



## Frequently Asked Questions

### **Who is responsible for setting wholesale water and sewer rates for FY 2015-2016?**

*DWSD recommends the annual FY 2015-2016 budget and charges to the DWSD Board of Water Commissioners for formal approval. Once approved, these charges are conveyed to wholesale customers to be used to set rates for their retail customers.*

### **Didn't the Memorandum of Understanding (MOU) promise that rates would be capped at 4%?**

*No, the MOU has capped the budget (i.e. Revenue requirement) increases at 4%, not the individual wholesale customer rate increases. The GLWA MOU reads (emphasis added): "Each system, as a whole, is assumed to experience revenue requirement increases of not more than 4% for each of the first ten years under Authority management. The rates and percentage increases for different customers may vary in order to meet their specific revenue requirements."*

*It is important to note that there was zero increase to the DWSD budget for Fiscal Year 2015-16.*

### **What is unique about FY 2015-2016 Wholesale Rate Setting Discussions?**

*For FY 2015-2016, DWSD utilized customer's 24 month average water sales in the allocation of individual revenue requirement. This was necessary because projected water sales were far below actual and has negatively affected DWSD revenue projections. In addition, the City of Flint exited from the system two years earlier than initially planned resulting in lower than expected sales volume and revenue in the current year. A primary goal this year is to collaboratively bring the forecasts into alignment with actual experience.*

*DWSD also increased the fixed cost charge component to 60%. DWSD's costs are 90% fixed but had only recovered 40% of its costs through fixed charges, the rest were recovered through commodity sales.*

*During this budget season, DWSD has significantly increased its educational efforts regarding its charges. More meetings than usual occurred with various Boards and customer groups. Several communication pieces have also been distributed to regional stakeholders and local media.*

### **How does this affect the individual retail rate that I pay for water and sewer services to my community?**

*Your community sets the individual retail charges for water and sewer. There is a layer of activities that lead to the development of retail customer rates:*

- 1) Set DWSD Budget →*
- 2) Determine DWSD Total Revenue Requirement →*
- 3) DWSD Allocates Individual Wholesale Community Revenue Requirement →*
- 4) Community or County Set Budget and Allocate Revenue Requirement →*
- 5) Community or County Set Individual Retail Rates.*



# GREAT LAKES WATER AUTHORITY

## How does GLWA fit into the FY 2015-2016 Budget?

The GLWA Board is actively engaged with DWSD, the DWSD Board of Water Commissioners, and the customers but has no authority over the Fiscal Year 2015-16 budget.

## What is the timeline for GLWA to assume operational responsibility for the regional water and sewer operations from DWSD?

- *Appoint a GLWA Board – completed Dec. 12, 2014*
- *Appoint a GLWA CEO – interim appointment Jan. 2015 (Sue McCormick appointed as Interim CEO Jan. 7, 2015)*
- *Achieve bondholder consent – May 2015*
- *Complete Water Residential Assistance Program (WRAP) design - May 2015*
- *Lease and Shared Services Agreements executed – June 2015*
- *Launch GLWA and DWSD-R – July 1, 2015*
  - *GLWA Board will assume operating responsibility of the regional systems.*
  - *DWSD-R will assume operational responsibility for the Detroit retail system. (DWSD-R is used to denote the **new** DWSD organization with responsibility for the Detroit retail water and sewer system operations.)*
- *Shared Services Center will continue to be responsible for transitional functions (i.e. IT, HR).*

## Who is responsible for achieving these milestones?

A Program Management Office (PMO) has been created to bring together the appropriate City of Detroit, DWSD, consultants, and customers to lead the functional teams to achieving these milestones. The PMO is led by Eric Rothstein of Galardi Rothstein Group and is being supported by OHM Advisors and Project Innovations.

## What is the mechanism that will be used to reach the milestones?

Various study groups have been established to determine the best alternatives for the sharing or separating of each functional area to reach the milestones. A Coordinating Group reviews study group deliverables, monitors the master program schedule progress and provides the GLWA Board with information for decision making.

### **DWSD-R currently has five study groups:**

- *Information Technology*
- *Operations (includes Capital Investment Program, Security)*
- *Customer Service (includes Billing, Collections)*
- *Human Resources*
- *Finance (includes Rates, Legal)*

### **GLWA has four study groups:**

- *Finance*
- *Human Resources*
- *Operations*
- *Stakeholder Engagement*



# GREAT LAKES WATER AUTHORITY

## **How many wholesale customer communities are involved?**

*Volunteer involvement continues to grow with approximately 20 wholesale customer communities with 50 plus representatives currently involved in the effort.*

## **Will the GLWA honor the water/sewer contract that my city/township/village has with DWSD?**

*Yes. The GLWA intends to honor the language in the MOU related to current contracts between suburban communities and the City of Detroit: "Unless otherwise agreed by the parties, the City will assign all customer contracts to the Authority, which shall assume the same."*

## **What is the Water Residential Assistance Program (WRAP) and what are the key steps to create it?**

*The MOU establishes an assistance program for those eligible customers receiving water and sewer services from GLWA, which includes customers in the City of Detroit, and the counties of Genesee, Lapeer, Macomb, Monroe, Oakland, St. Clair, Washtenaw and Wayne. Each year, GLWA will set aside 0.5 percent of its budgeted revenue (presently \$4.5M for FY 2015-16) to fund a program to help low income residential water and sewer customers with paying their bills.*

*Four work teams comprised of local organizations, community assistance agencies and community action groups meet weekly to set the framework for this program. The program will provide payment assistance and a water usage efficiency program to address plumbing issues.*

*The WRAP Program will be presented to the GLWA Board in the May/June timeframe for approval. A key component under development is a comprehensive, multi-lingual outreach plan to provide information to the residential customers across the region in need of payment assistance.*