

Great Lakes Water Authority
Resolution 2015-12-08
RE: Approval of Ordinance Amending Master Water Bond Ordinance
Ordinance 2015-03

By Board Member: Brian Baker

Whereas There has been presented to the Board of Directors of the Great Lakes Water Authority (the “Authority”) an ordinance (the “2015 Supplemental Water Bond Ordinance”) that amends Master Bond Ordinance No. 2015-01 adopted by the Board of Directors on October 7, 2015 (the “Master Water Bond Ordinance”).

Whereas The Articles of Incorporation of the Authority provide that at least 5 of the 6 members of the Authority Board must vote to approve the 2015 Supplemental Water Bond Ordinance.

Now, Therefore Be It:

Resolved That the 2015 Supplemental Water Bond Ordinance, in the form presented to this meeting, is approved and adopted, and the Chairperson and the Secretary are authorized to authenticate the 2015 Supplemental Water Bond Ordinance in the form approved; **And Be it Further**

Resolved That an affirmative vote of at least 5 members of the Authority Board is necessary for the passage of this Resolution.

Adopted by the Great Lakes Water Authority Board on: December 9, 2015

GREAT LAKES WATER AUTHORITY

ORDINANCE NO. 2015-03

AN ORDINANCE TO AMEND MASTER BOND ORDINANCE NO. 2015-01

WHEREAS, pursuant to Resolution No. 2015-10-02 adopted by the Board of Directors of the Great Lakes Water Authority (the "Authority") on October 7, 2015, the Authority approved and adopted Master Bond Ordinance No. 2015-01, an ordinance entitled "AN ORDINANCE TO PROVIDE FOR THE ASSUMPTION BY THE GREAT LAKES WATER AUTHORITY OF ALL OF THE OUTSTANDING WATER SUPPLY SYSTEM REVENUE BONDS AND WATER SUPPLY SYSTEM REVENUE REFUNDING BONDS ISSUED BY THE CITY OF DETROIT, COUNTY OF WAYNE, STATE OF MICHIGAN; TO PROVIDE FOR THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF IMPROVEMENTS TO THE WATER SUPPLY SYSTEM OF THE GREAT LAKES WATER AUTHORITY AND THE CITY OF DETROIT; TO PROVIDE FOR THE ISSUANCE AND SALE OF REVENUE BONDS TO PAY THE COSTS THEREOF; TO PROVIDE FOR THE COLLECTION OF REVENUES FROM THE SYSTEM SUFFICIENT FOR THE PURPOSE OF PAYING THE COSTS OF OPERATION AND MAINTENANCE OF THE SYSTEM AND TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS; TO PROVIDE FOR THE SEGREGATION AND DISTRIBUTION OF THE REVENUES; TO PROVIDE FOR THE RIGHTS OF THE HOLDERS OF THE BONDS AND THE ENFORCEMENT THEREOF; AND TO PROVIDE FOR OTHER MATTERS RELATING TO THE BONDS AND THE SYSTEM" (such ordinance is hereinafter referred to as the "Master Water Bond Ordinance"); and

WHEREAS, it is necessary to amend the Master Water Bond Ordinance as hereinafter provided.

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF DIRECTORS OF THE GREAT LAKES WATER AUTHORITY AS FOLLOWS:

Section 101. Authority for this Supplemental Ordinance. This Supplemental Ordinance (the "2015 Supplemental Ordinance") is adopted pursuant to Section 1102(7) of the Master Water Bond Ordinance.

Section 102. Definitions. Except as otherwise provided in this 2015 Supplemental Ordinance, all terms which are defined in Section 101 of the Master Water Bond Ordinance shall have the same meanings, respectively, in this 2015 Supplemental Ordinance as such terms are given in the Master Water Bond Ordinance.

Section 103. Amendment to Section 101 of the Master Water Bond Ordinance. The following is substituted for and in the place of the definition of "Reserve Requirement" in Section 101 of the Master Water Bond Ordinance:

“ ‘Reserve Requirement’ means, except as otherwise provided with respect to a particular Series of Bonds in the applicable Series Ordinance pursuant to Section 506(d), an amount equal to the Maximum Annual Debt Service requirements for each Series of Outstanding Senior Lien Bonds, which amount is required to be on deposit or, if permitted by law, otherwise provided for (including, but not limited to, through provision of a letter of credit, surety bond or insurance policy in the same amount and with a credit rating at the time of issuance of such Series of Bonds not less than the credit rating on such Series of Bonds) in the Bond Reserve Account; provided, however, that such requirement may be satisfied by a deposit of Bond proceeds at the time of issuance of a Series of Senior Lien Bonds, or by an accumulation on a scheduled basis of investment earnings or other deposits which will result in an amount equal to the Reserve Requirement for such Series of Bonds being on deposit no later than the date of the last scheduled application of all capitalized interest for such Series; provided, further, that with respect to a Series of Senior Lien Bonds which are proposed to be issued as Variable Rate Bonds, the Reserve Requirement shall be calculated utilizing the assumptions set forth under subparagraph (iii) of the definition of Debt Service; and provided that in no event shall the Reserve Requirement exceed the maximum permitted by the Code. Any Reserve Requirement with respect to one or more Series of Junior Lien Bonds shall be established by the related Series Ordinance, and if no amount is established therein, the Reserve Requirement shall be based on the Maximum Annual Debt Service requirement.”

Section 104. Amendment to Section 502 of the Master Water Bond Ordinance. The following is substituted for and in the place of Section 502(a)(3) of the Master Water Bond Ordinance:

“Section 502 Establishment of Funds and Accounts.

(a) The Authority hereby establishes the following funds and accounts (each a “Fund” and collectively, the “Funds”), which, except for the Operation and Maintenance Fund, the Construction Fund, and the Rebate Fund, shall be held in trust by the Trustee pursuant to the terms of this Ordinance:

- (3) Operation and Maintenance Fund consisting of a:
 - (i) Authority Regional Operation and Maintenance Account (and within such account a subaccount to be designated the “Pension Obligation Subaccount”); and
 - (ii) Detroit Local Operation and Maintenance Account (and within such account a subaccount to be designated the “Pension Obligation Subaccount”);”

Section 105. Amendment to Section 504 of the Master Sewer Bond Ordinance. The following is substituted for and in the place of Section 504 of the Master Sewer Bond Ordinance:

“Section 504. Operation and Maintenance Fund; Use of Money in the Operation and Maintenance Fund.

(a) The Operation and Maintenance Fund consisting of its two accounts, the Authority Regional Operation and Maintenance Account and the Detroit Local Operation and Maintenance Account, and within each account a Pension Obligation Subaccount, shall be established as a

custodial account solely between the Authority and a Custodian. The Authority is hereby authorized to execute a Custodial Agreement outside this Ordinance in such form and upon such terms as will allow the Authority to satisfy the operation and maintenance requirements of the Regional Water System and the City to satisfy the operation and maintenance requirements of the Local Water System as herein and as may hereafter by the Authority be provided.

(b) The Operation and Maintenance Fund shall not be part of the Trust Estate held for the benefit of Holders, who shall have no interest in such Fund whatsoever. Any funds at any time on deposit in or credited to the Operation and Maintenance Fund are not and shall not be Pledged Assets.

(c) Amounts in the Authority Regional Operation and Maintenance Account of the Operation and Maintenance Fund shall be used to pay the expenses of administration and operation of the Regional Water System and such current expenses for the maintenance thereof as may be necessary to preserve the same in good repair and working order. The Authority shall have sole and exclusive authority to withdraw funds from the Authority Regional Operation and Maintenance Account of the Operation and Maintenance Fund to pay the expenses of administration and operation of the Regional Water System and such current expenses for the maintenance thereof as may be necessary to preserve the same in good repair and working order as it, in its sole discretion, may at any time and from time to time deem necessary or appropriate. The Regional Water System's allocable share of the Pension Obligation that is required to be paid as an Operation and Maintenance Expense pursuant to the Bankruptcy Order shall be deposited and held in the Pension Obligation Subaccount until paid to GRS. No other Person, shall have the right or authority to use or withdraw funds from the Authority Regional Operation and Maintenance Account of the Operation and Maintenance Fund.

(d) Amounts in the Detroit Local Operation and Maintenance Account of the Operation and Maintenance Fund shall be used to pay the expenses of administration and operation of the Local Water System and such current expenses for the maintenance thereof as may be necessary to preserve the same in good repair and working order. The City shall have sole and exclusive authority to withdraw funds from the Detroit Local Operation and Maintenance Account of the Operation and Maintenance Fund to pay the expenses of administration and operation of the Local Water System and such current expenses for the maintenance thereof as may be necessary to preserve the same in good repair and working order as it, in its sole discretion, may at any time and from time to time deem necessary or appropriate. The Local Water System's allocable share of the Pension Obligation that is required to be paid as an Operation and Maintenance Expense pursuant to the Bankruptcy Order shall be deposited and held in the Pension Obligation Subaccount until paid to GRS. No other Person, shall have the right or authority to use or withdraw funds from the Detroit Local Operation and Maintenance Account of the Operation and Maintenance Fund.

(e) Except for amounts retained by the City on the Effective Date for Operation and Maintenance Expenses pursuant to Section 4.4(a)(ii) of the Lease, the Trustee is hereby authorized and directed to transfer any and all funds held by it as trustee or in any other capacity in the existing Operation and Maintenance Fund created under Ordinance No. 30-02 to the Operation and Maintenance Fund established hereby, in such amounts as directed by the Authority.”

Section 106. Amendment to Section 508 of the Master Water Bond Ordinance. The following is substituted for and in the place of Section 508 of the Master Water Bond Ordinance:

“Section 508. Use of Money in the Pension Obligation Payment Fund. The Pension Obligation Payment Fund established by the Authority under Section 502(a)(9) shall be funded under Section 503 and used for the purposes set forth in this Section 508.

(a) Subject to the issuance of Pension Junior Lien Bonds to satisfy all or a portion of the Pension Obligation, at the written direction of an Authorized Officer to the Trustee, the Trustee shall pay GRS from the Revenues of the Water System on deposit in the Pension Obligation Payment Fund, on the same ratable basis as the allocation of payroll costs between the Water System and the Sewer System, the difference between the annual allocation of the Plan of Adjustment GRS pension contributions provided in the Plan of Adjustment and \$24 million in the aggregate, as determined by the Authority.

(b) Subject to the provisions of Section 503, at the written direction of an Authorized Officer to the Trustee, sufficient funds shall be allocated and disbursed by the Trustee, to the Pension Obligation Payment Fund on a monthly basis until such time as the Pension Obligation Payment Fund contains funds sufficient to pay the difference between the Water System’s allocable share of the annual allocation of the Pension Obligation contributions provided in the Plan of Adjustment, and the Water System’s allocable share of \$24 million (the “Required Annual GRS Payment”) as determined by the Authority.

(c) If such amounts in the Pension Obligation Payment Fund are insufficient to provide for that Fiscal Year’s requirement for the Water System’s contribution of the Required Annual GRS Payment to the GRS pension plan by June 30 of that Fiscal Year, then any amounts or securities held in the respective Improvement and Extension Fund, Extraordinary Repair and Replacement Reserve Fund (in excess of the Extraordinary Repair and Replacement Minimum Requirement) and any other now-existing or after arising accounts under Section 502 of this Ordinance to which payments are subordinate to the payments to the Bond Interest and Redemption Funds (including the Reserve Accounts, if any, therein) as listed in Section 503 hereof, shall be credited or transferred from such Funds or accounts in the priority and order listed above (after satisfaction of the transfers required by Section 511 hereof to the Operating and Maintenance Fund and the Bond Interest and Redemption Funds) to the Pension Obligation Payment Fund; provided, however, that solely for purposes of determining the crediting or transferring of funds to the Pension Obligation Payment Fund: (i)(a) the formula existing as of August 25, 2014, the date of the Bankruptcy Order related to the issuance of the DWSD Obligations, used to determine the Extraordinary Repair and Replacement Minimum Requirement and (b) the definition of “Extraordinary Repair and Replacement Minimum Requirement” will not be changed unless and until the Authority has paid in full the aggregate annual allocation of the Pension Obligation contributions provided in the Plan of Adjustment; (ii) the amount of the Extraordinary Repair and Replacement Minimum Requirement is not increased over the amount of such minimum, which as of August 25, 2014 was \$4,693,660 for the Water System, until the GRS pension contributions provided in the Plan of Adjustment are paid in full; and (iii) provided such funds are not subject to restriction barring transfer under Section 511 hereof; and provided, further, that in no event shall any amounts held in a Construction Fund be used to pay the Pension Obligation that are (x) the proceeds of any debt issued for the Regional Water System or Local Water System pursuant to Ordinance No. 01-05 or this Ordinance, as the same may be amended,

modified or supplemented, or (y) otherwise lawfully restricted to use for capital improvements to the Regional Water System or Local Water System be credited to the Pension Obligation Payment Fund; provided that the Trustee shall be entitled to request written certification from the Authority with respect to the foregoing amounts, and provided, further, that nothing set forth in this Section 508(c) shall prevent the Authority from issuing Pension Junior Lien Bonds to satisfy all or a portion of the Pension Obligation as contemplated by Section 508(a).”

Section 107. Publication and Recordation. This 2015 Supplemental Ordinance shall be published in full in the Detroit Legal News, a newspaper of general circulation within the geographic boundaries of the Authority qualified under State law to publish legal notices, promptly after its adoption, and shall be maintained in the official records of the Authority and such recording authenticated by the signatures of the Chairperson and Secretary of the Authority Board.

Section 108. Repeal. All ordinances, resolutions, indentures or orders, or parts thereof, in conflict with the provisions of this 2015 Supplemental Ordinance are, to the extent of such conflict, repealed.

Section 109. Effective Date. This 2015 Supplemental Ordinance shall be effective as of the Effective Date.

Adopted and signed on the 9th day of December, 2015.

GREAT LAKES WATER AUTHORITY

Signed Robert J. Dalsow
Chairperson

Signed [Signature]
Secretary