

GLWA Customer Outreach Meeting Question and Answer Results
Compiled by Project Innovations, Inc.
August 7, 2015



Background:

The formation of the Great Lakes Water Authority (GLWA) was an historic event for southeastern Michigan, presenting an extraordinary opportunity for regional collaboration. On June 12, 2015, water and sewer service and lease agreements between the City of Detroit and the GLWA were approved. During July 2015, the DWSD / GLWA Leadership invited representatives of its 100-plus water and wastewater wholesale suburban customers to attend meetings (date/time/location shown below) to hear about the lease agreements and the upcoming transition to GLWA and DWSD retail systems. DWSD Director/GLWA Interim CEO, Ms. Sue McCormick and GLWA Implementation Planning Program Manager, Eric Rothstein delivered presentations.

In addition, a short video, “Making History, Building the Great Lakes Water Authority,” was shown. 144 customer representatives attended the meetings (participant lists are attached). Following the presentations and video showing, Project Innovations facilitated question and answer sessions, which are detailed in the following pages.

Location	Date	Attendees	Service Area
Summit on the Park 46000 Summit Parkway, Canton 48188-1699	July 21, 2015	35	Western Wayne & Washtenaw County
Shelby Township Hall 52700 Van Dyke Ave., Shelby Twp., 48316	July 23, 2015	31	Macomb County
Almont Village Hall 817 N. Main St., Almont MI 48003	July 27, 2015	14	Lapeer & St. Clair County
Lathrup Village Community Center 27400 Southfield Rd., Lathrup Village 48076	July 28, 2015	39	Oakland County
Brownstown Township Hall 21313 Telegraph Road, Brownstown MI 48183	July 30, 2015	25	Wayne & Monroe County

Governance Topic

1. Why aren't any of the GLWA Board members at this meeting today (from the July 21 meeting)?

Response: The Board Chair and Vice Chair are with the Detroit Editorial Board this morning.

Leadership Topic

- 1. As always, Ms. Sue McCormick’s presentation was relevant and emphasizes the interests of the customers. Why is there a national search being conducted for a CEO when we have the right person here already?**

Response: BOWC Chair James Fausone stated that customers are encouraged to express their endorsement of Ms. McCormick to the GLWA Board. He added that Livonia submitted a letter and also read it during public comment at a Board Meeting. Canton Township stated that they are preparing a resolution to endorse Ms. McCormick.

- 2. Can DWSD/GLWA leadership attend customer board/council meetings to explain the transition from DWSD to GLWA?**

Response: Yes, this can be arranged by contacting Ms. McCormick’s office or through the customer outreach facilitators (Charlie Fleetham and Teresa Newman).

- 3. What role will the customers have in the CEO search process?**

Response: Through the GLWA governance structure, customers (and Detroit as GLWA’s largest customer) are represented by the GLWA Board who will make its decision on the hiring of the GLWA CEO. Individual customers are welcome to express their opinions to the GLWA Board in writing or during the public comment period at Board meetings.

- 4. Comment:** Jeff McKeen endorsed Ms. McCormick and recommended retaining her as GLWA CEO.

Transparency Topic

- 1. Why was the gag order necessary?**

Response: There were elements of the process, implemented as part of the City of Detroit bankruptcy proceedings that, among other things pertained to creditors and bondholders. Confidentiality was required to prevent premature, and potentially costly, public disclosure of information that could impact the market value of asset holdings. Another reason was to allow the incorporating municipalities the ability to discuss options freely without speculation and misinformation being released.

- 2. Was governance decision made by Judge Cox?**

Response: No. The governance structure was agreed to by the County Executives of Oakland, Wayne and Macomb Counties and the Mayor of the City of Detroit and incorporated in the Memorandum of Understanding signed on September 9, 2014 by these parties along with the Governor and the City’s then Emergency Manager. By early October 2014, the three boards of commissioners of the three Counties and the City of Detroit Council approved the Articles of Incorporation. The MOU and Articles of Incorporation (along with the water and sewer services and lease agreements) are located for reference on the DWSD and GLWA websites.

3. **Comment:** Residents are always concerned when the perception exists that something is being done behind closed doors that will impact their water bills.
4. **Comment:** This regional partnership needs to stress that we are changing our perspective from customer to owner.

Financial Topic

1. Explain the 4% cap on revenue requirement and why communities saw rate increases of +4%.

Response: The 4% pertains to the overall system operating budget or 'revenue requirement.' First, please note that on the sewer side, the shares (per the 2013 rate simplification agreement) were adjusted 2%. For water operations, the rates (including provisions for peak demand, distance and elevation) times projected water used represent the revenue requirement (capped at 4%). As noted in the Memorandum of Understanding, the revenue requirements were capped but the rates were not, largely because the water used can either increase or decrease in future periods – meaning, the rates could vary greater than or less than 4%.

Regarding the current rate year (FY2016), increases to customer's water revenue requirements are attributed to:

- a. Reduced water sales based on a revised formula in the calculation of the projections (average of the actual 24 month water used ending September 30, 2014 and increased fixed cost component billed to local units from 40% to 60% as discussed in the TAC).
- b. Flint exiting earlier than expected.
- c. Contractual changes to Exhibit B where customers built storage or found other methods of reducing peak demand resulting in reallocation of costs to all customers.

2. What was the impact of Flint leaving the system earlier than expected?

Response: It was a 4% loss of system revenue that in turn impacted each customer's allocated water revenue requirement.

3. What is Detroit Debt Service referring to?

Response: The City's share of principal and interest payments on the Authority or City of Detroit bonds used to finance infrastructure.

4. Can the Detroit lease payment be used for new and existing debt service?

Response: It can be used for both as well as direct payments for capital needs.

5. How is the Budget Stabilization Fund funded?

Response: The Budget Stabilization Fund is established as a part of the Water and Sewer system leases. The Water and Sewer service agreements between the City of Detroit and the GLWA indicates that Detroit's revenue requirement includes a Budget Stabilization Requirement equal to 40% of the average retail bad debt expense for the two previous fiscal years. This amount can be changed by a super-majority vote of the GLWA Board. The Budget Stabilization Fund provides a backstop in case Detroit collections do not meet the revenue requirement. It is anticipated that the fund will be completely funded within three years (roughly \$22 million). If the fund is accessed, it is to be replenished from subsequent year revenue collections.

6. Is there a Budget Stabilization Fund for Highland Park?

Response: No. A 2006 consent agreement and court order requires Highland Park to place its sewer receipts in an escrow account with 65% of those receipts being distributed to DWSD and the remainder used to operate its system. After this agreement and order, DWSD began providing water service to Highland Park. Highland Park has not paid its full bill for water and sewer service, and DWSD has filed suit and taken a judgment for those amounts. DWSD is in confidential mediation as a part of that litigation. As important as collection of these unpaid amounts is, it is equally to find a sustainable solution for Highland Park's retail water and sewer system operations.

7. Can the \$50M annual lease payment be used to fund the Budget Stabilization Fund?

Response: No.

8. Is the Budget Stabilization Fund only accessible by City of Detroit?

Response: The fund, to be held by GLWA, may only be used to meet City of Detroit revenue requirements. GLWA may require use of the funds in the event that Detroit is not otherwise able to meet its revenue requirements. GLWA cannot access the fund for non-Detroit activities.

9. Are O&M funds separated for DWSD-Retail (Detroit) and GLWA?

Response: Yes. They will be separated within the GLWA and by the very nature of the City having a DWSD-R fund on its books. This separation will be critical in analyzing financial operations that are currently combined.

10. In what circumstance could the revenue requirement be less than 4%?

Response: This is largely dependent on financial policies yet to be established by the GLWA Board. The circumstances that might cause the GLWA Board to consider an amount less than a 4% increase in the revenue requirement could include: increases in water usage, continued implementation of the restructuring currently underway, the Bio-Solids plant coming on line (which is expected to provide savings), shutting down a water filtration plan as noted in the recent Water Master Plan and similar actions.

11. How confident are you that the financial reporting and checks/balances will be enforced in the City?

Response: Very confident, given the commitment of Detroit’s leaders and the protections built into the lease. In the near term, however, the City and the DWSD (thereafter DWSD-R and GLWA) are undergoing substantial technology changeovers in their payroll and financial systems. Presently, timely and accurate financial information is not readily available absent a labor intensive effort, sometimes beyond the competing requirements for timely completion of projects (not least of which is the standup of the DWSD-R and GLWA).

Starting in FY-2017, the lease agreements call for a two-year operating budget to be prepared and maintained current throughout the year with financial reporting deadlines. DWSD is making every effort to install the necessary technology to enable this lease requirement to be honored.

12. What process will Detroit use to set rates for their customers?

Response: Like all other wholesale customers, GLWA sets the revenue requirement for the city. The City will set retail water rates to satisfy the GLWA revenue requirement. The water and sewer leases set out a detailed process for information exchange between the GLWA and Detroit regarding the City’s revenue requirements to be used by the City in establishing its budget.

13. Can GLWA reject Detroit rates as they set them?

Response: GLWA can step in via the financial oversight mechanisms if the financial obligations (revenue requirements) are not being met. Ultimately, it may replace the City as its Agent for retail rate setting, billing, collection and enforcement.

14. Will Detroit City Council still be involved in rate setting and approval?

Response: Judge Cox’s order stipulates Council’s role in setting the Detroit retail rates. That order also requires representation for the three Counties on the DWSD Board of Commissioners. Whether that order will be modified in the future is not known at this time.

15. What happens if Detroit City Council doesn’t approve rates? Would the remediation clause kick in?

Response: The Detroit City Council did approve the FY 2015-2016 retail rates to meet the DWSD Board of Water Commissioner approved revenue requirements. Accordingly, the question is moot for the current fiscal year. In the event that Detroit does not approve retail rates that will enable it to meet its obligations, the parties will undergo dispute resolution procedures outlined in the leases and the water and sewer services agreement. In the unlikely event it ultimately became necessary, GLWA may revoke its delegation of retail rate setting to Detroit and institute rates that will provide for Detroit to meet its obligations to GLWA.

16. What happens if there is a significant drop in water sales, could the revenue requirement be more than 4%?

Response: The 4% is related to changes in the budgeted (revenue) requirements. While DWSD is managing O&M costs very well, with GLWA comes a contractual commitment to limit the increase in revenue requirement to no more than 4% per year for the first 10 years with only two exceptions: meeting obligations on bonds and meeting regulatory mandates. However, dramatic reductions in water use will affect the unit cost to the customer. Reliance on greater fixed cost will moderate the rate impact of further declines in sales. Ms. McCormick also noted that the impending separation by Genesee County is anticipated in July 2017 for the financial forecast.

17. Where does the \$50M lease payment come from if GLWA is leasing the system?

Response: After the cash flow for the water and sewer system pays for the operations and maintenance and debt service costs, the lease payment (amounts to be set aside within the GLWA) and WRAP payment (also set aside) will be made. Both the suburban and Detroit retail customers fund the lease payment and WRAP program. Note: the GLWA budget reflects increased control over O&M budget and operations. Among other benefits of regional governance is the separation from the City of Detroit's current oversight with the expectation that bond ratings for future debt issues would improve.

18. GLCUA had a substantial water rate impact from the increased fixed cost structure implemented this year with equal monthly payments. It has caused a hardship for member communities because it advances payments ahead of their systems cash flow.

Response: When the change was announced, DWSD indicated that it would work with customers if they believed it would cause a problem with their cash flows. While the same revenue is required over the 12 month fiscal year, monthly payments can be scheduled in consideration of system specific situations. Ms. McCormick asked that customers contact DWSD to discuss the issue.

20. Comment: The 4% cap needs to be better defined.

WRAP - (General Note: Responses are based on the current draft of the WRAP Program Design Report that is subject to review, revision and approval by the GLWA Board.)

1. What agencies have been involved in the process?

Response: Several social services agencies from Macomb, Oakland, and Wayne Counties have been involved in the entire design process.

2. Is the program available system wide?

Response: Yes. The Memorandum of Understanding and lease agreements provide for residents within the DWSD-R and GLWA footprint to receive the benefits of the WRAP. The eligibility requirements, however, have yet to be established by the GLWA Board, although a stakeholder group comprised of assistance professionals from across the service area (the WRAP Advisory Group) has created a set of eligibility recommendations that will soon be submitted to the GLWA Board.

3. Is the program a “first come – first serve” basis?

Response: It is understood that there aren’t enough funds to satisfy all needs. The program administrator will be required to address how it might optimize access in an RFP response.

4. How will the program information be rolled out?

Response: A public outreach and engagement task will be required of the Program Administrator. In addition, the GLWA / DWSD-R’s own public communications activities will help roll out information about the program.

5. How will the money be allocated? Will Detroit get the majority of the money?

Response: There are no specific allocations outlined in the program design. WRAP is funded annually with 0.5% of overall system revenue. Detroit revenue is approximately 40% of the system revenues. The WRAP design and related policies associated with this program have yet to be approved by the GLWA Board. As such, the allocation of the WRAP fund cannot be determined now. Note: Quarterly and annual reports of the WRAP program will be provided in the future to the GLWA Board.

6. Who will administer the program?

Response: An experienced program administrator will be contracted through the new DWSD procurement process. An RFP will be issued after GLWA Board approves/accepts the WRAP Design Report.

7. When will the program be available?

Response: The Design Report is being presented to the GLWA Board in the near future. The plan is to issue the RFP for program administration immediately after. The funds for WRAP will become available when the GLWA becomes fully operational. The hope is that funds will be available early next year.

8. Will Renter’s Affidavits be an issue?

Response: Renters will be required to produce a discrete water bill in their name. They will not be required to produce an affidavit. Note –renters will not be eligible for household repairs.

9. Can WRAP funds be used for arrearages?

Response: The WRAP Advisory Group has recommended an annual limit of \$1,500 per household, but until the GLWA Board acts on the matter, no final decision on these amounts can be assumed.

10. What is the income eligibility qualification limit?

Response: The WRAP Advisory Committee has recommended the qualification limit be set at 150% of the federal poverty guideline. However, until the GLWA Board acts on the eligibility qualifications, no final decision on these amounts can be assumed.

11. What can you tell us about income-based rate setting that we have been hearing about?

Response: Affordability concerns in Detroit were addressed in a 2006 report that recommended structuring rates to limit bills to be no more than 3% of income for income-qualifying households. Various legal opinions deemed the concept illegal in Michigan based on the Headlee Amendment and the Bolt v. Lansing decision. Judge Rhodes reached a similar conclusion in the City's bankruptcy proceedings. Income based rate structures are not used in the U.S. However, Philadelphia has adopted code changes that have similar characteristics to that proposed in Detroit (under different legal framework than Michigan) that is being discussed at Detroit City Council and in the media.

Note: The manner in which the City of Detroit addresses its rate methodology within legal requirements is an internal matter so long as the revenue requirement is met. The manner in which the Detroit rates are calculated (e.g. who within Detroit's residents and commercial entities will be billed and at what rates) will not impact the amounts owed for water and sewer services paid to the GLWA, nor provide any requirement that suburban customers financially support Detroit customers.

Operations Topic

1. What is the expected annual savings with the repurposing of a water treatment plant?

Response: The annual O&M savings for repurposing Northeast Water Plant is estimated at \$1.38 million. The Water Master Plans estimates a present value life-cycle savings of \$455 million (includes savings from avoiding future capital costs over the next several decades).

2. What will happen to the Water Quality Lab, will it be GLWA or DWSD?

Response: Water Quality will be a GLWA function.

3. Will there be a branding effort to identify which vehicles and equipment in the community are DWSD or GLWA equipment?

Response: Yes, a communications firm is being hired to support GLWA branding.

4. Is there a way to educate people about cleaning up water/watershed areas?

Response: Articles have been published by the Customer Outreach Public Education Work Group (<http://www.dwsdoutreach.org/Home/News/tabid/62/Default.aspx>) as well as environmental agencies in the region. The Customer Outreach web site provides individuals the ability to sign up to receive articles and other pertinent water and sewer information and this material is pushed to their technology devices when published.

5. How can we help people understand that making improvements in Detroit will help the regional system?

Response: Ms. McCormick provided an example: The estimated non-revenue water lost for Detroit and certain customers directly connected or reliant on the Detroit infrastructure (e.g. Highland Park, Dearborn, etc.) is currently an estimated 100 MG per day. By addressing water loss, another water treatment plant could be potentially decommissioned/repurposed as well as free up capacity in the wastewater treatment facilities that is presumably now required to treat this 'clean' water flowing through the sewer infrastructure. The recently-released draft Water Master Plan discusses this issue.

6. Who will be the first responder to repair infrastructure outside of Detroit?

Response: GLWA will be responsible for operation and maintenance outside of Detroit. Where infrastructure is closely co-located in Detroit or near the city limits the first responder will be DWSD-Retail (Detroit). After the initial assessment by the DWSD-R maintenance crew on site within the City as to the nature of the issue, responsibilities and infrastructure repair needs, GLWA may be notified to assist as appropriate.

7. When will operations be separated?

Response: January 1, 2016 will see the beginning of the separation. Full separation of certain 'backroom' and commonly used functions (computers, vehicle maintenance and use, etc.) will take several years to finalize. Shared service agreements are being developed as part of the standup of the DWSD-R and GLWA for the interim and perhaps longer-term use of common equipment, technology and operations.

8. How will the updated Water Master Plan be used by GLWA?

Response: The Water Master Plan will be utilized for GLWA planning going forward and is an excellent foundation for operational planning. It will also be utilized by the City of Detroit planning efforts.

9. Will the CIP be revised, specifically regarding investment in resolving the issue of a dead end main in the downriver area?

Response: The Water Master Plan addressed the issue. An Analytical Work Group Meeting will be held on September 15, 2015 from 9 to 11 a.m. at Water Works Park Water Treatment Plant where the Water Master Plan Project Manager will answer specific questions. Ms. McCormick asked that customers reach out to her directly if their questions are not addressed at this meeting.

10. Will the GLWA be housed in the Water Board Building?

Response: In the near-term, a couple of facilities will be shared – Water Board Building and the Huber Central Services Facility. Facility stacking plans are under development and will be part of the shared services agreements as part of the standup of the DWSD-R and GLWA.

11. Has there been discussion regarding what to do with assets that will be unused after Genesee County exits the system?

Response: DWSD is in discussion with customers along the 72" main and is conducting a pilot study to determine how to best serve customers that plan to remain with DWSD (GLWA).

12. How is DWSD addressing aging infrastructure needs?

Response: By implementing asset management programs, collectively solving regional infrastructure needs, executing water master plan recommendations to repurpose one and maybe two water treatment plants with new investment in transmission mains.

13. Will GLWA maintain Detroit infrastructure?

Response: No. The lease payment is expected to assist in this effort.

14. What percentage of customer initiated maintenance tickets are being generated by the See/Click/Fix application, over 50%?

Response: Ms. McCormick will provide the data but said it is definitely over 50%. Customer Service Representatives are also inputting maintenance requests into the application as they are received through calls, etc.

15. How will employees be split between the two organizations?

Response: DWSD-Retail will have about 1/3 of the employees to focus on local infrastructure needs and GLWA will have about 2/3 to operate the treatment facilities as well as the infrastructure that serves customers outside of the City. The Human Resources Committee of the Transition Team is continuing to work through these and other related issues.

Contract Assignment Topic

1. What happens to communities that don't assign their contract to GLWA?

Response: Existing contracts are subject to various assignment provisions that may be exercised in the event that contract assignments are not voluntarily executed.

2. Where are the new contracts for Lapeer County customers?

Response: The GLCUA contract expired on 7/15/15. DWSD is still providing service to the GLCUA customers and is in contract talks with Lapeer, Mayfield, and Imlay City. A meeting with Imlay Township is necessary because it is a unique situation with only one customer served.

July 21, 2015 – Canton Attendee List

Name	Organization
Belair, Bob	Canton
Boc, Keith	Romulus
Coleman, Coline	Livonia
Combee, Beth	Canton
El-Gharib, Ramzi	Wayne/Westland
Faas, Tim	Canton
Fausone, Jim	BOWC
Fleetham, Charlie	Project Innovations
Haapala, Ed	W. Bloomfield
Hamann, Dan	Wayne
Koester, Laurie	DWSD
LaJoy, Phil	Canton
Lear, Brad	Canton
McCormick, Sue	DWSD
McLaughlin, Melissa	Canton
Miller, Anthony	Wayne
Newman, Teresa Weed	Project Innovations
Nocerini, Lisa	Wayne
Reid, Pam	Lapeer
Richnak, Tim	Troy
Rickard, Jill	Northville Township
Roberts, Rev. Greg	Wayne County Exec. Off.
Rothstein, Eric	Galardi Rothstein Group
Salmon, Jordyn	CWW
Scappaticci, Roberto	Romulus
Schultz-Kobylarz, Tracey	Redford Township
Selmi, John	Redford Township
Sikma, Tim	Wixom
Sprague, Aaron	WTUA
Taylor, Jim	Van Buren Township
Trumbull, Wendy	Canton
Wheatley, Jon	DWSD
Wild, William	Westland
Wilson, Tom	Livonia
Wolfson, Bill	DWSD

July 23, 2015 – Shelby Township Attendee List

Name	Organization
Allen, Danielle	Shelby Township
Axtell, David	Harrison Township
Babcock, Bryan	St. Clair Shores
Barnes, Fred	DWSD BOWC
Bednar, Mary	Clinton Township
Calleja, Marifer	Wayne County
Dunn, Janet	Macomb Township
Filarecki, Shannon	Fazal Khan
Fleetham, Charlie	Project Innovations
Johnson, Kevin	Chesterfield Township
Koester, Laurie	DWSD
Krauss, Bonnie	Washington Township
McDonald, Allan	Shelby Township
McCormick, Sue	DWSD
Miller, Dave	Shelby Township
Misterovich, Bill	Macomb County
Moore, Michael	Sterling Heights
Newman, Teresa Weed	Project Innovations
Pawelkowski, Tom	Warren
Petro, Christine	Shelby Township
Rothstein, Eric	Galardi Rothstein Group
Roy, Melissa	Macomb
Saif, Sermed	Huron Consultants
Sawdon, Keith	Rochester Hills
Sedki, Maria	FTCH
Seidel, Kyle	AEW, Inc.
Trombly, Cam	Lenox Township
VanTiflin, Jim	Macomb Township
Verkest, Ken	Harrison Township
Wangelin, Gerry	Macomb Township
Wheatley, Jon	DWSD
Wolfson, Bill	DWSD

July 27, 2015 – Almont Village Attendee List

Name	Organization
Boskee, Make	Elba Township
Hoeksema, Steve	Imply Township
Koester, Laurie	DWSD
McCormick, Sue	DWSD
Moyer-Cale, Sarah	Village of Almont
Newman, Teresa Weed	Project Innovations
Priehs, Ed	City of Imlay City
Richnak, Tim	Troy
Rothstein, Eric	Galardi Rothstein Group
Skylis, Doug	Rowe P.S.C.
Trosper, Paul	Troy
Wheatley, Jon	DWSD
Wolfson, Bill	DWSD
Youatt, Tom	City of Imlay City

July 28, 2015 – Lathrup Village Attendee List

Name	Organization
Balint, Tracey	Rochester Hills
Bettis, Allyson	Garden Ctiv
Caldwell, Jody	OCWRC
Calleja, Marifer	Wayne County
Coffey, Sue	OCWRC
Conigliaro, Sal	HRC
Cureton, Loyd	Ferndale
Daddow, Bob	Oakland County
Darling, Tom	Troy
Davis, Paul	Rochester Hills
Domine, Wayne	Bloomfield Township
Eno, Greg	DWSD
Fleetham, Charlie	Project Innovations
Fortura, Rocco	Oak Park
Galed, Claire	SOCWA-Huntington Woods
Herczeg, Jeff	Auburn Hills
Jacobs, Mark	Dykema
Koester, Laurie	DWSD
Mayer, Jason	Giffels Webster
McCormick, Sue	DWSD
McKeen, Jeff	SOCWA
Mekjian, Gary	Farm. Hills
Melchert, Ron	Auburn Hills
Michling, Mark	Auburn Hills
Michrina, John	Southfield
Mondora, Karen	Farm. Hills
Newman, Teresa Weed	Project Innovations
Olsztyn-Budry, Olivia	Bloomfield Township
Phillips, Molly	Commerce Township
Richnak, Tim	Troy
Rothstein, Eric	Galardi Rothstein Group
Salem, Jeff	Dearborn
Schlutow, Katie	Bloomfield Township
Warren, Dorothy	SOCWA-Bingham Farms
Wheatley, Jon	DWSD
Williams, J. Bryan	BOWC
Wilson, Chris	Beverly Hills
Wolfson, Bill	DWSD
Young, Tim	Hazel Park

July 30, 2015 – Brownstown Attendee List

Name	Organization
Beneteau, Lorinda	Grosse Ile
Combs, Linda	Van Buren Twp.
Dobson, Jason	Berlin Twp. WWTP Supt
Gahry, Mark	Brownstown Twp.
Gaworecki, Mark	Hennessey Engineers
Gorris, James	Gibraltar
Hammond, Bruce	C.E. Raines-Riverview
Hollandsworth, Jim	Hennessey Engineers
Kandrevas, Andrew	Wayne County CEO
Kehr, Terry	Allen Park
Koester, Laurie	DWSD
Kozuh, John	Lincoln Park
Marciniak, Brian	Flat Rock
McCormick, Sue	DWSD
Newman, Teresa Weed	Project Innovations
Reaume, Karl	Berlin Twp. Supervisor
Rothstein, Eric	Galardi Rothstein Group
Sovey Meyer, Denise	Berlin Twp. Clerk
Stuhldreher, Mark	Inkster
Sype, Matt	Flat Rock
Taylor, Jim	Van Buren Twp.
Thiel, Derek	Gibraltar
Van Os, Ted	Grosse Ile Township
Webb, Jeff	Riverview
Wheatley, Jon	DWSD



City of Detroit-Great Lakes Water Authority Agreement

Key Takeaways

- Historic, major step forward toward better, more transparent governance of the regional water and sewerage systems. While the lease has been executed, more work remains to fully stand up the Great Lakes Water Authority no later than January 1, 2016.
- Plante & Moran's feasibility study suggests the new authority's lease and low-income assistance program payments are feasible and the water and sewer systems are both expected to meet their ongoing revenue needs within the 4 percent annual revenue increase target.
- Creates guarantees and protections to ensure every community will be responsible for paying its own water and sewer bills. Highland Park amounts owed DWSD are not addressed in the lease agreement – Detroit Water and Sewerage Department has and will continue to pursue enforcement of a Circuit Court judgment ordering payment of amounts owed (\$26 million). The decision to enter or not to enter into the leases does not impact the ability to collect amounts owed from Highland Park.
- Establishes financial help for customers in need through a \$4.5 million regional Water Residential Assistance Program that will be available to all qualified residential customers in the regional system.
- Culminates a lengthy and complicated process that began nearly 200 days ago with the creation of a regional authority. That process required time and effort of representatives from across the region to collect and analyze the financial and other information needed to make this agreement possible.

40-year lease agreement forms first regional water authority in Southeast Michigan

Historic regional cooperation agreement between Detroit, Wayne, Oakland and Macomb counties provides better transparency and more regional control of the water and sewage system that serves some 4 million residents. It provides wholesale water and sewerage service to customers throughout Southeast Michigan and water and sewerage service to retail customers in the city of Detroit.

Lease agreement provides \$50 million annual payment to support infrastructure improvements

The \$50 million annual lease payment stays in the system and must be used to make much needed repairs and investments in Detroit local water and sewer system infrastructure many of which could both assist the City but also improve the regional system as well. Initially, \$22.5 million is dedicated to local water and \$27.5 million is allocated for the local sewer system or associated debt service.

The creation of the GLWA and the water and sewage services agreement protects customers

The lease helps protect all wholesale customers against the delinquencies of City retail customers, creating a budget stabilization fund in the initial amount of \$23 million for retail revenue protection over the next three years. This lease also helps protect City retail customers against delinquencies of the wholesale customers. This fund will help ensure all communities are responsible for their own bills and creates a stronger level of confidence in the system's revenue projections. This provides the greatest level of protection for wholesale customers possible and ratepayers are protected from dramatic year-to-year revenue rate increases.

Quarterly financial performance reviews creates better transparency and corrective action

Establishing "budget discipline measures" will help evaluate budget and agreement performance. Quarterly reviews allow for corrective actions to be implemented and ensures fiscal issues, if any, are dealt with immediately.

Agreement creates balance between Detroit and the suburbs in regards to funding and administration

Detroit will become GLWA's largest customer and the lease agreement recognizes the uniqueness of the city's physical and legal relationship to the regional system. Factors include the integrated nature of the Detroit and regional piping systems, joint regulatory responsibilities and the City's continued ownership of the water and sewerage asset.

Water rates to be based on past usage

In addition to other elements such as peak demands, the amounts that the communities pay to the authority for water will be based on the 24-month average of the two most recent years' volume of actual and will have a greater fixed cost element than in previous years. Previously, rates were based on customer-community water purchase commitments and had a smaller fixed cost component. This new approach, effective July 2015, should reduce significant fluctuations in revenues because the rates are

more closely tied to actual usage, not assumptions. Local communities set the rates charged to their residents and commercial customers for services including both the individual community costs as well as the amounts currently paid to DWSD.

In addition, with the changes in the methods and assumptions used in calculating the sewer charges to the communities, the charges have been largely fixed in any given year with variances prospectively considered. Billings for the sewer services rendered are now sent monthly and have improved the cash flow of the sewer operations (previously billed quarterly).

Authority assumes GLWA employee related pension obligations

The Authority, the City of Detroit and Detroit General Retirement System will enter an agreement regarding pension obligation reporting to enable the authority to manage its obligation to pay the GRS for its share of DWSD's obligation to the frozen GRS defined benefit plan. Actuarial reports will assist the Authority in managing this obligation to limit the amount of potential GRS liability it in 2023 and help ensure that the Authority funds only its share of the GRS in periods from FY-2024 forward.

Lease agreement takes effect upon satisfaction of conditions.

The lease agreement has been executed, but will not be effective until certain conditions have been met by no later than January 1, 2016.