



## **GLWA Statement on Haas Institute Water Affordability Report January 14, 2019**

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GLWA was formed as a part of the City of Detroit's bankruptcy proceedings. The negotiations were extremely complex and ultimately found an alternative to the then proposed sale of the water system which preserved local control and ownership, while addressing the deferred needs of the system.

The writers of the report substitute their judgement for that of the parties to this good faith, arm's length transaction, that was negotiated as a part of a contested legal proceeding and approved by an independent federal judge. This was done without any known effort by the authors to contact GLWA to get an understanding of its formation or the parameters of its operations.

In addition to the \$50 million annual lease payment, at its stand up, GLWA assumed several billion dollars in debt obligations across the water and sewer systems, which increases the price paid to several billion dollars. Also, the Federal Court allowed GLWA to establish a Water Residential Assistance Program (WRAP) and to dedicate a half percent of its total revenues annually for this purpose. Because the WRAP program was established under federal law, it is the only program of its kind permitted in Michigan. The fiscal year 2019 WRAP allocation is approximately \$4.9 million.

Further, the market value for many transactions, cited as "comparable" in the report, are predicated on significant rate increases at the new utilities, and as the report's authors note: "None of these points definitely shows that the [GLWA] lease payment is artificially low."

It is important to note that as agreed in its foundational documents, GLWA is committed to limiting annual increases in its budgeted revenue requirement to four percent or less each fiscal year. In fact, in GLWA's first three years of operation, the Authority has improved upon this 4 percent promise, with an average annual increase to its revenue requirement of 2 percent for the water system and 2.6 percent for the sewer system.