

Legislation Text

File #: 2018-685, Version: 1

Approval of Term Sheet for a Memorandum of Understanding (“MOU”) between the Detroit Water and Sewerage Department and the Great Lakes Water Authority

Agenda of: April 3, 2018
Item No.: **2018-685**
Amount: N/A

TO: The Honorable
Board of Directors
Great Lakes Water Authority

FROM: Sue F. McCormick
Chief Executive Officer
Great Lakes Water Authority

DATE: March 29, 2018

RE: **Approval of Term Sheet for a Memorandum of Understanding (“MOU”) between the Detroit Water and Sewerage Department and the Great Lakes Water Authority**

MOTION

Upon recommendation of Nicolette Bateson, Chief Financial Officer/Treasurer (CFO) and Randal M. Brown, General Counsel, the Board of Directors (Board) of the Great Lakes Water Authority (GLWA):

- 1) Authorizes GLWA’s Chief Executive Officer (CEO), CFO and General Counsel to finalize, and the CEO execute on behalf of the GLWA, the attached Term Sheet for a Memorandum of Understanding (“MOU”) between the Detroit Water and Sewerage Department (DWSD) and the GLWA (the Term Sheet);**
- 2) Following execution of the Term Sheet by all parties, the CEO, CFO and General Counsel shall prepare, finalize and execute a MOU consistent with the provisions of the Term Sheet and shall, on at least a monthly basis keep the Board advised of the progress of finalizing the MOU, including any material changes to the Term Sheet or MOU affecting GLWA;**

3) If the CEO determines that terms of the MOU have materially changed in a manner that is adverse to the GLWA, the CEO or General Counsel shall advise the Board of such change and terminate the authorization provided in paragraph 1 of this Resolution;

4) Notes that five (5) votes are necessary for approval of this Resolution;

5) GLWA and DWSD shall create at a minimum four (4) binders, including the Term Sheet and supporting documentation. The binders shall be retained by both parties' CFOs and General Counsel and kept in their permanent storage; and

6) Authorizes the CEO and CFO to take such other action as may be necessary to accomplish the intent of this vote.

BACKGROUND

The concept of formation of a regional water authority arose as a part of the City of Detroit's Chapter 9 Bankruptcy. The formation of GLWA was discussed during mediation proceedings held as a part of the bankruptcy case. On June, 12, 2015, the City of Detroit and GLWA entered into a Regional Water Supply Lease, a Regional Sewage Disposal Lease (collectively the "Leases") and a Water and Sewer Services Agreement ("WSSA"). On January 1, 2016, the Leases and WSSA became effective and govern the relationship between GLWA and DWSD. In the course of operations, GLWA and DWSD determined that it would be in their mutual interest to clarify certain matters pertaining to the operation of the Leases and WSSA and began discussions regarding creation of a MOU to accomplish that goal. The intent of the Term Sheet, and ultimately the MOU, is to (a) provide clarification of specific sections of the Leases, WSSA and MBO, (b) make adjustments contemplated by the Leases and the WSSA and (c) address the liquidation of specific liabilities.

JUSTIFICATION

The Term Sheet and the MOU will clarify specific sections of the Leases and WSSA including the liquidation of specific liabilities. The MOU is consistent with the intent of the Leases and WSSA to further a long-term collaborative relationship between DWSD and GLWA. The resolution conditions the Board's approval on there being no future material changes to the Term Sheet or MOU that would adversely impact GLWA. Finally, the resolution makes clear the Board's expectation that it continue to be kept informed on progress for the MOU.

BUDGET IMPACT

The budget impact of the Term Sheet is outlined in the document. The Term Sheet does not adversely impact GLWA's ability to perform its current and proposed financial plan.

COMMITTEE REVIEW

This item is being presented directly to the full Board of Directors.

SHARED SERVICES IMPACT

This item does not impact the shared services agreement between GLWA and DWSD.