



Financial Services Audit Committee Communication

Date: January 17, 2020

To: Great Lakes Water Authority Audit Committee

From: Jon Wheatley, Public Finance Manager

Re: Update: Oakland Macomb Interceptor Drain Drainage District Wastewater Disposal Services Contract Amendment Implementation

Background: Oakland-Macomb Interceptor Drain Drainage District (OMIDDD) entered into a Wastewater Disposal Services Contract with the City of Detroit on October 22, 2009 (Contract). Pursuant to the Regional Sewerage Disposal Lease between the GLWA and the City of Detroit, the City of Detroit assigned the Contract to GLWA on January 1, 2016. The Contract provides for sewage disposal services like any other wastewater member-partner. It also includes a specific Article on the maintenance, repairs, operations and improvement to the Northeast Pump Station, Northeast Interceptor Arm and Interceptor PCI-5 (Article 22). Under normal operations, the Northeast Pump Station, in its entirety, and portions of the Northeast Interceptor Arm and Interceptor PCI-5 transport sewerage flows from OMIDDD's Service Area only (OMIDDD-only Facilities).

On March 13, 2019, the Great Lakes Water Authority (GLWA) Board of Directors approved an amendment to OMIDDD Wastewater Disposal Services Contract (the Amendment). The overall intent of the Amendment was to clarify OMIDDD's ability to finance capital improvements to the OMIDDD-only Facilities.

In addition to clarifying OMIDDD's ability to finance improvements, the Amendment also: extended the Contract Term, allowed OMIDDD to maintain the OMIDDD-only Facilities, required OMIDDD to assume responsibility for claims related with the maintenance and improvements to the OMIDDD-only Facilities, required to maintain certain levels of insurance during the Contract Term, reduced the number of votes granted to OMIDDD under the One Water Partnership bylaws, specified the requirements of annual Maintenance and Repair Plans and Improvement Plans drafted by OMIDDD for GLWA's approval, identified the GLWA and OMIDDD's Technical Representatives, amended the Service Area map, set OMIDDD's charges for the next 5 years, and set the amount of OMIDDD's contribution-in-aid to eliminate any existing bond debt.

Analysis: Pursuant to the Amendment, the Parties agreed to three provisions that had financial impacts for FY 2020 and beyond. The three provisions, and their related status are shown in the table below.

Requirement	Status
<p>1) For FY 2020, GLWA will charge an annual flat fee of \$1,341,400 to cover certain operating and maintenance of the OMIDDD-only Facilities. The annual flat fee increases 4% each year. The Parties will reopen the annual flat fee charge in FY 2024.</p>	<p>Implemented for FY 2020 (Note: there were some billing adjustments during the start phase when this contract was implemented. All corrections, adjustments, and related payments were resolved in December 2019.)</p>
<p>2) OMIDDD agreed to pay GLWA a \$11,920,000 contribution in aid to eliminate any existing debt service on the OMIDDD-only Facilities.</p> <p>Per the Amendment “Within one hundred eighty days (180) days of the Effective Date, Customer shall pay to GLWA a one-time contribution in aid of capital in the amount of \$11,920,000, which generally reflects GLWA’s determination of net book value of the assets as of the effective date related to the NESPS. “</p>	<p>The Effective Date of the Amendment was July 1, 2019, therefore the agreed upon payment from OMIDDD was due by December 27, 2019 (180 days from the Effective Date).</p> <p>This amount was paid in full by the due date as required.</p>
<p>3) All utilities to the Northeast Sewer Pump Station (NESPS) will be separately metered and charged by GLWA to the NESPS. OMIDDD shall receive a copy of meter readings and utility invoices when billings are submitted from GLWA. GLWA shall not markup the cost of utility services consumed at the NESPS, and such charges shall be a direct pass through charge.</p>	<p>Implemented.</p>

Proposed Action: Receive and file this report.