



Legislation Details (With Text)

File #: 2019-248 **Version:** 1 **Name:**

Type: Resolution **Status:** Passed

File created: 6/20/2019 **In control:** Board of Directors

On agenda: 6/26/2019 **Final action:** 6/26/2019

Title: Resolution to Adopt the Detroit Water and Sewerage Department Sewer Rehabilitation - FY 2020 State Revolving Fund (SRF) Project Plan

Sponsors: Nicolette Bateson

Indexes: Finance

Code sections:

Attachments: 1. GLWA Resolution Approving FY 2020 SRF Project Plan, 2. DWSD Notice of Public Hearing SRF FY2020.pdf, 3. SRF Project Resolution20-Jun-2019-11-04-38 CertifiedCopy, 4. DWSD FY2020 SRF Project Plan_Draft_Public Comment.pdf

Date	Ver.	Action By	Action	Result
6/26/2019	1	Board of Directors	Approved	Pass

Resolution to Adopt the Detroit Water and Sewerage Department Sewer Rehabilitation - FY 2020 State Revolving Fund (SRF) Project Plan

Agenda of: June 26, 2019
Item No.: **2019-248**

TO: The Honorable
Board of Directors
Great Lakes Water Authority

FROM: Sue F. McCormick
Chief Executive Officer
Great Lakes Water Authority

DATE: June 26, 2019

RE: Resolution to Adopt the Detroit Water and Sewerage Department Sewer Rehabilitation - FY 2020 State Revolving Fund (SRF) Project Plan

MOTION

Upon recommendation of Nicolette Bateson, Chief Financial Officer/Treasurer, Financial Services, the Board of Directors (Board) of the Great Lakes Water Authority (GLWA) **approves the Resolution to adopt the Detroit Water and Sewerage Department (DWSD) Sewer Rehabilitation - FY 2020 State Revolving Fund (SRF) Project Plan;** and authorizes the CEO to take such other action as may be necessary to accomplish the intent of this vote.

BACKGROUND

The Detroit Water & Sewerage Department (DWSD) has identified two (2) sewer system rehabilitation projects in its FY 2020 to 2024 Capital Improvement Plan (CIP) for submittal to the Michigan Department of Environment, Great Lakes, and Energy (MDEGLE) for the SRF financing program for funding in the state's 2020 fiscal year. The deadline for submitting all SRF project plans to MDEGLE is July 1, 2019, but prior to submitting the project plans, a public hearing must be held for the affected area.

The two (2) projects are comprised of the rehabilitation with some limited replacement of aging sewers in nine (9) neighborhoods within the City of Detroit. Construction will include rehabilitation of sewers and manhole structures, and in limited instances, excavation of existing sewers for replacement. The impact of the projects will be improved customer satisfaction and safe reliable service delivery of sewage sewer conveyance to the Water Resource Recovery Facility (WRRF). The estimated cost of these projects is \$25,628,000.

The FY 2020 SRF Project Plan and public hearing notice for these combined DWSD Sewer Rehabilitation Projects has been posted on the DWSD website and can be found at: <https://detroitmi.gov/events/public-hearing-sewer-rehabilitation>. This project plan was presented at the DWSD Capital Improvement Program and Operations Committee on June 5, 2019. These documents are subject to review and approval by the DWSD Board of Water Commissioners following the Public Hearing on June 19, 2019.

JUSTIFICATION

Pursuant to Section 7.2(b) of the Regional Sewage Disposal 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 Plan, including financing through the Authority. Therefore, GLWA will submit the local project plan as it will be the SRF loan applicant. Per notification, from MDEGLE, 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 June 26, 2019. The resolution must be approved and signed to ensure that the finalized Project Plan is assembled, printed, and submitted to the MDEGLE by the deadline of July 1, 2019.

GLWA concurs with the DWSD Sewer Rehabilitation project plan adoption, and as the SRF applicant, is seeking low interest loan assistance through the SRF program.

Although the MDEGLE interest rate for FY 2020 will not be determined until October 2019, the current year's interest rate of 2.25% for 30-year loans is less than the present conventional bond rate. Based on the estimated project amount, DWSD could save an estimated \$11.2 million in interest costs and avoided issuance costs, based on a similar market revenue bond with a 30-year and 4.50% interest rate. This will afford saving to DWSD and its customers.

BUDGET IMPACT

GLWA will be the loan applicant on SRF loans issued on behalf of the DWSD, and DWSD will be the SRF loan recipient as determined by MDEGLE. All project costs financed by GLWA, on behalf of DWSD, through the SRF 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 2021

for this project and will be included as part of the FY 2021 financial plan.

COMMITTEE REVIEW

This matter was presented to the GLWA Audit Committee at its June 21, 2019 meeting. The Audit Committee unanimously recommended that the Great Lakes Water Authority Board approve the Resolution to Adopt the Detroit Water and Sewerage Department Sewer Rehabilitation - FY 2020 SRF Project Plan.

SHARED SERVICES IMPACT

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