



Financial Services Audit Committee Communication

Date: January 19, 2018

To: Great Lakes Water Authority Audit Committee

From: Jon Wheatley, Public Finance Manager

Re: Final Update: 2017 Wholesale Water Contract Reopeners

Background: The Great Lakes Water Authority (GLWA) model water contract provides for designated reopener dates in year 2, year 5 and every 5 years afterwards, until the end of the 30-year term of the contract. As part of the reopener process, each customer can discuss its maximum day and peak hour demands, which are included in Exhibit B of the contract, and negotiate those values based on historical performance and projected changes in its usage. The maximum day and peak hour demands in the model contract are used in the determination of customer charges and represent about ninety percent (90%) of the annual revenue requirement for each customer.

Analysis: Between October 9, 2017 and December 13, 2017, the negotiations team met with 29 of the 30 scheduled reopeners plus one out-of-sequence reopener (Commerce Township). As of January 12, 2018, 30 contract amendments have been drafted and sent to the customer and all 30 amendments have been approved by the customer’s legislative body by the January 12, 2018 deadline. The next step in the process is for the GLWA Board of Directors to approve the contract amendments at its January 24, 2018 meeting. Below is a summary of the changes to the contracts, based on the amended contract values.

Reopener results as compared to FY 2018 demand values:

- 22 customers decreased contract demands
- 5 customers increased contract demands
- 4 customers had no change in contract demands

Net Change in reopeners for FY 2019 contract demands vs FY 2018 contract demands:

Demand Type	Net Change (mgd)	Average Change	Impact on Total Water Demands
Max Day	(17.65)	(7.10%)	(2.20%)
Peak Hour	(32.61)	(9.56%)	(3.24%)

The list of wholesale water customers scheduled for contract reopeners is set forth in the table below.

2017 MODEL CONTRACT REOPENER STATUS					
AS OF JANUARY 12, 2018					
	Meeting Scheduled	Meeting with Customer	Contract Amendment Sent to Customer	Contract Amendment Approved by Customer	Contract Amendment Approved by GLWA Board
Allen Park	X	X	X	X	
Belleville	X	X	X	X	
Bruce Twp.	X	X	X	X	
Canton Twp.	X	X	X	X	
Center Line	X	X	X	X	
Dearborn Heights	X	X	X	X	
Eastpointe	X	X	X	X	
Ferndale	X	X	X	X	
Fraser	X	X	X	X	
Imlay City	X	X	X	X	
Lapeer	X	X	X	X	
Mayfield Twp.	X	X	X	X	
Northville	X	X	X	X	
Northville Twp.	X	X	X	X	
Plymouth	X	X	X	X	
Redford Twp.	X	X	X	X	
Riverview	X	X	X	X	
Roseville	X	X	X	X	
St Clair Shores	X	X	X	X	
Sterling Heights	X	X	X	X	
Taylor	X	X	X	X	
Troy	X	X	X	X	
Utica	X	X	X	X	
Van Buren Twp.	X	X	X	X	
Washington Twp.	X	X	X	X	
Wayne					
West Bloomfield Twp.	X	X	X	X	
Wixom	X	X	X	X	
Woodhaven	X	X	X	X	
YCUA	X	X	X	X	
Commerce Twp.	X	X	X	X	

Budget Impact: None.

Proposed Action: Receive and File Report.