



Financial Services Audit Committee Communication

Date: June 15, 2018

To: Great Lakes Water Authority Audit Committee

From: Jon Wheatley, Public Finance Manager

Re: Status Update - 2018 Contract Alignment Process and Wholesale Water Contract Reopeners Status

Background: The Great Lakes Water Authority (GLWA) model water contract currently 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. In the fall of 2017 the GLWA contract negotiation team met with 33 member communities which are served under the model contract for regularly scheduled reopeners, including one out-of-sequence reopener (Commerce Township) to renegotiate contract values. The next regularly scheduled reopener for most of these member communities is scheduled for 2022. The GLWA contract negotiation team will be meeting with 55 member communities throughout 2018 to reopen their model contracts as part of the Contract Alignment Process (CAP) for those that did not reopen their contracts in 2017. In addition to the CAP reopeners, GLWA will also be meeting with 4 additional communities on old forms of contract (Dearborn, Gibraltar, Grosse Ile and Trenton) to discuss getting them on model contracts.

What is the CAP?

As part of the 2017 customer outreach meetings, member communities asked GLWA to implement strategies to achieve goals of water charge stability and equity. As part of this strategy, members asked for alignment of the model contract reopener to a common schedule to minimize the annual charge volatility created by changing contract demands which come as a result of the contract amendments.

The CAP involves all model contract customers that did not have a scheduled reopener in 2017 and requests that those member communities reopen their model contracts in 2018 (“2018 reopeners”) regardless of their current reopener schedule. As part of the 2018 reopener meetings, the contract reopener schedule within each customer contract is amended to change the next regularly scheduled reopener date to 2022 and every 4 years thereafter.

The CAP concept was presented by GLWA at the October 10th and October 26th Water Charges Workgroup meetings and was approved by the member communities at the December 20, 2017 One Water Partnership meeting.

CAP Process

To maximize the efficiency of meeting with 59 communities, the GLWA contract negotiation team grouped the member communities largely by county with a focus on establishing a convenient regional location at which to host the meetings. The month for their meetings were randomly chosen at the December 20, 2017 One Water Partnership meeting. On average, 7 meetings per month have been (or will be) scheduled and will be conducted on 3 pre-announced days within each month.

With the goal of having effective and efficient meetings with all member communities this year, the GLWA negotiation team sends the following packet of information to each member community 30 days prior to scheduled meeting:

- ✓ Latest Exhibit A Drawings
- ✓ Proposed contract amendment
- ✓ Data sheets containing Volume, Max Day and Peak Hour information

Using 2015-2017 data (same data set used for 2017 reopeners)

Request that outlier points be investigated for cause prior to the meeting

By the close of each member community meeting, a time schedule is agreed to by the parties to have the contract amended within the designated time period, based on the governing body's meeting schedule. The time schedule includes:

- ✓ Member must provide GLWA with its proposed Volume for planning purposes, Max Day and Peak Hour values within 30 days after the meeting
- ✓ When the parties have reached mutual agreement on the contract values, GLWA will provide within seven days the contract amendment
- ✓ After receipt of the amendment, Member will have 45 calendar days for its governing body to approve.

CAP Meeting Schedule

Below is the current meeting schedule for the 2018 CAP. Those with check marks indicate that meetings with these member communities have already been held. To date, the GLWA contract negotiation team has met with 25 member communities as part of the CAP. Based on the proposed schedule, the final meetings will be held on October 22, 2017 and all contract amendments must be approved by the member community's governing body by January 11, 2018 to meet the FY 2020 water charges rollout schedule.

| March Meetings - 7 | April Meetings - 7 | May Meetings - 7 |
|--------------------|--------------------|---------------------|
| ✓ Ecorse | ✓ Garden City | ✓ Burtchville |
| ✓ Lincoln Park | ✓ Inkster | ✓ Chesterfield Twp. |
| ✓ Melvindale | ✓ Plymouth Twp. | ✓ Clinton Twp. |
| ✓ River Rouge | ✓ Romulus | ✓ Harrison Twp. |
| ✓ Romeo | ✓ Westland | ✓ Lenox Twp. |
| ✓ Shelby Twp. | ✓ Huron Twp. | ✓ Macomb Twp. |
| ✓ Southgate | ✓ Livonia | ✓ New Haven |

| JUNE 5, 7, & 26 | JULY 10, 16 & 26 | AUGUST 7, 21 & 23 |
|----------------------------------|---------------------------|-----------------------|
| E. Wayne & S. Oakland | NW/Central Oakland | Southern Wayne |
| ✓ Grosse Pte Shores | • Commerce Twp. | • Ash Twp. |
| ✓ Grosse Pte Woods | • Farmington | • Berlin Twp. |
| ✓ Hamtramck | • Farmington Hills | • Brownstown Twp. |
| • Harper Woods | • Novi | • Flat Rock |
| • Hazel Park | • SOCWA | • Rockwood |
| • Oak Park | • Walled Lake | • S. Rockwood |
| ✓ Warren | | • Sumpter Twp. |

| SEPT. 17, 19 & 24 | OCT. 11, 18 & 22 |
|-----------------------------|------------------------|
| East/Central Oakland | Unique Meetings |
| • GW Kuhn | • Village of Almont |
| • Keego Harbor | • Bruce Twp. |
| • Madison Heights | • Ferndale |
| • NOCWA | • Flint |
| • Royal Oak Twp. | • Imlay City |
| • Sylvan Lake | • Walled Lake |
| | • Mayfield Twp. |
| | • Riverview |