

## NEWS RELEASE

### MOU recommends creation of regional water authority

**Sept. 9, 2014, Pontiac, Mich.** – Oakland County Executive L. Brooks Patterson has signed a memorandum of understanding (MOU) with the City of Detroit, Wayne and Macomb counties, and the State of Michigan that recommends the creation of a regional water authority. The proposed regional water authority will have the protections Patterson and other regional leaders sought for rate and taxpayers.

“This MOU ensures that there are a number of safeguards for Oakland County rate and taxpayers under the newly-proposed regional water authority,” Patterson said. “It also promotes fiscal responsibility, accountability and transparency.”

The MOU recommends the creation of the Great Lakes Water Authority with the following provisions:

- **The new legal entity will be separate from the state, counties and city forming it.** This means Oakland County and the other incorporating counties will have no liability for the costs and debts of the authority. The debts will belong solely to the authority. There is no general fund obligation from Oakland County.
- **Oakland County will appoint one member of the six-member governing board** who will serve at the county’s pleasure. The other board members will include two individuals appointed by the City of Detroit and one appointed each from Wayne and Macomb counties and the State of Michigan. Up until now, Detroit has had four voting members on the Detroit Water and Sewerage board and the suburbs have had only three. This will end.
- **Customers are protected by super majority voting** that requires at least five of the six authority members’ votes in order to:
  - Appoint the authority’s general manager/executive director
  - Set rates, fees and charges and rate-setting protocols
  - Approve issuance of debt, which shall be revenue-backed debt
  - Approve the annual budget
  - Approve a rolling, five-year capital improvement program
  - Adopt a procurement policy
  - Approve a lease of systems from the City of Detroit
  - To remove any board member for cause
  - To establish any compensation for authority board members that shall be consistent with the practices for other large public utilities

- The authority will have **no taxing power**.
- **The \$50 million lease payment to the City of Detroit will be secured from revenues already anticipated to be charged and collected by the authority** in the existing operation.
- **The authority must honor the DWSD’s announced limit on revenue requirement rate increases for customers to not more than four percent annually for the next 10 years.** (If rates increase by more than four percent, it is an add-on by the local unit of government.)
- **All revenues paid into the authority will stay in the authority.** They cannot be diverted outside the system to pay other Detroit City obligations. This keeps billions of dollars in the system to repair and save the water and sewer system.
- **All existing contracts with DWSD suburban customers will be honored** as negotiated. The authority will assume those contracts.
- **The authority will establish an assistance program** open to all residential customers who are unable to pay their bills.
- **Detroit will take over its own residential customers.** The city will be responsible for all maintenance and collections within the city limits. None of those costs will be borne by suburban customers.

“Our region has used similar models of governance with the Cobo authority and SMART. It is clear from their successes that these tough standards work,” Patterson said. “I want Oakland County citizens, ratepayers, and taxpayers to know that I have kept faith with them throughout these 15 months. I made sure that everything we agreed to was looked at through the prism of what is in their best interest.”

The next step is for each city and county to present the MOU to their respective legislative bodies for consideration of adoption. Representatives from the Oakland County executive office will present the MOU to the Oakland County Board of Commissioners later this month.

“I am sure that the fair and objective reviewer of the MOU will agree that as we move into the future we will have a water system which is fair, affordable, accountable, and transparent. That was our goal,” Patterson said.

“If there are citizens who oppose the regionalization of the water system under any circumstance, they should consider 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,” Patterson said.

Patterson praised all who were involved in the negotiations: “I’d like to thank our partners in the region and at the state, including Jim Nash, for reaching this agreement on the MOU. Our constituents elected us to represent their best interests, even when circumstances are difficult,” he said.

For media inquiries only, please contact Bill Mullan, Oakland County media and communications officer, at 248-858-1048.