

..Title

Resolution Regarding Approval of Series Ordinance Authorizing Issuance and Sale of Water Supply System Revenue Bonds in an Amount Not to Exceed \$40,000,000 (Ordinance 2020-05)

..Body

Agenda of: July 22, 2020
Item No.: **2020-235**
Amount: Not to Exceed \$40,000,000

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 Water Supply System Revenue Bonds in an Amount Not to Exceed \$40,000,000 (Ordinance 2020-05)

MOTION

Upon recommendation of Sue McCormick, Chief Executive Officer, the Board of Directors (Board) of the Great Lakes Water Authority (GLWA), **approves the resolution Approval of Series Ordinance Authorizing Issuance and Sale of Water Supply System Revenue Bonds in an Amount Not to Exceed \$40,000,000 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 2020-068, "Resolution of the Great Lakes Water Authority Authorizing Publication of Notice of Intent to Issue Water Supply System Revenue Bonds in a principal amount not to exceed \$200,000,000" (the "Notice of Intent"). This is the first series of water bonds from that Notice of Intent in the amount not to exceed \$40,000,000.

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 Drinking Water Revolving Fund (DWRf) Bonds, designates the Bonds as 2020 SRF-2/3/4 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

The three series of bonds authorized by this ordinance will be sold through the state of Michigan's DWRf program and will be used to finance improvements to the GLWA regional water system and the Detroit Water and Sewerage Department (DWSD) local water system. The GLWA regional projects and the DWSD local project are described below:

GLWA Regional Water Projects:

Northeast Transmission Main- Phase 2A: This project will provide additional redundancy to both the Northeast and Water Works Park service areas. This is the second phase of the project and includes design, construction administration and resident project representation services. This phase will provide the technical services for Phase 2B of the project which will include construction of an 81-inch transmission main from Northeast to the I-94 expressway. This project is part of GLWA's approved Capital Improvement Plan and is included in CIP #122003. Per the Ordinance, this series of bonds will be designated 2020 SRF-2 Junior Lien Bonds, with a loan amount not to exceed \$10,000,000.

The 2020 SRF-2 Junior Lien Bonds will be sold to the Michigan Finance Authority (MFA) in a separate series. The current program interest rate for the DWRf is 2.00% and is payable over a 20-year term. Based on the not to exceed amount for this series of \$10.0 million, GLWA could save an estimated \$3.2 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.

14 Mile Road Transmission Loop- Phase 1: This project would provide a transmission main loop to the 14 Mile system to increase redundancy on this branch of the system. This is the first phase of the project and includes construction of one mile of new 24-inch parallel transmission main along 14 Mile from M-5 to west of Decker Road to reinforce the 14 Mile Transmission System. This project is part of GLWA's approved Capital Improvement Plan and is included in CIP# 122013. Per the Ordinance, this series of bonds will be designated 2020 SRF-3 Junior Lien Bonds, with a loan amount not to exceed \$10,000,000.

The 2020 SRF-3 Junior Lien Bonds will be sold to the Michigan Finance Authority (MFA) in a separate series and is payable over a 20-year term. Based on the not to exceed amount for this series of \$10.0 million, GLWA could save an estimated \$4.0 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.

DWSD Local Water Project

This project will continue DWSD's program to improve and replace water mains throughout the City. The improvements will include water mains in the areas of McNichols Evergreen, Miller Grove, Minock Park, Rosedale Park, New Center Commons and Virginia Park. Per the Ordinance, this series of bonds will be designated 2020 SRF-4 Junior Lien Bonds, with a loan amount not to exceed \$20,000,000.

The 2020 SRF-4 Junior Lien Bonds will also be sold to the MFA in a separate series 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 \$20.0 million, DWSD could save an estimated \$3.9 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 DWRF loans issued on behalf of DWSD, and DWSD will be the DWRF 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 DWRF program and resulting principal and interest payments on the bonds will be directly allocable to the DWSD local system.

BUDGET IMPACT

The debt service on all three proposed projects is anticipated to start in FY 2021 with minimal amounts of interest due on each because of the projected draw down schedules. Debt service was included in the FY 2021 financial plan for all projects.

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 Water Supply System Revenue Bonds in an Amount Not to Exceed \$40,000,000 as presented.