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Sponsors: Nicolette Bateson

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Attachments: 1. Resolution RE Publication of Notice of Intent (Water).pdf

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|----------|------|-------------------------------------|----------|--------|
| 5/8/2019 | 1 | Board of Directors Workshop Meeting | Approved | Pass |

Resolution Authorizing Publication of Notice of Intent to Issue Water Supply System Revenue Bonds

Agenda of: May 8, 2019
Item No.: **2019-195**
Amount: N/A

TO: The Honorable
Board of Directors
Great Lakes Water Authority

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

DATE: May 8, 2019

RE: Resolution Authorizing Publication of Notice of Intent to Issue Water Supply System Revenue Bonds

MOTION

Upon recommendation of Sue McCormick, Chief Executive Officer, The Board of Directors (Board) of the Great Lakes Water Authority (GLWA), **approve the Resolution Authorizing Publication of Notice of Intent to Issue Water Supply System Revenue Bonds and the Chief Financial Officer/Treasurer is hereby instructed to cause the publication of a notice of intent to issue bonds with respect to the hereinafter-described bonds once in the Detroit Free**

Press or the Detroit News, so as to be prominently displayed therein, and it is hereby found that each such newspaper has general circulation in the territory of the Authority; and be it further that the notice of intent to issue bonds shall be in substantially the following form with such necessary or desirable changes as may be approved by the Chief Financial Officer, her approval to be conclusively evidenced by the publication of the notice of intent to issue bonds.

BACKGROUND

The publication of the Notice of Intent to Issue Water Supply System Revenue Bonds is required pursuant to Section 33 of Public Act 94 of 1933 to begin the 45 day referendum period. "If within 45 days after the publication of the notice a petition, signed by not less than 10% or 15,000 of the registered electors, whichever is less, residing within the limits of the borrower, is filed with the clerk, or other recording officer, of the borrower, requesting a referendum upon the question of the issuance of the bonds, then the bonds shall not be issued until approved by the vote of a majority of the electors of the borrower qualified to vote and voting on the bonds at a general or special election." If the 45 day referendum period expires without a petition requesting a referendum, then the Authority may authorize and issue such bonds.

Included with this memo is a copy of the resolution authorizing the publication of Notice of Intent to issue water revenue bonds. As can be seen from the draft resolution, the not to exceed amount is \$160 million. It is anticipated that this resolution will be presented to the full GLWA Board of Directors on May 8, 2019.

JUSTIFICATION

The \$160 million not to exceed amount in the notice is anticipated to cover the approved Drinking Water Revolving Fund (DWRF) bonds which will be closing in 2019 and 2020 for both GLWA and the Detroit Water and Sewerage Department (DWSD). The projects include:

Water Conveyance System - Waterworks Park to Northeast Transmission Main Project- (CIP# 122003): The primary purpose of the project is to better align the GLWA water production capacity with long-term system water demands, while improving reliability, water quality protection and reducing future operational and maintenance costs as well as capital improvement costs. The estimated cost of this project is \$133,700,000 which has been approved by the Michigan Department of Environmental Quality (MDEQ) for funding through its DWRF program. This project is currently scheduled to be funded in two financial segments; the first for \$18.0 million in the state of Michigan's FY 2019 and the second for \$115.7 million in the state of Michigan's FY 2020.

DWSD Water Main Replacement Project: This project is comprised of replacing aging water mains in three areas located in the west, east and north sides of the City of Detroit. The project consists of the excavation of the existing water mains, installation of new pipes, replacement of lead service lines between the water main and the water meter, pressure testing, backfill and road restoration. The impact of the project will be improved safety, improved customer satisfaction and reliable service delivery of potable water to customers. The estimated cost of this project is \$15.9 million, which has been approved by the MDEQ for funding through its DWRF program. This project is currently scheduled to be funded in the state of Michigan's FY 2019.

GLWA is the loan applicant on the DWRF loan issued on behalf of DWSD, and DWSD will be the DWRF loan recipient as determined by MDEQ. All project costs financed by GLWA, on behalf of DWSD, through the DWRF program 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 2020 for this project and is included as part of the FY 2020 financial plan.

The DWRF bonds will be sold to the Michigan Finance Authority in separate series. The current program interest rate is 2.00% and is typically payable over a 20 year term. Since the water main improvements are within the City of Detroit, that loan qualifies for "disadvantaged community status" and will be payable over a 30 year term.

BUDGET IMPACT

Debt service is anticipated to begin in FY2020 for the first segment of the GLWA DWRP Water Conveyance System Project and the DWSD DWRP Water Main Replacement Project and have been included as part of the FY 2020 financial plan. Debt service on the second segment of the GLWA Water Conveyance System DWRP project is anticipated to begin in FY 2021 and will be included as part of the FY2021 financial plan.

COMMITTEE REVIEW

This matter was presented to the GLWA Audit Committee at its April 24, 2019 meeting. The Audit Committee unanimously recommended that the Great Lakes Water Authority Board approve the resolution as presented, at its regular meeting on May 8, 2019.

SHARED SERVICES IMPACT

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