



Legislation Text

File #: 2023-065, Version: 1

Resolution Regarding Approval of Series Ordinance Authorizing Issuance and Sale of Sewer Disposal System Revenue Bonds in an Amount Not to Exceed \$105,000,000 (Ordinance 2023-01)

Agenda of: April 26, 2023
Item No.: **2023-065**
Amount: Not to Exceed \$105,000,000

TO: The Honorable
Board of Directors
Great Lakes Water Authority

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

DATE: March 22, 2023

RE: Resolution Regarding Approval of Series Ordinance Authorizing Issuance and Sale of Sewer Disposal System Revenue Bonds in an Amount Not to Exceed \$105,000,000 (Ordinance 2023-01)

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 related to the Approval of Series Ordinance Authorizing Issuance and Sale of Sewer Disposal System Revenue Bonds in an Amount Not to Exceed \$105,000,000 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 considerations in the background related to this resolution: financing and the project being funded.

Financing Considerations

The amount being financed with revenue bonds via the Clean Water State Revolving Fund (CWSRF) Bonds is within authorized GLWA limits. On July 29, 2022 the Great Lakes Water Authority ("GLWA") Board of Directors approved Resolution 2022-312, "Resolution of the Great Lakes Water Authority Authorizing Publication of Notice of Intent to Issue Sewerage Disposal System Revenue Bonds" in a principal amount not to exceed \$650,000,000 (the "Notice of Intent"). This is the first series of sewer bonds from that Notice of Intent and is in the amount not to exceed \$105,000,000.

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 CWSRF 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 May 25, 2022, the GLWA Board of Directors conducted a [public hearing](https://glwater.legistar.com/LegislationDetail.aspx?ID=5660439&GUID=463E999F-6728-4E55-AB6A-84F4E44EF4DB&Options=&Search=>) [<https://glwater.legistar.com/LegislationDetail.aspx?ID=5660439&GUID=463E999F-6728-4E55-AB6A-84F4E44EF4DB&Options=&Search=>](https://glwater.legistar.com/LegislationDetail.aspx?ID=5660439&GUID=463E999F-6728-4E55-AB6A-84F4E44EF4DB&Options=&Search=>) related to the Water Resource Recovery Facility (WRRF) Improvements Projects - FY 2023 State Revolving Fund (SRF) Project. Subsequent to that public hearing, the Board adopted the [project plan](https://glwater.legistar.com/LegislationDetail.aspx?ID=5643802&GUID=89269E09-578F-4B07-8DAB-E68C978EBA1A&Options=&Search=>) [<https://glwater.legistar.com/LegislationDetail.aspx?ID=5643802&GUID=89269E09-578F-4B07-8DAB-E68C978EBA1A&Options=&Search=>](https://glwater.legistar.com/LegislationDetail.aspx?ID=5643802&GUID=89269E09-578F-4B07-8DAB-E68C978EBA1A&Options=&Search=>).

Project Plan Cost Estimate - It should be noted that the costs for the project plan were estimated at approximately \$95.6 million in the documents presented in May 2022. The proposed series ordinance not to exceed amount of \$105.0 million differs from this estimate of \$95.6 million to allow for any fluctuation in the final award amount.

JUSTIFICATION

The bond series authorized by this ordinance will support a Regional Sewer System project involving Pump Station No. 1 Improvements. Pump Station No. 1 was originally constructed about 80 years ago and improvements are needed to ensure reliable service of the pumping equipment.

The 2023 SRF-1 Junior Lien Bonds will be sold through the Michigan Finance Authority under the state of Michigan's CWSRF program (Project #5836-01). The current interest rates for the CWSRF 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%, potential interest savings on a 20-year SRF loan would be \$37.9 million and savings on a 30-year loan would be \$56.3 million based on a CWSRF loan amount of \$95.6 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 October 1, 2023 with minimal amounts of interest due, because of the projected draw down schedules. An estimate for debt service on the loan will be 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 February 24, 2023. The Audit Committee unanimously recommended approval of the resolution for the Approval of Series Ordinance Authorizing Issuance and Sale of Sewer Disposal System Revenue Bonds in an Amount Not to Exceed \$105,000,000 as presented.