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Title: Resolution to Adopt the Detroit Water and Sewerage Department Water Main Replacement - FY 2020 Drinking Water Revolving Fund (DWRf) Project Plan

Sponsors: Nicolette Bateson, Jonathan Wheatley

Indexes: Finance

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Attachments: 1. Resolution- DWSD DWRf WM Project Plan Approval 4.24.pdf, 2. 2019-04-01 DWSD DWRf Project Plan_1Feb 2019

Date	Ver.	Action By	Action	Result
4/24/2019	1	Board of Directors	Approved	Pass

Resolution to Adopt the Detroit Water and Sewerage Department Water Main Replacement - FY 2020 Drinking Water Revolving Fund (DWRf) Project Plan

Agenda of: April 24, 2019
Item No.: **2019-170**

TO: The Honorable
Board of Directors
Great Lakes Water Authority

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

DATE: April 24, 2019

RE: Resolution to Adopt the Detroit Water and Sewerage Department Water Main Replacement - FY 2020 Drinking Water Revolving Fund (DWRf) Project Plan

MOTION

Upon recommendation of Nicolette Bateson, Chief Financial Officer/Treasurer, Financial Services and Cheryl Porter, Chief Operating Officer - Water & Field Services, the Board of Directors (Board) of the Great Lakes Water Authority (GLWA), **approves the attached Resolution for the Detroit Water and Sewerage Department (DWSD) Water Main Replacement - FY 2020 Drinking Water Revolving Fund (DWRf) Project Plan - FY2020 Drinking Water Revolving Fund (DWRf) Project Plan;** and authorizes the CEO to take such other action as may be necessary to accomplish the intent of this vote.

BACKGROUND

DWSD has identified four (4) water system projects in its proposed FY 2020 to 2024 Capital Improvement Plan (CIP) for submittal to the Michigan Department of Environmental Quality (MDEQ) for the DWRP financing program for funding in the state's 2020 fiscal year. The deadline for submitting all DWRP project plans to MDEQ is May 1, 2019, but prior to submitting the project plans, a public hearing must be held for the affected area.

The project consists of the excavation of existing water mains, installation of new pipes, replacement of lead service lines between the water main and the water meter, pressure testing, backfill, and right-of-way. The impact of the project will be improved customer satisfaction and safe and reliable service delivery of potable water to customers. The estimated cost of this project is \$57,300,000.

The FY 2020 DWRP Project Plan and public hearing notice for DWSD Local Watermain Project has been posted on the DWSD website and can be found at: detroitmi.gov/dwsd
<../../../../Users/rbowie/AppData/Local/Microsoft/Windows/INetCache/Content.Outlook/T7E2HMUZ/detroitmi.gov/dwsd>.
This project plan was presented at the DWSD public hearing on April 3, 2019.

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 DWRP loan applicant. Per notification, from MDEQ, 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 April 24, 2019. The resolution must be approved and signed to ensure that the finalized Project Plan is assembled, printed, and submitted to the MDEQ by the deadline of May 1, 2019.

GLWA concurs with the DWSF Water Main Project adoption, and as the DWRP applicant, is seeking low interest loan assistance through the DWRP program.

GLWA concurs with the DWDD Water Main Project adoption, and as the DWRP applicant, is seeking low interest loan assistance through the DWRP program. Although the MDEQ interest rate for FY 2020 will not be determined until October 2019, the current year's interest rate of 2.0% is less than the present conventional bond rate. Based on the estimated project amount, DWSD could save an estimated \$28.2 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 the DWRP loans issued on behalf of DWSD, and DWSD will be the DWRP loan recipient as determined by MDEQ. All project costs financed by GLWA, on behalf of DWSD, through the DWRP 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 is presented directly to the full GLWA Board.

SHARED SERVICES IMPACT

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