



Legislation Text

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Resolution to Adopt the City of Detroit Water and Sewerage Department (DWSD) Water System Improvements Project Plan for Fiscal Year (FY) 2025 Drinking Water State Revolving Fund (DWSRF) Funding Consideration

Agenda of: May 22, 2024, June 26, 2024

Item No.: 2024-160

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 22, 2024

RE: Resolution to Adopt the City of Detroit Water and Sewerage Department (DWSD) Water System Improvements Project Plan for Fiscal Year (FY) 2025 Drinking Water State Revolving Fund (DWSRF) Funding Consideration

MOTION

Upon recommendation of Nicolette Bateson, Chief Financial Officer/Treasurer, the Board of Directors (Board) of the Great Lakes Water Authority (GLWA) **approve the attached resolution to adopt the City of Detroit Water and Sewerage Department (DWSD) Water System Improvements Project Plan for FY 2025 Drinking Water State Revolving Fund (DWSRF) 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 (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 the Water System Improvements project for submittal to the Michigan Department of Environment, Great Lakes, and Energy (EGLE) for FY 2025 DWSRF

funding consideration. The deadline for submitting DWSRF project planning documents to EGLE is June 1, 2024, but prior to submitting the project plans, a public hearing must be held for the affected area.

The FY 2025 DWSRF Project Plan and public hearing notice for DWSD Water System Improvements project was posted on the DWSD website and can be found at: www.detroitmi.gov/dwsd <<http://www.detroitmi.gov/dwsd>>. The project plan was presented at that DWSD public hearing on March 20, 2024 and adopted by the DWSD Board of Water Commissioners on the same date.

The Water Systems Improvements project is comprised of water main replacement including the removal of certain lead service lines in the Evergreen-Outer Drive, Crary/St. Mary's, and Cadillac Community (WS-741); and Conant Gardens, Greenwich, Hawthorne Park, Oak Grove, Pembroke, and Sherwood Forest (WS-742) neighborhoods in the City of Detroit. The impact of this project will be improved customer satisfaction and safe, reliable service delivery of potable water to customers. The total cost of this project is currently estimated at \$39 million.

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 this 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 adopting the Project Plan. The resolution must be approved and signed to ensure that the finalized Project Plan is assembled, printed, and submitted to EGLE by the deadline of June 1, 2024.

GLWA concurs with the DWSD Water System Improvements Project Plan adoption, and as the DWSRF applicant, is seeking low interest loan assistance from the DWSRF program. Although the EGLE interest rate for FY 2025 will not be determined until October 2024, the current 30-year loan interest rate for an overburdened applicant, which is applicable for DWSD projects, is 2.00 percent. Savings are typically significant when comparing the interest rates under the DWSRF program with a similar open market revenue bond issue. Compared to an estimated market-based rate of 5%, potential interest savings on a 30-year loan would be approximately \$23.9 million based on a DWSRF loan amount of \$39 million.

Another advantage of the DWSRF 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 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 on October 1, 2025 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 29, 2024 meeting. The Audit Committee unanimously recommended that the Great Lakes Water Authority Board of Directors approve the attached Resolution for the City of Detroit Water and Sewerage Department (DWSD) Water System Improvements Project Plan for FY 2025 Drinking Water State Revolving Fund (CWSRF) funding consideration.

SHARED SERVICES IMPACT

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