



Legislation Details (With Text)

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Title: Resolution to Adopt the Great Lakes Water Authority Project Plans for Fiscal Year (FY) 2025 Clean Water State Revolving Fund (CWSRF) Funding Consideration
Sponsors: Nicolette Bateson
Indexes: Finance
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Attachments: 1. 7B2a Attachment 1 - Tables.pdf, 2. 7B3 Resolution to Adopt GLWA FY 2025 CWSRF Project Plans.pdf, 3. 7B4a FY2025 CWSRF Project Plan Summary - CSO Outfall Rehab (CIP 260510).pdf, 4. 7B4b FY2025 CWSRF Project Plan Summary - Oakwood Leib CSO (CIP 270004).pdf, 5. 7B4c FY2025 CWSRF Project Plan Summary - 7 Mile Rehab (CIP 260206).pdf

Date	Ver.	Action By	Action	Result
4/24/2024	1	Board of Directors	Approved	Pass
3/22/2024	1	Audit Committee	Recommended for Approval	Pass

Resolution to Adopt the Great Lakes Water Authority Project Plans for Fiscal Year (FY) 2025 Clean Water State Revolving Fund (CWSRF) Funding Consideration

Agenda of: April 24, 2024
Item No.: **2024-117**
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: April 24, 2024

RE: Resolution to Adopt the Great Lakes Water Authority Project Plans for Fiscal Year (FY) 2025 Clean Water State Revolving Fund (CWSRF) Funding Consideration

MOTION

Upon recommendation of Nicolette N. Bateson, Chief Financial Officer//Treasurer, the Board of Directors (Board) of the Great Lakes Water Authority (GLWA), **approves the Resolution to Adopt the Great Lakes Water Authority 1) Combined Sewer Overflow (CSO) Outfall Rehabilitation, 2) Oakwood and Leib CSO Facilities Improvement Project, and 3) Rehabilitation of the 7 Mile Sewer System Project Plans for FY 2025 Clean Water State Revolving Fund (CWSRF) Funding Consideration** 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 (the “GLWA”) has identified three (3) projects in the FY 2024 to FY 2028 Capital Improvement Plan (CIP) for submittal to the Michigan Department of Environment, Great Lakes and Energy (EGLE) FY 2025 CWSRF financing program. The deadline for submitting all CWSRF project plans to EGLE is May 1, 2024. Prior to submitting the project plans, GLWA must hold a public hearing to present the project plans, which is scheduled for April 24, 2024, at 2:00 pm.

At the public hearing, a summary of each project plan will be presented. The Public Hearing Notice and project plans for the following GLWA projects will be posted on the [GLWA website <https://www.glwater.org/>](https://www.glwater.org/):

- 1) CSO Outfall Rehabilitation Phase VI,
- 2) Oakwood and Leib CSO Facilities Improvement Project, and
- 3) Rehabilitation of the 7 Mile Sewer System

Once the public hearing is closed, a resolution to adopt the final project planning document will be scheduled for action by the GLWA Board of Directors at its regularly scheduled meeting also on April 24, 2024.

The attached Resolution approves the project plan, directs GLWA staff to address all public comments, prepare responsiveness summary, and publish the final Project Plan; authorizes GLWA’s Chief Executive Officer to transmit the final FY 2025 CWSRF Project Plans to EGLE; and to secure a CWSRF loan for the project. The resolution must be approved and signed to ensure the final project plans, forms, and attachments are assembled and submitted to the EGLE by the deadline.

The Projects:

CSO Outfall Rehabilitation Phase VI (CIP # 260510) - The project is comprised of the rehabilitation of nineteen (19) outfall sewers located along the Rouge River. The outfall sewers function as the interface between collector sewers and the Northwest Interceptor (NWI) throughout the City of Detroit. The proposed structural rehabilitation of the outfalls will extend the service lives by another 25 to 30 years and allow them to continue to provide relief to the NWI and other GLWA and City of Detroit assets during wet weather events. The total cost of this project is estimated at \$10,000,000.

Oakwood and Leib CSO Facilities Improvement Project (CIP # 270004) - The project involves a significant series of improvements at the Oakwood CSO Retention Treatment Basin and storm/

sanitary pumping station, and the Leib CSO Screening and Disinfection Facility (SDF). The proposed improvements will increase facility reliability, flexibility, operation, maintenance, and safety to support planned increases in utilization. The total cost of this project is estimated at \$55,500,000.

Rehabilitation of the 7 Mile Sewer System (CIP # 260206) - The project consists of the rehabilitation of several large diameter combined sewers including Segments 1, 2, and 3 of the 7 Mile Sewer, East 7 Mile Relief Sewer, and the West 7 Mile Relief Sewer. The structural rehabilitation of the sewers will extend their service lives by another 25 to 30 years and allows them to continue to convey flow to the GLWA Water Resource Recovery Facility (WRRF) providing relief to other components of the regional conveyance system during wet weather events. The total cost of this project is estimated at \$30,000,000.

JUSTIFICATION

GLWA is seeking low interest financing assistance through the CWSRF program for these projects. Although the interest rate for FY 2025 will not be determined by EGLE until October 2024, the current year's interest rate of 2.50% for 20-year and 2.75% for 30-year loans are lower than the present conventional revenue bond interest rates. Note that these projects may qualify for "overburdened applicant status" which lowers the interest rate to 2.00% for both the 20-year and 30-year loans. As long as GLWA continues to qualify for overburdened applicant status for sewer system projects, and interest rates for 30-year loans are comparable to 20-year loans, GLWA will select the 30-year option.

Potential dollar savings are significant when compared to municipal bond interest rates in a market-based transaction. By way of example, the GLWA ten-year financial plan utilizes an estimated interest rate of 5% for market-based debt. Comparing the current CWSRF overburdened applicant status interest rate of 2% to the GLWA estimated rate of 5%, the potential interest savings using the CWSRF loan are shown below.

- CSO Outfall Rehabilitation Phase VI - CWSRF of \$10 million
20-year loan, potentially \$3.8 million in interest savings
30-year loan, potentially \$6.1 million in interest savings
- Oakwood and Leib CSO Facilities Improvement - CWSRF of \$55.5 million
20-year loan, potentially \$21.2 million in interest savings
30-year loan, potentially \$34.0 million in interest savings
- Rehabilitation of the 7 Mile Sewer System - CWSRF of \$30 million
20-year loan, potentially \$11.5 million in interest savings
30-year loan, potentially \$18.4 million in interest savings
- A summary of this analysis is provided as Attachment 1 to this Board Letter in Table 1.

Another advantage of utilizing the CWSRF is that interest costs are only incurred on the amount

drawn from the loans as project expenditures are being incurred, resulting in additional debt service savings early in the term of the loan compared to market-based transactions. Also, use of SRF funding as junior lien does not impact GLWA debt reserve requirements.

Note that the time period for financing will be aligned with the life of the asset. For example, the 25 year assets would be funded with 20 year, not 30 year debt. This alignment will occur at a future date.

BUDGET IMPACT

Debt service interest payments on these projects would begin in the fall of FY 2026 and will be included as part of the FY 2026 financial plan.

COMMITTEE REVIEW

This matter was reviewed by the GLWA Audit Committee at its meeting on March 22, 2024. The Audit Committee unanimously recommended that the Board of Directors of the Great Lakes Water Authority, **approves the Resolution to Adopt the Great Lakes Water Authority 1) Combined Sewer Overflow (CSO) Outfall Rehabilitation, 2) Oakwood and Leib CSO Facilities Improvement Project, and 3) Rehabilitation of the 7 Mile Sewer System Project Plans for FY 2025 Clean Water State Revolving Fund (CWSRF) Funding Consideration** at its regularly scheduled meeting on April 24, 2024 at 2:00 p.m.