



## Financial Services Audit Committee Communication

**Date:** December 21, 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 54 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 has negotiated water model contracts with the city of Inkster, Gibraltar and Grosse Ile Township, with the city of Trenton anticipated to approve its model contract at its council meeting on December 17<sup>th</sup>. Meetings with Dearborn have also been held to discuss getting it on a model contract.

### **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 Progress**

Between March 8, 2018 and October 31, 2018, the team has met with all of the 54 scheduled CAP reopeners plus four member partners previously on old contracts (Gibraltar, Inkster, Grosse Ile and Trenton) for a total of 58 possible contract amendments. As of December 18th, 57 contract amendments have been drafted and sent to the member partner community for local approval. Of the contracts sent, 57 have been approved by the member partner's legislative body. The only member partner that has not been sent a contract amendment is Flat Rock because the contract negotiation team is working to negotiate final values with them. **Table 1** shows the progress for each member partner as part of the CAP.

The deadline for member partner approval by its legislative body is January 11, 2019. Once the contract amendments are approved and returned to GLWA, the contract will be presented to the GLWA Board of Directors for approval. See attached table for the status of each amendment in the approval process.

**Proposed Action:** Receive and file report.