

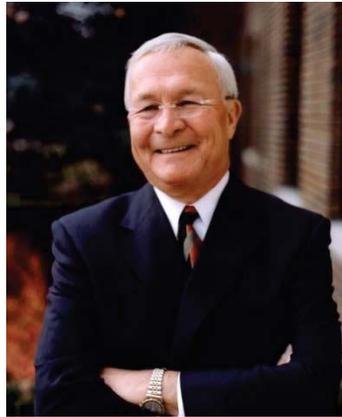
Great Lakes Water Authority

*What does it mean
for Oakland County?*



L. BROOKS PATTERSON
OAKLAND COUNTY EXECUTIVE

Protecting Suburban Ratepayers



L. Brooks Patterson
Oakland County
Executive



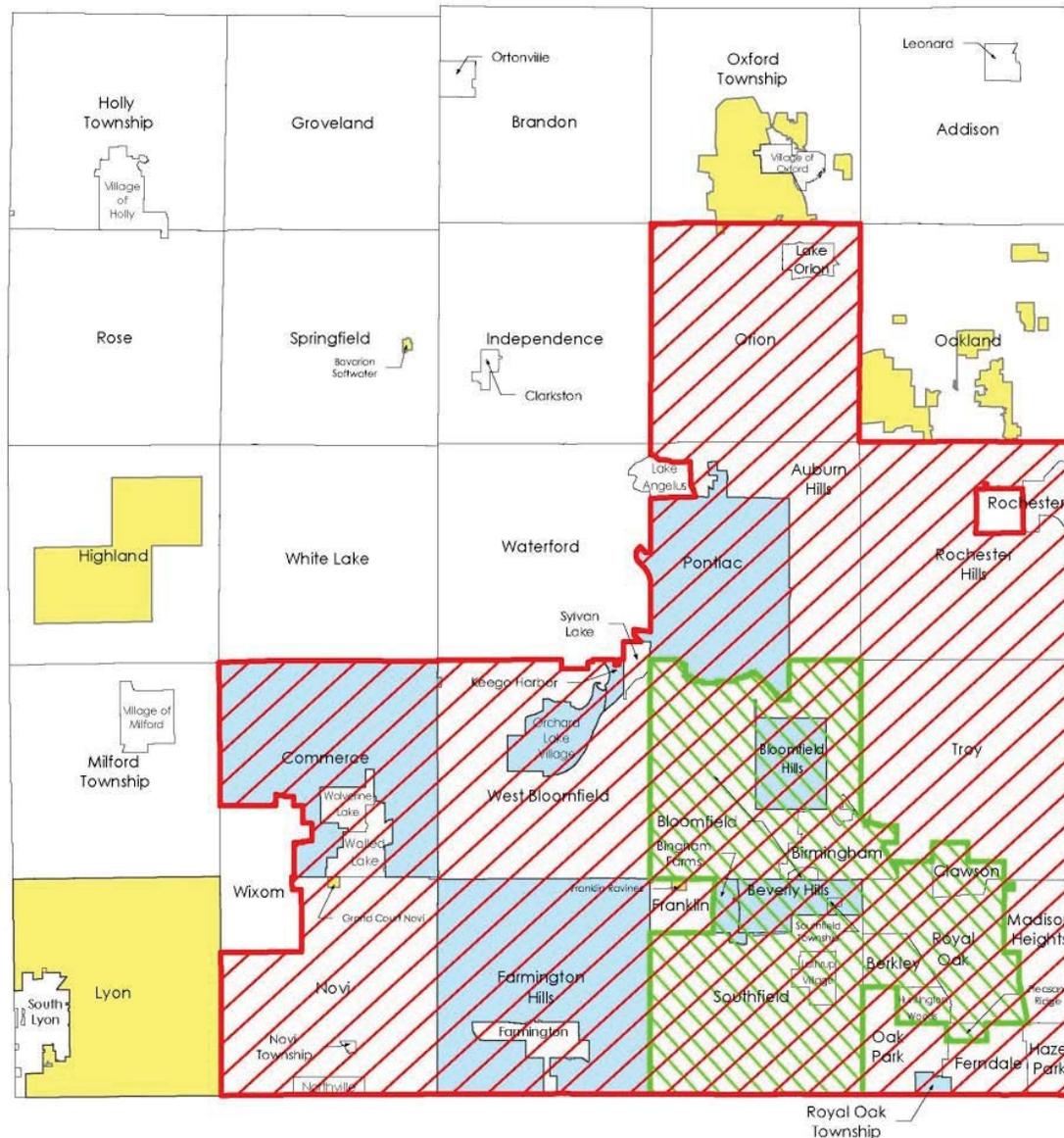
Jim Nash
Water Resources
Commissioner

- The Great Lakes Water Authority has the support of Oakland County Executive L. Brooks Patterson and Water Resources Commissioner Jim Nash because it protects suburban water and sewer ratepayers.
- Our goal, as we move into the future, is to have a water and sewer system which is fair, affordable, accountable, and transparent.

What is the Great Lakes Water Authority?

- A regional governing body to oversee the operations of water and sewer assets for:
 - City of Detroit
 - Oakland County
 - Wayne County
 - Macomb County
 - Outlying communities in other counties
- The GLWA promotes fiscal responsibility, accountability and transparency
- The GLWA will operate and manage all sewer lines that serve the suburbs and are part of the Detroit Water & Sewerage Department’s “common-to-all” assets such as filtration and water plants, pumping stations, and assets providing joint functions of all ratepayers.





Legend

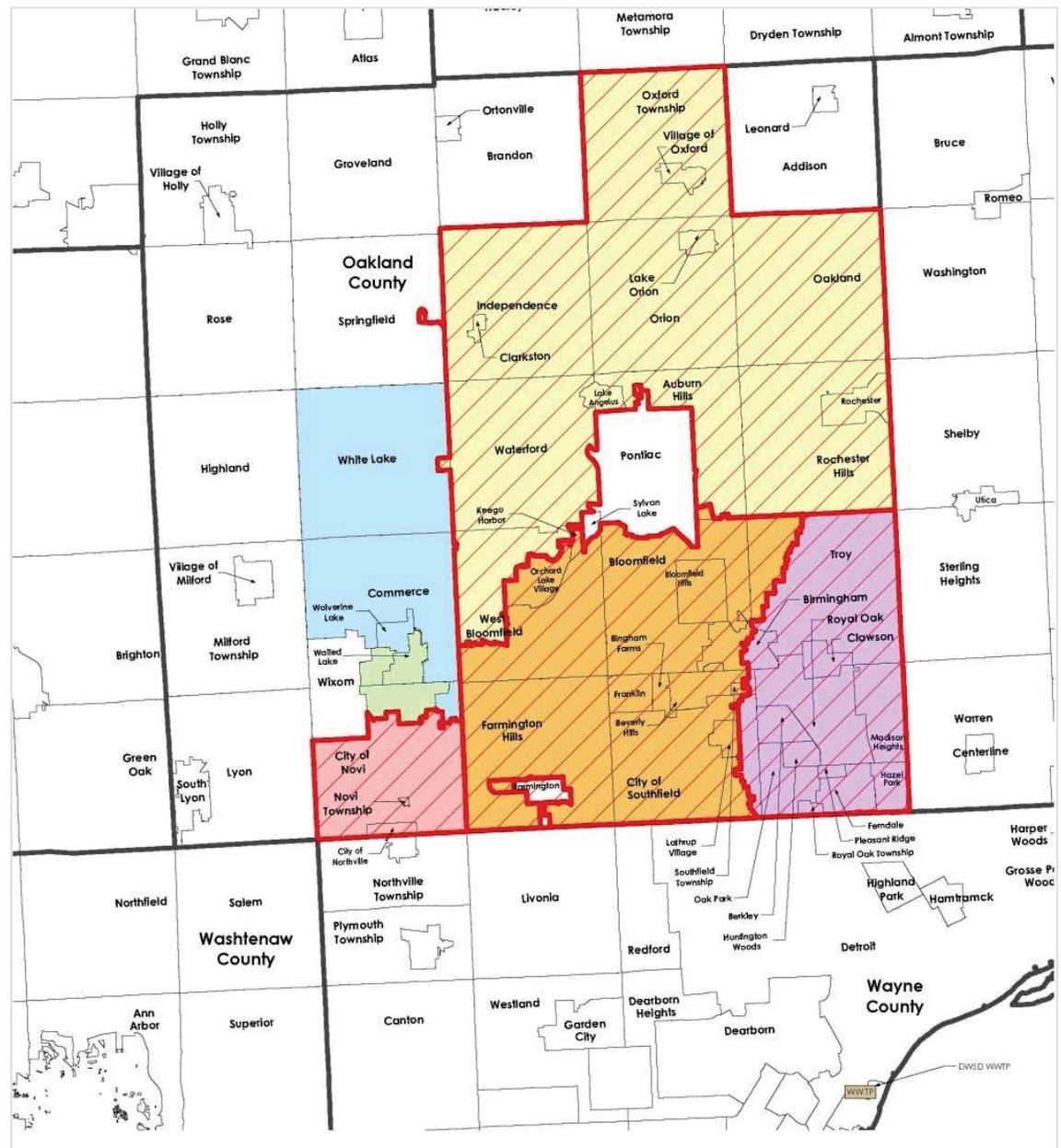
- Detroit Water Systems Operated and Maintained by WRC
- Community Well Systems Operated and Maintained by WRC
- City of Detroit Water Service Area
- South Oakland County Water Authority (SOCWA) Service Area

Oakland County Water Supply System

Legend

Sewage Disposal Systems

- Clinton-Oakland Sewage Disposal System
- Commerce-White Lake WWTP
- Evergreen-Farmington Sewage Disposal System
- Huron-Rouge Sewage Disposal System
- Southeastern Oakland County Sewage Disposal System
- Walled Lake - Novi WWTP
- City of Detroit Sewer Service Area
- WWTP
- DWSD WWTP



Oakland County Sewage Disposal Systems

Will the GLWA be Responsible for Detroit's Local System?

- The City of Detroit will operate and manage its own local water and sewer system for its residents and businesses. Detroit will become a wholesale customer of GLWA – just like any other suburban customer.
- At no time will Detroit's accounts receivable delinquencies, collection programs, and bad debts be the responsibility of the GLWA.
- The City of Detroit must pay its wholesale water and sewer invoices to the GLWA regardless of its ability to collect from its residents and businesses.
- The City of Detroit's water and sewer capital needs will be funded by the lease payment limiting the suburban uncertainties surrounding the infrastructure condition.

A Seat at the Table

- ***Current make-up of the Detroit Water & Sewerage Board:*** Seven members - Detroit has four votes, the suburbs have three.
- ***The make-up of the Great Lakes Water Authority board:*** Six members of the board:
 - 1 – Oakland County
 - 1 – Macomb County
 - 1 – Wayne County
 - 2 – Detroit
 - 1 – State of Michigan (*appointed by the governor representing other suburban customer areas outside of tri-county areas such as Monroe, Washtenaw, Lapeer et. al.*)
- ***Qualified Members:*** Board members are required to have at least 7 years of expertise in one or more areas such as utility operations, finance, accounting, law, engineering, etc.

Super Majority Voting for Major Decisions

- ***Super Majority:*** Need five out of six members to set rates; budget; annually adopt a rolling 5-year capital improvement plan; issue debt, which must be revenue backed debt; procurement policies; hiring an executive director; setting compensation of board members and removing a board member for cause.
 - Under supermajority voting, Oakland County only needs to have one other suburban representative agree to block any issue that is unfair to suburban ratepayers.
- ***Simple Majority:*** Need four out of six for decisions other than those requiring a super majority vote.
 - That means Detroit would need to convince at least two suburban members to go along with it on other GLWA decisions and business.
- Taken together, the voting requirements encourage cooperation and fair dealing.

Fiscal Protections

- ***Tax dollars protected:*** The GLWA will have no taxing authority nor will any county general fund contributions be required to go to the Authority.
- ***Credit Support:*** The current and future bonding will be backed entirely from water and sewer revenues with no required full faith and credit pledges from the counties.
- ***Money stays in the system:*** All of the money will remain in the water and sewer system to pay for operations, capital needs, debt service, remediating deferred maintenance, etc. All revenue under the GLWA will come from:
 - Wholesale rate payments
 - Federal, state or local grants, loans, appropriations, payments or contributions
 - Proceeds from sale, exchange, lease or disposition of property
 - Grants, loans, appropriations, payments, proceeds from loan repayment or contributions from public or private sources
 - Investment earnings

Fiscal Protections (continued)

- *\$50 million annual lease payment for 40 years:*
 - The GLWA will lease about 400 miles of regional water mains, 360 miles of regional sewer pipes, five water filtration plants, the Jefferson Avenue Sewage Treatment Plant, and a number of basins and pumps.
 - **Payment comes from future operations projected to be already in the water and sewer system.**
 - Payment will not go to Detroit's general fund but will remain in DWSD to fund water and sewer system operations, maintenance and debt service needs of the GWLA.

- *Current contracts honored:* Any current vendor contracts the CVTs have with DWSD and all collective bargaining contracts will be honored by the GLWA as is required by Michigan law.

Fiscal Protections (continued)

- ***Four percent cap:*** wholesale billings are capped at four percent per year for 10 years but is subject to change as a result of the new EPA and MDEQ regulation, just as it is today.
- ***Multi-year budgeting:*** The GLWA Board is required to adopt a two-year operating budget for Fiscal 2017 and beyond.
- ***Competitive bidding:*** all professional service contracts will be subject to competitive bid with the award going to the lowest-price, qualified bidder. A list of all contracts will be publically available on the its website.
- ***Transparency:*** an annual audit of GLWA financial statements will be conducted and each incorporating municipality will be able to inspect the books and records of the GLWA.

Water Residential Affordability Program (WRAP)

- *Help for ratepayers who have trouble paying bills:*
 - All GLWA ratepayers who have trouble paying their bills will be able to apply for needs-based assistance.
 - The WRAP program criteria will be developed by the GLWA board.
 - The fund will be .5 percent of total annual revenues – starting with \$4.5 million for FY 2015

What's Next?

- The Detroit City Council and the Oakland, Macomb and Wayne boards of commissioners have until October 10 to decide whether to approve the articles of incorporation for the GLWA.
- After the City of Detroit and just one of the three counties approves the GLWA's articles of incorporation, the GLWA will begin to exist.
- The formal start of the GLWA will occur within 200 days of its legal formation (on or about April 27, 2015) subject to due diligence process, obtaining the necessary legal approvals, and execution of the final documents.

What's Next? (continued)

The GLWA will automatically dissolve if:

- If at any time before the issuance of debt in the name of the GLWA a Bankruptcy Court or other court of competent jurisdiction rejects, modifies, revokes, suspends, severs or otherwise alters, with a material adverse impact on any of the city's water supply or sewage disposal system or the GLWA, any material provision of the articles of incorporation or the provisions in the City's Sixth Amended Plan of Adjustment addressing the Detroit Water and Sewerage Department ("DWSD") component of the City's General Retirement System pension liabilities.
- If, within 200 days of the effective date of the establishment of the GLWA, the Board fails to approve and execute separate leases with the city for the city's water supply system and sewage disposal system, respectively, which have been under the control of DWSD.
- If the DWSD lease differs in any material respect from the Memorandum of Understanding.

What happens if we don't join the GLWA?

- If the GLWA forms and a county does not join the GLWA, the governor will appoint a representative for that county's water and sewer ratepayers so they will still have a voice on the board.
- Note that after joining, a county can withdraw from the GLWA board at any time subject to a number of conditions which are set forth in the Articles of Incorporation such as a 2/3 majority vote from the Board of Commissioners and payment being made to settle all of its share of obligations, if any, to the GLWA and its creditors.
- One incentive to join the Authority is the fact that, under 1955 Public Act 233, GLWA will have the ability to charge non-member counties more than counties that are incorporating municipalities. Also, incorporating municipalities will appoint their own representative to the board, rather than having someone appointed for them.

What is the alternative?

“It’s likely if we didn’t negotiate a deal that was fair to all sides then the bankruptcy court had the option of engaging in a ‘cramdown.’ That would mean the court could impose any solution it saw fit to resolve the challenges of the Detroit Water and Sewerage Board. I can assure you we would not have the protections we were able to negotiate if we voluntarily stayed out of the water authority.”

L. Brooks Patterson
Oakland County Executive

Questions?

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