



# Detroit Water and Sewerage Department

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## Legislation Text

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**File #:** 18-0084, **Version:** 1

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Upon recommendation and opinion of Chief Financial Officer (CFO), Thomas Naughton, and General Counsel, Debra N. Pospiech, Esq., the Detroit Board of Water Commissioners (Board) authorizes the following actions:

- 1.) **DWSD's Director, CFO and General Counsel shall finalize, and the Director execute on behalf of the DWSD, the attached Term Sheet for a Memorandum of Understanding (MOU) between DWSD and GLWA (the Term Sheet);**
- 2.) **Following execution of the Term Sheet by all parties, the Director, 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 DWSD;**
- 3.) **If the Director determines that terms of the MOU have materially changed in a manner that is adverse to the DWSD, the Director or General Counsel shall advise the Board of such change and the Board terminates the authorization provided in paragraph 1 of this Resolution; and**
- 4.) **DWSD's Director, CFO and General Counsel shall take such other action as may be necessary to accomplish the intent of this vote.**

Agenda of April 4, 2018

Item No.:18-0084

Amount: N/A

**TO:** The Honorable  
Detroit Board of Water Commissioners  
City of Detroit

**FROM:** Gary A Brown, Director  
Detroit Water and Sewerage Department

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

### **MOTION**

Upon recommendation and opinion of Chief Financial Officer (CFO), Thomas Naughton, and General Counsel, Debra N. Pospiech, Esq., the Detroit Board of Water Commissioners (Board) authorizes the following actions:

- 1.) DWSD's Director, CFO and General Counsel shall finalize, and the Director execute on behalf of the DWSD, the attached Term Sheet for a Memorandum of Understanding (MOU) between DWSD and GLWA (the Term Sheet);
- 2.) Following execution of the Term Sheet by all parties, the Director, 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 DWSD;

- 3.) If the Director determines that terms of the MOU have materially changed in a manner that is adverse to the DWSD, the Director or General Counsel shall advise the Board of such change and the Board terminates the authorization provided in paragraph 1 of this Resolution; and
- 4.) DWSD's Director, CFO and General Counsel shall 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 discussion 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 Master Bond Ordinance; (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 DWSD. 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 DWSD's ability to perform its current and proposed financial plan.

### **BOARD REVIEW**

This matter was individually reviewed by each member of the Board.