Legislation Details (With Text)

File #:	2022-210	**Version:**	1	**Name:**	
Type:	Resolution			**Status:**	Passed
File created:	5/25/2022			**In control:**	Board of Directors
On agenda:	6/22/2022			**Final action:**	6/22/2022
Title:	Resolution to Adopt the City of Detroit Water and Sewerage Department Water Main Replacement - FY 2023 Drinking Water State Revolving Fund (DWSRF) Project Plan				
Sponsors:	Nicolette Bateson				
Indexes:	Finance				
Code sections:					
Attachments:	1. 7A0 AC Memo - Request to Approve DWSD DWSRF Project Plan, 2. 7A2 Resolution- Approval of DWSD DWSRF Project Plan, 3. 7A3 DWSD - DWSRF Project Plan (WS-732, WS-733)				

Date	Ver.	Action By	Action	Result
6/22/2022	1	Board of Directors	Approved	Pass
5/27/2022	1	Audit Committee	Recommended for Approval	Pass

Resolution to Adopt the City of Detroit Water and Sewerage Department Water Main Replacement - FY 2023 Drinking Water State Revolving Fund (DWSRF) Project Plan

Agenda of: June 22, 2022
Item No.: **2022-210**

TO: The Honorable
Board of Directors
Great Lakes Water Authority

FROM: Suzanne R. Coffey, P.E.
Interim Chief Executive Officer
Great Lakes Water Authority

DATE: June 22, 2022

RE: Resolution to Adopt the City of Detroit Water and Sewerage Department Water Main Replacement - FY 2023 Drinking Water State Revolving Fund (DWSRF) 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) Water Main Replacement - FY 2023 Drinking Water State Revolving Fund (DWSRF) 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 a water main replacement project in its FY 2023 to 2026 Capital Improvement Plan (CIP) for submittal to the Michigan Department of Environment, Great Lakes and Energy (EGLE) for the DWSRF financing program for funding in the state's 2023 fiscal year. The deadline for submitting all DWSRF project plans to EGLE is July 1, 2022, but prior to submitting the project plans, a public hearing must be held for the affected area.

These projects seek to replace aging water mains at select locations in the neighborhoods of Warrendale, McDowell, Brightmoor, Claytown, Springwells, Crary/St. Marys, Grandmont, Martin Park, Pilgrim Village, University District, Grixdale Farms, Greenfield Park, Mapleridge, East English Village, Yorkshire Woods, Denby, and Outer Drive-Hayes in the City of Detroit. The projects are titled WS-732 (Project A) and WS-733 (Project B). Construction will include excavation of existing water mains, installation of new pipes, rehabilitation of pipes, replacement of Lead (Pb) water service lines of two inches diameter or less to connect the water main and the customer water meter, pressure testing, backfill of the excavation required for piping work, and restoration of each work site. The estimated cost of these projects overall is $22,000,000; $11,000,000 for Project A and $11,000,000 for Project B.

The FY 2023 DWSRF Project Plan and public hearing for DWSD Water Main Project was posted on the DWSD website and can be found at: www.detroitmi.gov/dwsd <http://www.detroitmi.gov/dwsd>. This project plan was presented at the DWSD public hearing on April 20, 2022.

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 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 at its regularly scheduled meeting on June 22, 2022. 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 July 1, 2022.

GLWA concurs with the DWSD Water Main Project adoption, and as the DWSRF applicant, is

seeking low interest loan assistance from the DWSRF Program. There are several significant benefits to DWSD in utilizing funding through this program. First, although the EGLE interest rate for FY 2023 will not be determined until October 2022, the current year's interest rate of 1.875% for 20-year loans, 2.125% for 30-year loans, and 1.875% for 40-year loans (disadvantaged communities only). Savings are typically significant when comparing the interest rates under the DWSRF program with a similar open market revenue bond issue.

In addition, funding secured through the DWSRF program does not require GLWA and DWSD to undertake the rigorous effort of preparing an official statement as is necessary with a standard open market bond transaction. And finally, use of SRF funding as junior lien debt does not impact GLWA debt reserve requirements.

DWSD does qualify as a disadvantaged community and would be eligible for the 40-year terms, if desired, at the time of loan closing should this project be approved for funding. It is also anticipated that if these loans are approved they would qualify for a certain level of loan forgiveness due to grant funding available through the State to support projects associated with lead and copper service line replacement.

BUDGET IMPACT

GLWA will be the loan applicant on DWSRF loans issued on behalf of the 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 in FY 2026 for this project and will be included as part of the FY 2025 - FY 2026 biennial budget.

COMMITTEE REVIEW

This matter was presented to the GLWA Audit Committee at its May 27, 2022 meeting. The Audit Committee unanimously recommended that the Great Lakes Water Authority Board of Director approve the attached Resolution to Adopt the City of Detroit Water and Sewerage Department Water Main Replacement - FY 2023 Drinking Water State Revolving Fund (DWSRF) Project Plan as presented.

SHARED SERVICES IMPACT

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