



# Great Lakes Water Authority

## Understanding the Differences

September 19, 2014

*For more information, go to [Oakgov.com](http://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
<b>Governance</b>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• Potential that the underlying court order creating BOWC could be rescinded in favor of operating DWSD as a city – only department.</li> </ul>	<ul style="list-style-type: none"> <li>• 6-member board appointed by:               <ul style="list-style-type: none"> <li>• Mayor – 2</li> <li>• County Executives of Oakland, Wayne and Macomb – 1 each</li> <li>• Governor – 1</li> </ul> </li> <li>• Simple majority voting on most issues, with super majority voting on:               <ul style="list-style-type: none"> <li>• Rate setting</li> <li>• Operating budget</li> <li>• Capital improvement plan</li> <li>• Selection of CEO</li> <li>• Board compensation</li> <li>• Procurement policies</li> <li>• Lease agreement with city</li> <li>• Debt issuance</li> </ul> </li> <li>• Super majority vote requires 5 votes in favor for action to occur</li> <li>• Authority Board replaces BOWC</li> </ul>
<b>Billing and Collections “Back Stopping”</b>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• Regional Authority would manage only the wholesale (suburban) operations, “common-to-all” operations (plants, etc.) and wholesale operations within the city.</li> <li>• Detroit becomes a ‘wholesale’ customer of the Regional Authority responsible to its residents and businesses.</li> </ul>
<b>Transparency</b>	<ul style="list-style-type: none"> <li>• Issues have existed in prior years.</li> </ul>	<ul style="list-style-type: none"> <li>• Mayor and County officials are committed to financial, programmatic and capital needs transparency.</li> </ul>

Operation	Remain as Detroit Department	Transition to the Authority
<p><b>5-year Capital Improvement Plan preparation and control</b></p>	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Regional Authority Board sets priorities for wholesale and “common-to-all” capital needs.</li> <li>Lease payment limited to capital needs of Detroit (set aside in a separate fund) and/or related debt service controlled by Detroit.</li> <li>Lease payment helps to ensure that the higher priority capital needs are properly funded.</li> <li>Detroit assumes responsibility for uncertainty surrounding the funding of the capital needs within its borders.</li> <li>Detroit retains approximately 500 DWSD employees for the operations and maintenance needs of its local infrastructure. 900 employees go to the Authority.</li> </ul>
<p><b>Lease Payment (Control Premium) of \$50 million from “common-to-all” revenues</b></p> <p><b>Estimated split:</b></p> <ul style="list-style-type: none"> <li>Detroit: one-third</li> <li>Wholesale (suburban) customers: two-thirds</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>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"> <li>Pension certificates of participation of \$14 million annually in savings.</li> <li>Retirees’ healthcare payments of \$18 million annually in savings and stems the future growth of these payments.</li> <li>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).</li> </ul> </li> </ul>
<p><b>WRAP: Water Residential Affordability Program</b></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"> <li>Nothing significant available</li> </ul>	<ul style="list-style-type: none"> <li>Program will be funded from the “common-to-all” cash flow.</li> </ul>
<p><b>Revenue requirement to be limited to no greater than 4% annually billed to the wholesale customers, including Detroit</b></p>	<ul style="list-style-type: none"> <li>No commitments on revenue requirements</li> </ul>	<ul style="list-style-type: none"> <li>Commitment included in memorandum of understanding as a condition of the creation or the Regional Authority.</li> </ul>

**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.