



Legislation Text

File #: 2024-111, Version: 1

Resolution to Adopt the City of Detroit Water and Sewerage Department (DWSD) Sewer System Rehabilitations - FY 2025 Clean Water State Revolving Fund (CWSRF) Project Plan

Agenda of: April 24, 2024

Item No.: 2024-111

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 City of Detroit Water and Sewerage Department (DWSD) Sewer System Rehabilitations - Fiscal Year (FY) 2025 Clean Water State Revolving Fund (CWSRF) Project Plan

MOTION

Upon recommendation of Nicolette Bateson, Chief Financial Officer/Treasurer, the Board of Directors (Board) of the Great Lakes Water Authority (GLWA) **approves the attached Resolution for the City of Detroit Water and Sewerage Department (DWSD) Sewer System Rehabilitations - FY 2025 Clean Water State Revolving Fund (CWSRF) Project Plan;** 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 Sewer System Rehabilitations project for submittal to the Michigan Department of Environment, Great Lakes, and Energy (EGLE) for FY 2025 CWSRF funding consideration. The deadline for submitting CWSRF project planning documents to EGLE is May 1, 2024, but prior to submitting the project plans, a public hearing must be held for the affected

area.

The Sewer System Rehabilitations project is comprised of rehabilitating aging and/or compromised selected sewer mains located in the city of Detroit. Construction will include replacement of sewer mains, cured-in-place pipe (CIPP) rehabilitation, manhole replacement, manhole rehabilitation, and spot repairs. The impact of the projects will be improved customer satisfaction and safe reliable collection of untreated sanitary sewage from customers. In addition, the project will reduce the frequency of basement backups and cave-ins caused by sewer mains. The estimated cost of this project is \$40 million.

The public hearing notice and Sewer System Rehabilitations project plan was posted on the DWSD website and can be viewed at: www.detroitmi.gov/dwsd <<http://www.detroitmi.gov/dwsd>>. This project plan was presented at that DWSD Public Hearing on February 21, 2024.

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 this Detroit capital improvement, including financing through the Authority. Therefore, GLWA will submit the local project plan as it will be the CWSRF 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 and submitted to the EGLE by the deadline of May 1, 2024.

GLWA concurs with the DWSD Sewer System Rehabilitations Project Plan adoption, and as the CWSRF applicant, is seeking low interest loan assistance from the CWSRF 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 CWSRF 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 \$24.5 million based on a CWSRF loan amount of \$40 million.

Another advantage of the CWSRF is that interest costs are only incurred on the amount drawn from the loan 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 CWSRF funding as junior lien does not impact GLWA debt reserve requirements.

BUDGET IMPACT

GLWA will be the loan applicant on CWSRF loans issued on behalf of the DWSD, and DWSD will be the CWSRF loan recipient as determined by EGLE. All project costs financed by GLWA, on behalf of DWSD, through the CWSRF 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 March 22, 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) Sewer System Rehabilitations - FY 2025 Clean Water State Revolving Fund (CWSRF) Project Plan as presented.

SHARED SERVICES IMPACT

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