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Resolution Authorizing Publication of Notice of Intent to Issue Water Supply System Revenue Bonds

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Agenda of: February 26, 2020
Item No.: **2020-068**
Amount: Not to Exceed \$200,000,000

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 Water Supply 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 Water Supply System Revenue Bonds in an Amount Not to Exceed \$200,000,000 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 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 is a copy of the resolution authorizing the publication of Notice of Intent to issue water supply system revenue bonds. As can be seen from the draft resolution, the not to exceed amount is \$200 million

JUSTIFICATION

The \$200 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 Great Lakes Water Authority (GLWA) and the Detroit Water and Sewerage Department (DWSD). The projects include:

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 total estimated cost of this project is \$133.7 million, which has been approved by the Michigan Department of Environment, Great Lakes and Energy (EGLE) for funding through its DWRF program. This is the second financial segment of the project is estimated to be \$93 million. This project is currently scheduled to be funded in the fourth quarter of the state of Michigan's FY 2020.

14 Mile Water Transmission Main Loop Project – (CIP# 122013): 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 total estimated cost of the project is \$54 million. The first phase of this project is estimated to be \$8.4 million and is currently scheduled to be funded in the fourth quarter of the state of Michigan's FY 2020. The second segment of the project will be financed in a future DWRP funding cycle.

DWRP Water Main Replacement Project: The project consists of the excavation of existing water mains, installation of new pipes, replacement of lead service lines between the water main and the water meter, pressure testing, backfill, and right-of-way. The impact of the project will be improved customer satisfaction and safe and reliable service delivery of potable water to customers. The estimated cost of this project is \$25 million, which has been approved by the EGLE for funding through its DWRP 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 DWRP loan issued on behalf of DWSD, and DWSD will be the DWRP loan recipient as determined by EGLE. All project costs financed by GLWA, on behalf of DWSD, through the DWRP 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.

The DWRP 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 water main 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 DWRP 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 recommend that the GLWA Board of Directors *[Pending: approve the Resolution Authorizing Publication of Notice of Intent to Issue Water Supply System Revenue Bonds in an Amount Not to Exceed \$200,000,000 as presented]*.