



City of Detroit-Great Lakes Water Authority Water & Sewer Leases & Service Agreement

WATER AND SEWER FACILITIES LEASES:

- GLWA to be conveyed (via a leasehold interest) all regional water and sewerage facilities.
- GLWA to be conveyed interest in all water and sewer system revenues including City of Detroit retail revenues.
- DWSD bonds to be assigned to GLWA and are payable solely from Net Revenues of the System, no full faith and credit pledge.
- GLWA revenue requirements that are targeted not to increase by more than 4 percent per year include \$50M lease payment, \$4.5M Water Residential Assistance Program payment and GLWA employee related frozen Pension Obligation as expenses shared regionally (on a “common-to-all” basis).
 - Per an independent study conducted by Plante & Moran the 4-percent revenue increase cap is sufficient to support these payments and provide funds for “common-to-all” revenue-financed capital.
- The \$50M lease payment may only be used, at City’s discretion, to pay for Detroit local capital improvements or Detroit’s debt service obligations for bonds issued to pay for local or regional improvements.
- A budget stabilization fund to be created and funds set aside from Detroit retail revenues to ensure Detroit meets its customer collection responsibilities.
- GLWA to be assigned existing wholesale service contracts (subject to any required customer approvals not to be unreasonably withheld), vendor contracts, and labor contracts. GLWA is a successor employer.

WATER AND SEWER SERVICES AGREEMENT:

- City of Detroit is delegated, as Authority’s agent, responsibility for setting retail rates, billing, collection and enforcement. Revocable by Authority in event of failure to satisfy requirements.
- Authority to establish two-year budget (periodically adjusted) and require quarterly financial reporting on Detroit retail performance with a Reconciliation Committee to address significant budget to actual variances, if necessary.
- Recent changes in the rate-setting policies of DWSD have provided additional assurances that wholesale and Detroit retail revenues will be realized.

*Leases become effective with the completion of conditions precedent including bondholder consents, contract assignments, permit transfers, Master Bond Ordinance, etc.