



Legislation Text

File #: 2023-143, **Version:** 1

Resolution to Adopt the Project Plan for FY 2024 Clean Water State Revolving Fund (CWSRF) Consideration

Agenda of: April 26, 2023

Item No.: **2023-143**

Amount: N/A

TO: The Honorable
Board of Directors
Great Lakes Water Authority

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

DATE: April 26, 2023

RE: **Resolution to Adopt the Project Plan for FY 2024 Clean Water State Revolving Fund (CWSRF) Consideration**

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 attached Resolution to Adopt the project plan for the Pump Station No. 2 VFD Replacement project for FY 2024 Clean Water State Revolving Fund (CWSRF) at its regularly scheduled meeting on April 26, 2023** and authorizes the CEO to take such action as may be necessary to accomplish the intent of this vote.

BACKGROUND

The Great Lakes Water Authority (the “GLWA”) has identified one wastewater system project in the FY 2024 to FY 2028 Capital Improvement Plan (CIP) for submittal to the Michigan Department of Environment, Great Lakes, and Energy (EGLE) FY 2024 SRF financing program. The deadline for submitting all CWSRF project plans to EGLE is May 1, 2023. Prior to submitting the project plan, GLWA must hold a public hearing to present the project plan, which is scheduled for April 26, 2023, at 2:00 pm.

The FY 2024 CWSRF project plan and public hearing notice for Pump Station No. 2 VFD Replacement project will be posted on the [GLWA website <https://www.glwater.org/>](https://www.glwater.org/). A summary of the project plan will be presented at the public hearing. After the public hearing is closed, a resolution for the project will be scheduled for action by the GLWA Board of Directors at its regularly scheduled meeting also on April 26, 2023. The resolution must be approved and signed to ensure the finalized project plan are assembled, printed, and submitted to the EGLE by the deadline of May 1, 2023.

The Project:

Pump Station No. 2 VFD Replacement - The Pump Station No. 2 VFD Replacement Project is comprised of significant electrical upgrades, including VFD and transformer replacement, that will maintain the operability of this critical pumping facility at the headworks of the Water Resource Recovery Facility (WRRF). The existing VFD at Pump Station 2 were identified for replacement due to their age, cost of maintenance, and criticality to the operation of the facility. The new VFD will provide the means for the main lift pumps to convey sewage with more reliability and flexibility, allowing the operations staff to modify pumping rates to properly convey flow during dry and wet weather conditions. The total cost of this project is currently estimated at \$12 million.

JUSTIFICATION

GLWA is seeking low interest loan assistance through the CWSRF program for this project. Although the EGLE interest rate for FY 2024 will not be determined until October 2023, the current year's interest rates are 1.875% for 20-year and 2.125% for 30-year loans. Potential dollar savings are significant when comparing to municipal bond interest rates in a market-based transaction. By way of example, the ten-year financial plan utilizes an estimated rate of 5.0% for future debt. When compared to the financial plan interest rate of 5%, potential interest savings for a 20-year SRF loan would be \$4.8 million and interest savings for a 30-year SRF loan would be \$7.1 million. Another advantage of SRF is that interest costs are only incurred on the amount drawn from the SRF loans as project expenditures are being incurred, resulting in additional debt service savings early in the term of the loan compared to market-based transactions. Also, use of SRF funding as junior lien does not impact GLWA debt reserve requirements.

BUDGET IMPACT

Debt service interest payments on these projects would begin in the fall of FY 2025 and will be included as part of the FY 2025 financial plan. GLWA has filed necessary support with EGLE for consideration of overburdened community status for CWSRF projects under the new overburdened community process established by EGLE beginning with FY 2024 project submissions and is currently awaiting feedback from EGLE requiring qualifying status.

COMMITTEE REVIEW

Due to the coordination and timing required between municipalities to finalize this project plan summary, this matter was not reviewed by the GLWA Audit Committee but has been taken directly to the Board of Directors to meet public hearing publication requirements.

SHARED SERVICES IMPACT

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