

June 2, 2022 – Motion for \$25 million credit to member partners

I appreciate Governor suggesting the use of these recently approved federal funds towards the HP issue.

These are new funds - not budgeted for – and frees up I&E funds that instead were budgeted toward project costs.

It is only a 40% refund, but it's a regional solution can help move us forward with the State toward a long-term solution

I appreciate all the support of the local communities who pushed for this at the State level and appreciate the Governor's assistance and engagement

It benefits all in proportion to what they paid and it covers both water & sewer equally

As we know, many communities voted to start withholding payments next month due to this issue – the goal wasn't to harm GLWA – we are a cooperative – the goal was to engage the State – well we succeeded and have an opportunity to pay these 111 back with help of \$25m of State funds.

CFO stressed their withholding could negatively impact our bond ratings and cost us more to borrow this summer – higher debt costs then for next 30 years – which all don't want

This partial refund avoids that

If approved Macomb will tell its communities to not withhold payments as they said they will do starting in July

and we will issue the sewer credit back to them, while we continue working with State for a long-term solution. I believe Wayne and Oakland County will too.

There is also a fairness issue –

Not fair for 111 member partners to pay debt of 1 other community – and for 10 years – despite Courts and past State efforts

Especially when 80% is sewer debt and our largest sewer customer is excluded from having to pay this debt (Detroit)

And while each community covers their own unpaid debts, 110 of them also have to cover another community's debts.

No one could have anticipated 1 community's debt would grow for 10 years and would total over \$54 m with no end in sight.

So I understand our ratepayer's frustrations - the 4 million customers actually paying HP's bill. It is these folks that we are trying to help here.

Even with this partial refund, the member partner's are still on hook for 60%, but at least quells some discussion on changing how these bad debt gets shared – which if that happens will only negatively impact GLWA

Some have said we should refund only \$5m of the \$25m and reduce next year's 2% sewer rate increase

That doesn't go nearly far enough – it will not stop the withholding and will not prevent negatively impacting our bond rating

The board already lowered next year's proposed sewer charge increase by 2% which wasn't enough.

\$5 million would barely covers the interest on the amounts our member partners paid over 10 years.

Frankly even \$25m doesn't go far enough – but best we can do now while we work on long-term solution.

And even if HP starts to pay (which is in doubt) – they still will make only partial payments as in the past - averaging paying only \$2.7m out of \$6.7m in charges– so the debt still grows \$4m per year.

And then we see another rate increase next year! So that approach solves nothing.

Let's take this opportunity to show some real progress and help our member partners and their ratepayers

This benefits the region and GLWA – and what's good for GLWA is also good for Detroit.

Also gives the State the time to follow through on its commitment to help solve this issue.

Need to do today – we won't have full board next week and communities need time to change their withholding resolutions – June 22 is too late.

This is our only shot for recovering some funds for our member partners – it is money that is not budgeted.

It doesn't absolve HP of their debt, but we know we are unlikely to see any substantial recovery in the future.

I see where others are now getting Federal/State funds for their own community's unpaid bills/bad debts/affordability plans. Even getting unspent WRAP funds transferred to them for their payments to GLWA.

I see this motion as the same thing – using Fed/State \$ to re-pay communities, but not for their own unpaid bills, but for the bad debts they had to pay for another community.

If someone has a better plan to help the communities I would love to hear it

Let's get this behind us, so we can now work with as a region to apply for newly approved Federal and State infrastructure funds for our specific projects needs and work with State on long-term solution for HP.

Motion: To amend the FY 23 budget to use \$5.18 million of water and \$19.82 million of sewer I&E funds (which are freed up by the receipt of \$25 million in new State funds) as a partial prorated credit to our first tier member partner communities for amounts they had to pay for Highland Park unpaid bills for the past 10 years – the funds would be credited to entity's charges by September 1, 2022 or when the State grant agreement is approved, whichever is sooner.