



Legislation Details (With Text)

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Title: Resolution Regarding Approval of Series Ordinance Authorizing Issuance and Sale of Water Supply System Revenue Bonds in an Aggregate Amount Not to Exceed \$71,000,000 (Ordinance 2023-02) (CIP 122004 96 Inch Water Main Relocation)

Sponsors: Nicolette Bateson

Indexes: Finance

Code sections:

Attachments: 1. 7A1 AC Memo - Approval of Series Ordinance 2023-02 CIP 122004 96 Inch Water Main Relocation, 2. 7A3 Series Ordinance 2023 SRF-1 3rd Quarter DWSRF CIP 122004 96 Inch Water Main Relocation, 3. 7A4 Resolution Approving 2023 SRF-1 Series Ordinance DWSRF CIP 122004 96 Inch Water Main

Date	Ver.	Action By	Action	Result
5/24/2023	1	Board of Directors	Approved	Pass
4/28/2023	1	Audit Committee	Recommended for Approval	Pass

Resolution Regarding Approval of Series Ordinance Authorizing Issuance and Sale of Water Supply System Revenue Bonds in an Aggregate Amount Not to Exceed \$71,000,000 (Ordinance 2023-02) (CIP 122004 96 Inch Water Main Relocation)

Agenda of: May 24, 2023

Item No.: **2023-057**

Amount: Not to Exceed \$71,000,000

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 24, 2023

RE: Resolution Regarding Approval of Series Ordinance Authorizing Issuance and Sale of

Water Supply System Revenue Bonds in an Aggregate Amount Not to Exceed \$71,000,000 (Ordinance 2023-02) (CIP 122004 96 Inch Water Main Relocation)

MOTION

Upon recommendation of Nicolette N. Bateson, Chief Financial Officer & Treasurer, the Board of Directors (Board) of the Great Lakes Water Authority (GLWA), **approves the resolution for Approval of Series Ordinance Authorizing Issuance and Sale of Water Supply System Revenue Bonds in an Aggregate Amount Not to Exceed \$71,000,000 (Ordinance 2023-02) (CIP 122004 96 Inch Water Main Relocation) as presented**, and authorizes the Chief Executive Officer to take such other action as may be necessary to accomplish the intent of this vote.

BACKGROUND

There are two elements to the background related to this resolution: financing considerations and the project being funded.

Financing Considerations

The amount being financed with revenue bonds via the Drinking Water State Revolving Fund (DWSRF) Bonds is within authorized GLWA limits. On April 13, 2022, the Great Lakes Water Authority ("GLWA") Board of Directors approved Resolution 2022-120, "Resolution of the Great Lakes Water Authority Authorizing Publication of Notice of Intent to Issue Water Supply System Revenue Bonds in a principal amount not to exceed \$400,000,000" (the "Notice of Intent"). This is the third series of water bonds from that Notice of Intent in the amount not to exceed \$71,000,000.

The proposed action authorizes the bonds to be issued. The approval of the Series Ordinance presented today is the next formal step required by the GLWA Board of Directors in the bond issuance process. The Series Ordinance authorizes the issuance of the Bonds by GLWA, sets forth the guidelines for the DWSRF Bonds, designates the Bonds as 2023 SRF-1 Junior Lien Bonds, and authorizes the Chief Executive Officer or the Chief Financial Officer to execute the final terms of the Bonds, paying issuance costs and signing of the Purchase Contract and Sale Order, within the parameters set forth in the Series Ordinance.

Project Considerations

Project Plan Approval - On June 23, 2021, the GLWA Board of Directors conducted a [public hearing](https://glwater.legistar.com/LegislationDetail.aspx?ID=4993304&GUID=88FA75AC-3F67-441C-9EB7-F2DBBE6927FC) [related to the 96-inch Water Transmission Main \(WTM\) Relocation Project - Drinking Water Revolving Fund \(DWSRF\) Project Plan](https://glwater.legistar.com/LegislationDetail.aspx?ID=4993304&GUID=88FA75AC-3F67-441C-9EB7-F2DBBE6927FC). This public hearing was held on project #7532-01 as part of EGLE's FY2022 application process. Subsequent to that public hearing, the Board adopted the [project plan](https://glwater.legistar.com/LegislationDetail.aspx?ID=4993302&GUID=52DC253C-FD23-4F76-97C2-8344BB031843&FullText=1) [EGLE does not require a public hearing or project plan for subsequent financial segments](https://glwater.legistar.com/LegislationDetail.aspx?ID=4993302&GUID=52DC253C-FD23-4F76-97C2-8344BB031843&FullText=1). Project Plan - It should be noted that the estimated costs for the project plan were approximately \$170.4 million for "Alternative 10" in the above referenced documents presented in June 2021. Due to economic factors impacting the construction industry projects costs continue to increase. Since the time the original project plan was adopted overall estimates for this project have reached \$222.7 million. There are limitations on the amount of DWSRF monies available to fund projects annually and larger projects are often split into segments based on the timing of work and the available funding. As a result, this project has been split into two funding segments to date with one more that may follow in a future funding period.

The total cost estimate for this second segment of the 96-inch water main relocation project is \$137.0 million, however, only \$64.2 million has been approved for funding by EGLE under the FY 2024 DWSRF program. This series ordinance

has been increased to allow for any further fluctuation in final contract amounts because although there is currently a limit of \$64.2 million to be awarded through the DWSRF program in FY 2024 for this project segment, there have been times in the past when EGLE has been able to make additional funds available. GLWA can only accept funding up to the amount approved within the series ordinance, therefore the amount requested in this ordinance (\$71.0 million) is slightly above the approved award amount (\$64.2 million) to allow for that possibility of additional funding.

JUSTIFICATION

The bond series authorized by this ordinance will support a Regional Water System project involving the 96-inch water main relocation. Redundant supply features for the 96-inch water main are considered prudent for preserving its long-term viability.

The 2023 SRF-1 Junior Lien Bonds will be sold through the Michigan Finance Authority under the state of Michigan's DWSRF program (Project #7532-02). The current interest rates for the DWSRF program are 1.875% for 20-year and 2.125% for 30-year loans. Potential dollar savings are significant when compared to municipal bond interest rates in a market-based transaction. By way of example, the GLWA ten-year financial plan utilizes an estimated interest rate of 5.0% for future debt. Compared to that estimated rate of 5.0%, potential interest savings on a 20-year SRF loan would be \$28.1 million and savings on a 30-year loan would be \$41.8 million based on a DWSRF loan amount of \$71.0 million.

Another advantage of SRF 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

The debt service payments on the GLWA Regional project are anticipated to start on April 1, 2024 with minimal amounts of interest due because of the projected draw down schedules. An estimate for debt service on the loan is included in the biennial FY 2024 Water Budget as well as GLWA's current ten-year forecast.

COMMITTEE REVIEW

This matter was reviewed by the GLWA Audit Committee at its meeting on April 28, 2023. The Audit Committee unanimously recommends the Great Lakes Water Authority Board of Directors approves the resolution for Approval of Series Ordinance Authorizing Issuance and Sale of Water Supply System Revenue Bonds in an Aggregate Amount Not to Exceed \$71,000,000 (Ordinance 2023-02) (CIP 122004 96 Inch Water Main Relocation) as presented.

SHARED SERVICES IMPACT

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