

..Title

Resolution Authorizing Publication of Notice of Intent to Issue Sewage Disposal System Revenue Bonds

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Agenda of: February 26, 2020
Item No.: **2020-067**
Amount: Not to Exceed \$75,000,000

TO: The Honorable
Board of Directors
Great Lakes Water Authority

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

DATE: February 26, 2020

RE: Resolution Authorizing Publication of Notice of Intent to Issue Sewage Disposal System Revenue Bonds

MOTION

Upon recommendation of Sue McCormick, Chief Executive Officer, The Board of Directors (Board) of the Great Lakes Water Authority (GLWA), **approve the Resolution Authorizing Publication of Notice of Intent to Issue Sewage Disposal System Revenue Bonds in an Amount Not to Exceed \$75,000,000 as presented**, and authorizes the CEO to take such other action as may be necessary to accomplish the intent of this vote.

BACKGROUND

The publication of the Notice of Intent to Issue Sewage Disposal 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 is a copy of the resolution authorizing the publication of Notice of Intent to issue sewage disposal system revenue bonds. As can be seen from the draft resolution, the not to exceed amount is \$75 million.

JUSTIFICATION

The \$75 million not to exceed amount in the notice is anticipated to cover the approved State Revolving Fund (SRF) bonds which will be closing in calendar year 2020 for both Great Lakes Water Authority (GLWA) and the Detroit Water and Sewerage Department (DWSD). The projects include:

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.

The estimated cost of this project is \$13 million, which has been approved by the Michigan Department of Environment, Great Lakes and Energy (EGLE) for funding through its SRF program. This project is currently scheduled to be funded in the fourth quarter of the state of Michigan's FY 2020.

DWSD Sewer Replacement Project: The two (2) projects for this loan are comprised of the rehabilitation with some limited replacement of aging sewers in nine (9) neighborhoods within the City of Detroit. Construction will include rehabilitation of sewers and manhole structures, and in limited instances, excavation of existing sewers for replacement. The impact of the project will be improved customer satisfaction and safe reliable service delivery of sewage sewer conveyance to the Water Resource Recovery Facility (WRRF). The estimated cost of this project is \$30 million, which has been approved by the EGLE for funding through its SRF program. This project is currently scheduled to be funded in the third quarter of the state of Michigan's FY 2020.

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

Both SRF 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. The sewer system improvements that are within the City of Detroit will qualify for "disadvantaged community status" and will be payable over a 30-year term.

BUDGET IMPACT

Debt service on the referenced SRF projects is anticipated to begin in FY 2021 and have been included as part of the FY 2021 financial plan.

COMMITTEE REVIEW

This matter was reviewed by the GLWA Audit Committee at its meeting on February 21, 2020. The Audit Committee recommends that the GLWA Board of Directors [*Pending: approve the Resolution Authorizing Publication of Notice of Intent to Issue Sewage Disposal System Revenue Bonds in an Amount Not to Exceed \$75,000,000 as presented.*]