



Great Lakes Water Authority

Understanding the Differences

September 19, 2014

For more information, go to Oakgov.com and click on the link for the Great Lakes Water Authority. If you do not have a computer, you may direct your questions to the Oakland County Executive Office at (248) 858-1048.

Operation	Remain as Detroit Department	Transition to the Authority
Governance	<ul style="list-style-type: none"> • Board of Water Commissioners (BOWC) is comprised of 7 members – 4 appointed by Mayor, Wayne, Oakland and Macomb drain commissioners appoint one representative each, subject to the Mayor’s concurrence. • Simple majority voting on all actions except 5 of 7 votes are necessary to approve rates and a capital improvement plan with certain other actions subject to City Council approval. • Potential that the underlying court order creating BOWC could be rescinded in favor of operating DWSD as a city – only department. 	<ul style="list-style-type: none"> • 6-member board appointed by: <ul style="list-style-type: none"> • Mayor – 2 • County Executives of Oakland, Wayne and Macomb – 1 each • Governor – 1 • Simple majority voting on most issues, with super majority voting on: <ul style="list-style-type: none"> • Rate setting • Operating budget • Capital improvement plan • Selection of CEO • Board compensation • Procurement policies • Lease agreement with city • Debt issuance • Super majority vote requires 5 votes in favor for action to occur • Authority Board replaces BOWC
Billing and Collections “Back Stopping”	<ul style="list-style-type: none"> • Billings, collections, bad debt write-offs and water “shut-offs” remain a city responsibility. The city department will retain both retail and wholesale operating functions within Detroit on behalf of its residents/businesses and wholesale (suburban) customers. 	<ul style="list-style-type: none"> • Regional Authority would manage only the wholesale (suburban) operations, “common-to-all” operations (plants, etc.) and wholesale operations within the city. • Detroit becomes a ‘wholesale’ customer of the Regional Authority responsible to its residents and businesses.
Transparency	<ul style="list-style-type: none"> • Issues have existed in prior years. 	<ul style="list-style-type: none"> • Mayor and County officials are committed to financial, programmatic and capital needs transparency.

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<p>5-year Capital Improvement Plan preparation and control</p>	<ul style="list-style-type: none"> • BOWC sets capital need priorities, seeks funding and monitors the capital program. Limited funding has resulted in substantial deferred maintenance particularly in areas with older infrastructure. 	<ul style="list-style-type: none"> • Regional Authority Board sets priorities for wholesale and “common-to-all” capital needs. • Lease payment limited to capital needs of Detroit (set aside in a separate fund) and/or related debt service controlled by Detroit. • Lease payment helps to ensure that the higher priority capital needs are properly funded. • Detroit assumes responsibility for uncertainty surrounding the funding of the capital needs within its borders. • Detroit retains approximately 500 DWSD employees for the operations and maintenance needs of its local infrastructure. 900 employees go to the Authority.
<p>Lease Payment (Control Premium) of \$50 million from “common-to-all” revenues</p> <p>Estimated split:</p> <ul style="list-style-type: none"> • Detroit: one-third • Wholesale (suburban) customers: two-thirds 	<ul style="list-style-type: none"> • The <u>unrestricted</u> cash flow used to fund the control premium would become discretionary for operations or capital needs as determined by the BOWC. 	<ul style="list-style-type: none"> • The lease payment is to be paid into a fund within the Regional Authority for the sole purpose of funding Detroit’s water and sewer capital needs and/or related debt service. • The funding source of the lease payment, in large part, arises from the bankruptcy proceedings – related savings for the following obligations are eliminated: <ul style="list-style-type: none"> • Pension certificates of participation of \$14 million annually in savings. • Retirees’ healthcare payments of \$18 million annually in savings and stems the future growth of these payments. • In addition, an assessment of major operating and physical plant needs is underway and a final report is due at the end of October (such report may provide additional areas of potential savings).
<p>WRAP: Water Residential Affordability Program</p> <p>.5% of Revenues (\$4.5 million in FY-2015) for low-income. Detroit and wholesale (Suburban) Residents. Program criteria to be determined.</p>	<ul style="list-style-type: none"> • Nothing significant available 	<ul style="list-style-type: none"> • Program will be funded from the “common-to-all” cash flow.
<p>Revenue requirement to be limited to no greater than 4% annually billed to the wholesale customers, including Detroit</p>	<ul style="list-style-type: none"> • No commitments on revenue requirements 	<ul style="list-style-type: none"> • Commitment included in memorandum of understanding as a condition of the creation or the Regional Authority.

Operation**Remain as Detroit Department****Transition to the Authority****Contracts**

- Vendor, labor, and wholesale (suburban) water and sewer contracts unaffected.

- Vendor, labor, and wholesale (suburban) water and sewer service contracts would be assigned to the regional authority. Terms and conditions would be unchanged.
- Detroit would sign a wholesale water and sewer service contract.