



Legislation Text

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Resolution to Adopt the city of Detroit Water and Sewerage Department Water Main - FY 2022 Drinking Water State Revolving Fund (DWSRF) Program

Agenda of: June 23, 2021

Item No.: 2021-194

TO: The Honorable
Board of Directors
Great Lakes Water Authority

FROM: Sue F. McCormick
Chief Executive Officer
Great Lakes Water Authority

DATE: June 23, 2021

RE: Resolution to Adopt the city of Detroit Water and Sewerage Department Water Main Replacement - FY 2022 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 2022 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

DWSD has identified this water main replacement project in its FY 2022 to 2025 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 2022 fiscal year. The deadline for submitting all DWSRF project plans to EGLE is July 1, 2021, but prior to submitting the project plans,

a public hearing must be held for the affected area.

This project is comprised of replacing an aging water main in the Midtown, Cultural Center, and Medical Center neighborhoods (Project B), and full lead service line replacement (Project B) within the City of Detroit. Construction will include excavation of existing water mains, installation of new pipes, rehabilitation of pipes, replacement of lead service lines between the water main and the water meter, pressure testing, backfill, and right-of-way. The estimated cost of this project is \$29,300,000.

The FY 2022 DWSRF Project Plan and public hearing for DWSD Water Main Project has been posted on the DWSD website and can be found at: <https://detroitmi.gov/events/public-hearing-jefferson-water-main-replacement>. This project plan was presented at the DWSD public hearing on May 19, 2021.

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 23, 2021. 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, 2021.

GLWA concurs with the DWSD Water Main Project adoption, and as the DWSRF applicant, is seeking low interest loan assistance from the DWSRF Program. Although the EGLE interest rate for FY 2022 has not yet been determined, the current year's interest rate of 1.875% (30-year loan) is less than the present conventional rate. Based on the estimated project amount, DWSD could save an estimated \$13.4 million in interest costs and avoided issuance costs, based on similar market revenue bond with a 30-year and 3.5% interest rate. This will afford savings to DWSD and its customers. This will afford savings to DWSD and its customers.

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 2025 for this project and will be included as part of the FY 2023 financial plan.

COMMITTEE REVIEW

This matter was presented to the GLWA Audit Committee at its May 21, 2021 meeting. The Audit Committee unanimously recommends 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 2022 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.