



CITY COUNCIL AGENDA ITEM

Date: September 28, 2015

To: Brian Kischnick, City Manager

From: Tom Darling, Financial Services Director
Tim Richnak, Public Works Director
Paul Trosper, Superintendent of Water and Sewer

Subject: Assignment of Detroit Water and Sewerage Department Water Contract and amendment to Chapter 20 (Water turn off/on after hour fee) of the City Code (Introduced by: Tim Richnak)

History

The City of Troy entered into a contract with the Detroit Water and Sewerage Department (DWSD) to purchase water at wholesale rates in May of 2008. This is a 30 year contract that provides for automatic 10 year extensions.

In September of 2014 a Memorandum of Understanding (MOU) was executed by the City of Detroit, Macomb County, Oakland County, Wayne County and The State of Michigan regarding the formation of the Great Lakes Water Authority (GLWA)

The City Council conducted a study session on August 10, 2015 regarding the Great Lakes Water Authority and specifically the assignment of the water contract from the DWSD to the GLWA. Bob Daddow, chairman of the GLWA Board of Directors, and Sue McCormick the GLWA Interim CEO provided a presentation reviewing the agreements, impact and transition from DWSD to GLWA.

The presentation was highlighted by issues of governance, transparency, lease payments, the water residential affordability program, budget discipline requirements and revenue requirements being limited to an annual 4% increase. In addition, it was conveyed that as part of the MOU, municipal wholesale customer contracts would need to be assigned from DWSD to the GLWA. This requirement is to assure bond holders of DWSD debt that is being assigned to GLWA that a steady revenue stream is in place to pay the debt service.

With any transition and conveyance of contracts additional due diligence is required to review city ordinances. In this review it was noted that revisions will be required to Chapter 18 – City Water Utility, Chapter 19 – Sanitary Sewer Service, and Chapter 20 – Water and Sewer Rates of the City Code. These recommended revisions will be submitted for approval once the official transition from DWSD to GLWA has transpired.

However, during our review of the ordinance, we became aware of an opportunity to standardize the water turn on/off fee for after hour service to our customers. The change is from a variable rate and



CITY COUNCIL AGENDA ITEM

time basis to a flat fee of \$200. The \$200 is management's estimate of costs incurred during the normal course of performing this service.

We believe that this change will provide the customer with a more transparent understanding of the amount that will be charged while providing a more equitable basis of cost recovery amongst all customers.

City Attorney's Review as to Form and Legality

Lori Grigg Bluhm, City Attorney

Date

Attachments:

1. Agreement to Assign Wholesale Customer Water Service Contract
2. Proposed Ordinance Revisions
 - a. Chapter 20 – 2015 Water Connection Fees

Agreement to Assign Wholesale Customer Water Service Contract

This Agreement to Assign Wholesale Customer Water Service Contract (“Agreement”) is entered into by and between the City of Detroit Water and Sewerage Department, a Michigan municipal corporation (“Detroit”), and the Great Lakes Water Authority, a Michigan municipal authority and public body corporate created pursuant to Act 233 of 1955 (“GLWA”), and _____, a Michigan municipal corporation (“Customer”) (collectively, the “Parties”), and states as follows:

Recitals

A. Detroit and Customer entered into a water service contract dated _____, as subsequently amended (“Contract”), which is fully incorporated by reference; and

B. On June 12, 2015, Detroit and the GLWA entered into a lease agreement whereby the GLWA was conveyed, amongst other items, a leasehold interest in all Detroit water facilities (“Water Lease Agreement”); and

C. Pursuant to Sections 4.1(a)(i), 4.1(d) and 4.4 of the Water Lease Agreement, Detroit has assigned and the GLWA has assumed all of Detroit’s rights, duties, liabilities, responsibilities and obligations (collectively, “Rights and Obligations”) under the Contract without any impairment to the Contract; and

D. Article III of the Water Lease Agreement provides that the effective date of the Water Lease Agreement is dependent upon the satisfaction of certain conditions precedent, including obtaining the consent of Customer to the assignment of its Contract to the GLWA as provided in Section 3.2(j); and

E. The Parties intend to achieve a novation of the Contract by the substitution of the GLWA for Detroit with respect to all rights and Obligations under the Contract; and

Accordingly, in consideration for Detroit’s agreement to assign its Rights and Obligations under the Contract, and the GLWA’s agreement to assume those Rights and Obligations, and the Customer’s agreement to accept this substitution, the Parties agree as follows:

1. The GLWA shall be assigned Detroit’s Rights and Obligations under the Contract as of the date upon which the conditions precedent to the Water Lease Agreement have been met, which date shall be the effective date of the novation and of this Agreement (“Effective Date”). All terms and conditions of this Agreement shall take effect only upon the Effective Date. In the event that the conditions precedent necessary to effectuate the Water Lease Agreement are not met, then this Agreement shall become null and void and shall have no legal effect.

2. The Rights and Obligations of Detroit under the Contract shall be extinguished and Detroit waives any claims and rights against the Customer that it now has or may have in the future in connection with the Contract and shall not be permitted to bring any such claims against Customer. Any claim brought in violation of this Agreement shall be controlled by the terms of the Water Lease Agreement.

3. The GLWA shall be bound by and perform the Contract in accordance with the terms and conditions of the Contract. The GLWA assumes all Rights and Obligations of, and all claims against, Detroit under the Contract as if the GLWA were the original party to the Contract. The GLWA ratifies all previous actions taken by Detroit with respect to the Contract, with the same force and effect as if the action had been taken by the GLWA.

4. The Customer recognizes the GLWA as Detroit's successor in interest in and to the Contract and that the GLWA is entitled to all rights, titles and interests of Detroit in and to the Contract as if the GLWA were the original party to the Contract.

5. All terms, conditions, and covenants of the Contract shall remain in full force and effect, and the GLWA shall fulfill all such terms, conditions and covenants.

6. This Agreement and all actions arising under it shall be governed by the law of the State of Michigan.

7. This Agreement may be executed and delivered in counterparts, including by facsimile transmission, each of which will be deemed an original.

In Witness Whereof, the Parties, by their duly authorized officers and representatives, indicate their concurrence with the terms and conditions of this Agreement:

City of Detroit, Water and Sewerage Department:

By: _____
Sue F. McCormick
Its: Director

Great Lakes Water Authority:

APPROVED BY GLWA
BOARD OF DIRECTORS ON:

By: _____
Sue F. McCormick
Its: Interim Chief Executive Officer

Date

_____ :

By: _____
Its: Mayor

By: _____
Its: City Clerk

APPROVED BY
CUSTOMER CITY COUNCIL ON:

Date

2015 Water Connection Fees

Service Charges	Current
Water Turn off/on - all inclusive	
Regular working hours	\$50.00
After working hours	Min - 3Hrs OT x 2 Emp Flate Rate \$200.00 +parts/materials
Meter Install/reinstall **	\$50.00
Meter Pull **	\$50.00
MIU relocate, fix, rewire	
MIU Replacement	\$50.00 + MIU Cost
Damaged/Frozen Meter	\$50.00 + Meter Cost
Meter Testing - High Consumption	\$50.00
Meter Re-seal	\$50.00

NOTE: Replaced meters and any property belonging to the City of Troy in need of repair/replacement is not included in the flat rate service charge. Replaced/repared materials will be an additional cost. All interior valves, including the valves on either side of the meter is the customers responsibility and not maintained by the City.

** Includes sprinkler meters and residential winterizations

Water Tap/Connect Fees	Current	Proposed	Increase	
3/4" Service (5/8" MTR) Existing Svc Only	\$284.73	\$293.25	\$8.52	0.0299
1" Service (3/4" MTR)	\$1,793.35	\$2,094.52	\$301.17	0.1679
1-1/2" Service (1" MTR)	\$2,124.73	\$2,444.96	\$320.23	0.1507
2" Service (1-1/2" MTR)	\$2,924.80	\$3,075.89	\$151.09	0.0517
3" Service (2" MTR) *	\$1,601.55	\$1,763.42	\$161.87	0.1011
4" Service (3" MTR) *	\$1,955.40	\$2,600.86	\$645.46	0.3301
6" Service (4" MTR) *	\$2,735.55	\$3,461.06	\$725.51	0.2652
8" Service (6 MTR) *	\$3,449.45	\$5,196.63	\$1,747.18	0.5065

*CONTRACTOR PERFORMS TAP

Water Service or Connection Size	Labor, Equip, Materials (less meter)	MTR Install Charge	Construction Water	Inspection Fee	Sub Total	Meter Size	Meter & MIU Cost	Total	Meter Cost
3/4"	Existing SVC Only	\$50.00	\$35.00	\$35.00	\$120.00	5/8"	\$173.25	\$293.25	\$85.31
1"	\$1,757.62	\$50.00	\$35.00	\$35.00	\$1,877.62	3/4"	\$216.90	\$2,094.52	\$110.68
1-1/2"	\$2,050.47	\$50.00	\$35.00	\$35.00	\$2,170.47	1"	\$274.49	\$2,444.96	\$158.43
2"	\$2,434.75	\$50.00	\$35.00	\$35.00	\$2,554.75	1-1/2"	\$521.14	\$3,075.89	\$344.20
3"	*	\$50.00	\$35.00	\$35.00	\$120.00	2"C	\$1,643.42	\$1,763.42	\$1,441.48
4"	*	\$50.00	\$35.00	\$35.00	\$120.00	3"C	\$2,480.86	\$2,600.86	\$1,929.42
6"	*	\$50.00	\$35.00	\$35.00	\$120.00	4"C	\$3,341.06	\$3,461.06	\$2,609.37
8"	*	\$50.00	\$35.00	\$35.00	\$120.00	6"C	\$5,076.63	\$5,196.63	\$3,958.69

* CONTRACTOR PERFORMS TAP

C = Compound Meter