

..Title

Resolution Regarding Approval of Series Ordinance Authorizing Issuance and Sale of Sewage Disposal System Revenue Bonds in an Amount Not to Exceed \$7,000,000 (Ordinance 2020-06)

..Body

Agenda of: July 22, 2020
Item No.: **2020-236**
Amount: Not to Exceed \$7,000,000

TO: The Honorable
Board of Directors
Great Lakes Water Authority

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

DATE: July 22, 2020

RE: Resolution Regarding Approval of Series Ordinance Authorizing Issuance and Sale of Sewage Disposal System Revenue Bonds in an Amount Not to Exceed \$7,000,000 (Ordinance 2020-06)

MOTION

Upon recommendation of Sue McCormick, Chief Executive Officer, the Board of Directors (Board) of the Great Lakes Water Authority (GLWA), **approve the resolution Approval of Series Ordinance Authorizing Issuance and Sale of Sewage Disposal System Revenue Bonds in an Amount Not to Exceed \$7,000,000 as presented**, and authorizes the CEO to take such other action as may be necessary to accomplish the intent of this vote.

BACKGROUND

On February 26, 2020, the Great Lakes Water Authority (“GLWA”) Board of Directors approved Resolution 2020-067, “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 \$75,000,000” (the “Notice of Intent”). This is the first series of sewer bonds from that Notice of Intent in the amount not to exceed \$7,000,000.

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 Clean Water Revolving Fund (CWRP) Bonds, designates the Bonds as 2020 SRF-2 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.

JUSTIFICATION

This series of bonds authorized by this ordinance will be sold through the state of Michigan’s CWRP program and will be used to finance the city of Detroit Water and Sewerage Department (DWSD) Project DWS-916. This project consists of improvements to the DWSD local sanitary sewer system within select residential high priority neighborhoods at Piety Hill, Virginia Park, New Center Commons, Brewster Homes and Brewster Douglas. Per the Ordinance, this series of bonds will be designated 2020 SRF-2 Junior Lien Bonds, with a loan amount not to exceed \$7,000,000.

The 2020 SRF-2 Junior Lien Bonds will be sold to the Michigan Finance Authority in a separate series. The current program interest rate for the CWRP is 2.00% and is typically payable over a 20-year term however, DWSD qualifies for disadvantaged community status which allows for a 30-year term. Based on the not to exceed amount for this series of \$7.0 million, DWSD could save an estimated \$1.4 million in interest costs and avoided issuance costs, based on a similar open market revenue bond with a 30-year term and 3.00% interest rate, over the life of the 30-year bond issue.

GLWA is the loan applicant on the CWRP loans issued on behalf of DWSD, and DWSD will be the CWRP loan recipient as determined by Michigan Department of Environment, Great Lakes, and Energy (EGLE). All project costs financed by GLWA, on behalf of DWSD, through the CWRP program and resulting principal and interest payments on the bonds will be directly allocable to the DWSD local system.

BUDGET IMPACT

The debt service payments on the DWSD local project are anticipated to start on April 1, 2021 with minimal amounts of interest due, because of the projected draw down schedules. Interest expense on the DWSD loan was included in the FY 2021 Budget.

COMMITTEE REVIEW

This matter was reviewed by the GLWA Audit Committee at its meeting on July 17, 2020. The Audit Committee [7.17.2020 pending request: recommends approval of] the resolution Approval of Series Ordinance Authorizing Issuance and Sale of Sewage Disposal System Revenue Bonds in an Amount Not to Exceed \$7,000,000 as presented.