

## Legislation Text

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**File #:** 2018-697, **Version:** 1

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### **Resolution for the Detroit Water and Sewerage Department Water Main Replacement- FY 2019 Drinking water Revolving Fund (DWRf) Project Plan**

**Agenda of:** April 11, 2018

**Item No.:** **2018-697**

**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:** April 11, 2018

**RE: Resolution for the Detroit Water and Sewerage Department Water Main Replacement- FY 2019 Drinking water Revolving Fund (DWRf) 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 Detroit Water and Sewerage Department (DWSD) Water Main Replacement - FY 2019 Drinking water Revolving Fund (DWRf) Project Plan;** and authorizes the CEO to take such other action as may be necessary to accomplish the intent of this vote.

#### **BACKGROUND**

DWSD has identified one water system project in its the proposed FY 2019 to FY 2023 Capital Improvement Plan (CIP) for submittal to the Michigan Department of Environmental Quality (MDEQ) for the DWRf financing program for funding in the state's 2019 fiscal year. The deadline for submitting all DWRf project plans to MDEQ is May 1, 2018, but prior to submitting the project plans, a public hearing must be held for the affected service area.

This project is comprised of replacing aging watermain 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 \$15,982,000.

The FY 2019 DWRF Project Plan and public hearing notice for DWSD Local Watermain Project has been posted on the DWSD website and can be found at: <http://www.detroitmi.gov/How-Do-I/Find/DWSD-Alerts-and-News/ArticleID/2145/Public-Hearing-Notice-Drinking-Water-Revolving-Fund-Project> <%20<http://www.detroitmi.gov/How-Do-I/Find/DWSD-Alerts-and-News/ArticleID/2145/Public-Hearing-Notice-Drinking-Water-Revolving-Fund-Project>%20>

This project plan was presented at the DWSD public hearing on April 4, 2018.

#### **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 Program, including financing through the Authority. Therefore, GLWA will submit the local project plan as it will be the DWRF loan applicant. Per notification from MDEQ, 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 April 11, 2018. The resolution must be approved and signed to ensure that the finalized Project Plans are assembled, printed, and submitted to the MDEQ by the deadline of May 1, 2018.

GLWA concurs with the DWSD Water Main Project adoption, and as the DWRF applicant, is seeking low interest loan assistance through the DWRF program. Although the MDEQ interest rate for FY 2019 will not be determined until October 2018, the current year's interest rate of 2.0% is less than the present conventional bond rate. Based on the estimated project amount, DWSD could save an estimated \$9 million interest costs and avoided issuance costs, based on a similar market revenue bond with a 30-year term and 5.0% interest rate. This will afford savings to DWSD and its customers.

#### **BUDGET IMPACT**

GLWA will be the loan applicant on the DWRF loans 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 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 2020 for this project and will be included as part of the FY 2020 financial plan.

#### **COMMITTEE REVIEW**

This matter is presented directly to the full GLWA Board.

#### **SHARED SERVICES IMPACT**

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