



## Financial Services Audit Committee Communication

**Date:** April 24, 2019

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

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

**Re:** Authorizing Publication of Notice of Intent to Issue Water Supply System Revenue Bonds

**Background:** The publication of the Notice of Intent to Issue Water Supply System Revenue Bonds is required pursuant to Section 33 of Public Act 94 of 1933 to begin the 45 day referendum period. "If within 45 days after the publication of the notice a petition, signed by not less than 10% or 15,000 of the registered electors, whichever is less, residing within the limits of the borrower, is filed with the clerk, or other recording officer, of the borrower, requesting a referendum upon the question of the issuance of the bonds, then the bonds shall not be issued until approved by the vote of a majority of the electors of the borrower qualified to vote and voting on the bonds at a general or special election." If the 45 day referendum period expires without a petition requesting a referendum, then the Authority may authorize and issue such bonds.

Included with this memo is a copy of the resolution authorizing the publication of Notice of Intent to issue water revenue bonds. As can be seen from the draft resolution, the not to exceed amount is \$160 million. It is anticipated that this resolution will be presented to the full Great Lakes Water Authority (GLWA) Board of Directors on May 8, 2019.

**Analysis:** The \$160 million not to exceed amount in the notice is anticipated to cover the approved Drinking Water Revolving Fund (DWRf) bonds which will be closing in 2019 and 2020 for both GLWA and the Detroit Water and Sewerage Department (DWSD). The projects include:

GLWA Water Conveyance System – Waterworks Park to Northeast Transmission Main Project- (CIP# 122003): The primary purpose of the project is to better align the GLWA water production capacity with long-term system water demands, while improving reliability, water quality protection and reducing future operational and maintenance costs as well as capital improvement costs. The estimated cost of this project is \$133,700,000 which has been approved by the Michigan Department of Environmental Quality (MDEQ) for funding through its DWRf program. This project is currently scheduled to be funded in two financial segments; the first segment is for \$18.0 million in the state of Michigan's FY 2019 and the second segment is for \$115.7 million in the state of Michigan's FY 2020.

DWSD Water Main Replacement Project: This project is comprised of replacing aging watermain in three areas located in the west, east and north sides of the City of Detroit. The project consists of the excavation of the existing water mains, installation of new pipes, replacement of lead service

lines between the water main and the water meter, pressure testing, backfill and road restoration. The impact of the project will be improved safety, improved customer satisfaction and reliable service delivery of potable water to customers. The estimated cost of this project is \$15.9 million, which has been approved by the MDEQ for funding through its DWRf program. This project is currently scheduled to be funded in the state of Michigan's FY 2019.

GLWA is the loan applicant on the DWRf loan 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 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 2020 for this project and is included as part of the FY 2020 financial plan.

The DWRf bonds will be sold to the Michigan Finance Authority in separate series. The current program interest rate is 2.00% and is typically payable over a 20 year term. Since the water main improvements are within the City of Detroit, that loan qualifies for "disadvantaged community status" and will be payable over a 30 year term.

**Budget Impact:** Debt service is anticipated to begin in FY 2020 for the first segment of the GLWA DWRf Water Conveyance System Project and the DWSD DWRf Water Main Replacement Project and have been included as part of the FY 2020 financial plan. Debt service on the second segment of the GLWA Water Conveyance System DWRf project is anticipated to begin in FY 2021 and will be included as part of the FY 2021 financial plan.

**Proposed Action:** The GLWA Audit Committee recommends the approval of the Resolution Authorizing Publication of Notice of Intent to Issue Water Supply System Revenue Bonds to the GLWA Board of Directors at its meeting on May 8, 2019.

**Great Lakes Water Authority**  
**Resolution 2019- -**  
**RE: Authorizing Publication of Notice of Intent**  
**to Issue Water Supply System Revenue Bonds**

By Board Member: \_\_\_\_\_

**Whereas** The Great Lakes Water Authority (the “Authority”) is authorized to issue revenue bonds pursuant to the provisions of Act 94, Public Acts of Michigan, 1933, as amended (“Act 94”) for the purpose of paying all or part of the costs of purchasing, acquiring, constructing, improving, enlarging, extending and repairing the Water System as defined in the Regional Water Supply System Lease, dated June 12, 2015, between the City of Detroit and the Authority; and

**Whereas** The Authority intends to issue one or more series of revenue bonds for the purposes hereinafter set forth; and

**Whereas** Section 33 of Act 94 requires the publication of a notice of intent to issue bonds at least 45 days prior to the issuance of such bonds.

**Now, Therefore Be It:**

**Resolved** That the Chief Financial Officer is hereby instructed to cause the publication of a notice of intent to issue bonds with respect to the hereinafter-described bonds once in the *Detroit Free Press* or the *Detroit News*, so as to be prominently displayed therein, and it is hereby found that each such newspaper has general circulation in the territory of the Authority; **And Be it Further**

**Resolved** That the notice of intent to issue bonds shall be in substantially the following form with such necessary or desirable changes as may be approved by the Chief Financial Officer, her approval to be conclusively evidenced by the publication of the notice of intent to issue bonds:

NOTICE OF INTENT TO ISSUE WATER SUPPLY SYSTEM  
REVENUE BONDS BY THE GREAT LAKES WATER AUTHORITY

TO THE ELECTORS OF THE CHARTER COUNTY OF MACOMB, THE COUNTY OF OAKLAND AND THE CHARTER COUNTY OF WAYNE:

NOTICE IS HEREBY GIVEN, that the Great Lakes Water Authority (the "Authority"), a municipal authority organized and existing under the provisions of Act No. 233, Public Acts of Michigan, 1955, as amended, intends to issue its water supply system revenue bonds in one or more series in the aggregate principal amount of not to exceed \$160,000,000 for the purpose of paying all or part of the cost of acquiring and constructing facilities, replacements, extensions, improvements and repairs to the City of Detroit's water supply system (the "Water System"), which Water System is described and defined in the Regional Water Supply System Lease dated June 12, 2015, between the City of Detroit (the "City") and the Authority (the "Lease"). As set forth in the Lease, the Water System consists of (i) the Regional Water System, which is that portion of the Water System that provides water service to wholesale customers thereof and to individual customers within and outside the City ("Retail Water Customers") that receive water service directly from the hereinafter described Local Water System up to the point of connection to the Local Water System and (ii) the Local Water System, which is that portion of the Water System that provides service directly to Retail Water Customers. Pursuant to the Lease, the City has leased the Regional Water System to the Authority for a period of forty (40) years and the Authority is authorized to issue revenue bonds under Act No. 94, Public Acts of Michigan, 1933, as amended ("Act 94") for the foregoing purposes.

The bonds of each series will mature in not to exceed forty (40) years after the original issuance date of the respective series of bonds, and will bear interest at rates to be determined upon the sale thereof but in no event to exceed such rates as may be permitted by law.

SOURCE OF PAYMENT OF REVENUE BONDS

The bonds will be issued under and pursuant to the provisions of Act 94 and a resolution or ordinance of the Board of Directors of the Authority and will be payable from the net revenues of the Water System and any improvements, enlargements and extensions thereto, and a statutory lien on said revenues will be established by said resolution or ordinance. The Authority will covenant and agree to fix and maintain, or cause to be fixed and maintained, at all times while any of the bonds shall be outstanding such rates and charges for service furnished by the Water System as shall be sufficient to provide for payment of the necessary expenses of operation, maintenance and administration of the Water System and of the principal of and interest on the bonds when due, and to provide for such other expenditures, accounts and funds for the Water System as are required by the resolution or ordinance authorizing the issuance of bonds.

## RIGHT TO PETITION FOR REFERENDUM

This notice is given, by order of the Board of Directors of the Authority, to and for the benefit of the electors of the Charter County of Macomb, the County of Oakland and the Charter County of Wayne (collectively, the “Authority District”) in order to inform them of their right to petition for a referendum upon the question of the issuance of the aforesaid bonds. The bonds will be issued, without submitting such a question to a vote of the electors, unless within 45 days after the date of publication of this notice, a petition requesting a referendum upon such question, signed by not less than 15,000 of the registered electors residing in the Authority District shall have been filed with the Secretary of the Authority. The address of the Secretary of the Authority is 735 Randolph, Detroit, Michigan 48226. In the event that such a petition is filed, the bonds will not be issued unless and until the issuance thereof shall have been approved by the vote of a majority of the electors of the Authority District qualified to vote and voting thereon at a general or special election.

## FURTHER INFORMATION

Further information relative to the issuance of said bonds, the Lease and the subject matter of this notice may be secured at the office of the Chief Financial Officer of the Great Lakes Water Authority, 735 Randolph, Room 1608, Detroit, Michigan 48226.

This notice is given pursuant to the provisions of Section 33 of Act 94.

Nicolette N. Bateson  
Chief Financial Officer  
Great Lakes Water Authority

### **And Be it Further**

**Resolved** That it is hereby determined that the foregoing form of notice of intent to issue bonds and the manner of publication so directed are adequate notice to the electors of the constituent public corporations of the Authority and are well calculated to inform them of the intention of the Authority to issue the revenue bonds, the source of payment therefor, and the right of referendum on the revenue bonds; **And Be it Further**

**Resolved** That all resolutions and parts of resolutions insofar as they conflict with the provisions of this resolution be and the same hereby are rescinded.

Adopted by the Great Lakes Water Authority Board on: \_\_\_\_\_