



Financial Services Audit Committee Communication

Date: April 24, 2019

To: Great Lakes Water Authority Audit Committee

From: Jon Wheatley, Public Finance Manager

Re: Drinking Water Revolving Fund Project Plan Submittal for the Detroit Water and Sewerage Department Water Main Replacement – FY 2020 Drinking Water Revolving Fund Project Plan

Background: The Detroit Water & Sewerage Department (DWSD) has identified four (4) water system projects in its proposed FY 2020 to 2024 Capital Improvement Plan (CIP) for submittal to the Michigan Department of Environmental Quality (MDEQ) for the Drinking Water Revolving Fund (DWRf) financing program for funding in the state's 2020 fiscal year. The deadline for submitting all DWRf project plans to MDEQ is May 1, 2019, but prior to submitting the project plans, a public hearing must be held for the affected area.

The project consists of the excavation of existing water mains, installation of new pipes, replacement of lead service lines between the water main and the water meter, pressure testing, backfill, and right-of-way. The impact of the project will be improved customer satisfaction and safe and reliable service delivery of potable water to customers. The estimated cost of this project is \$57,300,000.

The FY 2020 DWRf Project Plan and public hearing notice for DWSD Local Watermain Project has been posted on the DWSD website and can be found at: detroitmi.gov/dwsd. This project plan was presented at the DWSD public hearing on April 3, 2019.

Analysis: 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 DWRf loan applicant. Per notification, from MDEQ, 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 April 24, 2019. The resolution must be approved and signed to ensure that the finalized Project Plan is assembled, printed, and submitted to the MDEQ by the deadline of May 1, 2019.

GLWA concurs with the DWSF Water Main Project adoption, and as the DWRf applicant, is seeking low interest loan assistance through the DWRf program.

GLWA concurs with the DWSD Water Main Project adoption, and as the DWRF applicant, is seeking low interest loan assistance through the DWRF program. Although the MDEQ interest rate for FY 2020 will not be determined until October 2019, the current year's interest rate of 2.0% is less than the present conventional bond rate. Based on the estimated project amount, DWSD could save an estimated \$28.2 million in interest costs and avoided issuance costs, based on a similar market revenue bond with a 30-year and 4.50% interest rate. This will afford saving to DWSD and its customers.

Budget Impact: GLWA will be the loan applicant on the DWRF loans issued on behalf of DWSD, and DWSD will be the DWRF loan recipient as determined by MDEQ. All project costs financed by GLWA, on behalf of DWSD, through the DWRF 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 2021 for this project and will be included as part of the FY 2021 financial plan.

Proposed Action: The Audit Committee recommends that the Great Lakes Water Authority Board approves the Resolution to Adopt the Detroit Water and Sewerage Department Water Main Replacement – FY 2020 Drinking Water Revolving Fund Project Plan.

Great Lakes Water Authority
Resolution

RE: Resolution to Adopt the Detroit Water and Sewerage Department (DWSD) Water Main Replacement Final Project Plan
FY 2020 Drinking Water Revolving Fund (DWRP) Project Plan

- 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; and
- Whereas: The DWSD prepared a Drinking Water Revolving Fund (DWRP) Project Plan, which recommends water main replacement and associated appurtenances, including removal of certain lead service lines, in various locations of the City of Detroit; and
- Whereas: The Project Plan was presented by DWSD at a Public Hearing held on April 3, 2019 at 1:00 p.m. in the DWSD Board of Water Commissioners (BOWC) hearing room, and all public comments were considered and addressed;
- Whereas: The DWSD formally adopted said Project Plan and agreed to implement the identified selected water main and lead service line replacements as described in said document, as evidenced by the DWSD resolution in Attachment 1;
- Whereas: It is the desire of the GLWA Board of Directors to secure low interest loan assistance through the DWRP program; and

Now Therefore Be It:

- Resolved The GLWA Board hereby accepts and approves the DWSD Water Main Replacement DWRP Project Plan as approved by the DWSD BOWC at its April 3, 2019 meeting; and Be It Further
- Resolved The GLWA concurs with the DWRP Project Plan adoption and agrees to serve as the DWRP loan applicant on behalf of the City of Detroit, the loan recipient, for all activities required by DWRP financing, and in accordance with local and state intergovernmental agreements; and Be It Further
- Resolved The GLWA Resolution identifying Designated Representative adopted on April 26, 2017 established the GLWA authorized representatives for all DWRP 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 2020 DWRP Project Plan for the Water Main Replacement project to the Michigan Department of Environmental Quality 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 DWRP procedures so that the project can proceed expeditiously to construction.



Water & Sewerage
Department

PUBLIC HEARING • APRIL 3, 2019

NOTICE

PUBLIC HEARING FOR WATER MAIN REPLACEMENT FY20 DRINKING WATER REVOLVING FUND (DWRP) PROJECT

The Detroit Water and Sewerage Department (DWSD) announces a Public Hearing regarding its Project Plan for the proposed Water Main Replacement in the city of Detroit. DWSD will be seeking low-interest Drinking Water Revolving Fund (DWRP) loan assistance for FY2020. The project is comprised of replacing aging water mains in multiple areas located within the city of Detroit. Construction will include excavation of existing water mains, installation of new pipes, replacement of lead service lines between the water main and the water meter, pressure testing, backfill, and right-of-way. The impact of the project will be improved customer satisfaction and safe, reliable service delivery of potable water to customers. The temporary impact of construction activities will be minimized through mitigation measures specified in the contract documents. Adverse impacts on historical, archaeological, geographic, or cultural areas are not expected. This project is necessary to ensure that DWSD will consistently and reliably provide high quality potable water to residents. The Project Plan consists of four (4) different projects that are in critical need of water main replacement or rehabilitation. The total cost of these four (4) projects is currently estimated at \$57,300,000, which is being sought through the DWRP program. The Water Main Replacement project is eligible for participating under the State of Michigan low-interest DWRP loan program.

The Public Hearing will present a description of the recommended project, estimated costs, as well as the cost per household impact for customers. The typical residential customer bill in the city of Detroit is expected to increase by approximately 2.48% assuming that low-interest loans can be obtained through the DWRP loan program. The purpose of the hearing is not only to inform, but to seek and gather input from people that will be affected. Comments and viewpoints from the public are encouraged.

THE MEETING WILL BE HELD ON:

**WEDNESDAY, APRIL 3, 2019
DETROIT WATER AND SEWERAGE DEPARTMENT
WATER BOARD BUILDING
735 RANDOLPH, 5TH FLOOR, BOARD ROOM
DETROIT, MICHIGAN 48226
1:00 P.M.**

Information on the Project Plan will be available at the following locations:

City Website: detroitmi.gov/dwsp

OR

Detroit Water and Sewerage Department
Water Board Building
735 Randolph, First Floor
Detroit, Michigan 48226

If you have questions or want to submit written statements for the Public Hearing Record, call or write:

(313) 964-9269

Monica Daniels

Detroit Water and Sewerage Department
735 Randolph, 7th Floor
Detroit, MI 48226

Written comments will be accepted at the above address if received prior to 1:00 p.m. EST, Wednesday, April 3, 2019.