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Title: Resolution to Adopt the City of Detroit Water and Sewerage Department (DWSD) Water Main Replacement - FY 2024 Drinking Water State Revolving Fund (DWSRF) Project Plan

Sponsors: Nicolette Bateson

Indexes: Finance

Code sections:

Attachments: 1. 7C1 AC Memo- Approval of DWSD DWSRF Water Main Replacement Project Plan, 2. 7C3 Resolution for the DWSD DWSRF Water Main Replacement Project Plan, 3. 7C4 DWSD - Water Main Replacement DWSRF Draft Project Planning Document

Date	Ver.	Action By	Action	Result
5/24/2023	1	Board of Directors	Approved	Pass
4/28/2023	1	Audit Committee	Recommended for Approval	Pass

Resolution to Adopt the City of Detroit Water and Sewerage Department (DWSD) Water Main Replacement - FY 2024 Drinking Water State Revolving Fund (DWSRF) Project Plan

Agenda of: May 24, 2023
Item No.: **2023-158**
Amount: N/A

TO: The Honorable
Board of Directors
Great Lakes Water Authority

FROM: Suzanne R. Coffey, P.E.
Chief Executive Officer
Great Lakes Water Authority

DATE: May 24, 2023

RE: Resolution to Adopt the City of Detroit Water and Sewerage Department (DWSD) Water Main Replacement - FY 2024 Drinking Water State Revolving Fund (DWSRF) Project Plan

MOTION

Upon recommendation of Nicolette Bateson, Chief Financial Officer/Treasurer, the Board of Directors (Board) of the Great Lakes Water Authority (GLWA) **approves the attached Resolution to adopt the city of Detroit Water and Sewerage Department (DWSD) Water Main Replacement - FY 2024 Drinking Water State Revolving Fund (DWSRF) Project Plan**; and authorizes the CEO to take such other action as may be necessary to accomplish the intent of this vote.

BACKGROUND

The Great Lakes Water Authority (GLWA) secures capital improvement financing for the of Detroit Water and Sewerage Department (DWSD) in accordance with foundational documents related to the establishment of GLWA. DWSD has identified one water main replacement project for submittal to the Michigan Department of Environment, Great Lakes, and Energy (EGLE) for the DWSRF financing program for funding in the state's 2024 fiscal year. This project is described within one overall project plan for neighborhoods at various locations throughout Detroit. The deadline for submitting all DWSRF project plans to EGLE is June 1, 2023, but prior to submitting the project plans, a public hearing must be held for the affected area.

This project is comprised of replacing aging water mains at select locations in the neighborhoods of Midtown, Medical Center, Cultural Center and Barton-McFarland (Project A-WS-725); and Buffalo-Charles, Dexter-Linwood, and Davison (Project B-WS-TBD). Construction will include excavation of existing water mains, installation of new pipes, rehabilitation of pipes, replacement of Lead (Pb) water service lines of two inches diameter or less to connect the water main and the customer water meter, pressure testing, backfill of the excavation required for piping work, and restoration of each work site. All work to be performed within the existing road right-of-way. The impact of the project will be improved customer satisfaction and safe, reliable service delivery of potable water to customers. The temporary impact of construction activities will be minimized through mitigation measures specified in the contract documents. The estimated cost of this project is \$26,000,000.

The FY 2024 DWSRF Project Plan and public hearing for DWSD Water Main Replacement Project has been posted on the DWSD website and can be found at: www.detroitmi.gov/dwsd [<http://www.detroitmi.gov/dwsd>](http://www.detroitmi.gov/dwsd). This project plan was presented at the DWSD public hearing on April 19, 2023.

JUSTIFICATION

Pursuant to Section 7.2(b) of the Regional Water Supply System Lease between the City of Detroit and GLWA, the Authority shall cooperate fully with the City in the implementation of the Detroit

Capital Improvement, including financing through the Authority. Therefore, GLWA will submit the local project plan as it will be the DWSRF loan applicant. Per notification, from EGLE, GLWA does not need to hold a separate public hearing on the local project, however, the GLWA Board of Directors will need to act on the included resolution at its regularly scheduled meeting on May 24, 2023. The resolution must be approved and signed to ensure that the finalized Project Plan is assembled, printed, and submitted to the EGLE by the deadline of June 1, 2023.

GLWA concurs with the DWSD Water Main Replacement Project adoption, and as the DWSRF applicant, is seeking low interest loan assistance from the SRF Program. Although the EGLE interest rate for FY 2024 will not be determined until October 2023, the current 30-year loan interest rate for an overburdened applicant, which is applicable for DWSD projects, is 1.875 percent. Compared to an estimated market-based rate of 5%, potential interest savings on a 30-year loan would be \$16.5 million based on a DWSRF loan amount of \$26.0 million.

Another advantage of SRF is that interest costs are only incurred on the amount drawn from the SRF loans as project expenditures are incurred. This results in additional debt service savings early in the term of the loan compared to market-based transactions. Further, use of SRF funding as junior lien does not impact GLWA debt reserve requirements.

BUDGET IMPACT

GLWA will be the loan applicant on DWSRF loans issued on behalf of the DWSD, and DWSD will be the DWSRF loan recipient as determined by EGLE. All project costs financed by GLWA, on behalf of DWSD, through the DWSRF program bonds 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 2027 for this project and will be included as part of the FY 2026 - FY 2027 biennial budget.

COMMITTEE REVIEW

This matter was presented to the GLWA Audit Committee at its April 28, 2023 meeting. The Audit Committee unanimously recommends that the Great Lakes Water Authority Board of Directors approve the attached Resolution to adopt the City of Detroit Water and Sewerage Department (DWSD) Water Main Replacement - FY 2024 Drinking Water State Revolving Fund (DWSRF) Project Plan as presented.

SHARED SERVICES IMPACT

This item does not impact the shared services agreement between GLWA and DWSD.