

GREAT LAKES WATER AUTHORITY – CITY OF DETROIT WATER AND SEWER LEASES & SERVICES 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 by the City of Detroit or three Counties.
- GLWA revenue requirements that are targeted not to increase by more than 4% 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 accounting report by Plante Moran, the 4-percent revenue increase cap is sufficient to support these payments.
- The \$50M lease payment may only be used, at City’s discretion, to pay for Detroit local improvements or Detroit’s debt service obligations for bonds issued to pay for local or regional improvements.
- A Budget Stabilization Requirement equal to 20% of average annual retail bad debt expense will be established to ensure Detroit meets its complete responsibility for all its obligations and Detroit residents rate increases are mitigated from year-to-year.
- 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 for Detroit retail customers. Revocable by Authority in event of failure to satisfy requirements.
- Detroit to establish 2-year budget and to provide quarterly financial reporting to GLWA on Detroit retail performance with a Reconciliation Committee to address significant budget to actual variances.

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