



**Great Lakes Water Authority
Audit Committee**

Meeting Agenda

Friday, November 6, 2015 at 8:00 a.m.

5th Floor Board Room, Water Board Building
735 Randolph Street, Detroit, Michigan 48226
GLWater.org

AGENDA

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF AGENDA
4. APPROVAL OF MINUTES
 - A. October 16, 2015
5. PUBLIC PARTICIPATION
6. OLD BUSINESS
 - A. Presentation of Proposed Bifurcated FY 2016 Budget for GLWA
Presenter: Jenny Casler, CPA, Financial Planning & Analysis Manager, DWSD
Proposed Action: Motion that the Audit Committee recommend that the Great Lakes Water Authority Board adopt the Proposed Bifurcated FY 2016 Budget.
7. NEW BUSINESS
 - A. Presentation of First Review Draft Proposed Risk Management Fund Policy
Presenter: Michael Tilley, CPA, Risk Manager, DWSD
Proposed Action: Receive report, provide comments, schedule second review.
 - B. Proposed Procurement of Financial Asset Management Services with PFM Asset Management LLC
Presenter: Nicolette Bateson, CPA, Interim Chief Financial Officer/Treasurer
Proposed Action: Receive and file report.
8. COMMUNICATIONS
 - A. ERP and HRIS/Payroll Implementation Verbal Update
– Dan Rainey, IT Director, DWSD
 - B. Chief Financial Officer Verbal Update
- Work Plan Review; GLWA Standup Activities
9. OTHER MATTERS
- Future Meeting Dates
10. ADJOURNMENT



**Great Lakes Water Authority Audit
Committee**

Meeting Agenda

Friday, October 16, 2015 at 11:00 a.m.

5th Floor Board Room, Water Board Building
735 Randolph Street, Detroit, Michigan 48226
GLWater.org

MINUTES

1. CALL TO ORDER

A. Chairman Brian Baker called the meeting to order at 11:00 AM.

2. ROLL CALL

A. Brian Baker, Robert Daddow, and Joseph Nardone

3. APPROVAL OF AGENDA

A. Chairman Baker requested approval of the agenda as amended.
Added: Plante Moran proposal on Pension Audit v Review Report

MOTION BY:	ROBERT DADDOW
SUPPORT:	JOSEPH NARDONE
ACTION:	APPROVED as amended

4. APPROVAL OF MINUTES

A. Chairman Baker requested approval of the minutes of October 2, 2015.

MOTION BY:	ROBERT DADDOW
SUPPORT:	JOSEPH NARDONE
ACTION:	APPROVED

5. PUBLIC PARTICIPATION

A. None

6. OLD BUSINESS - * Please refer to the Audit Committee 10/16/2015 Binder for details.

A. Presentation of Proposed Bifurcated FY 2016 Budget for GLWA, *page 5**
Presenter: Jenny Casler, CPA, Financial Planning and Analysis Manager, DWSD

Proposed Action: Receive report and schedule second review.

- Chairman Baker requested a motion to receive the presentation, proposed bifurcated FY 2016 Budget for GLWA.

MOTION BY: ROBERT DADDOW
SUPPORT: JOSEPH NARDONE
ACTION: RECEIVE AND FILE

- B. Presentation of Second Review Draft Procurement Policy, *page 17**
Presenter: Butch Johnson, Procurement Director, DWSD and Joan Byrne, Procurement Management Professional, DWSD
Proposed Action: Recommend that the Great Lakes Water Authority Board adopt the procurement policy with an immediate effective date.

- Chairman Baker requested a motion to recommend for approval the procurement policy with immediate effective date subject to a recommendation by the Audit Committee to review and possibly lower the dollar amount threshold required for Board activity.

MOTION BY: ROBERT DADDOW
SUPPORT: JOSEPH NARDONE
ACTION: RECOMMENDED FOR APPROVAL

- C. Presentation of Second Review Draft Investment Policy, *page 65**
Presenter: Cynthia Kushner, CPA, Treasury Manager, DWSD
Proposed Action: Recommend that the Great Lakes Water Authority Board adopt the investment policy with an immediate effective date.

- Chairman Baker requested a motion to recommend approval of the draft investment policy.

MOTION BY: ROBERT DADDOW
SUPPORT: JOSEPH NARDONE
ACTION: RECOMMENDED FOR APPROVAL

7. NEW BUSINESS

- A. Presentation of Risk Management Standup Activities for GLWA, *page 81**
Presenter: Michael Tilley, CPA, Risk Manager, DWSD
Proposed Action: Receive report.

- Chairman Baker requested a motion to receive and file the report.

MOTION BY: ROBERT DADDOW
SUPPORT: JOSEPH NARDONE
ACTION: RECEIVE AND FILE

- B. Proposed Procurement of Utility Billing and Cash Receipting Software, *page 83**
Presenter: Cindy Cezat, CPA, Financial Management Professional, DWSD
Proposed Action: Motion that the Audit Committee recommend to the Great Lakes Water Authority Board to authorize staff to negotiate a contract with BS&A in an amount not to exceed \$63,280 for Utility Billing and Cash Receipting modules including implementation and training and to authorize the Interim Chief Executive Officer to execute that contract and take any other steps necessary to carry out this action, and further, to authorize the expenditure for the additional server and database licenses of \$9,000 for a total allocation of transitional services costs of \$72,280.

- Chairman Baker requested a motion to recommend the proposed software.

MOTION BY: JOSEPH NARDONE
SUPPORT: ROBERT DADDOW
ACTION: RECOMMENDED FOR APPROVAL

- C. Proposed Position Statement Regarding FY 2015 Audit, *page 96**
Presenter: Nicolette Bateson, CPA, Interim GLWA Treasurer/CFO & DWSD CFO
Proposed Action: Audit Committee recommends that the Great Lakes Water Authority Board approve the Position Statement Regarding FY 2015 Audit.

- Chairman Baker requested a motion to recommend for approval the proposed position statement regarding FY 2015 Audit.

MOTION BY: ROBERT DADDOW
SUPPORT: JOSEPH NARDONE
ACTION: RECOMMENDED FOR APPROVAL

8. COMMUNICATIONS

- A. ERP and HRIS/Payroll Implementation *Verbal* Update

– Dan Rainey, IT Director, DWSD

Three new team members for set up and testing: Dawn Oehmke, Cherese Louie, and Gus Hughes

Core team: Mary Pellegrino, Kathy Haves, Mary Gay, and Ron Lewis

Three projects that are in play that constitute this project:

- 1) HRIS payroll project
- 2) Ceridian project, we're using Benefits Express as the provider for open enrollment starting November 2, to process GLWA employee benefits, and
- 3) ICMA, which is brought in to do retirement, savings and health plan

The City's plan for ERP did not meet the needs for GLWA nor for DWSD-R. Plante Moran is looking at the best path forward for us.

B. Chief Financial Officer *Verbal* Update

- Work Plan Review; Schedule Future Committee Meeting Dates

9. OTHER MATTERS

A. Plante Moran Proposal on Pension Audit v Review Report

- Chairman Baker requested a motion to accept and recommend proposal for approval.

MOTION BY:	ROBERT DADDOW
SUPPORT:	JOSEPH NARDONE
ACTION:	APPROVED

B. Chairman Baker requested of CFO Nicolette Bateson to track bad debt expense reports of DWSD-R, seeing how it affects the budget stabilization fund.

C. Scheduled meetings

- November 6, 2015 Audit Committee Meeting
- TBD November 2015 Audit Committee Special Meeting

10. ADJOURNMENT

A. Chairman Baker requested a motion to adjourn.

MOTION BY:	ROBERT DADDOW
SUPPORT:	JOSEPH NARDONE
ACTION:	ADJOURNED

There being no further business, the meeting adjourned at 1:15 PM.



Great Lakes Water Authority
Financial Services Group
Audit Committee Communication

Date: November 6, 2015

To: Audit Committee

From: Jenny Casler, CPA, Financial Planning & Analysis Manager

Re: GLWA FY 2016 Operational Budget (January 1, 2016 to June 30, 2016)

Background: In preparation for adopting a six-month stub-year budget for the Great Lakes Water Authority ("GLWA"), we are presenting an update and additional details in regards to the bifurcation of the fiscal year ("FY") 2016 budget. Assumptions and potential modifications regarding the bifurcated budget were presented to the Audit Committee at its October 2 and 16, 2015 meetings. As stated in these meetings, numerous resources are working collaboratively to establish a bifurcated mid-year budget, recognizing that there are a number of fluid, concurrent work streams. For that reason, the proposed approach is to use the initial FY 2016 budget approved by the BOWC in March 2015, with amendments as presented at the October 2 and 16, 2015 Audit Committee meetings, as the baseline for the bifurcated budget. There may be additional proposed amendments to that budget, which are quantifiable to varying degrees.

At its October 28, 2015 meeting, the Detroit Water and Sewerage Department's ("DWSD-R") Board of Water Commissioners ("BOWC") was presented the FY 2016 bifurcated budget, based on the initially adopted budget, as well as a request that the BOWC approve a budget amendment to establish a bifurcated budget for DWSD-R of \$172.3M, including \$39.4M for Operation and Maintenance ("O&M") for January 1 – June 30, 2016 based on the initial combined budget allocation for the water and sewer retail funds. DWSD leadership is seeking approval of the bifurcation of the initial budget from the City's Financial Review Committee ("FRC"), which is expected to be completed by November 23rd.

Analysis: The Foster Group ("TFG") prepared the accompanying memorandum and exhibits that illustrate the total bifurcated budget, including "direct" O&M expenditures as well as DWSD's share of wholesale costs and expenditures that GLWA will pay on DWSD-R's behalf ("indirect expenditures"). The total extended DWSD-R stub-year budget approximates \$172.3M, including DWSD-R's direct portion of the combined O&M budget of \$39.4M, revenue financed capital of \$3.4M, allocated GLWA wholesale costs of \$91.5M, and indirect costs of \$38M.

GLWA's total stub-year budget approximates \$380M for financial statement purposes and \$460M as consolidated for Master Bond Ordinance ("MBO") purposes.

GLWA staff, advisors, and the DWSD-R leadership continue their weekly meetings to refine the methodology of bifurcating the budget, the potential amendments, and opportunities to balance the budget.

Proposed Action: The Audit Committee recommends that the Great Lakes Water Authority Board adopt the initial stub-year FY 2016 budget.



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MEMORANDUM

GLWA/DWSD-R BUDGET Allocation(s)

November 5, 2015

To: Nickie Bateson

From: Bart Foster

The intent of this memorandum is to provide additional information regarding the comprehensive FY 2016 DWSD BUDGET, and the preliminary modified and “bifurcated stub year” budgets. This discussion and the accompanying exhibits have been developed to assist ongoing conversations regarding how individual revenue and expenditure elements may be reflected in independent (and consolidated) budgets and financial statements for GLWA and DWSD-R once the separation occurs.

This presentation follows a budget / cash-flow presentation, rather than an accrual basis income statement presentation, but the two can eventually be reconciled, and some of the columns are designed to reflect the initial income statement exhibits that we’ve discussed during our financial statement “bifurcation” discussions.

As noted in the subtitle to the exhibits, this presentation reflects the initial annual bifurcated budget, and the “stub year” portion of these exhibits represents the DWSD-R budget approved by the Board of Water Commissioners on October 28. As such, these exhibits reflect adjustments to the original FY 2016 BUDGET revenue and revenue requirement plan approved by the Board of Water Commissioners in March 2015. These modifications have been documented in prior correspondence on this matter and include:

- Modifications to reflect final developments related to:
 - “Non-contract” wholesale water rates;
 - Final lease negotiations; and
 - Decisions made by the City of Detroit regarding application of the Lease Payment for FY 2016.
- Potential changes to the operating expense (O&M) portion of the FY 2016 BUDGET that have been identified. These potential changes include transition expenses related to the separation and utility and contract expenses that were missed in the original budget.

The prior correspondence noted above are intended to be incorporated by reference to this discussion and its exhibits, and we encourage stakeholders to consider all of the material regarding the budget bifurcation in its entirety to provide appropriate context and understanding.

The exhibits are fairly straightforward, herewith a brief introduction to the various “segments” in the columns:

1. The allocation of GLWA wholesale costs to the Detroit Retail Customer Class “as if it were” a wholesale customer.
2. The **indirect** Detroit (Local System) retail costs (such as debt service) that GLWA will incur and directly pay - none of which are allocable to suburban customers.
3. The **direct** Detroit (Local System) retail costs. GLWA will transfer cash to DWSD-R for these elements, and DWSD-R will physically “pay” for them.
 - √ *This is the “cash flow” presentation format from the October 16 GLWA Audit Committee binder (footnote b) – although the specific numbers reflect the modifications discussed above.*
 - √ *The sum of columns 2 and 3 reflects the “consolidated” (footnote a) presentation format from that binder, again with the modified numbers.*
4. The total DWSD-R costs, including wholesale service. (*Sum of Columns 1 thru 3*). It is our understanding that this presentation aligns with the presentation that will be reflected in the DWSD-R financial statements.
5. The allocation of GLWA wholesale costs to suburban customers.
6. Total GLWA wholesale costs. (*Sum of Columns 1 and 5*). It is our understanding that this presentation aligns with the presentation that will be reflected in the GLWA financial statements.
7. Total “consolidated” costs for Master Bond Ordinance (“MBO”) purposes. (*Sum of Columns 6, 2, and 3, or Columns 1+2+3+5*). This matches the existing DWSD presentation, and the presentation that will be maintained for the flow of funds (and debt service coverage, etc.) compliance with the MBO. It is our understanding that this presentation will continue to be required as a “supplemental” schedule in the GLWA financial statements.
8. The combined total. (*Sum of Columns 4 and 6*). Matches the “Total - info only” columns from the initial income statement exhibits in prior discussion material, and acknowledges that total revenues (and revenue requirements) reported on individual financial statements will now double count the “common” elements from Column 1.

We reiterate our encouragement that reviewers consider all of the material that has been submitted regarding the budget bifurcation for FY 2016. We will not attempt to provide additional specific commentary in this document but stand prepared to present this material and discuss this matter at your convenience.

FY 2016 Comprehensive BUDGET Analysis
Initial Annual Bifurcated BUDGET (Includes Modifications Related to Lease Negotiations, etc.)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	DWSD-R				GLWA			
	Wholesale Service	Retail Indirect	Retail Direct	Total Retail <i>for F/S</i> (1) + (2) + (3)	Suburban Customers	Total <i>for F/S</i> (1) + (5)	Consolidated <i>for MBO</i> (6) + (2) + (3)	Combined Total (a) (4) + (6)
WATER								
Revenues								
1	Suburban Wholesale Revenues				304,333,800	304,333,800	304,333,800	304,333,800
2	Detroit Revenues from Rates	11,339,500	37,349,900	45,966,800	94,656,200	11,339,500	94,656,200	105,995,700
3	Miscellaneous Revenue		2,040,200	2,709,800	4,750,000	0	4,750,000	4,750,000
4	Non-Operating Revenue				2,876,900	2,876,900	2,876,900	2,876,900
5	Total Revenues	11,339,500	39,390,100	48,676,600	99,406,200	307,210,700	318,550,200	417,956,400
6	Wholesale O&M (GLWA)	13,191,900			13,191,900	98,464,300	111,656,200	124,848,100
7	Retail O&M (DWSD-R)			44,889,200	44,889,200	0	44,889,200	44,889,200
8	GLWA Operating Pension Reimb't	699,500			699,500	5,337,600	6,037,100	6,736,600
9	DWSD-R Operating Pension Reimb't		4,262,900		4,262,900	0	4,262,900	4,262,900
10	<i>Balance Available after O&M</i>	<i>(2,551,900)</i>	<i>35,127,200</i>	<i>3,787,400</i>	<i>36,362,700</i>	<i>203,408,800</i>	<i>200,856,900</i>	<i>237,219,600</i>
11	Share of Wholesale Debt Service	15,389,800			15,389,800	139,939,400	155,329,200	170,719,000
12	Allocated Retail Debt Service (b)		28,123,900		28,123,900	0	28,123,900	28,123,900
13	Ownership Adjustment per Lease	<i>(20,700,000)</i>	<i>0</i>		<i>(20,700,000)</i>	20,700,000	0	<i>(20,700,000)</i>
14	Share of Wholesale Non-Op Expense (699,400			699,400	5,336,000	6,035,400	6,734,800
15	Allocated Retail Non-Op Expense (c)		4,261,800		4,261,800	0	4,261,800	4,261,800
16	Budget Stabilization Fund Deposit		2,327,000		2,327,000	0	2,327,000	2,327,000
17	Share of Lease Payment (d)	199,700			199,700	19,973,300	20,173,000	20,372,700
18	Share of WRAP Deposit	56,700			56,700	1,511,800	1,568,500	1,625,200
19	Retail WRAP Deposit		414,500		414,500	0	414,500	414,500
20	<i>Balance Available for Rev Fin Cap</i>	<i>1,802,500</i>	<i>0</i>	<i>3,787,400</i>	<i>5,589,900</i>	<i>15,948,300</i>	<i>17,750,800</i>	<i>23,340,700</i>
21	Share of Wholesale Rev Fin Cap	1,802,500			1,802,500	15,948,300	17,750,800	19,553,300
22	<i>Bal Avail for DWSD-R Rev Fin Cap</i>	<i>0</i>	<i>0</i>	<i>3,787,400</i>	<i>3,787,400</i>	<i>0</i>	<i>3,787,400</i>	<i>3,787,400</i>
23	Total BUDGET Items	11,339,500	39,390,100	48,676,600	99,406,200	307,210,700	318,550,200	417,956,400

(a) Presented for information purposes only - reflects "double counting" of common elements in Column 1

(b) Reflects scheduled amortization to retire obligation payable to GLWA associated with DWSD-R Local Facilities

(c) Includes the non-operating pension reimbursement and principal and interest payments on the B and C notes

(d) Ultimately returns to DWSD I&E Account, along with elements on Line 22



FY 2016 Comprehensive BUDGET Analysis
Initial Annual Bifurcated BUDGET (Includes Modifications Related to Lease Negotiations, etc.)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	DWSD-R			GLWA				
	Wholesale Service	Retail Indirect	Retail Direct	Total Retail <i>for F/S</i> (1) + (2) + (3)	Suburban Customers	Total <i>for F/S</i> (1) + (5)	Consolidated <i>for MBO</i> (6) + (2) + (3)	Combined Total (a) (4) + (6)
SEWER								
Revenues								
1	Suburban Wholesale Revenues				267,516,800	267,516,800	267,516,800	267,516,800
2	Detroit Revenues from Rates	171,661,600	34,447,300	240,245,000		171,661,600	240,245,000	411,906,600
3	Miscellaneous Revenue	2,275,700	2,724,300	5,000,000		0	5,000,000	5,000,000
4	Non-Operating Revenue				2,283,300	2,283,300	2,283,300	2,283,300
5	Total Revenues	171,661,600	36,723,000	245,245,000	269,800,100	441,461,700	515,045,100	686,706,700
6	Wholesale O&M (GLWA)	62,129,500		62,129,500	112,135,600	174,265,100	174,265,100	236,394,600
7	Retail O&M (DWSD-R)		33,898,700	33,898,700		0	33,898,700	33,898,700
8	GLWA Operating Pension Reimb't	4,076,700		4,076,700	6,761,700	10,838,400	10,838,400	14,915,100
9	DWSD-R Operating Pension Reimb't		2,861,600	2,861,600		0	2,861,600	2,861,600
10	<i>Balance Available after O&M</i>	<i>105,455,400</i>	<i>33,861,400</i>	<i>142,278,500</i>	<i>150,902,800</i>	<i>256,358,200</i>	<i>293,181,300</i>	<i>398,636,700</i>
11	Share of Wholesale Debt Service	96,641,100		96,641,100	119,621,900	216,263,000	216,263,000	312,904,100
12	Allocated Retail Debt Service (b)		24,999,000	24,999,000		0	24,999,000	24,999,000
13	Ownership Adjustment per Lease	(5,516,000)	0	(5,516,000)	5,516,000	0	0	(5,516,000)
14	Share of Wholesale Non-Op Expense (c)	4,173,600		4,173,600	6,922,700	11,096,300	11,096,300	15,269,900
15	Allocated Retail Non-Op Expense (c)		2,929,700	2,929,700		0	2,929,700	2,929,700
16	Budget Stabilization Fund Deposit		5,591,500	5,591,500		0	5,591,500	5,591,500
17	Share of Lease Payment (d)	6,169,900		6,169,900	15,738,600	21,908,500	21,908,500	28,078,400
18	Share of WRAP Deposit	858,300		858,300	1,317,500	2,175,800	2,175,800	3,034,100
19	Retail WRAP Deposit		341,200	341,200		0	341,200	341,200
20	<i>Balance Available for Rev Fin Cap</i>	<i>3,128,500</i>	<i>0</i>	<i>6,090,200</i>	<i>1,786,100</i>	<i>4,914,600</i>	<i>7,876,300</i>	<i>11,004,800</i>
21	Share of Wholesale Rev Fin Cap	3,128,500		3,128,500	1,786,100	4,914,600	4,914,600	8,043,100
22	<i>Bal Avail for DWSD-R Rev Fin Cap</i>	<i>0</i>	<i>0</i>	<i>2,961,700</i>	<i>0</i>	<i>0</i>	<i>2,961,700</i>	<i>2,961,700</i>
23	Total BUDGET Items	171,661,600	36,723,000	245,245,000	269,800,100	441,461,700	515,045,100	686,706,700

(a) Presented for information purposes only - reflects "double counting" of common elements in Column 1

(b) Reflects scheduled amortization to retire obligation payable to GLWA associated with DWSD-R Local Facilities

(c) Includes the non-operating pension reimbursement and principal and interest payments on the B and C notes

(d) Ultimately returns to DWSD I&E Account, along with elements on Line 22



FY 2016 Comprehensive BUDGET Analysis
Initial Annual Bifurcated BUDGET (Includes Modifications Related to Lease Negotiations, etc.)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	DWSD-R			GLWA				
	Wholesale Service	Retail Indirect	Retail Direct	Total Retail <i>for F/S</i> (1) + (2) + (3)	Suburban Customers	Total <i>for F/S</i> (1) + (5)	Consolidated <i>for MBO</i> (6) + (2) + (3)	Combined Total (a) (4) + (6)
TOTAL WATER AND SEWER								
Revenues								
1	Suburban Wholesale Revenues				571,850,600	571,850,600	571,850,600	571,850,600
2	Detroit Revenues from Rates	183,001,100	71,797,200	80,102,900	334,901,200	183,001,100	334,901,200	517,902,300
3	Miscellaneous Revenue		4,315,900	5,434,100	9,750,000	0	9,750,000	9,750,000
4	Non-Operating Revenue				5,160,200	5,160,200	5,160,200	5,160,200
5	Total Revenues	183,001,100	76,113,100	85,537,000	344,651,200	577,010,800	760,011,900	1,104,663,100
6	Wholesale O&M (GLWA)	75,321,400			75,321,400	210,599,900	285,921,300	361,242,700
7	Retail O&M (DWSD-R)			78,787,900	78,787,900	0	78,787,900	78,787,900
8	GLWA Operating Pension Reimb't	4,776,200			4,776,200	12,099,300	16,875,500	21,651,700
9	DWSD-R Operating Pension Reimb't		7,124,500		7,124,500	0	7,124,500	7,124,500
10	<i>Balance Available after O&M</i>	<i>102,903,500</i>	<i>68,988,600</i>	<i>6,749,100</i>	<i>178,641,200</i>	<i>354,311,600</i>	<i>457,215,100</i>	<i>635,856,300</i>
11	Share of Wholesale Debt Service	112,030,900			112,030,900	259,561,300	371,592,200	483,623,100
12	Allocated Retail Debt Service (b)		53,122,900		53,122,900	0	53,122,900	53,122,900
13	Ownership Adjustment per Lease	(26,216,000)	0		(26,216,000)	26,216,000	0	(26,216,000)
14	Share of Wholesale Non-Op Expense (4,873,000			4,873,000	12,258,700	17,131,700	22,004,700
15	Allocated Retail Non-Op Expense (c)		7,191,500		7,191,500	0	7,191,500	7,191,500
16	Budget Stabilization Fund Deposit		7,918,500		7,918,500	0	7,918,500	7,918,500
17	Share of Lease Payment (d)	6,369,600			6,369,600	35,711,900	42,081,500	48,451,100
18	Share of WRAP Deposit	915,000			915,000	2,829,300	3,744,300	4,659,300
19	Retail WRAP Deposit		755,700		755,700	0	755,700	755,700
20	<i>Balance Available for Rev Fin Cap</i>	<i>4,931,000</i>	<i>0</i>	<i>6,749,100</i>	<i>11,680,100</i>	<i>17,734,400</i>	<i>22,665,400</i>	<i>34,345,500</i>
21	Share of Wholesale Rev Fin Cap	4,931,000			4,931,000	17,734,400	22,665,400	27,596,400
22	<i>Bal Avail for DWSD-R Rev Fin Cap</i>	<i>0</i>	<i>0</i>	<i>6,749,100</i>	<i>6,749,100</i>	<i>0</i>	<i>6,749,100</i>	<i>6,749,100</i>
23	Total BUDGET Items	183,001,100	76,113,100	85,537,000	344,651,200	577,010,800	760,011,900	1,104,663,100

(a) Presented for information purposes only - reflects "double counting" of common elements in Column 1

(b) Reflects scheduled amortization to retire obligation payable to GLWA associated with DWSD-R Local Facilities

(c) Includes the non-operating pension reimbursement and principal and interest payments on the B and C notes

(d) Ultimately returns to DWSD I&E Account, along with elements on Line 22



FY 2016 Stub Year Comprehensive BUDGET Analysis
Initial Stub Year Bifurcated BUDGET (Includes Modifications Related to Lease Negotiations, etc.)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	DWSD-R				GLWA			
	Wholesale Service	Retail Indirect	Retail Direct	Total Retail <i>for F/S</i> (1) + (2) + (3)	Suburban Customers	Total <i>for F/S</i> (1) + (5)	Consolidated <i>for MBO</i> (6) + (2) + (3)	Combined Total (a) (4) + (6)
WATER								
<u>Revenues</u>								
1 Suburban Wholesale Revenues					152,166,900	152,166,900	152,166,900	152,166,900
2 Detroit Revenues from Rates	5,669,800	18,675,000	22,983,400	47,328,200		5,669,800	47,328,200	52,998,000
3 Miscellaneous Revenue		1,020,100	1,354,900	2,375,000		0	2,375,000	2,375,000
4 Non-Operating Revenue					1,438,500	1,438,500	1,438,500	1,438,500
5 Total Revenues	5,669,800	19,695,100	24,338,300	49,703,200	153,605,400	159,275,200	203,308,600	208,978,400
6 Wholesale O&M (GLWA)	6,596,000			6,596,000	49,232,200	55,828,200	55,828,200	62,424,200
7 Retail O&M (DWSD-R)			22,444,600	22,444,600		0	22,444,600	22,444,600
8 GLWA Operating Pension Reimb't	349,800			349,800	2,668,800	3,018,600	3,018,600	3,368,400
9 DWSD-R Operating Pension Reimb't		2,131,500		2,131,500		0	2,131,500	2,131,500
10 <i>Balance Available after O&M</i>	<i>(1,276,000)</i>	<i>17,563,600</i>	<i>1,893,700</i>	<i>18,181,300</i>	<i>101,704,400</i>	<i>100,428,400</i>	<i>119,885,700</i>	<i>118,609,700</i>
11 Share of Wholesale Debt Service	7,694,900			7,694,900	69,969,700	77,664,600	77,664,600	85,359,500
12 Allocated Retail Debt Service (b)		14,062,000		14,062,000		0	14,062,000	14,062,000
13 Ownership Adjustment per Lease	<i>(10,350,000)</i>	<i>0</i>		<i>(10,350,000)</i>	10,350,000	0	0	<i>(10,350,000)</i>
14 Share of Wholesale Non-Op Expense (c)	349,700			349,700	2,668,000	3,017,700	3,017,700	3,367,400
15 Allocated Retail Non-Op Expense (c)		2,130,900		2,130,900		0	2,130,900	2,130,900
16 Budget Stabilization Fund Deposit		1,163,500		1,163,500		0	1,163,500	1,163,500
17 Share of Lease Payment (d)	99,900			99,900	9,986,700	10,086,600	10,086,600	10,186,500
18 Share of WRAP Deposit	28,400			28,400	755,900	784,300	784,300	812,700
19 Retail WRAP Deposit		207,300		207,300		0	207,300	207,300
20 <i>Balance Available for Rev Fin Cap</i>	<i>901,100</i>	<i>(100)</i>	<i>1,893,700</i>	<i>2,794,700</i>	<i>7,974,100</i>	<i>8,875,200</i>	<i>10,768,800</i>	<i>11,669,900</i>
21 Share of Wholesale Rev Fin Cap	901,300			901,300	7,974,100	8,875,400	8,875,400	9,776,700
22 <i>Bal Avail for DWSD-R Rev Fin Cap</i>	<i>(200)</i>	<i>(100)</i>	<i>1,893,700</i>	<i>1,893,400</i>	<i>0</i>	<i>(200)</i>	<i>1,893,400</i>	<i>1,893,200</i>
23 Total BUDGET Items	5,669,800	19,695,100	24,338,300	49,703,200	153,605,400	159,275,200	203,308,600	208,978,400

(a) Presented for information purposes only - reflects "double counting" of common elements in Column 1

(b) Reflects scheduled amortization to retire obligation payable to GLWA associated with DWSD-R Local Facilities

(c) Includes the non-operating pension reimbursement and principal and interest payments on the B and C notes

(d) Ultimately returns to DWSD I&E Account, along with elements on Line 22



FY 2016 Stub Year Comprehensive BUDGET Analysis
Initial Stub Year Bifurcated BUDGET (Includes Modifications Related to Lease Negotiations, etc.)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	DWSD-R			GLWA				
	Wholesale Service	Retail Indirect	Retail Direct	Total Retail <i>for F/S</i> (1) + (2) + (3)	Suburban Customers	Total <i>for F/S</i> (1) + (5)	Consolidated <i>for MBO</i> (6) + (2) + (3)	Combined Total (a) (4) + (6)
SEWER								
<u>Revenues</u>								
1					133,758,400	133,758,400	133,758,400	133,758,400
2	85,830,800	17,223,700	17,068,100	120,122,600		85,830,800	120,122,600	205,953,400
3		1,137,900	1,362,200	2,500,100		0	2,500,100	2,500,100
4					1,141,700	1,141,700	1,141,700	1,141,700
5	85,830,800	18,361,600	18,430,300	122,622,700	134,900,100	220,730,900	257,522,800	343,353,600
6	31,064,800			31,064,800	56,067,800	87,132,600	87,132,600	118,197,400
7			16,949,400	16,949,400		0	16,949,400	16,949,400
8	2,038,400			2,038,400	3,380,900	5,419,300	5,419,300	7,457,700
9		1,430,800		1,430,800		0	1,430,800	1,430,800
10	52,727,700	16,930,700	1,480,900	71,139,300	75,451,400	128,179,000	146,590,700	199,318,300
11	48,320,600			48,320,600	59,811,000	108,131,600	108,131,600	156,452,200
12		12,499,500		12,499,500		0	12,499,500	12,499,500
13	(2,758,000)	0		(2,758,000)	2,758,000	0	0	(2,758,000)
14	2,086,800			2,086,800	3,461,400	5,548,200	5,548,200	7,635,000
15		1,464,900		1,464,900		0	1,464,900	1,464,900
16		2,795,800		2,795,800		0	2,795,800	2,795,800
17	3,085,000			3,085,000	7,869,300	10,954,300	10,954,300	14,039,300
18	429,200			429,200	658,800	1,088,000	1,088,000	1,517,200
19		170,600		170,600		0	170,600	170,600
20	1,564,100	(100)	1,480,900	3,044,900	892,900	2,456,900	3,937,800	5,501,800
21	1,564,300			1,564,300	892,900	2,457,200	2,457,200	4,021,500
22	(200)	(100)	1,480,900	1,480,600	0	(300)	1,480,600	1,480,300
23	85,830,900	18,361,500	18,430,300	122,622,700	134,900,100	220,730,900	257,522,800	343,353,600

(a) Presented for information purposes only - reflects "double counting" of common elements in Column 1

(b) Reflects scheduled amortization to retire obligation payable to GLWA associated with DWSD-R Local Facilities

(c) Includes the non-operating pension reimbursement and principal and interest payments on the B and C notes

(d) Ultimately returns to DWSD I&E Account, along with elements on Line 22

FY 2016 Stub Year Comprehensive BUDGET Analysis
Initial Stub Year Bifurcated BUDGET (Includes Modifications Related to Lease Negotiations, etc.)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	DWSD-R				GLWA			
	Wholesale Service	Retail Indirect	Retail Direct	Total Retail <i>for F/S</i> (1) + (2) + (3)	Suburban Customers	Total <i>for F/S</i> (1) + (5)	Consolidated <i>for MBO</i> (6) + (2) + (3)	Combined Total (a) (4) + (6)
TOTAL WATER AND SEWER								
<u>Revenues</u>								
1 Suburban Wholesale Revenues					285,925,300	285,925,300	285,925,300	285,925,300
2 Detroit Revenues from Rates	91,500,600	35,898,600	40,051,500	167,450,700		91,500,600	167,450,700	258,951,300
3 Miscellaneous Revenue		2,158,000	2,717,100	4,875,100		0	4,875,100	4,875,100
4 Non-Operating Revenue					2,580,100	2,580,100	2,580,100	2,580,100
5 Total Revenues	91,500,600	38,056,600	42,768,600	172,325,800	288,505,400	380,006,000	460,831,200	552,331,800
6 Wholesale O&M (GLWA)	37,660,700			37,660,700	105,300,000	142,960,700	142,960,700	180,621,400
7 Retail O&M (DWSD-R)			39,394,000	39,394,000		0	39,394,000	39,394,000
8 GLWA Operating Pension Reimb't	2,388,100			2,388,100	6,049,700	8,437,800	8,437,800	10,825,900
9 DWSD-R Operating Pension Reimb't		3,562,300		3,562,300		0	3,562,300	3,562,300
10 <i>Balance Available after O&M</i>	<i>51,451,800</i>	<i>34,494,300</i>	<i>3,374,600</i>	<i>89,320,700</i>	<i>177,155,700</i>	<i>228,607,500</i>	<i>266,476,400</i>	<i>317,928,200</i>
11 Share of Wholesale Debt Service	56,015,500			56,015,500	129,780,700	185,796,200	185,796,200	241,811,700
12 Allocated Retail Debt Service (b)		26,561,500		26,561,500		0	26,561,500	26,561,500
13 Ownership Adjustment per Lease	(13,108,000)	0		(13,108,000)	13,108,000	0	0	(13,108,000)
14 Share of Wholesale Non-Op Expense (c)	2,436,500			2,436,500	6,129,400	8,565,900	8,565,900	11,002,400
15 Allocated Retail Non-Op Expense (c)		3,595,800		3,595,800		0	3,595,800	3,595,800
16 Budget Stabilization Fund Deposit		3,959,300		3,959,300		0	3,959,300	3,959,300
17 Share of Lease Payment (d)	3,184,800			3,184,800	17,856,000	21,040,800	21,040,800	24,225,600
18 Share of WRAP Deposit	457,500			457,500	1,414,700	1,872,200	1,872,200	2,329,700
19 Retail WRAP Deposit		377,900		377,900		0	377,900	377,900
20 <i>Balance Available for Rev Fin Cap</i>	<i>2,465,500</i>	<i>(200)</i>	<i>3,374,600</i>	<i>5,839,900</i>	<i>8,866,900</i>	<i>11,332,400</i>	<i>14,706,800</i>	<i>17,172,300</i>
21 Share of Wholesale Rev Fin Cap	2,465,500			2,465,500	8,866,900	11,332,400	11,332,400	13,797,900
22 <i>Bal Avail for DWSD-R Rev Fin Cap</i>	<i>0</i>	<i>(200)</i>	<i>3,374,600</i>	<i>3,374,400</i>	<i>0</i>	<i>0</i>	<i>3,374,400</i>	<i>3,374,400</i>
23 Total BUDGET Items	91,500,600	38,056,600	42,768,600	172,325,800	288,505,400	380,006,000	460,831,200	552,331,800

(a) Presented for information purposes only - reflects "double counting" of common elements in Column 1

(b) Reflects scheduled amortization to retire obligation payable to GLWA associated with DWSD-R Local Facilities

(c) Includes the non-operating pension reimbursement and principal and interest payments on the B and C notes

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Great Lakes Water Authority
Financial Services Group
Audit Committee Communication

Date: November 6, 2015

To: Audit Committee

From: Michael J. Tilley, Risk Manager

Re: Presentation of Draft Risk Management Fund Policy

Background: The target date for the Great Lakes Water Authority (the Authority) to assume operational control of the regional water supply and sewerage disposal systems is fast approaching. One of the operational objectives preceding the January 1 target date is the establishment of a *Risk Management Fund Policy*.

The risk management function has several initiatives underway related to the procurement of service providers and various insurance policies for risk transfer purposes (e.g., contract for a third-party administrator for workers' compensation, and the marketing of an "all risk" property insurance program for the regional water supply and sewerage disposal system). Funding of those initiatives would come from a newly established fund.

Analysis: Risk management is an important function requiring the collective insight and cooperation of all operational areas in order to adequately assess and reduce the Authority's liability and exposure to risk. The establishment of a risk management committee promotes the fact that the responsibility for risk is not centered in one person or one department.

One element of risk management is to provide adequate funding. To that end, an approved *Risk Management Fund Policy* will establish the framework and the initial and ongoing funding for a designated fund within the operating fund of the Authority.

Proposed Action: Provide feedback on the attached draft and schedule a second review session by the Audit Committee prior to recommendation for adoption by the Great Lakes Water Authority Board.



GREAT LAKES WATER AUTHORITY RISK MANAGEMENT FUND POLICY

Section 1: RISK MANAGEMENT COMMITTEE

The Risk Management Committee is comprised (subject to modifications by the CEO) of:

1. Chief Executive Officer (acting Chair of the Committee)
2. Chief Financial Officer;
3. Chief Administrative and Compliance Officer;
4. I. T. Director;
5. Chief Operating Officer;
6. Chief Planning Officer;
7. Chief Security and Integrity Officer, and
8. Organizational Development Director.

Section 2: DUTIES OF COMMITTEE

In addition to their regular duties, members of the Risk Management Committee shall have the following responsibilities:

1. Review and approve risk management policies, programs and activities to minimize the exposure or liability of the Great Lakes Water Authority to claims and damages;
2. Produce an annual report that summarizes its evaluation, monitoring and coordination of GLWA's comprehensive risk management strategy;
3. Prepare for the Board an annual strategic risk management report which evaluates the effectiveness of risk management functions within the GLWA including, but not limited to, an annual Total Cost of Risk (TCOR) analysis not later than 60 calendar days after the end of each calendar year;
4. Develop an annual report summarizing claims that have been paid by the Authority on risk related matters including, but not limited to, the settlement of lawsuits, general liability claims, and worker's compensation claims. The report shall provide recommendations for risk avoidance and liability exposure reduction measures related to these claims.

Section 3: RISK MANAGEMENT FUND

Section. 3.1 Created.

A designated fund, within the operating fund, shall be established by the Authority, to be designated "*Risk Management Fund of the Great Lakes Water Authority*," hereinafter in this division called the "Risk Management Fund."

Section 3.2: Initial and permanent funding; use; minimum balance.

(a) There shall be initially deposited into the Risk Management Fund a sum not to exceed five million dollars (\$5,000,000), provided that an amount not to exceed four million dollars (\$4,000,000) shall be used to fund: (i) the payment of losses by the Authority during the fiscal year, and (ii) the payment of the cost of any insurance policies or brokerage services deemed necessary by the Risk Management Committee.

(b) An amount equal to not less than one million dollars (\$1,000,000), hereinafter in this division called the "minimum required balance," shall be maintained in the Risk Management Fund as permanent fund equity for the payment on behalf of the authority of all sums which the authority shall become legally obligated to pay. The Chief Financial Officer (CFO) may recommend, from time to time, subject to Board approval, an increase or reduction in the minimum required balance. The CFO shall timely advise the Board of any event or circumstance which would cause or result in a reduction of the balance in the Risk Management Fund to an amount less than the minimum required balance during any fiscal year, hereinafter called the "deficiency." In such event, the CFO shall also recommend an amendment to appropriations necessary to eliminate the deficiency.

(c) Accumulations to the Risk Management Fund by virtue of funding contributions may be used to pay all self-insured losses up to stop-loss limits, the cost of third-party liability insurance premiums to insure against losses and administrative costs incurred in connection with the payment of such losses, the procurement of third-party administrators for workers' compensation, general liability, and commercial vehicles, or the retention of a property & casualty insurance broker.

Section 3.3: Contributions and adjustments.

The Chief Financial Officer shall annually make a recommendation for inclusion in the budget, subject to the normal budget process, of the amounts to be contributed to the Risk Management Fund based upon a reasonable cost allocation methodology. Adjustments to such contributions may be made annually pursuant to the recommendations of the CFO as a budget amendment.

In the event that the losses of any department in any fiscal year exceed any such department's contribution to the Risk Management Fund for that year, contributions by such department in future years may be increased to reflect fully the losses incurred as recommended by the CFO as a budget amendment.

The CFO is authorized to develop and administer guidelines, policies and procedures for funding the risk management activities. Those guidelines, policies and procedures shall be applied in a nondiscriminatory manner to, and shall be adhered to by, the departments so as to carry out the provisions of this division in as cost effective a manner as possible and to preserve the Risk Management Fund for the purposes for which it has been established. In making the recommendations as called for under this section, the CFO may take into account actuarial determinations based on the loss experiences of the departments.

Section 3.4: Investment of funds.

The Chief Financial Officer, subject to applicable laws, may from time to time invest, sell and reinvest the monies of the Risk Management Fund in investments. Earnings from such investments shall be credited to the Risk Management Fund.

Solely for the purposes of investment, the monies of the Risk Management Fund may be pooled with the monies of the operating fund, provided that the Chief Financial Officer shall account separately for the monies of the Risk Management Fund in pooled investments and the earnings thereon.

Section 3.5: Losses covered.

(a) Losses shall be paid from the Risk Management Fund. Should any loss or losses exceed the accumulated balance in the Risk Management Fund, any such deficiency in the Risk Management Fund shall be satisfied in accordance with applicable laws.

(b) The Risk Management Fund shall cover liability to third parties for any loss or damage whatsoever whether arising out of negligence, tort, contract or otherwise accruing payable by the GLWA and for which insurance coverage could be provided by a third party insurer, but for which the GLWA has determined to self-insure, including, without limitation, any obligation for which the GLWA may be held liable under Worker's Compensation or Disability Benefits Law, or under any similar laws, or for damage to property or personal injury, in accordance with applicable law.

Sec. 3.6: Payment.

The CFO shall pay losses from the Risk Management Fund, except for losses resulting from a consent judgment or decree. For the purpose of this section, a consent judgment or decree means an order or judgment issued by a judge based on an agreement between the parties to a lawsuit to settle the matter aimed at ending the litigation with a judgment or order that is enforceable.

Sec. 3.7: Additional insurance.

The Risk Management Fund shall be the sole provider of coverage for losses as defined in this division, provided that any department may petition the CFO for exception, which petition may not be unreasonably denied. No payment shall be made from the Risk Management Fund for losses covered by any purchased insurance within the limits of such insurance.

Sec. 3.8: Appropriations; annual reports.

The CFO shall make an annual report for the most recently completed fiscal year ending June 30 to the GLWA Board before the twentieth day of September of each year regarding the performance and the fiscal status of the Risk Management Fund.

The annual report shall include the loss experiences of the departments, respectively, as well as investment earnings with respect to the Risk Management Fund, together with a recommendation thereon as to the appropriations necessary to carry out the provisions of this division.

Such recommended appropriations may be included in the budget for the ensuing fiscal year, subject to the normal budget process, provided that such appropriations shall be prorated among the departments, respectively, on the basis of loss experiences.



Great Lakes Water Authority
Financial Services Group
Audit Committee Communication

Date: November 6, 2015

To: Audit Committee

From: Nicolette Bateson, CPA, Interim Chief Financial Officer/Treasurer

Re: Proposed Procurement of Financial Asset Management Services
with PFM Asset Management LLC

Background: The target date for the Great Lakes Water Authority (the Authority) to assume operational control of the regional water supply and sewerage disposal systems is fast approaching. One of the operational objectives preceding the January 1 target date is the transfer of an investment portfolio from the City of Detroit Water & Sewerage Department (DWSD) to the Great Lakes Water Authority (GLWA) in accordance with terms of a lease agreement between the two entities.

Analysis: The DWSD Treasury Division has made significant progress in professionalizing the treasury operations over the past two+ years. Despite that, staff has a number of goals which have been sidelined due to vacancies and an increasing workload in other areas of treasury management. In order to address 1) portfolio and cash management optimization opportunities, 2) overcome personnel resource constraints during the stand-up of both GLWA and DWSD-Retail, 3) expand the transparency and capacity of investment portfolio reporting; and 4) provide an added level of controls at the effective date, it is recommended that an asset management firm be engaged for a period of six months to support these activities.

Staff researched firms selected by other public entities that utilized a well vetted procurement process. It was determined that the firm of PFM Asset Management PLLC was the selected vendor in a number of similar scenarios. Staff has met with representatives of PFM to gain an understanding of how their expertise could benefit DWSD/GLWA. Attached is the first draft of the PFM Asset Management proposal. Over the next week, staff will work with PFM to finalize that agreement.

Next Steps: Given the nature of the matter, it is prudent to engage these services now for the standup of the GLWA. Consequently, the Board of Water Commissioners Finance Committee will receive a similar briefing on this matter at its next meeting on November 12, 2015. The six month fee, as calculated below, is within the DWSD Directors signature authority. It is

presumed that this contract would proceed with GLWA.

Estimated Fee - Full Portfolio				Reserve & Construction Funds Only			
	Portfolio	Rate	Fee		Portfolio	Rate	Fee
1st	\$ 100,000,000	0.080%	\$ 80,000	\$	100,000,000	0.080%	\$ 80,000
2nd	100,000,000	0.060%	60,000		100,000,000	0.060%	60,000
above 2nd	<u>600,000,000</u>	0.050%	<u>300,000</u>		<u>200,000,000</u>	0.050%	<u>100,000</u>
	<u>\$ 800,000,000</u>		<u>\$ 440,000</u>	\$	<u>400,000,000</u>		<u>\$ 240,000</u>
	Monthly		<u><u>\$ 36,667</u></u>				<u><u>\$ 20,000</u></u>
	Six Month Contract		\$ 220,000				\$ 120,000

Proposed Action: Receive report.

INVESTMENT ADVISORY AGREEMENT

THIS AGREEMENT, entered into as of the _____ day of _____, 2015, by and between GREAT LAKES WATER AUTHORITY, a _____ public agency (hereinafter the "Client"), and PFM ASSET MANAGEMENT LLC, a Delaware limited liability company with an office in Ann Arbor, MI (hereinafter the "Advisor").

WITNESSETH

WHEREAS, the Client has funds available for investment purposes (the "Initial Funds") for which it intends to conduct an investment program; and

WHEREAS, the Client desires to avail itself of the experience, sources of information, advice, assistance and facilities available to the Advisor; to have the Advisor undertake certain duties and responsibilities; and to perform certain services as investment advisor on behalf of the Client, as provided herein; and

WHEREAS, the Advisor is willing to provide such services on the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties hereto, intending to be legally bound, agreed as follows:

1. SERVICES OF ADVISOR.

The Client hereby engages the Advisor to serve as investment advisor under the terms of this Agreement with respect to the Initial Funds and such other funds as the Client may from time to time assign by written notice to the Advisor (collectively the "Managed Funds"), and the Advisor accepts such engagement. In connection therewith, the Advisor will provide investment research and supervision of the Managed Funds investments and conduct a continuous program of investment, evaluation and, when appropriate, sale and reinvestment of the Managed Funds assets. The Advisor shall continuously monitor investment opportunities and evaluate investments of the Managed Funds. The Advisor shall furnish the Client with statistical information and reports with respect to investments of the Managed Funds. The Advisor shall place all orders for the purchase, sale, loan or exchange of portfolio securities for the Client's account with brokers or dealers recommended by the Advisor and/or the Client, and to that end

the Advisor is authorized as agent of the Client to give instructions to the custodian designated by the Client (the “Custodian”) as to deliveries of securities and payments of cash for the account of the Client. In connection with the selection of such brokers and dealers and the placing of such orders, the Advisor is directed to seek for the Client the most favorable execution and price, the determination of which may take into account, subject to any applicable laws, rules and regulations, whether statistical, research and other information or services have been or will be furnished to the Advisor by such brokers and dealers. The Custodian shall have custody of cash, assets and securities of the Client. The Advisor shall not take possession of or act as custodian for the cash, securities or other assets of the Client and shall have no responsibility in connection therewith. Authorized investments shall include only those investments which are currently authorized by the state investment statutes and applicable covenants and as supplemented by such other written instructions as may from time to time be provided by the Client to the Advisor. The Advisor shall be entitled to rely upon the Client’s written advice with respect to anticipated drawdowns of Managed Funds. The Advisor will observe the instructions of the Client with respect to broker/dealers who are approved to execute transactions involving the Managed Funds and in the absence of such instructions will engage broker/dealers which the Advisor reasonably believes to be reputable, qualified and financially sound.

2. COMPENSATION.

(a) For services provided by the Advisor pursuant to this Agreement, the Client shall pay the Advisor an annual fee, in monthly installments, based on the daily net assets under management according to the schedule below:

<u>Average Assets Under Management</u>	<u>Fees</u>
Initial \$100 million	8 basis points (0.08%)
Next \$100 million	6 basis points (0.06%)
Above \$200 million	5 basis points (0.05%)

The minimum annual fee is \$15,000.

(b) The Advisor will bill the Client monthly for service performed under this Agreement, said bill to include a statement indicating the basis upon which the fee was calculated. The Client shall pay to the Advisor the amount payable pursuant to this Agreement not later than on the 15th day of the month following the month during which the Advisor's statement was rendered.

(c) Assets invested by the Advisor under the terms of this Agreement may from time to time be invested in a money market mutual fund or local government investment pool managed by the Advisor (either, a “Pool”), or in individual securities. Average daily net assets subject to the fees described in this section shall not take into account any funds invested in the Pool. Expenses of the Pool, including compensation for the Advisor and the Pool custodian, are described in the relevant prospectus or information statement and are paid from the Pool.

(d) If and to the extent that the Client shall request the Advisor to render services other than those to be rendered by the Advisor hereunder, such additional services shall be compensated separately on terms to be agreed upon between the Advisor and the Client.

3. EXPENSES.

(a) The Advisor shall furnish at its own expense all necessary administrative services, office space, equipment, clerical personnel, telephone and other communication facilities, investment advisory facilities, and executive and supervisory personnel for managing the Managed Funds.

(b) Except as expressly provided otherwise herein, the Client shall pay all of its own expenses including, without limitation, taxes, commissions, fees and expenses of the Client’s independent auditors and legal counsel, if any, brokerage and other expenses connected with the execution of portfolio security transactions, insurance premiums, and fees and expenses of the Custodian.

4. REGISTERED ADVISOR; DUTY OF CARE.

The Advisor hereby represents it is a registered investment advisor under the Investment Advisers Act of 1940, as amended. The Advisor shall immediately notify the Client if at any time during the term of this Agreement it is not so registered or if its registration is suspended. The Advisor agrees to perform its duties and responsibilities under this Agreement with reasonable care. The federal securities laws impose liabilities under certain circumstances on persons who act in good faith. Nothing herein shall in any way constitute a waiver or limitation of any rights which the Client may have under any federal securities laws. The Client hereby authorizes the Advisor to sign I.R.S. Form W-9 on behalf of the Client and to deliver such form to broker-dealers or others from time to time as required in connection with securities transactions pursuant to this Agreement.

5. ADVISOR'S OTHER CLIENTS.

The Client understands that the Advisor performs investment advisory services for various other clients which may include investment companies, commingled trust funds and/or individual portfolios. The Client agrees that the Advisor, in the exercise of its professional judgment, may give advice or take action with respect to any of its other clients which may differ from advice given or the timing or nature of action taken with respect to the Managed Funds. The Advisor shall not have any obligation to purchase, sell or exchange any security for the Managed Funds solely by reason of the fact that the Advisor, its principals, affiliates, or employees may purchase, sell or exchange such security for the account of any other client or for itself or its own accounts.

6. TERM.

This Agreement may be terminated by the Client in the event of any material breach of its terms immediately upon notice by certified mail, return receipt requested. This Agreement may be terminated by the Client at any time, on not less than thirty (30) days' written notice to the Advisor. The Advisor may terminate this Agreement immediately upon any material breach of its terms by the Client, or at any time after one year upon thirty (30) days' written notice to the Client.

7. FORCE MAJEURE.

The Advisor shall have no liability for any losses arising out of the delays in performing or inability to perform the services which it renders under this Agreement which result from events beyond its control, including interruption of the business activities of the Advisor or other financial institutions due to acts of God, acts of governmental authority, acts of war, terrorism, civil insurrection, riots, labor difficulties, or any action or inaction of any carrier or utility, or mechanical or other malfunction.

8. DISCIPLINARY ACTIONS.

The Advisor shall promptly give notice to the Client if the Advisor shall have been found to have violated any state or federal securities law or regulation in any final and unappealable judgment in any criminal action or civil suit in any state or federal court or in any disciplinary proceeding before the Securities and Exchange Commission or any other agency or department of the United States, any registered securities exchange, the Financial Industry Regulatory Authority, or any regulatory authority of any State based upon the performance of services as an investment advisor.

9. INDEPENDENT CONTRACTOR.

The Advisor, its employees, officers and representatives shall not be deemed to be employees, agents (except as to the purchase or sale of securities described in Section 1), partners, servants, and/or joint ventures of the Client by virtue of this Agreement or any actions or services rendered under this Agreement.

10. BOOKS.

The Advisor shall maintain records of all transactions in Client's Managed Funds. The Advisor shall provide the Client with a monthly statement showing deposits, withdrawals, purchases and sales (or maturities) of investments, earnings received, and the value of assets held on the last business day of the month. The statement shall be in the format and manner that is mutually agreed upon by the Advisor and the Client.

11. THE ADVISOR'S BROCHURE AND BROCHURE SUPPLEMENT.

The Advisor warrants that it has delivered to the Client prior to the execution of this Agreement the Advisor's current Securities and Exchange Commission Form ADV, Part 2A (brochure) and Part 2B (brochure supplement). The Client acknowledges receipt of such brochure and brochure supplement prior to the execution of this Agreement.

12. MODIFICATION.

This Agreement shall not be changed, modified, terminated or discharged in whole or in part, except by an instrument in writing signed by both parties hereto, or their respective successors or assigns.

13. SUCCESSORS AND ASSIGNS.

The provisions of this Agreement shall be binding on the Advisor and its successors and assigns, provided, however, that the rights and obligations of the Advisor may not be assigned without the consent of the Client.

14. NOTICE.

Written notices required under this Agreement shall be sent by regular mail, certified mail, overnight delivery or courier, and shall be deemed given when received at the parties' respective addresses shown below. Either party must notify the other party in writing of a change in address.

Client's Address

Nicolette N. Bateson, CPA
Chief Financial Officer, Detroit Water & Sewerage Department
Interim Treasurer/Chief Financial Officer, Great Lakes Water Authority
735 Randolph, Room 1608
Detroit, Michigan 48226

Advisor's Address

PFM Asset Management LLC
305 E. Eisenhower Parkway
Suite 112
Ann Arbor, MI 48108
Attn: Brian Quinn

With copy to:

PFM Asset Management LLC
Two Logan Square, Suite 1600
18th & Arch Streets
Philadelphia, PA 19103-2770
Attn: Controller

15. APPLICABLE LAW.

This Agreement shall be construed, enforced, and administered according to the laws of the State of Michigan. The Advisor and the Client agree that, should a disagreement arise as to the terms or enforcement of any provision of this Agreement, each party will in good faith attempt to resolve said disagreement prior to filing a lawsuit.

16. EXECUTION AND SEVERABILITY.

Each party to this Agreement represents and warrants that the person or persons signing this Agreement on behalf of such party is authorized and empowered to sign and deliver this Agreement for such party. The invalidity in whole or in part of any provision of this Agreement shall not void or affect the validity of any other provision.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their authorized representatives as of the date set forth in the first paragraph of this Agreement.

PFM ASSET MANAGEMENT LLC

By: _____

Name: Timothy Sullivan

Title: Managing Director

GREAT LAKES WATER AUTHORITY

By: _____

Name: Nicolette Bateson

Title: Chief Financial Officer

DRAFT



Great Lakes Water Authority
Financial Services Group
Audit Committee Communication

INFORMATION ITEMS

DWSD Attrition Schedule As of October 31, 2015

