



Financial Services Audit Committee Communication

Date: May 22, 2018

To: Great Lakes Water Authority Audit Committee

From: Jon Wheatley, Public Finance Manager

Re: Proposed Public Hearing: State Revolving Fund Project Plan Submittal for the Pump Station No. 1 (PS-1) Ferric Chloride System Rehabilitation and Struvite Removal Project

Background: The Great Lakes Water Authority (GLWA) has identified one wastewater system project in the proposed FY 2019 to FY 2023 Capital Improvement Plan (CIP) for submittal to the Michigan Department of Environmental Quality (MDEQ) for the State Revolving Fund (SRF) financing program for funding in the state's 2019 fiscal year. The deadline for submitting all SRF project plans to MDEQ is July 1, 2018, but prior to submitting the project plans, GLWA must hold a public hearing to present the project plan.

The FY 2019 SRF Project Plan and public hearing notice for the Pump Station No. 1 (PS-1) Ferric Chloride System Rehabilitation and Struvite Removal Project have been posted on the GLWA website and can be found at: <http://www.gwater.org/category/news/hearing-notice>. This project plan will be presented at the public hearing. After the public hearing is closed, the included draft resolution will be scheduled for action by the GLWA Board of Directors at its regularly scheduled meeting also on June 13, 2018. 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 July 1, 2018.

The Project: Pump Station No. 1 (PS-1) Ferric Chloride System Rehabilitation and Struvite Removal Project – (CIP# 211008): The primary purpose of the project is to provide efficient and reliable operations at the Water Resource Recovery Facility (WRRF) by implementing necessary improvements to the Pump Station No. 1 Ferric Chloride System and Waste Activated Sludge (WAS) Transfer Pipeline.

Currently, WAS is thickened at the WRRF Complex B Gravity Thickeners. There is a single line that transports WAS to Complex A where the thickened WAS is blended with thickened Primary Sludge. The blended sludge is then pumped on for dewatering and then ultimate disposal. Recent investigations have indicated significant buildup of struvite in the pipe that transports thickened WAS to Complex A. Addressing the issues associated with the

struvite buildup in the WAS transport line will allow the WRRF to continue to thicken, dewater and ultimately dispose of biosolids that are removed during the treatment process.

Justification: GLWA is seeking low interest loan assistance through the SRF program for this project. Although the Michigan Department of Environmental Quality (MDEQ) interest rate for FY 2019 will not be determined until October 2018, the current year's interest rate of 2.00% is less than the present conventional revenue bond interest rates. Based on the project amount of \$10.3 million, GLWA could save an estimated \$1.2 million in interest costs and avoided issuance costs, based on a similar open market revenue bond with a 30-year term and 5.00% interest rate, over the life of the 30-year bond issue. This will afford savings to both GLWA and its members.

Budget Impact: Debt service on this project is anticipated to begin in FY 2020 and will be included as part of the FY 2020 financial plan.

Proposed Action: The Audit Committee recommends that the Great Lakes Water Authority Board hold the public hearing on June 13, 2018 for the proposed SRF project and approve the resolutions to accept and submit the SRF Project Plan for the Pump Station No. 1 (PS-1) Ferric Chloride System Rehabilitation and Struvite Removal Project as presented, at its regular meeting on June 13, 2018.