

Legislation Text

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Proposed Amendment to Oakland-Macomb Interceptor Drain Drainage District Wastewater Disposal Services Contract

Agenda of: March 7, 2019, March 13, 2019

Item No.: **2019-103**

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 4, 2019

RE: Proposed Amendment to Oakland-Macomb Interceptor Drain Drainage District Wastewater Disposal Services Contract

MOTION

Upon recommendation of Sue McCormick, Chief Executive Officer; Nicolette Bateson, Chief Financial Officer; Navid Mehran, Chief Operating Officer-Wastewater; Suzanne Coffey, Chief Planning Officer; and Randal Brown, General Counsel, the Board of Directors (Board) of the Great Lakes Water Authority (GLWA) **approves the proposed Amendment to the Oakland Macomb Interceptor Drain Drainage District Wastewater Disposal Services Contract between the City of Detroit and the Oakland Macomb Interceptor Drain Drainage District (OMIDDD)** and authorizes the Chief Executive Officer to take such other action as may be necessary to accomplish the intent of this vote.

BACKGROUND

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).

GLWA and OMIDDD have negotiated a proposed Amendment to the Contract, which OMIDDD's Board unanimously approved on March 4, 2019. The overall intent of the proposed Amendment is 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 proposed Amendment also: extends the Contract Term, allows OMIDDD to maintain the OMIDDD-only Facilities, requires OMIDDD to assume responsibility for claims related with the maintenance and improvements to the OMIDDD-only Facilities, requires to maintain certain levels of insurance during the Contract Term, reduces the number of votes granted to OMIDDD under the One Water Partnership bylaws, specifies the requirements of annual Maintenance and Repair Plans and Improvement Plans drafted by OMIDDD for GLWA's approval, identifies the GLWA and OMIDDD's Technical Representatives, amends the Service Area map, sets OMIDDD's charges for the next 5 years, sets the amount of OMIDDD's contribution-in-aid to eliminate any existing bond debt.

JUSTIFICATION

Approval of this proposed Amendment to the Contract represents a fair and equitable resolution to the OMIDDD's desire to maintain, repair and improve the OMIDDD-only Facilities, GLWA's desire to operate the OMIDDD-only Facilities and to ensure that the City of Detroit retains ownership of the OMIDDD-only Facilities after the improvements are completed. This proposed Amendment is consistent with GLWA's commitment to working collaboratively with its member partners.

FINANCIAL PLAN IMPACT

GLWA's FY2020 Budget and Charges contemplate the proposed Amendment.

Pursuant to the proposed Amendment, the Parties agreed to a flat fee for GLWA's expenses associated with operating the OMIDDD-only Facilities. For FY2020, the annual flat fee is \$1,341,400. The annual flat fee increases 4% each year. The Parties will reopen the annual flat fee charge in FY2024.

In addition, OMIDDD agreed to a \$11,920,000 contribution in aid to eliminate any existing debt service on the OMIDDD-only Facilities.

OMIDDD also agreed to finance all future improvements during the Contract Term to the OMIDDD-only Facilities. Doing so allows GLWA to allocate bond proceeds to other sewer capital improvements and/or reduce the frequency of borrowing.

As a result of the proposed Amendment, there may be an impact on the use of contractual services and supplies as OMIDDD will assume responsibility to maintain and repair the OMIDDD-only Facilities. GLWA intends to shift personnel, contractual and material resources to other portions of the Regional Sewer System to maintain and improve their resiliency.

SAVINGS, COST OPTIMIZATION, AND REVENUE ENHANCEMENT IMPACT

See the Financial Plan Impact.

COMMITTEE REVIEW

This matter is being presented to directly to the Full Board for consideration and approval.

SHARED SERVICES IMPACT

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