest rate is 2.00% and is typically payable over a 20-year term. Based on the project amount of \$35.0 million, GLWA could save an estimated \$22.7 million in interest costs and avoided issuance costs, based on a similar open market revenue bond with a 30-year term and 4.50% interest rate, over the life of the 30-year bond issue. This will afford savings to both GLWA and its members.

Budget Impact: The debt service payments on the DRI project are anticipated to start in October 2020 with minimal amounts of interest due as a result of the projected draw down schedules. Interest expense on this loan was included in the FY 2021 Budget.

Proposed Action: The GLWA Audit Committee recommends that the Great Lakes Water Authority Board approve the resolution for the Approval of Series Ordinance Authorizing Issuance and Sale of Sewage Disposal System Revenue Bonds, an Amount Not to Exceed \$35,000,000 as presented, at its Regular Meeting on February 12, 2020.