



# Detroit Water and Sewerage Department

735 Randolph Street  
Detroit, Michigan 48226  
(313) 224-4704 Office  
dwsd.legistar.com

## Legislation Text

---

**File #:** 18-0043, **Version:** 2

---

The Board of Water Commissioners for the City of Detroit, Water and Sewerage Department authorizes the Director to **execute a resolution pertaining to securing low interest loan assistance through the Drinking Water Revolving Fund (DWRf) for Water Main Replacement as detailed in the FY19 DWRf Project Plan**, and also authorizes the Director to take such actions as may be necessary to accomplish the intent of this vote.

### Agenda of April 18, 2018

#### Item No. 18-0043

#### Public Hearing

#### Drinking Water Revolving Fund (DWRf)

#### Project Plan FY 19 Water Main Replacement

**TO:** The Honorable  
Board of Water Commissioners  
City of Detroit, Michigan

**FROM:** Gary Brown, Director  
Water and Sewerage Department

**RE:** **Public Hearing for Water Main Replacement  
Drinking Water Revolving Fund (DWRf), FY19 Project Plan**

### MOTION

Upon recommendation of Thomas Naughton, Chief Financial Officer, the Board of Water Commissioners for the City of Detroit, Water and Sewerage Department authorizes the Director to **execute a resolution pertaining to securing low interest loan assistance through the Drinking Water Revolving Fund (DWRf) for Water Main Replacement as detailed in the FY19 DWRf Project Plan**, and also authorizes the Director to take such actions as may be necessary to accomplish the intent of this vote.

### JUSTIFICATION

The Water Main Replacement is necessary to ensure that the Detroit Water and Sewerage Department (DWSD) will consistently and reliably provide high quality potable water to its customers in the City of Detroit. DWSD is seeking a 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.

The Water Main Replacement Project is comprised of replacing 42,000 feet (approximately 8.0 miles) of aged water mains ranging in size from 8 to 16 inches with new water mains. These water mains are located throughout the City of Detroit.

## **BACKGROUND**

Attached for your review is a copy of the FY19 DWRP Project Plan for the Water Main Replacement and resolution in support of the Project Plan. The Public Hearing on the FY19 Water Main Replacement Plan was held on April 4, 2018 at 1:00 P.M. Upon approval of the resolution, the Water Main Replacement Project Plan will be assembled, printed, and submitted to the MDEQ by May 1, 2018.

## **PROJECT OBJECTIVE/COST**

GLWA will be the loan applicant on the DWRP loans issued on behalf of DWSD, and DWSD will be the DWRP loan recipient as determined by MDEQ. All project costs financed by GLWA, on behalf of DWSD, through the DWRP 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.

The overall capital cost of the Project Plan through the DWRP Program is estimated to be \$16,000,000.00 with repayment of the DWRP loan, payable to GLWA, over a 30-year period.