



Legislation Text

File #: 2021-243, Version: 1

Resolution Regarding Approval of Series Ordinance Authorizing Issuance and Sale of Water Supply System Revenue Bonds in an Amount Not to Exceed \$128,000,000 (Ordinance 2021-03)

Agenda of: June 23, 2021
Item No.: **2021-243**
Amount: Not to Exceed \$128,000,000

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 Regarding Approval of Series Ordinance Authorizing Issuance and Sale of Water Supply System Revenue Bonds in an Amount Not to Exceed \$128,000,000 (Ordinance 2021-03)

MOTION

Upon recommendation of Sue McCormick, Chief Executive Officer, the Board of Directors (Board) of the Great Lakes Water Authority (GLWA), **approve the resolution Approval of Series Ordinance Authorizing Issuance and Sale of Water Supply System Revenue Bonds in an Amount Not to Exceed \$128,000,000 as presented**, and authorizes the CEO to take such other action as may be necessary to accomplish the intent of this vote.

BACKGROUND

On February 26, 2020, the Great Lakes Water Authority ("GLWA") Board of Directors approved Resolution 2020-068, "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 \$200,000,000" (the "Notice of Intent"). This is the second series of

water bonds from that Notice of Intent in the amount not to exceed \$128,000,000.

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 Drinking Water Revolving Fund (DWRf) Bonds, designates the Bonds as 2021 SRF-2/3 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.

JUSTIFICATION

This series of bonds authorized by this ordinance will be sold through the state of Michigan's DWRf program and will be used to finance improvements associated with two projects. The first project, 14 Mile Road Transmission Main Loop-Phase II (7461-02), is a Regional Water System project involving the construction of approximately eight miles of new 54-inch transmission main to connect the 8 Mile Road transmission system with the 14 Mile Road transmission system. This project also includes yard piping and reservoir fill line improvements at the Haggerty Pumping Station, and the construction of a control valve to regulate flows to and from the 14 Mile Road Transmission system.

The second project, Water Main Replacement (7484-01), is a Local Water System project comprising the replacement of aging water mains in the Jefferson Chalmers area 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.

Per the Ordinance, this series of bonds will be designated 2021 SRF-2/3 Junior Lien Bonds, with a loan amount not to exceed \$128,000,000. The 2021 SRF-2/3 Junior Lien Bonds will be sold to the Michigan Finance Authority. The current program interest rate for the DWRf is 1.875% for a 20-year term and 2.125% for a 30-year term. Based on the not to exceed amount for this series of \$128.0 million, GLWA could save an estimated \$48.3 million over the life of these bond issues in interest costs and avoided issuance costs in comparison to similar open market revenue bonds with a 30-year term and 3.50% interest rate.

BUDGET IMPACT

The debt service payments on the GLWA Regional project are anticipated to start on April 1, 2022 with minimal amounts of interest due, because of the projected draw down schedules. Interest expense on the loan is included in the FY 2022 Water Budget.

COMMITTEE REVIEW

This matter was reviewed by the GLWA Audit Committee at its meeting on June 21, 2021. The Audit Committee unanimously recommends approval of the resolution Approval of Series Ordinance Authorizing Issuance and Sale of Water Supply System Revenue Bonds in an Amount Not to Exceed \$128,000,000 as presented.