



## Financial Services Audit Committee Communication

**Date:** March 15, 2019

**To:** Great Lakes Water Authority Audit Committee

**From:** Jon Wheatley, Public Finance Manager

**Re:** Drinking Water Revolving Fund (DWRF) Project Plan Submittal for the 14 Mile Water Transmission Main Loop Project

**Background:** The Great Lakes Water Authority (the “GLWA”) has identified one water system project in the proposed FY 2020 to FY 2024 Capital Improvement Plan (CIP) for submittal to the Michigan Department of Environmental Quality (MDEQ) for the 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 plan, GLWA must hold a public hearing for the project and present the plan. The public hearing for this project is proposed to be set for April 24, 2019 at 2:00 p.m.

The FY 2020 DWRF Project Plan and public hearing notice for the 14 Mile Water Transmission Main Loop Project will be posted on the GLWA website no later than March 25, 2019 and will be available for viewing at the GLWA main office building 30 days prior to the public hearing. The project plan will be presented at a public hearing and after the public hearing is closed, the included draft resolutions will be scheduled for action by the GLWA Board of Directors at its regularly scheduled meeting also 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.

**Analysis:** The “14 Mile Water Transmission Main Loop Project – (CIP# 122013)” includes the 14 Mile Road Transmission Main that currently serves West Bloomfield Township, Farmington Hills, Commerce Township, Novi, Walled Lake, and Wixom is a single feed transmission system. If a disruption to service were to occur on this transmission main, many of the users along this main would experience a complete loss of pressure and flow. This project would provide a transmission main loop to the 14 Mile system to increase redundancy on this branch of the system.

The project is comprised of design and construction of 6-7 Miles of transmission main from 8 Mile Road to 14 Mile Road along the Halsted/Haggerty Road corridor in order to back-feed the 14 Mile Transmission system during a break in the transmission system along 14 Mile. The work will also include connections to the yard piping and reservoir fill line at the Haggerty Booster Station as well as a control valve to regulate flows along the transmission

main. These improvements and modifications are detailed in the Project Plan. The estimated cost of the project is \$54,426,000.

**Justification:** GLWA is seeking low interest loan assistance through the DWRP program for this project. Although the Michigan Department of Environmental Quality (MDEQ) interest rate for FY 2020 will not be determined until October 2019, the current year's interest rate of 2.00% is less than the present conventional revenue bond interest rates. Based on the estimated project amount of \$54.4 million, GLWA could save an estimated \$33 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 member partners.

**Budget Impact:** 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 hold the public hearing on April 24, 2019 for the 14 Mile Road Water Transmission Main Loop Project and approve the resolution to accept and submit the Drinking Water Revolving Fund project plan as presented, at its regular meeting on April 24, 2019.