



Financial Services Audit Committee Communication

Date: May 21, 2021

To: Great Lakes Water Authority Audit Committee

From: Kim Garland, CPA, Reporting & Compliance Manager

Re: Resolution to Adopt the In-System Storage Device and Dam Remote and Valve Remote Evaluation and Rehabilitation Project FY 2022 Clean Water Revolving Fund Project Plan

Background: The Great Lakes Water Authority (the “GLWA”) has identified the In-System Storage Device and Dam Remote and Valve Remote Evaluation and Rehabilitation Project FY 2022 Clean Water Revolving Fund Project Plan for submittal to the Michigan Department of Environment, Great Lakes and Energy (EGLE) for the Clean Water State Revolving Fund (CWSRF) financing program for funding in the state’s 2022 fiscal year. The deadline for submitting all CWSRF project plans to EGLE is June 1, 2021. Prior to submitting the project plan, GLWA will hold the required public hearing for the In-System Storage Device and Dam Remote and Valve Remote Evaluation and Rehabilitation Project FY 2022 Clean Water Revolving Fund Project Plan on May 26, 2021 at 2:00 pm.

This project is comprised of the evaluation and rehabilitation of twenty-nine (29) of the In-System Storage Devices (ISD), Dam Remote (DR), and Valve Remote (VR) sites within the City of Detroit. These sites, which average 20 years in age, have undergone only minor repairs since the original construction. Maintaining reliable ISDs, DRs, and VRs are a key factor in maintaining the GLWA wastewater conveyance system and major component of mitigating historical problems such as CSO discharges to the Detroit River and Rouge River and residential basement flooding. The total cost of this project is currently estimated at \$10,597,000.

Justification: The project will significantly provide upgrades and improve reliability of the ISD, DR, and VR sites. GLWA is seeking low interest loan assistance through the CWSRF program for this project. Although the Michigan Department of Environment, Great Lakes, and Energy (EGLE) interest rate for FY 2022 will not be determined until October 2021, the current year’s interest rate of 1.875% is less than the present conventional revenue bond interest rates. Based on the estimated project amount of \$10.6 million, GLWA could save an estimated \$4.5 million in interest costs and avoided issuance costs, based on a similar open

market revenue bond with a 30-year term and 3.50% 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 for both projects is anticipated to begin in FY 2023 and will be included as part of the FY 2023 financial plan.

Proposed Action: Audit Committee recommends that the Great Lakes Water Authority Board of Director approve the attached Resolution to Adopt the In-System Storage Device and Dam Remote and Valve Remote Evaluation and Rehabilitation Project – FY 2022 Clean Water State Revolving Fund (CWSRF) Project Plan at its regularly scheduled meeting on May 26, 2021.