

*In the opinion of Bond Counsel, subject to compliance with certain covenants, under existing law and except as described under “TAX MATTERS” herein, (1) interest on the Series 2024 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), (2) interest on the Series 2024 Bonds is not an item of tax preference in calculating the federal alternative minimum tax imposed on individuals, (3) interest on the Series 2024 held by an “applicable corporation” (within the meaning of Section 59(k) of the Code) is included in annual “adjusted financial statement income” for purposes of calculating the alternative minimum tax imposed on an applicable corporation under Section 55 of the Code that are subject to the corporate alternative minimum tax under Section 55 of the Code and (4) the Series 2024 Bonds and the interest thereon are exempt from taxation by the State of Michigan or by any taxing authority within the State of Michigan, except estate taxes and taxes on gains realized from the sale, payment or other disposition of the Series 2024 Bonds. See “TAX MATTERS.”*



**\$384,105,000**  
**GREAT LAKES WATER AUTHORITY**  
**Water Supply System Revenue Refunding Bonds**  
**Series 2024**

**\$348,175,000**  
**Water Supply System**  
**Revenue Refunding Senior**  
**Lien Bonds**  
**Series 2024A**

**\$35,930,000**  
**Water Supply System**  
**Revenue Refunding Second**  
**Lien Bonds**  
**Series 2024B**

**Dated: Date of Delivery**

**Due as shown on inside cover page**

The Water Supply System Revenue Refunding Bonds set forth above (the “Series 2024 Bonds”) will be issued by the Great Lakes Water Authority (the “Authority” or “GLWA”) pursuant to the Ordinance (as defined herein) of the Authority to (i) refund certain Refunded Bonds (as defined herein) and (ii) pay certain costs of issuance of the Series 2024 Bonds. The Series 2024 Bonds are payable from the Pledged Assets (as defined herein) pledged as security therefor under the Bond Ordinance. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS.”

The Authority operates the regional water supply and sewage disposal systems previously operated by the City of Detroit (the “City”). The Authority assumed all of the outstanding debt of the City relating to the regional and local water supply and sewage disposal systems and acquired all of the revenues of those systems as of January 1, 2016. See “THE GREAT LAKES WATER AUTHORITY.”

The Series 2024 Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Series 2024 Bonds. Bondholders will not receive certificates representing their ownership interest in the Series 2024 Bonds purchased. See “THE SERIES 2024 BONDS - Book-Entry-Only System.”

The Series 2024 Bonds will bear interest at the rates and mature on the dates as set forth on the inside cover hereof. Interest on the Series 2024 Bonds will accrue from the date of delivery thereof and will be payable January 1 and July 1, commencing January 1, 2025.

The Series 2024 Bonds are subject to optional redemption prior to maturity. See “THE SERIES 2024 BONDS – Optional Redemption.”

The Trustee for the Series 2024 Bonds is U.S. Bank Trust Company, National Association.

**The Series 2024 Bonds are issued under Act 233 and Act 94 (each as defined herein). The Series 2024 Bonds are not a general obligation of the Authority and do not constitute indebtedness of the Authority within any constitutional or statutory limitation, but are payable, both as to principal and interest solely from the Pledged Assets of the Water System (as defined herein). The payment of the principal of and interest on the Series 2024 Bonds is secured by a statutory lien on the Pledged Assets as described herein.**

The Series 2024 Bonds are offered when, as and if issued by the Authority and received by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice, and subject to approval of legality by Bond Counsel to the Authority, Dickinson Wright PLLC, Detroit, Michigan. Certain legal matters will be passed upon by Kutak Rock LLP, Washington, D.C., Underwriters’ Counsel. It is expected that the Series 2024 Bonds in book-entry form will be available for delivery against payment therefor through the facilities of The Depository Trust Company (“DTC”) on or about June 6, 2024.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

**Siebert Williams Shank & Co., LLC**

**Goldman Sachs & Co. LLC**

**J.P. Morgan**

**Loop Capital Markets**

**Morgan Stanley**

**Ramirez & Co., Inc.**

**Wells Fargo Securities**

**\$348,175,000**  
**Water Supply System Revenue Refunding Senior Lien Bonds**  
**Series 2024A**

<b><u>Maturity</u></b> <b><u>(July 1)</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Yield</u></b>	<b><u>CUSIP</u></b> <sup>†</sup>
2025	\$25,790,000	5.000%	3.340%	39081J GR3
2026	47,655,000	5.000	3.300	39081J GS1
2027	31,490,000	5.000	3.210	39081J GT9
2028	19,695,000	5.000	3.120	39081J GU6
2029	44,125,000	5.000	3.120	39081J GV4
2030	51,005,000	5.000	3.160	39081J GW2
2031	25,050,000	5.000	3.170	39081J GX0
2032	15,310,000	5.000	3.210	39081J GY8
2033	3,945,000	5.000	3.210	39081J GZ5
2034	48,550,000	5.000	3.220*	39081J HA9
2035	15,810,000	5.000	3.230*	39081J HB7
2037	19,750,000	5.000	3.340*	39081J HC5

\*Yield to the first call date of January 1, 2034

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<sup>†</sup> Registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet Research Systems, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP service. CUSIP numbers are provided for reference only. Neither the Authority, the Trustee nor the Underwriters take any responsibility for the accuracy of such numbers.

**\$35,930,000**  
**Water Supply System Revenue Refunding Second Lien Bonds**  
**Series 2024B**

<b><u>Maturity</u></b> <b><u>(July 1)</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Yield</u></b>	<b><u>CUSIP</u></b> <sup>†</sup>
2025	\$1,900,000	5.000%	3.390%	39081J HD3
2026	1,000,000	5.000	3.370	39081J HE1
2027	995,000	5.000	3.290	39081J HF8
2034	95,000	5.000	3.270*	39081J HG6
2036	31,940,000	5.000	3.350*	39081J HH4

\*Yield to the first call date of January 1, 2034

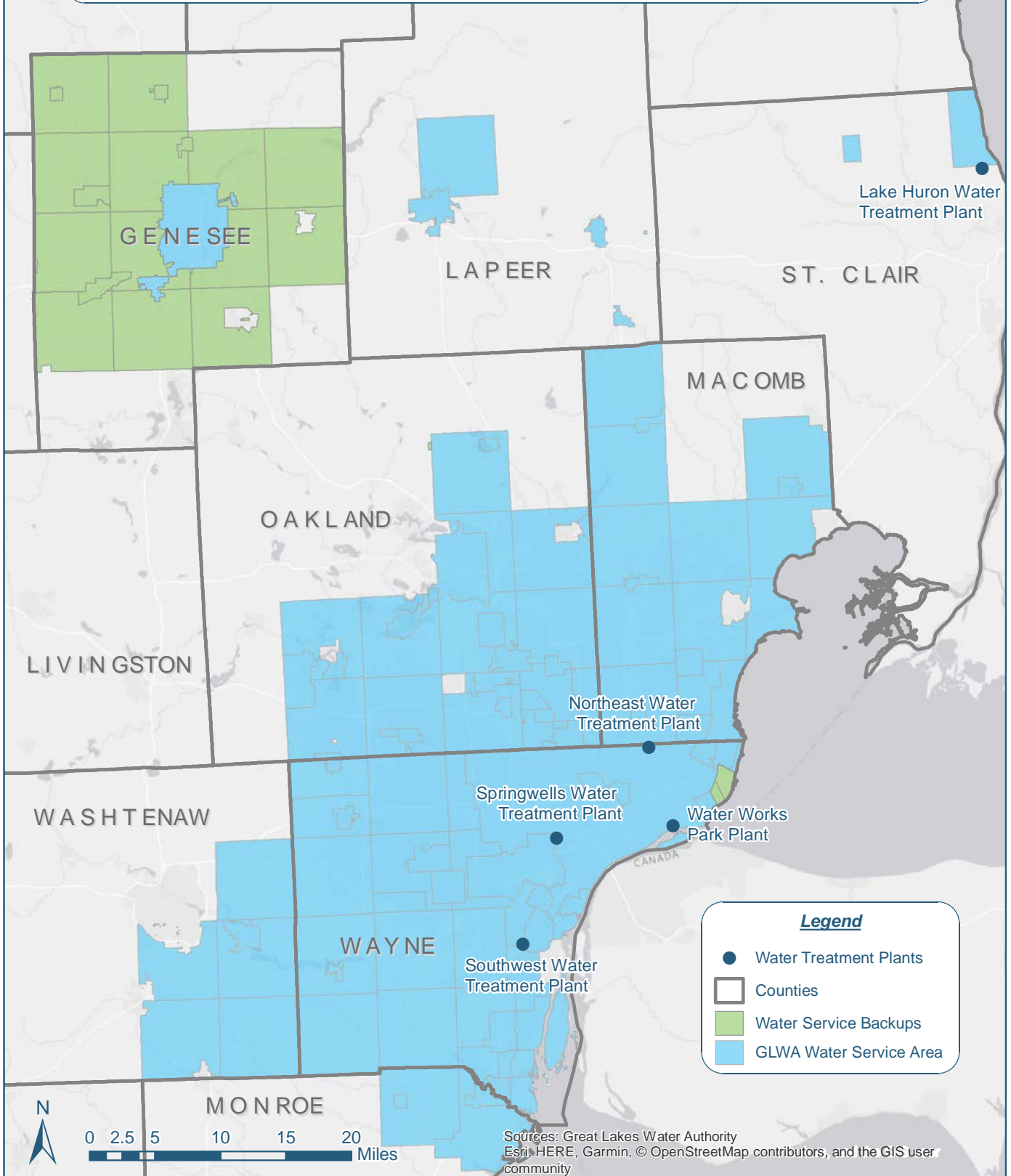
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<sup>†</sup> Registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet Research Systems, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP service. CUSIP numbers are provided for reference only. Neither the Authority, the Trustee nor the Underwriters take any responsibility for the accuracy of such numbers.



**GLWA**  
Great Lakes Water Authority

## Water Service Area (Including Backups)



**Legend**

- Water Treatment Plants
- Counties
- Water Service Backups
- GLWA Water Service Area

Sources: Great Lakes Water Authority  
Esri, HERE, Garmin, © OpenStreetMap contributors, and the GIS user community

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2024 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2024 BONDS TO CERTAIN DEALERS AND DEALER BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER OF THIS OFFICIAL STATEMENT. SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

No dealer, broker, salesperson or other person has been authorized by the Authority or the Underwriters to make any representation other than as contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority or the Underwriters. The information set forth in this Official Statement has been obtained from the Authority, the Detroit Water and Sewerage Department (the “Department” or “DWSD”), The Depository Trust Company (“DTC”), and other sources that are deemed to be reliable, but as to information from sources other than themselves, is not to be construed as a representation by the Authority, DWSD, DTC, or the Underwriters respectively. Certain historical information in this Official Statement has been derived from information on the operations of DWSD prior to the start-up of the Authority.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of the transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor the sale of the Series 2024 Bonds shall under any circumstances create any implication that there has been no change in the affairs of the Authority, DWSD or DTC since the date of this Official Statement. None of the information contained in this Official Statement has been supplied or verified by the Trustee, and the Trustee make no representations, warranties or guarantee as to the accuracy or completeness of any information in this Official Statement.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2024 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or holders of any of the Series 2024 Bonds.

**IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE AUTHORITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

Certain statements contained in this Official Statement, including in the Appendices hereto, reflect not historical facts but forecasts and “forward-looking statements.” Such forward-looking statements can be identified, in some cases, by the terminology used, such as “may,” “will,” “should,” “expects,” “intends,”

“plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential,” “illustrate,” “example,” and “continue,” or the singular, plural, negative or other derivations of these or other comparable terms. Purchasers and holders of any of the Series 2024 Bonds should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Authority on the date hereof, and the Authority does not assume any obligation to update any such forward-looking statements. Actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including, but not limited to, the risks and uncertainties described herein and risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in geopolitical, military, social, economic, business, industry, market, legal or regulatory circumstances, and conditions or actions taken or omitted to be taken by third parties, including customers, suppliers, and business partners, and legislative, judicial, and other governmental authorities and officials. Any of such assumptions could be inaccurate, and the Authority cannot predict or assess the emergence and impact of new factors. Accordingly, actual results may vary from the projections, forecasts and estimates contained in this Official Statement and such variations may be material, which could affect the Authority’s ability to fulfill some or all of its obligations under the Series 2024 Bonds.

No party that has provided information for this Official Statement has any obligation to update or otherwise revise any projections, forecasts and estimates, including any revisions to reflect changes in conditions or circumstances arising after the date of this Official Statement, or to reflect the occurrence of unanticipated events.

The statements contained in this Official Statement, including the Appendices hereto, that are not purely historical facts are forecasts and forward-looking statements.

## SUMMARY DESCRIPTION

*Selected information is presented in this Summary Description for the convenience of the reader. To make an informed investment decision regarding the Series 2024 Bonds, a prospective investor should read this entire Official Statement.*

**Issuer:** The Great Lakes Water Authority (“GLWA” or the “Authority”) is the regional utility providing water and sewer services in southeast Michigan. The Authority was incorporated by the Counties of Macomb, Oakland, and Wayne (the “Counties”) and the City of Detroit (the “City”) on November 26, 2014 pursuant to Act 233, Public Acts of Michigan, 1955, as amended (“Act 233”). Pursuant to Leases (as defined herein) that became effective on January 1, 2016, the Authority assumed possession and control of the regional assets of both the water supply and sewage disposal systems owned by the City, which were previously operated by the Detroit Water and Sewerage Department (“DWSD” or the “Department”). The City, acting through DWSD, continues to manage and operate its own local retail water and sewer system infrastructure. The Leases assigned all revenues of both systems to the Authority and substituted GLWA for the City as the obligor on all outstanding debt obligations of the City related to the systems. See “THE GREAT LAKES WATER AUTHORITY.”

**Service Area and Customer Relationships:** The Authority’s Water System (as defined herein) is one of the largest in the United States, both in terms of water supply and population served. The Water System currently serves an area of 1,698 square miles located in eight Michigan counties and an estimated population of nearly 3.8 million or approximately 38% of Michigan’s population. Suburban wholesale customers comprise approximately 82% of the population served by the Authority, and the Retail Water Customers (as defined herein) comprise the remainder served by the Authority. See “SERVICE AREA AND CUSTOMERS.”

**Wholesale Charges and Retail Rates:** The Authority has the exclusive right to establish rates, fees and charges for its water supply and sewage disposal services, including for its Retail Water Customers. Under the Water and Sewer Services Agreement, the City is appointed as agent of the Authority for setting retail rates and for billing, collecting and enforcing the collection of charges from Retail Water Customers. As agent of the Authority, the City, through the Board of Water Commissioners and without further approval by the City Council, is required to set retail rates to meet the revenue requirements for the City retail portion of the Water System. Under certain conditions, the Authority may terminate the City’s appointment as agent. See “SERVICE AREA AND CUSTOMERS – Service Charges to Customers” and “DWSD and Retail Customers” and APPENDIX VII - SUMMARY OF THE WATER AND SEWER SERVICES AGREEMENT.

**Purpose of the Series 2024 Bonds:** The Series 2024 Bonds are being issued to refund for debt service savings certain Bonds (the “Refunded Bonds”) and to pay certain costs of issuance of the Series 2024 Bonds. See “INTRODUCTION – Purpose” and “THE SERIES 2024 BONDS - Plan of Financing.”

**Redemption of the Series 2024 Bonds:** The Series 2024 Bonds maturing on and after July 1, 2034 are subject to optional redemption on any date on and after January 1, 2034 at a redemption price of par, plus accrued interest to the redemption date. See “THE SERIES 2024 BONDS – Optional Redemption.”

**Pledged Security and Statutory Lien:** The Series 2024 Bonds are payable from the Pledged Assets (as defined herein), which include the Net Revenues of the Water System. The Authority has irrevocably pledged the Net Revenues (as defined herein) of the Water System for payment of the Series 2024 Bonds. The payment of the principal of and interest on the Series 2024 Bonds are secured by a statutory lien on the Pledged Assets. The Series 2024 Bonds are not a general obligation of the Authority. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS.”

**Bond Reserve Accounts and Reserve Requirements Reduction:** Pursuant to a 2020 amendment to the Bond Ordinance, the Authority has the option to reduce the Reserve Requirement for the Senior Lien Bonds and/or the Second Lien Bonds, as the case may be, if the Senior Lien Bonds are rated “Aa3”, “AA-”, “AA-” or higher from at least two of Moody’s, S&P, and Fitch, respectively, and the Authority obtains confirmation that neither of such ratings will be reduced solely as a result of the change in the Reserve Requirement for such Bonds. The Authority intends to exercise this option and reduce the Reserve Requirement for the Senior Lien Bonds and the Second Lien Bonds, respectively, to zero upon the issuance of the Series 2024 Bonds and satisfaction of the requirements under the Bond Ordinance. The Authority has achieved the requisite ratings threshold and has obtained the requisite confirmation that such ratings will not be reduced as a result of the reduction of the Reserve Requirements to zero. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS – Bond Reserve Accounts and Reserve Requirements Reduction.”

**Parity Lien and Additional Bonds:** The Series 2024 Bonds are of equal standing on parity with all other Bonds assumed, issued or to be incurred under the Bond Ordinance and secured by a first lien or second lien, as applicable, on the Pledged Assets. The Authority may issue additional bonds on parity with the Series 2024 Bonds and other Bonds upon satisfaction of certain tests, including a coverage test requiring that either Projected Net Revenues or Historical Net Revenues, as determined by the Authority, divided by Maximum Annual Debt Service for such priority of lien and any higher priority of lien equals or exceeds the Required Coverage of 120% for Senior Lien Bonds, 110% for Second Lien Bonds and 100% for SRF Junior Lien Bonds and Pension Junior Lien Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS – Issuance of Additional Bonds” and APPENDIX VI - SUMMARY OF THE BOND ORDINANCE.

**Rate Covenant:** The Authority covenants to fix charges to produce amounts required under the Bond Ordinance, including amounts required to meet the Required Coverage of 120% for Senior Lien Bonds, 110% for Second Lien Bonds and 100% for SRF Junior Lien Bonds and Pension Junior Lien Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS – Rate Covenant” and APPENDIX VI - SUMMARY OF THE BOND ORDINANCE.



**Historical and Projected Debt Service Coverage:** The table below shows the historical (Fiscal Years 2019 to 2023 audited) and projected (Fiscal Year 2024 estimated and Fiscal Years 2025 to 2029 projected) coverage of debt service, presented on a rate covenant basis.

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<u>Historical Debt Service Coverage</u> <sup>(1)</sup>					
Senior Lien Bonds	2.13x	1.94x	1.99x	1.88x	1.88x
Senior and Second Lien Bonds	1.54x	1.39x	1.40x	1.37x	1.37x
All Bonds, Including SRF Junior Lien	1.51x	1.37x	1.38x	1.33x	1.31x
<u>Projected 2024 Debt Service Coverage</u> <sup>(2)</sup>	<u>2024</u>				
Senior Lien Bonds	1.81x				
Senior and Second Lien Bonds	1.32x				
All Bonds, Including SRF Junior Lien	1.22x				
<u>Projected Debt Service Coverage</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Senior Lien Bonds	1.83x	1.85x	1.86x	1.92x	1.96x
Senior and Second Lien Bonds	1.35x	1.39x	1.43x	1.49x	1.55x
All Bonds, Including SRF Junior Lien	1.24x	1.27x	1.31x	1.37x	1.43x

(1) Fiscal Years 2019 - 2023 are based on audited financial results.

(2) Fiscal Year 2024 is estimated based on preliminary information.

See “AUTHORITY FINANCIAL OPERATIONS - Summary of Historical Debt Service Coverage,” “Projected Financial Plan for Fiscal Years 2024 through 2029” and APPENDIX I – FEASIBILITY CONSULTANT’S REPORT.

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## INTRODUCTION

The following introductory statement is subject in all respects to the more complete information set forth in this Official Statement. The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each document. Capitalized terms used in this Official Statement that are not otherwise defined herein have the meanings set forth in APPENDIX IV – DEFINITIONS.

This Official Statement, including the cover pages and the Appendices hereto, is provided to furnish information in connection with the offering by the Great Lakes Water Authority (the “Authority” or “GLWA”) of its \$348,175,000 Water Supply System Revenue Refunding Senior Lien Bonds, Series 2024A (the “Series 2024A Bonds”) and \$35,930,000 Water Supply System Revenue Refunding Second Lien Bonds, Series 2024B (the “Series 2024B Bonds” and together with the Series 2024A Bonds, the “Series 2024 Bonds”).

### **Great Lakes Water Authority**

The Authority operates the Regional Water System and the Regional Sewer System (each as defined herein) for southeast Michigan. The governance structure of the Authority gives suburban water and sewer customers a substantial collaborative role in the direction of one of the largest water and wastewater utilities in the nation, while also providing the Local Water System and the Local Sewer System (each as defined herein) of the City of Detroit (the “City”) the benefits of the Authority’s regional strengths. While the Authority manages and controls all regional water and sewage services, the City and the suburban customers retain control of local water and sewage services within their respective borders. The City also acts as agent of the Authority with respect to setting, billing, collecting and enforcing local retail charges in the City. The Authority is a legally independent, regional authority created pursuant to State law, governed by its Board of Directors (“GLWA Board”) and primarily overseen, as to environmental matters, by the Michigan Department of Environment, Great Lakes, and Energy (“EGLE”), formerly the Michigan Department of Environmental Quality (“MDEQ”), as are all water and sewer service providers in the state, and the federal Environmental Protection Agency (“EPA”). See “THE GREAT LAKES WATER AUTHORITY.”

### **Purpose**

The proceeds of the sale of the Series 2024 Bonds will be used (i) to refund certain Bonds identified in Schedule I attached hereto (the “Refunded Bonds”) and (ii) to pay certain costs of issuance of the Series 2024 Bonds. See “THE SERIES 2024 BONDS – Plan of Financing.”

### **Authorization**

The Series 2024 Bonds have been authorized and are being issued pursuant to the provisions of (i) Act 233, Public Acts of Michigan, 1955, as amended (“Act 233”), and Act 94, Public Acts of Michigan, 1933, as amended (“Act 94”), (ii) Master Bond Ordinance No. 2015-01 adopted by the GLWA Board (as defined herein) on October 7, 2015, as amended (the “Bond Ordinance”), (iii) the Series Ordinance Authorizing Issuance and Sale of Water Supply System Revenue Refunding Bonds in a Principal Amount not to Exceed \$500,000,000, adopted by the GLWA Board on April 24, 2024 (the “2024 Series Ordinance”), and (iv) a Sale Order of the Chief Financial Officer and Treasurer of the Authority dated May 21, 2024 (the “2024 Sale Order,” and, collectively with the Bond Ordinance and the 2024 Series Ordinance, the “Ordinance”).

## **Security and Sources of Payment for the Series 2024 Bonds**

The Authority has irrevocably pledged the revenues of the Water System, after provision is made for reasonable and necessary expenses of operation, maintenance and administration of the Water System (the “Net Revenues”), and the Pledged Assets (as defined herein, which includes the Net Revenues) for payment of the Series 2024 Bonds. Payment of the Series 2024 Bonds is also secured by a statutory lien on the Pledged Assets. The Series 2024A Bonds are of equal standing on parity with all other Bonds (as defined herein) assumed, issued or incurred as Senior Lien Bonds under the Bond Ordinance and secured by a first lien on the Pledged Assets. The Series 2024B Bonds are of equal standing on parity with all other Bonds assumed, issued or incurred as Second Lien Bonds under the Bond Ordinance and secured by a second lien on the Pledged Assets. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS.”

The Series 2024 Bonds are issued under Act 233 and Act 94. The Series 2024 Bonds are not a general obligation of the Authority and do not constitute indebtedness of the Authority within any constitutional or statutory limitation, but are payable, both as to principal and interest solely from the Pledged Assets of the Water System. The payment of the principal of and interest on the Series 2024 Bonds is secured by a statutory lien on the Pledged Assets as described herein.

### **Trustee**

U.S. Bank Trust Company, National Association will serve as the Trustee (the “Trustee”) for the Series 2024 Bonds, and in such capacity will act as bond registrar and paying agent for the Series 2024 Bonds.

### **Availability of Documents**

The descriptions and summaries of various Authority documents set forth in this Official Statement do not purport to be conclusive or definitive and reference is made to each such document for the complete details of all terms and conditions thereof. A summary of certain provisions of the Lease (as defined herein), the Bond Ordinance, the Water and Sewer Services Agreement (as defined herein), the Shared Services Agreement (as defined herein) and the 2018 MOU (as defined herein) as described herein are set forth in Appendices V, VI, VII, VIII and IX, respectively, attached hereto. All references herein to the Series 2024 Bonds, the Bond Ordinance, the 2024 Series Ordinance, the Lease, the Water and Sewer Services Agreement, the Shared Services Agreement and the 2018 MOU are qualified in their entirety by such documents, copies of which are available on GLWA’s website at [www.glwater.org](http://www.glwater.org) or from the Underwriters prior to the execution and delivery of the Series 2024 Bonds and thereafter may be examined or obtained at the expense of the person requesting the same at the corporate trust office of the Trustee.

## **THE GREAT LAKES WATER AUTHORITY**

GLWA was incorporated by the City and the Counties of Macomb, Oakland and Wayne (the “Counties”) on November 26, 2014 pursuant to Michigan’s Act 233 of 1955. At the time of GLWA’s incorporation, the City, through its Detroit Water and Sewerage Department (“DWSD” or the “Department”), was providing water supply services within and outside of the City through a water supply system (the “Water System”) and drainage and sewage disposal services within and outside of the City through a sewage disposal system (the “Sewer System”). On June 12, 2015, the City and GLWA executed a Regional Water System Lease (the “Lease”), a Regional Sewage Disposal System Lease (the “Sewer Lease” and together with the Lease, the “Leases”) and a Water and Sewer Services Agreement (the “Water and Sewer Services Agreement”), and as of December 1, 2015, the City and GLWA executed a Shared Services Agreement (the “Shared Services Agreement”). The foregoing agreements became effective on January 1, 2016

(the “Effective Date”), at which time GLWA, pursuant to the Lease, became responsible for the debt obligations of the City relating to the Water System, including the payment of all DWSD Water Bonds (as defined herein), through the substitution of GLWA for the City as the sole obligor on the DWSD Water Bonds, the assignment to GLWA of all of the revenues of the Water System, and the assumption by GLWA of the DWSD Water Bonds. See APPENDIX V – SUMMARY OF THE LEASE, APPENDIX VII – SUMMARY OF THE WATER AND SEWER SERVICES AGREEMENT, and APPENDIX VIII – SUMMARY OF THE SHARED SERVICES AGREEMENT.

Pursuant to the Lease, GLWA acquired, and the City absolutely and irrevocably assigned, transferred and conveyed to GLWA, (i) all of the City’s right, title and interest in and to the Revenues (as defined herein), including the Retail Revenues (as defined herein), in existence on the Effective Date, and (ii) all of the City’s right, title and interest in and to the Revenues, including Retail Revenues, derived from operation of the Water System on and after the Effective Date and through the end of the term of the Lease. Part of the consideration for the Lease is a lease payment to the City of \$22,500,000 per year, to be funded from the revenue requirements for the Regional Water System. See APPENDIX V – SUMMARY OF THE LEASE.

GLWA operates the portion of the Water System (the “Regional Water System”) that provides service to the wholesale customers thereof and the Retail Water Customers (as defined herein) up to the point of connection to the Local Water System (as defined herein) and the portion of the Sewer System (the “Regional Sewer System” and, together with the Regional Water System, the “Regional Systems”) that provides service to the wholesale customers thereof and to the Retail Sewer Customers (as defined herein) up to the point of connection to the Local Sewer System (as defined herein), all pursuant to (i) the Lease, (ii) the Sewer Lease, and (iii) the Water and Sewer Services Agreement.

GLWA operates as the largest regional water and sewer utility in the State of Michigan. GLWA serves communities and districts under wholesale source contracts and the Retail Water Customers under the Water and Sewer Services Agreement. GLWA has adopted an unwavering commitment to its customers and the region, known as “One Water Partnership,” and a mission statement of customer collaboration and engagement: *“Through regional collaboration, GLWA strives to be the provider of choice dedicated to efficiently delivering the nation’s best water and sewer service in partnership with our customers.”*

In open partnership with its customers, GLWA is focused on innovation in its business practices, with a commitment to providing the highest quality services to current and future generations. In order to further affordability for water and sewer services, GLWA launched the first program of its kind in the State of Michigan, known as the Water Residential Assistance Program or “WRAP,” to provide an ongoing funding source for assistance to qualified households throughout GLWA’s service area. See “SERVICE AREA AND CUSTOMERS - Water Residential Assistance Program.”

### **Powers of the Authority**

GLWA is a public body corporate organized pursuant to the provisions of Act 233. In addition to this statutory authority, the governance for the Authority is found in its Articles of Incorporation, By-Laws, policies, and ordinances including but not limited to its bond ordinances. The Authority has both express powers and implied powers necessary to carry out its powers, duties, and responsibilities. The Authority’s express powers include the following:

The Authority is empowered through the GLWA Board to provide wholesale water supply and sewage disposal service to the service area. The six-member GLWA Board has the authority to execute contracts, set policy for the Authority, set service charges and set the revenue requirement for the Retail Customers.

The GLWA Board is required to appoint an Audit Committee to “review the reports related to the financial condition, operations, performance and management of the Authority” on a regular basis. Certain actions by the GLWA Board require the affirmative vote of at least five members of the GLWA Board, including, but not limited to, setting rates and charges for water supply and sewage disposal services, annual operating budgets, capital improvement programs, issuance of debt and any modification of the Lease.

The Authority must establish biennial budgets, with the first year serving as formal authorization (including an approved schedule of service charges to support the budget) and the second year serving as an initial estimate of revenues and revenue requirements.

The Authority has the ability to enter into water supply and sewage disposal contracts and may establish and fix a schedule of rates, fees, and other charges for its services.

### **Governance and Board Members**

The GLWA Board is composed of six voting members. Two members are residents of the City and are appointed by the Mayor of the City. The Counties of Macomb, Oakland, and Wayne each appoint one member who is a resident of the County from which appointed and the Governor of the State of Michigan appoints one member who is a resident of an area served by the Authority outside of the Counties. All members of the GLWA Board must have at least seven years of experience in a regulated industry, at a utility or in the fields of engineering, finance, accounting or law. Each GLWA Board member is appointed for a four-year term and serves at the pleasure of the appointing authority.

In order to more efficiently oversee the Authority’s operations, the GLWA Board has adopted a committee structure. Four committees have been established: (i) Audit, (ii) Capital Planning, (iii) Operations and Resources and (iv) Legal.

The GLWA Board and their professional backgrounds are presented below.

*Brian Baker, GLWA Board Chair; GLWA Board Representative Appointed by Macomb County.* Mr. Baker is the Chief Deputy for the Macomb County Public Works Commissioner, Candice Miller, where he oversees a staff of 70 stormwater and wastewater professionals. He formerly served as the Finance and Budget Director for the City of Sterling Heights for more than 30 years. In that capacity, he directed the City of Sterling Heights’ financing, procurement and debt management initiatives, and worked extensively on water and sewer rate setting process, which has resulted in the City of Sterling Heights achieving efficiencies and lowering costs, as well as on pension administration. In addition, Mr. Baker has worked regionally serving in numerous capacities, including on a municipal revenue task force established by the Governor’s Office to address ongoing problems. He has also worked closely with the Southeastern Michigan Council of Governments in similar capacities. Mr. Baker earned a Master of Business Administration from Wayne State University, and a Bachelor of Arts in Economics and Political Science from the University of Michigan.

*Mark Miller, GLWA Board Vice-Chair; GLWA Board Representative Appointed by the State of Michigan.* Mark Miller is a retired General Motors Global Executive of Supply Chain, Warehousing and Logistics. Throughout his 38-year career, Mr. Miller received several awards, and special recognitions for his strong leadership contributions and exemplary performance. His multiple executive leadership and managerial assignments all served to give him in-depth leadership experience in multiple business channels, including International Operations, Budgetary Processes, Labor Relations/Negotiation, Infrastructure Development and Planning, Facilities Management, Quality Control, Safety Processes, Cultural Transformation, Domestic and International Logistics Operations, along with owning and implementing auditable



Inventory Control and BRM (Business Risk Management) processes. He currently serves as the interim President and Chief Executive Officer for the Community Foundation of Greater Flint, which is a fund of approximately \$300 million. Mr. Miller is also a member of the Board of Directors for the McLaren Hospital-Flint, and the McLaren Foundation. Mr. Miller is also a past Board Chairman for Michigan Works, Workforce Development Board for Shiawassee and Genesee Counties. He holds a Bachelor of Science Degree in Healthcare Administration and Business Management from the University of Michigan and a Master of Business Administration from Davenport University. Mr. Miller was appointed to the GLWA Board of Directors by Governor Gretchen Whitmer to represent areas served by the Authority outside of the city of Detroit and the counties of Wayne, Oakland, and Macomb.

*John J. Zech, GLWA Board Secretary, GLWA Board Representative Appointed by Wayne County.* Mr. Zech has more than 40 years of experience in municipal government in Michigan and Ohio, most of which was in an executive administrative capacity and included the oversight of utility and public works functions as well as the finance, accounting, economic development, public safety and legal functions. Mr. Zech currently serves as Chairman for the St. Mary of Wayne Catholic Church Finance Council, in addition to serving on the Board of Trustees for Growth Works, Inc. He previously served on the Board of Directors for the Michigan Municipal League. Mr. Zech has earned Life Membership status with the International City Management Association (ICMA). He is a graduate of the University of Detroit with a Bachelor of Science in Business Administration.

*Fremantle Hendrix, GLWA Board Representative Appointed by the City of Detroit.* Mr. Hendrix has extensive experience in municipal government, finance and real estate, having served as Deputy Mayor and Chief of Staff for former Detroit Mayor Dennis Archer. During his tenure with the City, Mr. Hendrix led strategic policy development and planning and assisted the City in achieving its first balanced budget in decades, as well as an unprecedented and continuous upgrading of the City's national bond rating. He is a member of the Southeastern Michigan Regional Transit Authority Board of Directors, and a long-time community activist who co-founded the Rosedale-Grandmont Little League Baseball Program.

*Jaye Quadrozzi, GLWA Board Representative Appointed by Oakland County.* Ms. Quadrozzi is an attorney with over 20 years of experience in complex commercial litigation in both federal and state courts. She is a member of the state bars of Michigan, Illinois and California. In addition to serving on the GLWA Board, since 2013 Ms. Quadrozzi has also served as the Oakland County representative on the Huron-Clinton Metropolitan Authority Board of Commissioners. Ms. Quadrozzi earned a Bachelor of Arts degree in philosophy from the University of Michigan, and a Juris Doctor degree from the University of Michigan Law School. Among the many honors and awards she has received, since 2018, Ms. Quadrozzi has annually been named among Michigan's Top 25 Women in Business Attorneys by Super Lawyers.

*Gary A Brown, GLWA Board Representative Appointed by the City of Detroit.* Mr. Brown was appointed the Director of the Detroit Water and Sewerage Department (DWSD) in October 2015. Under his leadership, DWSD has been transformed to a customer-centric, fiscally responsible organization that is amidst a capital improvement program to upgrade Detroit's local water and sewer systems. Even before the COVID-19 Pandemic, Mr. Brown began shifting the department from an in-person customer service model to an efficient, responsive and technologically driven, cashless operation. Further, he has spearheaded water affordability efforts, launching the DWSD Lifeline Plan to provide a fixed bill amount for low-income residents at 1.8% of their income which uses regional, state and federal funds and helps 20,000 residents stay current with their monthly bills. Mr. Brown serves on the Environmental Protection Agency's (EPA) Local Government Advisory Council. Previously, he was the City of Detroit's Group Executive for Operations and Chief Operating Officer under Mayor Mike Duggan, charged with ensuring continued improvement of city services. He also served three years as an elected President Pro-Tempore of the Detroit City Council, and 26 years in the Detroit Police Department, including as the Deputy Chief of Internal Affairs.

## Management Team

*Suzanne R. Coffey, P.E., Chief Executive Officer.* Suzanne R. Coffey became the Chief Executive Officer for GLWA on June 23, 2022. Before being named Chief Executive Officer, Ms. Coffey served for nearly a year in the role of Interim Chief Executive Officer. Prior to that, she was the Chief Planning Officer for GLWA, a position she held since August 24, 2015. As Chief Planning Officer, Ms. Coffey championed GLWA's efforts to bolster the Authority's asset management capacities, capital improvement program execution and lead long-term planning efforts including the Wastewater Master Plan. Ms. Coffey initially became familiar with GLWA through her role as a manager in the Oakland County's Water Resources Commissioner's office, where she worked for 12 years and was an integral part of the DWSD-GLWA transition efforts. Under the leadership of Oakland County Water Resources Commissioner Jim Nash, Ms. Coffey was responsible for supervising engineers, field staff members, administrative and technical support personnel and supporting operations and maintenance of wastewater interceptor systems, local municipal wastewater conveyance systems, drains and lake level control structures, as well as oversight of staff members who perform construction project management and construction inspection. Ms. Coffey is a licensed professional engineer in the state of Michigan. She graduated Cum Laude from Lawrence Technological University with a Bachelor of Science degree in Civil Engineering.

*Nicolette N. Bateson, CPA, Chief Financial Officer/Treasurer.* Ms. Bateson is the Chief Financial Officer ("CFO") and Treasurer for GLWA. Ms. Bateson's service follows her tenure as the first CFO for DWSD which began in February 2013. In that role she led the Financial Services Area through a significant transformation effort engaging cross-functional teams to achieve sustainable change. The result was a professionalized department with an unprecedented demonstration of transparency to all stakeholders. This pivotal effort supported intensive, collaborative discussions that were essential to forming the Authority.

Ms. Bateson possesses extensive financial and public administration experience. As a visiting specialist for the State and Local Government Program with Michigan State University Extension, Ms. Bateson worked with state and local officials to address the needs of cities in fiscal stress. Her research, educational programs, and writings related to public-sector financial challenges are often cited. In her roles as Assistant City Manager and Finance Director in local government, she was responsible for strategic planning, financial turnaround, information technology, labor relations, employee benefit design, project management and deploying multi-year budgeting and long-range capital planning. Ms. Bateson's professional career began with a national accounting firm serving clients in the construction, manufacturing, and nonprofit sector.

Ms. Bateson earned a Bachelor of Business Administration in professional accountancy from the University of Michigan-Dearborn and a Masters of Public Administration from Eastern Michigan University. Ms. Bateson's accomplishments in the fields of accounting and public administration have garnered the following honors: Eastern Michigan University Masters of Public Administration Program - Public Administrator of the Year (2017), Crain's Detroit Notable Women in Finance (2018), and Eastern Michigan University Alumni Achievement Award (2022).

*William M. Wolfson, Chief Administrative and Compliance Officer.* Mr. Wolfson is the Chief Administrative and Compliance Officer. In this role, Mr. Wolfson supports GLWA's Organizational Development, Information Technology, General Counsel, Special Projects, and Enterprise Risk Management Teams. With more than 35 years of local government experience, he also provides leadership support to the entire utility in the absence of its CEO. Prior to assuming his current position, Mr. Wolfson served as Chief Administrative and Compliance Officer and General Counsel for both GLWA and DWSD. Mr. Wolfson joined the DWSD as the utility's first General Counsel in June 2012 and added the position of Chief Operating and Compliance Officer in August, 2013. Mr. Wolfson previously served as a member of the City of Detroit's Law Department working as the legal liaison to the Detroit City Council, as well as to several key regional initiatives such as the casino and stadium development projects. Upon leaving the City of Detroit,

Mr. Wolfson moved to Wayne County's Department of Corporation Counsel and was appointed Deputy Corporation Counsel by County Executive Edward McNamara. The succeeding County Executive, Robert Ficano, appointed Mr. Wolfson to the position of Assistant Deputy County Executive/Director of Legal Affairs. In that position, Mr. Wolfson was responsible for the day-to-day operations of county government and its 4,500 employees. Mr. Wolfson retired from his Wayne County position in July 2009; he then went into private practice and contracted to serve as Wayne County's Interim Corporation Counsel. Mr. Wolfson is a graduate of the University of Michigan and the University of Minnesota Law School. In 2020 Mr. Wolfson was honored by Michigan Lawyers Weekly as one of its Leaders in the Law.

*David W. Jones, General Counsel.* David W. Jones serves as General Counsel for the Great Lakes Water Authority. In this role, Mr. Jones acts as the primary legal advisor to GLWA, while working with the Authority's Executive Leadership Team to continue the growth and success of the organization. Prior to his selection as General Counsel to GLWA, Mr. Jones served as a partner at Schenk & Bruetsch where he specialized in complex litigation, government affairs and municipal and administrative law. In over 25 years of private practice, Mr. Jones has represented both closely held and publicly traded business entities, particularly in matters involving governance, formation/dissolution, employment, collective bargaining, real estate, finance and regulatory compliance. Mr. Jones has also served as counsel to numerous units of State, county, and municipal governments throughout Michigan, as well as various quasi-governmental bodies and public/private partnerships. Mr. Jones earned his corporate finance degree from Wayne State University and his juris doctorate from the University of Detroit Mercy School of Law. He is a member of the State Bar of Michigan, the American Bar Association, the National Bar Association and the Wolverine Bar Association. In 2019, Mayor Michael Duggan appointed Mr. Jones to the Detroit Board of Ethics, an independent Charter-created entity that investigates and resolves violations of the city's Ethics Ordinance. He was also recently appointed by the Michigan Supreme Court to its Commission on Diversity, Equity and Inclusion in the Michigan Judiciary.

*Jody Caldwell, P.E., Chief Planning Officer.* Jody Caldwell is the Chief Planning Officer for the GLWA. Mr. Caldwell brings more than 23 years of private consultation, municipal operations and maintenance, and asset management experience to GLWA. In the Chief Planning Officer role with GLWA, he supports the asset management, capital improvement planning, water and wastewater analytics, planning and metering, systems planning and member outreach groups. Prior to his appointment as Chief Planning Officer, Mr. Caldwell served as the Asset Management Director for the enterprise-wide asset management group for over five years. He helped to support functional areas by coordinating overall asset management strategies, objectives, and activities to ensure decisions are informed by risk, regional needs, and life cycle considerations. Prior to his service with GLWA, Jody was a Chief Engineer at Oakland County's Water Resources Commissioner's Office ("WRC") where he worked for 12 years in many different capacities. In this role, Mr. Caldwell was responsible for oversight of multiple areas including capital, asset management and planning, finance and budgeting, water operations and maintenance, water engineering, and cross connection control. During his time with WRC, Mr. Caldwell worked closely with the DWSD and GLWA. He was the Oakland County representative on the DWSD Board of Water Commissioners, served as the water technical advisory committee and wastewater steering committee co-chairs, and was an important part of the DWSD-GLWA transition efforts. Mr. Caldwell is a registered professional engineer in the State of Michigan and holds a Bachelor of Science and Master of Science degree in Civil Engineering from Michigan State University.

*Cheryl Porter, Chief Operating Officer for Water and Field Services.* Ms. Porter is the Chief Operating Officer of GLWA Water and Field Services Area where she oversees five water treatment facilities and water transmission to the Authority's member partner communities, ensuring GLWA's water consistently meets and exceeds all quality standards and regulations. Ms. Porter is an active member of the American Water Works Association, and will be the national organization's president in 2024, which will make her the first African American and the first woman of color to hold that prestigious position. She also served

as a Michigan AWWA Section Trustee (2018-2021). In 2017, Crain's Detroit Business recognized her as one of Detroit's Women in Leadership. Ms. Porter provides leadership that's grounded in experience and manages engineers, field staff and administrative and technical support personnel. Her broad knowledge base in the water service sector began at DWSD as a Junior Chemist, where her dedication yielded eventual advancement to Water Production and Operations Manager. As the COO of the DWSD, she was part of the team that helped establish GLWA in 2016. Ms. Porter earned her BS degree from the University of Michigan, an MBA with a concentration in Human Resources Management from Madonna University, and a Juris Doctor degree from the University of Detroit Mercy School of Law. Ms. Porter maintains State of Michigan operator certifications for both Water Distribution (S-3) and Complete Treatment (F-1). Under her direction, GLWA's Southwest Water Treatment Plant received the "2023 President's Award and the Water Works Park Water Treatment Plant received the "2019 President's Award for Water Treatment" from the Partnership for Safe Water.

*Navid Mehram, P.E., Chief Operating Officer for Wastewater Operations.* Mr. Mehram is the Chief Operating Officer for Wastewater Operating Services of GLWA. He is a licensed Professional Engineer in the State of Michigan, who brings a wealth of wastewater operations experience. Prior to assuming this position, Mr. Mehram served as the Chief Engineer at the Oakland County Water Resource Commissioner's office. During his tenure at the Oakland County WRC, he led the transitioning of the City of Pontiac's water and wastewater operations and maintenance from private contract operations to county operations. The transformation included design and construction of a new state of the art biosolids processing system. This innovative process was the first in Michigan and the third in North America. In his capacity Mr. Mehram also provided leadership for engineering, field staff member and administrative and technical support personal providing service for a number of county facilities including three treatment facilities, over two hundred pump stations, community wells and retentions basins. Mr. Mehram brings over 10 years of extensive experience specializing in design and construction of water treatment, water resource recovery and pumping systems as a consultant. He is a licensed Professional Engineer in the State of Michigan, who graduated from Wayne State University with a Bachelor of Science in Civil Engineering, and as a member of Chi Epsilon – a National Civil Engineering Honor Society.

*W. Barnett Jones, Chief Security, and Integrity Officer.* Chief Jones was appointed GLWA's Chief Security and Integrity Officer on January 1, 2016 after serving with DWSD in that capacity since 2012. His extensive experience in law enforcement and security spans over a 40-year career. Chief Jones is responsible for GLWA's entire security posture, which includes the physical security infrastructure and safety of employees, facilities and assets. In addition, Chief Jones has been pivotal in developing and implementing entity-wide integrity policies and procedures. Prior to his arrival at GLWA, Chief Jones served as Chief of Police, Police Administrator, Fire Chief, Captain, Lieutenant, Sergeant and Deputy Sheriff with large local units of government in Michigan including the supervision of both police and fire personnel. Chief Jones has a Masters in Educational Leadership from Madonna University, a Masters in Liberal Studies from Eastern Michigan University and a Bachelor in General Studies from the University of Michigan-Dearborn. He has also received certification from the State of Michigan to be a K-12 school administrator. Additionally, Chief Jones is a graduate of the FBI National Academy and a graduate of the Secret Service Dignitary Protection training, as well as a certified firefighter. In 2023, Chief Jones received Certificates of Completion for Promoting Racial Equity in the Workplace and National and International Security from John F. Kennedy School of Government at Harvard University.

*Michelle A. Zdrodowski, Chief Public Affairs Officer.* Ms. Zdrodowski became Chief Public Affairs Officer for GLWA on July 6, 2016. In her capacity as Chief Public Affairs Officer, she guides the organization's efforts to build and maintain its relationships with internal and external stakeholders. Ms. Zdrodowski brings more than 30 years of strategic communications and community engagement experience to GLWA. Immediately prior to joining the GLWA team, she served as Chief Communications Officer for Detroit Public Schools during a period of unprecedented challenge and change. Her previous public sector

communications experience also includes her tenure as Deputy Press Secretary to former Detroit Mayor Dennis Archer. Ms. Zdrodowski also spent more than a decade leading the nonprofit/government practice group for a Detroit-based public relations agency. Ms. Zdrodowski holds a Bachelor of Arts in Communications from Michigan State University. She is a member of the Public Affairs Council for American Water Works Association (AWWA) and is a member of the Board of Trustees for the Michigan Section of the AWWA.

*Jeffrey E. Small, Chief Information Officer.* Mr. Small became Chief Information Officer for GLWA on August 15, 2016. In his capacity as Chief Information Officer, Mr. Small directs and coordinates technology strategy implementation and provides strategic IT leadership, change leadership, customer service, innovation, and information security for the regional authority. Mr. Small brings 30 years of information technology and business process experience to GLWA. Immediately prior to joining the GLWA team, he served for four years as Deputy Chief Information Officer at Wayne County, Michigan. Prior to his work at Wayne County, Mr. Small held IT leadership roles at several multi-national companies in a cross-section of industries, including retail, sourcing, brand-management and consumer products. Mr. Small holds a Bachelor of Arts in Political Science from The George Washington University and a Masters in Computer Information Systems from Baker College. He also serves on several nonprofit boards related to technology in both the public and private sector including currently serving as Board secretary for the Michigan Government Information Sciences (Mi-GMIS) organization whose membership includes IT leaders from State and local governments throughout Michigan. Mr. Small was named 2019 IT Professional of the Year by the Michigan chapter of the Government Management Information Sciences (Mi-GMIS) and was recognized as a 2020 Special District Program Award Winner from Government Technology magazine in the Technology and Innovation Leadership category.

*Jordie Kramer, Chief Organizational Development Officer.* Ms. Kramer became the Chief Organizational Development Officer in October 2022 after serving as the Director – Organizational Development since 2019. She has served in increasingly more responsible human resource roles in government entities in southeast Michigan for nearly three decades. Her areas of responsibility include recruitment, compensation, benefits, labor relations, employee relations, human resource information systems (HRIS), and training and development. Before her tenure at GLWA, Ms. Kramer worked for Oakland County for 22 years and served as Oakland County’s Director of Human Resources and served as Labor Relations Supervisor and Senior Compensation Analyst. She is active in the Michigan Public Employers Labor Relations Association and is currently serving as president for the association. She is also active in the National Public Employers Labor Relations Association. She earned a Bachelor of Science Degree from Central Michigan University.

*Todd King, P.E., BCEE, System Resiliency Officer.* In 2023, Mr. King became the System Resiliency Officer after serving as the Field Services Director since 2017. In this newly created position, Mr. King will lead cross-functional resiliency efforts such as the Southeast Michigan Flood Resiliency Study, field implementation of our Linear System Integrity Program, and support our energy resiliency efforts. He will also be responsible for the establishment and functions of a new GLWA Resiliency Council. Prior to joining GLWA, Mr. King was a consulting engineer in private practice focusing on public and private sector water, wastewater, and environmental projects. King is a Board Certified Environmental Engineer with over 35 years of experience and earned a Master of Science in Engineering (Environmental) and a Bachelor of Science in Engineering (Chemical) from the University of Michigan.

*Dima El-Gamal, Director of Capital Improvement Planning.* Dr. Dima El-Gamal joined GLWA in April 2021 as the Director of Capital Improvement Planning. Prior to joining GLWA in 2021, Dr. El-Gamal worked in the private sector for more than 26 years, including as a managing principal at Stantec Consulting Michigan, where she was responsible for securing and delivering water and wastewater projects for municipal clients within southeast Michigan. She supervised projects throughout their life cycle from

inception to commissioning and provided Client Management Engineering Services. A dedicated philanthropist, El-Gamal serves on several boards, commissions, and committees, including Wayne State University Department of Civil and Environmental Engineering Advisory Board and the Michigan Board of Professional Engineers. She holds a Bachelor of Science from Aleppo University, and a Master of Science and Ph.D. from Wayne State University in Civil and Environmental Engineering.

*Kim Garland, Deputy Chief Financial Officer.* Kim Garland is an experienced CPA and has worked within the Financial Services Area of GLWA since November 2017. At GLWA, she leads a diverse group of team members focused on Public Finance, Intergovernmental Relations, Billing & Collections, Grant Management, and Water Affordability & Assistance. She received her bachelor's degree from Michigan State University and a master's degree in accounting from Eastern Michigan University. She also holds certifications as a Chartered Global Management Accountant (CGMA), Certified Information Systems Auditor (CISA), and Certified Information Security Systems Professional (CISSP). Prior to GLWA, she served for 11 years with the City of Chelsea as Administrator Director and Treasurer and was with Deloitte for seven years working in information security consulting, risk and control auditing, and corporate governance training. She is actively involved in a number of professional organizations. She is currently serving as Immediate Past President of the Michigan Government Finance Officers Association (MGFOA) and is a member of the Government Finance Officers Association (GFOA) Debt Committee.

### **Collaboration - Regionally and Beyond**

GLWA's vision is to be the service provider of choice in the region. The Authority collaborates with its customers through the One Water Partnership Agreement. This agreement outlines the mutual commitments to working together for the greater good of the region, detailing the responsibilities of all parties and a commitment to a multi-jurisdictional, multi-agency approach to infrastructure renewal and investment. GLWA's collaborative relationship with its customers is foundational to its operations wherein GLWA works with its customers as member partners.

*Member Partner Benefits* - The member partner concept extends beyond the traditional aspects of water and sewer utility service. GLWA provides value added services at no additional charge, including extensive training and development opportunities for member partner team members through GLWA's One Water Institute ("OWI"); public communication materials related to the State of Michigan's Lead and Copper Rule, the perils of "flushable" wipes and a range of emerging contaminants; providing "real-time" systems analytic software tools; consecutive system water quality sampling and testing services; and community access to a broad range of videos on GLWA's operations.

*Hub Utility* – By design, GLWA is a connector across the region and among its sector and infrastructure partners. This concept has been advanced through the EPA Office of Wastewater Management's hub utility concept in conjunction with the National Association of Clean Water Agencies (NACWA), along with support from GLWA and a small number of utilities across the nation. Working with the EPA and NACWA, the established framework for a hub utility is one in which high-capacity utilities, such as GLWA, offer support to strengthen the sector through services to others and provide peer-to-peer exchange. For GLWA the added member partner benefits noted above, as well as leveraged procurements, planning assistance, and technical collaboration, are additional examples of GLWA's commitment to being a hub utility.

*Regional Planning* - See "THE MASTER PLAN AND THE CAPITAL IMPROVEMENT PLAN – Regional Water System Master Plan" for description of collaboration on master planning with GLWA and member partners.

## **Strategic Investment and Innovation**

GLWA is focused on optimization and innovation supported by a network of cross-functional teams. Key strategic initiatives include the following.

*Office of Resiliency* – In 2023, GLWA established the Office of Resiliency to focus on improving people, operations, and assets in its ability to withstand and recover from disruptions. The office is comprised of a cross-functional team of senior operations, maintenance, and engineering staff that will focus on knowledge transfer of system operations and maintenance to the next generation of staff. As a critical component of operations, power supply and redundancy will be assessed for key components of water transmission and wastewater conveyance systems. Short- and long-term improvements to system status reporting are being developed to communicate system capacity and potential concerns relative to overall ability of water and wastewater operations to effectively meet their required level of service. In addition, this office will lead the GLWA efforts to develop a region wide flood resiliency strategy and infrastructure, in cooperation with local partners and the US Army Corps of Engineers, to address Southeast Michigan's flood resiliency and maximize the use of available infrastructure within the region. This effort will begin with a technically sound study framework that balances flood control with water quality goals and considers stakeholder issues such as engineering with nature, placemaking, and environmental justice. This team will also champion the linear systems integrity program to ensure that aging infrastructure is cost-effectively managed using a long-term lifecycle strategy that optimizes the expenditure to risk reduction ratio for the water and wastewater linear systems.

*Asset Management* - In December 2019, GLWA completed a comprehensive strategic asset management plan. The plan recommended the selection and implementation of a new enterprise asset management system, the development of tactical wastewater and water asset management plans, and rollout of asset management improvement initiatives. An upgrade to GLWA's computerized maintenance management system, called NEXGEN, began in 2021 and will revamp GLWA's existing work management system and rely upon a mobile solution to effectively and efficiently manage GLWA's assets. Currently, NEXGEN is undergoing system configuration and testing and is scheduled to go live in November 2024.

GLWA continues to address improvement initiatives resulting from the strategic asset management plan and the tactical wastewater and water asset management plans that were completed in June 2022. The tactical wastewater and water asset management plans identified the asset inventory, condition and risk, performed various maintenance management optimization activities and failure mode analysis, developed a scheduled replacement plan and tactical recommendations to be completed over the three-year life of the plan. These programs provide streamlined and consistent processes to manage and analyze asset data to support asset management initiatives at GLWA. They will standardize GLWA's treatment across all asset types to ensure consistency of how assets are managed throughout the organization and to allow for comparison of assets across business units to improve service levels while reducing capital, maintenance, and operations costs. Many of the resulting tactical recommendations are currently being addressed with the implementation of NEXGEN, and these programs are beginning to yield meaningful actions that will drive GLWA's asset management program.

*Capital Program Management* – GLWA's capital program is managed from an enterprise-wide perspective. GLWA continues to engage with AECOM, a nationally recognized consulting firm in capital program management, to assess and recommend business process and organizational changes to improve delivery and execution of the capital program. These efforts have continued to optimize the CIP delivery. Noticeable improvements include, but are not limited to, the adoption of streamlined business processes including standardized project management procedures, expansion of the organizational structures to in-source expertise for effective CIP planning and delivery, and continued improvements of the CIP Project Portal that launched in June 2020. The enterprise CIP group that supports the delivery of the CIP has made

significant strides to insource expertise with the addition of eight team members covering CIP planning and Program Controls (one professional administrative assistant, one controls manager, two scheduler management professionals, two budget management professionals, one planning management professional and one CIP planning leader). In addition, the water and wastewater engineering teams that deliver the CIP projects are also insourcing expertise with the implementation of life-cycle project and technical management lead positions. Currently, water engineering has onboarded one manager of life cycle project managers, five life cycle project managers, and one technical management lead. Currently, wastewater engineering has one manager of life cycle project managers, six life cycle project managers, and one technical management leads. With the implementation of the standardized project management procedures and the expansion of the CIP delivery teams, training and understanding of the new processes are critically important. Many of the project management procedures have been rolled out to the CIP delivery team with video-based training including post knowledge assessments. To ensure full understanding of the project management procedures, collaborative, cross-functional change leaders workshops have occurred that clarify expectations, address questions, and work through examples of CIP program changes.

*Condition Assessment Programs* – GLWA continues to institutionalize the practice of programmatic or cyclical asset condition assessments. By committing to programmed periodic assessments, proper management of an asset’s lifecycle is significantly improved. Many baseline comprehensive asset condition assessments have been completed and others are either currently underway or are being planned.

*Linear System Integrity Program* – The Linear System Integrity Program (“LSIP”) applies asset management principles to proactively evaluate and manage GLWA’s water transmission and sewer interceptor systems. LSIP provides on-going decision support for water and sewer system inspections, condition assessments, monitoring, and renewals, conduct water transmission system inspections and condition assessments, and develop a sewer system risk model to support decision making. In 2019, a pilot condition assessment project was performed on over nine miles of GLWA’s transmission mains to determine renewal possibilities. As a result, eighteen pipe segments were renewed in 2021 and approximately 840 feet of pipe has been renewed in 2023. A condition assessment of approximately five miles of GLWA’s 120-inch transmission main occurred in August 2022 and the remaining 21 miles is being planned. An above-ground assessment of this transmission main occurred in 2023 that inspected appurtenances, accessibility and ground conditions that may impact the pipeline condition and/or the ability to perform the complete inspection. In addition, a condition assessment of over 32 miles of transmission main is being planned on a major 96-inch transmission main and a condition assessment of over 11 miles of a 36-inch watermain is being considered. By March 2024, a condition assessment of 9 miles of the almost 12 miles of GLWA’s 36-inch transmission main within Macomb County began. The condition assessment is ongoing, as well as the renewal of nine pipeline segments that have shown signs of deterioration. It is anticipated that, as the remaining condition assessment is performed, additional deteriorated segments will require renewal. GLWA is in process of updating a January 2020 consequence of failure model for the water transmission mains used to prioritize future condition assessment projects. The updated model will address both consequence and probability of failure to achieve an overall pipeline risk that will be used for future prioritization of condition assessments. GLWA’s pilot valve inspection and exercise program was completed in December 2019 for 450 transmission system valves (approximately 10 percent of the system) and has been expanded to assess all valves and appurtenances operated by GLWA. The overall valve inspection and exercise program as of May 2023 includes 8,047 transmission system valves completed which equates to approximately 73 percent of the system. These valve assessments, combined with the LSIP, will provide for comprehensive management of the water transmission linear assets.

*Innovation* – GLWA’s Office of Research and Innovation leverages national and federal research funds and funds from private foundations to supplement GLWA funding to engage in local, regional and national research university efforts to maintain a clear understanding of the leading-edge engineering, operations, and maintenance aspects of running one of the world’s largest combined water systems. These



research efforts are aligned with the corresponding GLWA engineering, operations, planning, and maintenance business units to ensure optimal “real-world” benefits. The Research and Innovation team leads these research efforts and any subsequent feasibility trials to understand and document each projects benefits and shortcomings. Once the technology or process is fully vetted, the project is handed off to the relevant business unit for subsequent decision-making and potential implementation.

GLWA is actively engaged with the three major Michigan universities, along with a consortium of other national research universities, and budgets approximately \$4.5 million annually on innovation efforts. Ongoing and/or funded research projects include source water monitoring and statistical risk assessment; epidemiological evaluation of ecological risks of Polyfluoroalkyl Substances (“PFAS”); new and emerging acoustic and electromagnetic methods for transmission main condition assessment, the fate and transport of microplastics through water and wastewater treatment plants; the fate and transport of biosolid nutrients; energy recovery from biosolids; the construction and use of a pilot plant to evaluate alternative water treatment methods under varying source water conditions; the impact of pressure transients on pipe condition; the full reconstruction of water mains using remote machinery; the enhancement of biological phosphorus removal; and combined sewer overflow (“CSO”) abatement using artificial intelligence and market-based trading algorithms.

GLWA has also partnered with other national and international universities and engineering firms for research involving methods to evaluate and prioritize the condition assessment of its distribution pipes; evaluate alternative to chlorine-based wastewater disinfection, the fate and transport of PFAS through wastewater treatment plants and through wastewater biosolid incinerators, and the assessment and control of grit within wastewater operations.

*Security* – The America's Water Infrastructure Act of 2018 requires community drinking water systems serving more than 3,300 people to conduct a Risk and Resilience Assessment and prepare or revise an Emergency Response Plan (ERP). In January 2020, the GLWA Security and Integrity Group certified completion of both its Risk and Resilience Assessment and ERP to the U.S. Environmental Protection Agency. On an annual basis GLWA reviews and updates its ERP and conducts at least 2 tabletop exercises to help evaluate the response to emergency events.

In 2021, GLWA instituted an Office of Emergency Preparedness (“OEP”), within its Security and Integrity Group to support its focus in these vital areas. The OEP engages the entire GLWA operation in emergency preparedness efforts designed to prevent, protect, mitigate, respond to, and recover from, all identified hazards and to support utility resiliency. GLWA is an active participant in regional security planning and partners with other agencies and taskforces to maximize protection of critical assets and the public.

*Cybersecurity* – Like most large utilities, GLWA is faced with a variety of cybersecurity challenges daily. These challenges may range from user error to individual hackers to state sponsored cyber-attacks. In the face of these challenges GLWA’s Information Technology Security Team works proactively to maintain a safe and reliable computer environment to support the utility’s business and operations. GLWA’s cybersecurity framework is based upon five guiding principles identified by National Institute of Standards and Technology (“NIST”) cybersecurity framework as described below.

*Identify* - To identify potential threats, GLWA’s Information Technology Security Team works closely in coordination with GLWA’s Security and Integrity Group. In 2019, GLWA conducted a detailed cyber threat audit with support from a third-party vendor and is adjusting its cybersecurity protocols based upon those results. In 2023, GLWA performed a third-party penetration test and has mitigated or remediated threats based on these findings. Most recently, GLWA’s Security and Integrity Group facilitated a cybersecurity tabletop exercise in which team members from multiple

Information Technology teams responded to escalating and multiple cyber related scenarios while the GLWA Executive Leadership team observed and participated as required.

*Protect* - GLWA maintains multiple networks and utilizes multiple strategies to protect them. GLWA has partnered with third-party vendors to utilize multifactor authentication for web-based programs and to scan e-mail and attachments to protect against threats. GLWA has also implemented multifactor authentication for Microsoft Office 365 applications and implemented enterprise cloud backup solution to ensure all data is immutable. Cybersecurity incidents are often caused by user error, and GLWA has focused on training. Each month, GLWA employees receive on-line security training through its vendor, KnowBe4. GLWA tracks its cybersecurity training results as a key performance indicator. During 2023, 95% of GLWA's employees successfully completed the lessons and quizzes within 30 days of assignment.

*Detect* - GLWA utilizes multiple solutions for real-time network transparency and client endpoint detection and response monitoring in order to quickly detect anomalies and events surrounding its networks.

*Respond* - GLWA has developed detailed emergency action plans for threat response and mitigation. To optimize its threat response, GLWA conducts multiple emergency response exercises each year, with multiple equipment in multiple locations designed to test and improve the efficiency of its emergency preparedness and response to cyber threats.

*Recover* - GLWA has developed recovery and continuity of operations plans to respond to a cyberattack. GLWA maintains cyber liability insurance coverage which is reviewed annually to ensure that the levels of protection are appropriate for the utility's needs.

Although not identified in the NIST principles, GLWA's cybersecurity efforts engage participation and partnership. GLWA participates in multiple peer-to-peer activities to identify and support best practices. Specifically, GLWA participates and is briefed on new threats and response techniques with the Department of Homeland Security's ("DHS") Cybersecurity & Infrastructure Security Agency ("CISA"), Michigan Cyber Command Center ("MC3") and other similar agencies.

While GLWA has undertaken the above cybersecurity measures, no assurances can be given that such measures will be successful in guarding against all cyber-attacks. The results of any successful attack on GLWA's information technology could impact operations and damage networks and systems, and the costs of remedying any such attack could be substantial.

## **Awards and Recognitions**

In the areas of leadership, operations, communications, project delivery, workforce development, and utility management, GLWA has received the following awards and recognitions, over the past five years:

### 2024

*Underground Infrastructure Awards* – GLWA received the 2024 Asset Management Project of the Year award for the Linear System Integrity Program. The Underground Infrastructure Awards recognize outstanding performance and technology for the entire underground infrastructure industry.

## 2023

*Michigan Section-American Water Works Association (MI-AWWA)* – GLWA recently received the MI-AWWA award for Professional Excellence from the MI-AWWA for its exceptional efforts to protect public health, promote safe drinking water, implement innovative and creative ideas in the treatment of drinking water, as well as GLWA’s overall excellence in leadership.

*American Water Works Association (AWWA)* – GLWA Chief Operating Officer, Water & Field Services has been elected the President-Elect of the AWWA. Her term began in June 2023. She is the first African American, as well as the first woman of color to lead the 50,000+ international organization in its nearly 150 years in existence.

*American Public Works Association (APWA)* – GLWA received both state and national Project of the Year awards for its emergency response to the break of a 120-inch water transmission main in the northern section of its system. The Authority was recognized as the 2022 APWA Public Works Project of the Year Less than \$5 million.

*Michigan Regional EMMY Award* – GLWA was awarded its first EMMY Award by the Michigan Regional Section of the National Academy of Television Arts & Sciences for its “*Where Does the Water Go*” video, which uses animation and entertaining images to explain the incredibly complex regional collection system.

*Presidents Award for Water Treatment* – GLWA received the rarely achieved Presidents Award for Water Treatment for its Southwest Water Treatment Facility from the Partnership for Safe Water, a program developed by the EPA and AWWA. The award recognizes utilities who demonstrate an outstanding commitment to delivering superior quality drinking water to customers.

*National Institute for Public Procurement (NIGP) Agency Advancement Award* – GLWA was awarded an Honorable Mention for excellence in procurement-related process improvements.

*Mi-GMIS Citizen Impact Award* – GLWA received the Citizens Impact Award for its efforts to ensure its public website is ADA compliant and provides accessibility for citizens in the communities served.

## 2022

*American Public Works Association (APWA)* – The Water Works Park Water Treatment Facility High Lift Pump Station Roof Rehabilitation was selected as the 2022 APWA Public Works Project of the Year Historical Restoration/Preservation Less than \$5 million winner. The project also won at the state level, putting GLWA in a very elite group of winners.

*Michigan Educators Apprenticeship & Training Association (MEATA) Sponsor of the Year Award* - In 2022, GLWA was recognized for exceptional performance, superior dedication, and positive attitude with its apprenticeships program.

*Water and Wastes Digest Top Project Award* - The Grand Connection, a wastewater connection tunnel between the Detroit River Interceptor (DRI) and the Interceptor East Arm, was recognized with a 2022 Top Project Award from Water and Wastes Digest (WWD). The Grand Connection is a 1,000-foot-long, 9-foot-2-inch crossover tunnel that helps flow management and control between two of the major interceptors in the GLWA wastewater collection system. The connection allows

for the downstream DRI section's 16,000 feet of pipe to be inspected, cleaned, and repaired or rehabilitated, and allows for system redundancy. The Grand Connection will play a critical role in meeting the future demands of the entire regional collection system.

## 2021

*Excellence in Management Gold Award* – GLWA was awarded the National Association of Clean Water Agencies' ("NACWA") Excellence in Management Gold Award, which recognizes public clean water utilities that have implemented and sustained successful programs that address the range of management challenges faced by public utilities in today's competitive environment. GLWA was one of only five utilities in the country to receive this honor.

*National Association of Clean Water Agencies' National Environmental Achievement Awards ("NEAA")* – GLWA received two awards from the NEAA. The Watershed Collaboration award recognized GLWA's Watershed Hub and its work with regional partners to help protect our source waters. The Public Information and Education award was received for an educational video that explained how GLWA's innovative regional operating plan for wastewater collection works through simple explanations and vibrant images.

*Presidents Award for Water Treatment* – GLWA received the rarely achieved Presidents Award for Water Treatment for its Water Works Park Water Treatment Facility from the Partnership for Safe Water, a program developed by the EPA and AWWA. The award recognizes utilities who demonstrate an outstanding commitment to delivering superior quality drinking water to customers. GLWA was one of only three utilities in the U.S. to be honored for its long-term commitment to innovation, outstanding performance achieved, and environment and public-health protection.

*GovTech Special Districts Award for Technology Innovation* – GLWA's Information Technology Security Team received recognition for its Security Risk Reduction Program. Aspects of the program include the implementation of multifactor authentication for remote work, improved end-point protection and a more robust training and awareness program that includes a focus on awareness of the increase in ransomware attacks and the practices users can implement to avoid being phished.

## 2020

*Utility of the Future Today Awards* – GLWA was recognized as a Utility of the Future Today by the Water Environment Federation, the Water Research Foundation, NACWA, Water Reuse, and the EPA. GLWA was again recognized for its organizational culture, which supports utility of the future implementation through the use of Effective Utility Management and received additional recognition for its commitment to energy efficiency. GLWA has been recognized as a Utility of the Future Today every year since the program began in 2018. Other areas of recognition include bio-solids reuse, partnering and engagement and watershed protection.

*Platinum Award for Exceptional Utility Performance* – The Association of Metropolitan Water Agencies recognized GLWA with this award for large public drinking water systems that exhibit outstanding achievement in implementing the nationally recognized attributes of Effective Utility Management ("EUM") and lead the nation in efforts toward sustainability through innovative management practices, executive leadership and employee engagement. GLWA was one of only three Platinum Award recipients in the country and was only allowed to apply for the award because it had received the organization's Gold Award in 2017.

## 2019

*Leading Utilities of the World (“LUOW”) Network* – GLWA became just the 49th member of the Leading Utilities of the World initiative. LUOW is a network of the world's most successful, forward-thinking and innovative water and wastewater utilities. LUOW’s members represent the Gold Standard of utility innovation and performance throughout the developed world’s water and wastewater sector.

*National Council for Public Private Partnerships Award for Infrastructure Project - Biosolids Drying Facility (“BDF”) Service Project Award* – GLWA received the National Council for Public Private Partnerships Award for Infrastructure Project - BDF Service Project Award for its biosolids thermal drying technology at the Water Resource Recovery Facility (“WRRF”). To address discharge permit requirements on solids handling capacities and modifications to EPA regulations for sewage sludge incinerators, GLWA integrated a new BDF into the WRRF solids handling process. The BDF project was implemented through a partnership with New England Fertilizer Company (“NEFCO”) using a design-build-operate-maintain (“DBOM”) delivery system. The solution successfully addressed the WRRF’s regulatory compliance issues, improving operations, and transforming long-standing problems into overwhelming benefits.

*Association of Public Treasurers of the United States and Canada Investment Policy Certification* – GLWA’s investment policy was recognized for its investment policy meeting the high criteria set by professional standards.

Financial reporting and budget awards include the following over the past five years.

*Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting* – GLWA has received this award for the Annual Comprehensive Financial Report (ACFR) for the past five fiscal years which ended June 30, 2019, 2020, 2021, 2022 and 2023.

*Government Finance Officers Association Distinguished Budget Presentation Award* – GLWA has received this award five years in a row including for the recent Fiscal Years 2024 through 2025 Biennial Budget and Five-Year Financial Plan for Fiscal Year 2024 through Fiscal Year 2028.

Members of GLWA’s leadership team are requested speakers and presenters on many topics at water sector conferences and other events as well as serving on boards for professional and service sector organizations. In addition, many of GLWA’s employees have been recognized for their achievements. Over the past five years, this has included:

- Chief Administrative and Compliance Officer, William Wolfson, was awarded the 2024 Frank J. Kelley Distinguished Public Service Award from the State Bar of Michigan.
- Director of Energy, Research, & Innovation John W. Norton, Jr. was appointed chair of the Joint Section Research Committee by the Water Science & Research Division of the American Water Works Association in 2024.
- Wastewater Operations Director Dr. Majid Khan was recognized as 2022 Industry Icon by Water & Wastes Digest.
- Grants Manager Alicia Schwartz was appointed President of the professional organization Michigan Women in Finance (MWIF) in 2023.
- Chief Financial Officer/Treasurer Nicolette Bateson received the Eastern Michigan University Alumni Achievement Award in 2022.
- CIP Director Dr. Dima El-Gamal received the 2022 Distinguished Alumni Award for the Civil and Environmental Engineering Department at Wayne State University (2021).

- Chief Organizational Development Officer Jordie Kramer – Appointed President of Michigan Public Employer Labor Relations Association
- Systems Planning Services Management Professional Esther Baptiste, was awarded the MI-AWWA’s Richard Husby Public Awareness Award.
- Wastewater Operating Services Chief Operating Officer Navid Mehram was honored as a Young Pro by Water & Wastes Digest (2020).
- Chief Administrative and Compliance Officer, William Wolfson, was honored by Michigan Lawyers Weekly as a Leader in the Law in 2020.
- Associate General Counsel Kirsten Silwanowicz was named Michigan Lawyers Weekly Influential Women of Law (2023).
- Chief Information Officer Jeff Small was named IT Professional of the Year by the Michigan Government Management Information Sciences Organization in 2019.

**Employees**

As of June 30, 2023, the Authority had 994 employees, including persons with professional qualifications in the fields of water and wastewater operations, construction, engineering, capital planning, environmental science, facility and systems security, accounting, finance, law, and management. The Authority believes that its relationships with its employees and their representatives are generally good.

GLWA has active collective bargaining agreements (“CBAs”) in place for four of its five union represented workforce. The unions and the number of full-time equivalent (“FTE”) employee members as of June 30, 2023 are:

<b>Union</b>	<b>FTE’s</b>	<b>CBA Expiration Date</b>
American Federation of State County and Municipal Employees, Local 2920	343	6/30/2025
Association of Professional Construction Inspectors	12	6/30/2024
Michigan Building and Construction Trades Council	54	6/30/2024
Senior Water Systems Chemist Association	53	6/30/2024
Association of Municipal Engineers	31	2/29/2024

**Retirement and Other Employee Benefits**

GLWA offers a modernized employee benefit program which provides the flexibility to attract and retain a multi-generational workforce and ensures that GLWA will have no unfunded liabilities.

GLWA offers its full-time employees a defined contribution retirement plan with an optional, participatory deferred compensation plan which are administered by an independent third party. GLWA contributes an amount equal to 6% of base wages for eligible employees to the defined contribution retirement plan. Employees may make voluntary pre-tax contributions to the deferred compensation plan up to the annual limits set by the Internal Revenue Service (the “IRS”). GLWA matches an employee’s voluntary contribution, per pay period, on a dollar-for-dollar basis up to 3% of base wages. Both the 6% employer contribution and the 3% employer matching contribution are subject to a three-year cliff vesting schedule. If an employee is in a new Apprenticeship classification, the vesting period is a seven-year cliff schedule. The longer vesting period is a reflection of the four-year Apprenticeship learning portion and the three actual years of regular employment.

Full-time employees of GLWA are also eligible to participate in group medical, prescription drug, dental, and vision plans offered by GLWA. Under these plans, covered employees contribute 20% of the

premium costs of these benefits through employee payroll deductions based upon the plan and coverage tier selected by the employee. GLWA provides employer-paid group life insurance and disability insurance to full-time employees as well as a flexible spending account.

GLWA offers a defined contribution retiree health care savings program. GLWA contributes eighty dollars (\$80) per pay period for active full-time employees. Those employees contribute ten dollars (\$10) dollars per pay period on a pre-tax basis. GLWA's contributions are subject to a three-year cliff vesting schedule. Vested account balances are available to pay for post-employment health care expenses for participants and their beneficiaries on a tax-free basis. The plan does not require GLWA to pay any additional amounts in connection with retiree healthcare.

Consistent with the terms of the Lease, as of January 1, 2016, GLWA assumed responsibility for a pro-rata share of DWSD's liability for the City's General Retirement System ("GRS") pension plan that was frozen and terminated in 2014. For a discussion of the potential "tail" liability of GLWA after June 30, 2023 for those legacy costs, see "AUTHORITY FINANCIAL OPERATIONS—Legacy Retirement System Obligations of the Authority."

## **THE SERIES 2024 BONDS**

### **General**

The Series 2024 Bonds are being issued by the Authority and will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. The Series 2024 Bonds will bear interest from their date of delivery until maturity or prior redemption, payable semiannually on January 1 and July 1 of each year commencing January 1, 2025 at the respective interest rates set forth on the inside cover of this Official Statement. The Series 2024 Bonds will be issued as fully registered bonds in denominations of \$5,000 and integral multiples thereof.

### **Optional Redemption**

The Series 2024 Bonds maturing on or after July 1, 2034 are subject to redemption at the option of the Authority on any date on or after January 1, 2034 in whole or in part, and if in part from such maturities as the Authority determines, at par, plus accrued interest to the redemption date.

### **Redemption Procedures**

#### *Notice of Redemption*

Under the Ordinance, the Trustee will mail, by first class mail, as specified in the Ordinance, a notice of redemption to the Holders of the Series 2024 Bonds to be redeemed at least 30 and not more than 60 days prior to the redemption date. If any optional redemption is to be made under the Ordinance with funds that the Authority expects to receive between the time of the giving of such notice and the redemption date, the notice will expressly condition such redemption on timely receipt of such funds. The failure of any Bondholder to receive any such notice or any defect in such notice with respect to any Series 2024 Bond or portion thereof will not affect the validity of any proceedings for the redemption of any Series 2024 Bonds.

### *Selection of Bonds to be Redeemed*

When Series 2024 Bonds are to be redeemed in part, the Authority shall specify to the Trustee the Series designation, maturity, and Original Issue Date of the Bonds from which Series 2024 Bonds or portions of Series 2024 Bonds to be redeemed shall be selected. Subject to the Authority's specification, the particular Series 2024 Bonds or portions of Series 2024 Bonds to be redeemed will be selected by the Trustee by lot or in such other manner as the Trustee in its discretion may deem fair, provided that (i) if only a portion of any Series 2024 Bond is to be redeemed, the principal amount of the portion remaining Outstanding will be equal to \$5,000 or an integral multiple of \$5,000 and (ii) in selecting Series 2024 Bonds for redemption, the Trustee will treat each Series 2024 Bond as representing that number of Series 2024 Bonds that is obtained by dividing the principal amount of such Series 2024 Bond by \$5,000.

### **Plan of Financing**

<b><u>Sources:</u></b>	<b><u>2024A</u></b>	<b><u>2024B</u></b>
Par Amount	\$348,175,000.00	\$35,930,000.00
Original Issue Premium	31,484,694.40	4,410,240.15
Released from Debt Service Accounts	8,406,059.03	940,548.61
Released from Bond Reserve Accounts	12,569,327.45	3,539,451.08
<b>Total Sources</b>	<b>\$400,635,080.88</b>	<b>\$44,820,239.84</b>
<b><u>Uses:</u></b>		
Deposit to Escrow Fund	\$398,680,604.54	44,608,120.33
Underwriters' Discount	1,001,743.28	103,664.97
Costs of Issuance	952,733.06	108,454.54
<b>Total Uses</b>	<b>\$400,635,080.88</b>	<b>\$44,820,239.84</b>

A portion of the proceeds of the Series 2024 Bonds will be applied to the refunding and redemption of the Refunded Bonds, deposited into an escrow fund (the "Escrow Fund") and will be held as cash or invested in non-callable direct obligations of the United States, or obligations the payment of principal and interest on which is fully and unconditionally guaranteed by, the United States (collectively, "Government Obligations"). The Escrow Fund will be held by the corporate trust office of U.S. Bank Trust Company, National Association, Detroit, Michigan, as escrow trustee (the "Escrow Trustee") and will be used to pay the principal of and interest on the Refunded Bonds when due or called for redemption. The Escrow Fund will be held by the Escrow Trustee pursuant to an escrow agreement (the "Escrow Agreement"), which irrevocably directs the Escrow Trustee to make the payment of principal of and interest on the Refunded Bonds. The Escrow Fund will be such that the cash and the principal and interest payments received on the Government Obligations will be sufficient, without reinvestment, except as provided in the Escrow Agreement, to pay the principal of and interest on the Refunded Bonds as they become due or are called for redemption, as set forth in the Escrow Agreement.

The accuracy of the mathematical computations regarding the adequacy of the cash and the Government Obligations to be held in the Escrow Fund and used, together with the earnings thereon, to pay the principal of and interest on the Refunded Bonds when due or at call for redemption will be verified by Robert Thomas CPA, LLC based upon information supplied by the Financial Advisor.



## Replacement Bonds

In the event that the book-entry-only system is discontinued, the Trustee will authenticate and make available for delivery replacement Series 2024 Bonds in the form of fully registered bond certificates. In addition, the following provisions would apply: (i) principal of and redemption premium, if any, on the Series 2024 Bonds will be payable in lawful money of the United States of America at the corporate trust office of the Trustee or such other office as may be designated by the Authority; (ii) interest on the Series 2024 Bonds will be payable by check or draft mailed to the registered owners thereof or, upon five days written notice to the Trustee given by a Registered Owner of a Series 2024 Bonds in an aggregate principal amount of at least \$100,000, by wire transfer of funds to a bank account in the United States designated by such Registered Owner; and (iii) interest on the Series 2024 Bonds will be payable by check or draft to the Registered Owners whose names appear on the registration books of the Trustee as of the close of business on the fifteenth day of the calendar month immediately preceding the applicable interest payment date, all as provided more particularly in the Bond Ordinance (“Registered Owners”).

## Book-Entry Only System

The Depository Trust Company, New York, New York (“DTC”) will act as securities depository for the Series 2024 Bonds. The Series 2024 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered bond will be issued for the Series 2024 Bonds of each series and maturity in aggregate principal amount of such maturity and will be deposited with DTC. A description of the DTC procedures is set forth in APPENDIX XII.

## SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS

Pursuant to the provisions of Act 94, all DWSD Water Bonds assumed by GLWA under the Bond Ordinance and all Additional Bonds issued and to be issued by GLWA under the Bond Ordinance, including the Series 2024 Bonds (the DWSD Water Bonds and all such Additional Bonds, together with Reimbursement Obligations and Junior Lien Reimbursement Obligations, the “Bonds”), are payable solely from the Pledged Assets, which include the Net Revenues of the Water System and amounts available in certain funds and accounts established in accordance with the Bond Ordinance. **The Bonds are secured by a statutory lien on the Pledged Assets pursuant to Act 94 and the Bond Ordinance. The Series 2024 Bonds are payable solely from the Pledged Assets as security for the Series 2024 Bonds in the Bond Ordinance, including the funds and accounts established under the Bond Ordinance for the benefit of the Series 2024 Bonds. The Bonds are self-liquidating revenue bonds and are not general obligations of GLWA and do not constitute an indebtedness of GLWA within any constitutional or statutory limitation, but are payable solely from the Pledged Assets.**

The Bond Ordinance amends, restates and incorporates certain material provisions of Ordinance No. 01-05 and the related Trust Indenture of the City relating to the DWSD Water Bonds for the efficient administration of the Regional Water System, the assumption of the DWSD Water Bonds, and the issuance of Additional Bonds to finance additional costs of extensions, additions and improvements to the Regional Water System and the Local Water System, which may be secured by parity or subordinate lien interests in the Net Revenues with the DWSD Water Bonds and with the Additional Bonds issued and to be issued by GLWA. For a summary of the Bond Ordinance, see APPENDIX VI – SUMMARY OF THE BOND ORDINANCE.

## **Pledged Assets**

“Pledged Assets” under the Bond Ordinance consist of:

Net Revenues;

The funds and accounts established by or pursuant to the Bond Ordinance except for the Operation and Maintenance Fund, the Construction Fund and the Rebate Fund and any account thereof; and

Investments of amounts or any income or gain realized therefrom credited to any fund, account or subaccount that is a Pledged Asset.

“*Revenues*” are defined in the Bond Ordinance as the revenues, including the Retail Revenues, of GLWA from the Water System (construed in accordance with Act 94) and include (a) amounts received from a Swap Provider under a Swap Agreement, including amounts payable upon termination thereof, (b) income earned and gains realized from the investment of amounts in the various funds, accounts and subaccounts established by the Bond Ordinance (other than the Construction Fund for any Fiscal Year in which earnings on the Construction Fund are not credited to the Receiving Fund) and (c) all monies collected directly or indirectly by GLWA or by the City, as agent of GLWA, under the Water and Sewer Services Agreement, and deposited or to be deposited into the Receiving Fund pursuant to the Bond Ordinance. The Authority currently has no Swap Agreements outstanding.

“*Net Revenues*” are defined in the Bond Ordinance as all Revenues except for those transferred to the Operation and Maintenance Fund.

Under the Bond Ordinance, the Pledged Assets for the Bonds consisting of the trust estate (the “Trust Estate”) are pledged to the Trustee for the payment of the Bonds (including the DWSD Water Bonds) in accordance with the terms and provisions of Act 94 and the Bond Ordinance and any Series Ordinance relating to a Series of Bonds. This pledge was valid and binding from and after the Effective Date, and the Pledged Assets were immediately subject to the lien of such pledge without any physical delivery thereof, recordation of the Bond Ordinance or further act, and the lien of such pledge was and is valid and binding as against all parties having claims of any kind in tort, contract or otherwise against GLWA, regardless of whether such parties have notice thereof.

## **Flow of Funds**

Under the Bond Ordinance, in accordance with the requirements of Act 94 and the Lease, GLWA has established certain funds and accounts for the Water System to be held in trust by the Trustee. The Bond Ordinance permits the establishment of additional funds for additional priorities of GLWA Bonds.

In accordance with the terms of Act 94 and the Bond Ordinance, all Revenues of the Water System shall be deposited with the Trustee and, with the exception of Revenues transferred to the GLWA Regional Operation and Maintenance Account or the Detroit Local Operation and Maintenance Account of the Operation and Maintenance Fund as directed by GLWA as provided in the Bond Ordinance, held in trust pursuant to the terms of the Bond Ordinance. The Lease and the Bond Ordinance provide that, subject to the issuance of Bonds permitted by the Bond Ordinance to satisfy all or a portion of the Pension Obligation, pursuant to the provisions of paragraph 24 of the Bankruptcy Order, the contribution to the Prior GRS pension plan set forth in the Plan of Adjustment to be paid by DWSD and GLWA shall be payable as follows: (i) through Fiscal Year 2023 the portion of that contribution equal to \$24 million annually, plus the share of the annual “defined contribution” (as such term is used in the Bankruptcy Order) payments to

be allocated between the Sewer System and the Water System, will be paid by the Trustee as Operation and Maintenance Expenses under priority “First” below, and (ii) through Fiscal Year 2023 the difference between the annual GRS pension plan contribution provided for in the Plan of Adjustment and \$24 million to be allocated between the Sewer System and the Water System will be paid by the Trustee out of the Pension Obligation Payment Fund under priority “Fifth” below. See “AUTHORITY FINANCIAL OPERATIONS – Legacy Retirement System Obligations of the Authority.”

As of the first day of each month (or, in the case of the transfer, if any, to the respective Reserve Account, following the annual July 1<sup>st</sup> valuation of investments in such Bond Reserve Account, pursuant to the Bond Ordinance), amounts credited to the Receiving Fund, including any Lease Payment (which is to be applied to the Fund(s) and Account(s) designated by the City pursuant to the Lease) shall be transferred seriatim into the following funds and accounts but only within the respective limitations and only if the maximum amount within such limitation has been credited to the preceding fund or account:

First: to the Authority Regional Operation and Maintenance Account and the Detroit Local Operation and Maintenance Account of the Operation and Maintenance Fund, one twelfth of the then current Fiscal Year’s Operation and Maintenance Expenses of the Regional Water System and the Local Water System, respectively, as determined by GLWA and certified to the Trustee by an Authorized Officer as sufficient to provide for the payment of the next month’s expenses of administration and operation of the Regional Water System and the Local Water System, respectively, and such current expenses for the maintenance thereof as may be necessary to preserve the same in good repair and working order;

Second: to the Senior Lien Bond Debt Service Account, an amount that, when added to all other amounts then on deposit therein, shall equal the Debt Service Installment Requirement for Senior Lien Bonds as of the first day of such month;

Third: following the annual July 1<sup>st</sup> valuation of investments in the Senior Lien Bond Reserve Account pursuant to the Bond Ordinance, to the Senior Lien Bond Reserve Account, an amount, if any, that when added to all other amounts then on deposit therein shall equal the Reserve Requirement, if any, for Senior Lien Bonds;

Fourth: to the Bond Interest and Redemption Fund established for each Priority of Lien of Junior Lien Bonds, beginning with the Second Lien Bonds and continuing in descending order of priority to, and including, each Priority of Lien of Junior Lien Bonds, as follows:

*First:* to the Debt Service Account established for such Priority of Lien, an amount that, when added to amounts then on deposit in such account, shall equal the Debt Service Installment Requirement for Junior Lien Bonds of such Priority of Lien as of the first day of such month; and

*Second:* following the annual July 1 valuation of investments in the Reserve Accounts pursuant to the Bond Ordinance, to the Reserve Account, if any, established for such Priority of Lien, an amount that, when added to amounts then on deposit in such account, shall equal the Reserve Requirement, if any, for such Priority of Lien of Junior Lien Bonds;

Fifth: except as provided in the Bond Ordinance with respect to the initial deposit to the Pension Obligation Payment Fund, to the extent Pension Junior Lien Bonds are not issued, to the

Pension Obligation Payment Fund an amount that equals one twelfth of the Required Annual GRS Payment and one twelfth of the BC Note Obligation at the written direction of an Authorized Officer to the Trustee;

Sixth: except as provided in the Bond Ordinance with respect to the initial deposit to the WRAP Fund, to the WRAP Fund, one twelfth of the amount to be deposited therein for the current Fiscal Year as directed in writing by an Authorized Officer to the Trustee;

Seventh: except as otherwise provided in the Bond Ordinance with respect to the initial deposit to the Budget Stabilization Fund, for each of the Fiscal Years 2016, 2017 and 2018, to the Budget Stabilization Fund, an amount equal to one twelfth of one-third of the amount necessary to assure that the Budget Stabilization Requirement will be on deposit in the Budget Stabilization Fund within three full Fiscal Years at the written direction of an Authorized Officer to the Trustee and for subsequent Fiscal Years thereafter one twelfth of an amount that when added to amounts then on deposit in the Budget Stabilization Fund shall equal the Budget Stabilization Requirement, at the written direction of an Authorized Officer to the Trustee;

Eighth: to the Extraordinary Repair and Replacement Reserve Fund, the amount of the Extraordinary Repair and Replacement Minimum Requirement to the extent that the balance thereof is less than the Extraordinary Repair and Replacement Maximum Requirement; and

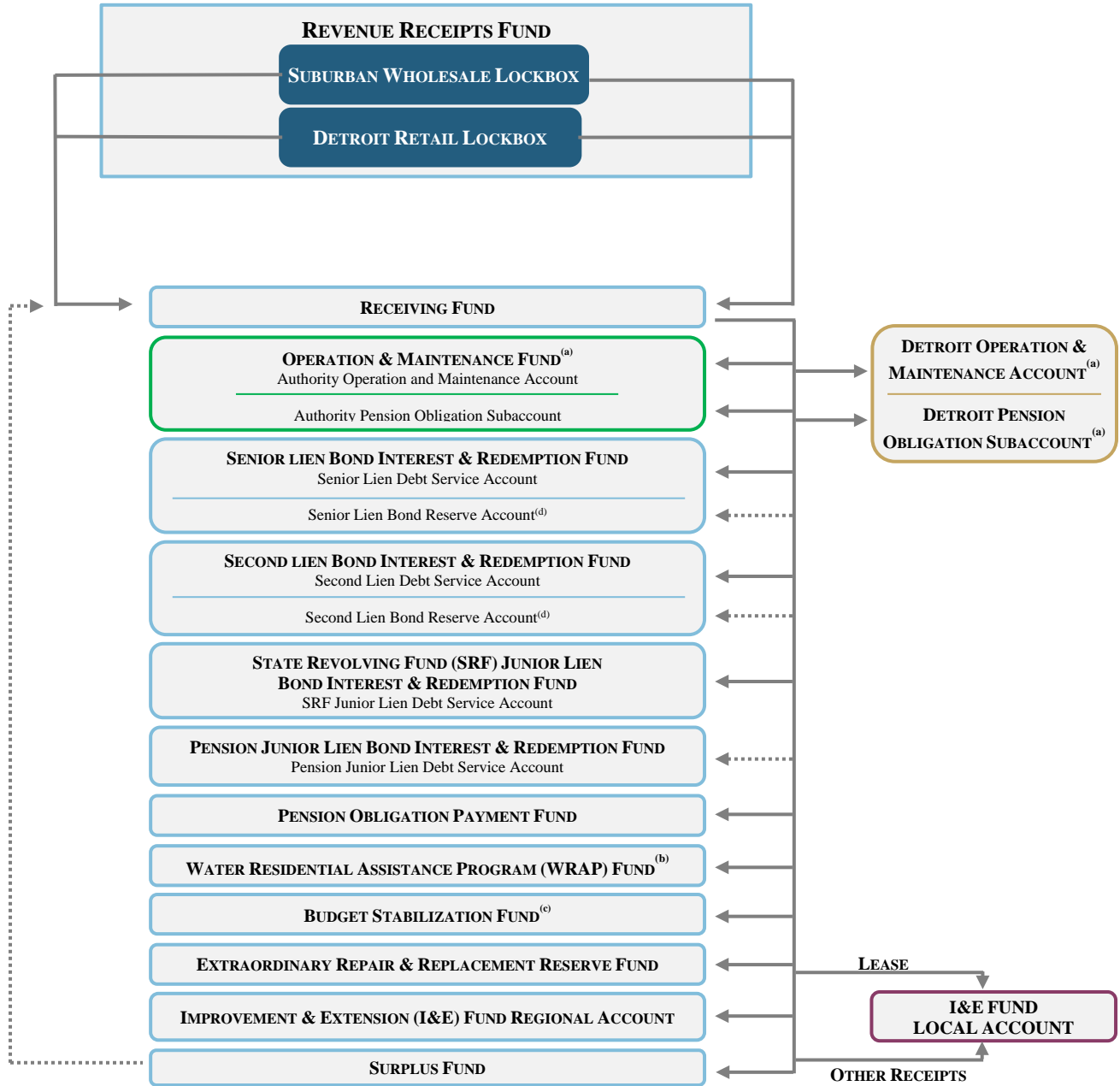
Ninth: at the written direction of an Authorized Officer to the Trustee, to the Authority Improvement and Extension Account and the Detroit Local Improvement and Extension Account of the Improvement and Extension Fund, such amounts as GLWA may deem advisable for the Regional Water System and Local Water System; provided that no amount shall be deposited in either such account for so long as a withdrawal from the Extraordinary Repair and Replacement Reserve Fund remains unpaid.

In any month, funds on deposit in the Receiving Fund in excess of the requirements set forth above may, upon the direction of GLWA, be transferred to the Improvement and Extension Fund (provided that no amount shall be deposited to the Improvement and Extension Fund or credited thereto for so long as a withdrawal from the Extraordinary Repair and Replacement Reserve Fund remains unpaid).

Any amounts remaining in the Receiving Fund as of the last day of each Fiscal Year shall be applied against future years' Revenue deposit obligations under the Bond Ordinance, unless directed by GLWA within thirty (30) days of completion of the Fiscal Year's audited financial statements to be deposited in the Surplus Fund. See summary flow of funds diagram below.

The Authority has exercised its option to reduce the Reserve Requirement for the Senior Lien Bonds and the Second Lien Bonds, respectively, to zero upon issuance of the Series 2024 Bonds, and no funds will be deposited into the respective Bond Reserve Account for as long as the respective Reserve Requirement remains at zero. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS – Bond Reserve Accounts and Reserve Requirements Reduction."

## Summary of the Flow of Funds



### KEY

- GLWA OUTSIDE THE TRUST<sup>(a)</sup>
- DWSO OUTSIDE THE TRUST<sup>(a)</sup>
- GLWA WITHIN THE TRUST
- DWSO WITHIN THE TRUST

Regularly Scheduled Transfers Based on Provisions of the Master Bond Ordinance  
 Transfers as Needed Based on Provisions of the Master Bond Ordinance

<sup>(a)</sup> Except for these funds, all other funds are held in Trust by the Trustee.  
<sup>(b)</sup> Disbursing fund for WRAP.  
<sup>(c)</sup> For the Detroit Local Systems per Section 515 of the Master Bond Ordinance.  
<sup>(d)</sup> Reserve Requirement is zero upon issuance of Series 2024 Bonds.

## **Priority of Lien**

The Bonds are secured under the Bond Ordinance in accordance with their relative Priority of Lien by a statutory lien on the Pledged Assets (each of such relative priorities hereinafter referred to as a “Priority of Lien”), as described below.

Senior Lien Water Supply System Revenue Bonds (the “Senior Lien Bonds”) are secured by a first lien on the Pledged Assets and rank first in the order of payment from Net Revenues.

Second Lien Water Supply System Revenue Bonds (the “Second Lien Bonds”) are secured by a lien on the Pledged Assets second only to the Senior Lien Bonds and rank second in order of payment from Net Revenues; and

Other Junior Lien Water Supply System Revenue Bonds (the “SRF Junior Lien Bonds”) have a lien subordinate to the lien of all Senior Lien Bonds and Second Lien Bonds and rank last in order of payment from Net Revenues.

## **Rate Covenant**

Under the Bond Ordinance, the Authority covenants that the rates shall be fixed and revised from time to time as may be expected to be necessary to produce the greater of:

The amounts required: (1) to provide for the payment of the Operation and Maintenance Expenses of the Water System; and (2) to provide for the payment of all Debt Service Installment Requirements coming due during the Fiscal Year of calculation; and (3) to provide for the creation and maintenance of reserves therefor as required by the Bond Ordinance; and (4) to provide for the payment of the Lease Payment; and (5) to provide for the deposit to the WRAP Fund; and (6) to repay any withdrawals from the Extraordinary Repair and Replacement Fund; and (7) to provide for such other expenditures and funds for the Water System as the Bond Ordinance may require;

Amounts so that the Rate Covenant Debt Service Coverage shall not be less than the Required Coverage; and

Amounts required by Act 94.

The “Rate Covenant Debt Service Coverage” means, for purposes of the rate covenant in the Bond Ordinance and for each Priority of Lien, a number equal to Projected Net Revenues for the Fiscal Year of calculation divided by the aggregate Debt Service Installment Requirements on Bonds for such Fiscal Year, net of funds on hand representing capitalized interest, all for such Priority of Lien and any higher Priority of Lien.

Under Act 94, rates must be fixed and revised as necessary to comply with the Bond Ordinance. The Authority has covenanted at all times to fix and maintain charges for services furnished by the Water System as shall be sufficient to provide for the foregoing. Act 94 also provides that the Water System charges are not subject to supervision or regulation by any State bureau, board, commission or like agency or instrumentality of the State.

The coverage requirements for determining the Required Coverage under the Bond Ordinance are the following percentages:

<b>Priority of Lien of Bonds</b>	<b>Percentage</b>
Senior Lien Bonds	120%
Second Lien Bonds	110%
SRF Junior Lien Bonds and Pension Junior Lien Bonds	100%

The Authority’s management team utilizes a ten-year forecast, which is updated at both the beginning of the annual budget cycle and after the annual budget is adopted, to manage debt service coverage levels. The key budgetary decision-making parameter is driven by demonstrating a forecasted debt service coverage at levels higher than the Required Coverage for all lien priorities under the Bond Ordinance as described above. While these targets above the required minimum have not been formally established as policy positions, the debt service coverage levels are designed to achieve long-term financial sustainability and stability objectives. Notwithstanding the covenant to impose rates, fees and charges contained in the Bond Ordinance, under Michigan law, rates established by GLWA must be reasonable and nondiscriminatory and are subject to review by the courts in that regard. In establishing its service charges, the actions of GLWA are presumed by the courts to be reasonable, but the rates must not be arbitrary, discriminatory or excessive. Consequently, the rates established by GLWA pursuant to the Bond Ordinance could be subject to challenges alleging that such charges are arbitrary, discriminatory or excessive.

The ability to pay debt service on the Series 2024 Bonds depends on the ability to generate Net Revenues that meet the levels required by the Bond Ordinance. Although the Bond Ordinance contains a covenant to impose rates, fees and charges and GLWA expects that sufficient Net Revenues will be generated through the imposition and collection of such rates, fees and charges and other Net Revenues described herein, there is no assurance that Net Revenues will be generated in the amounts required by the Bond Ordinance. The Bond Ordinance covenants do not constitute a guarantee that sufficient Net Revenues will be available to pay debt service on the Series 2024 Bonds.

**Issuance of Additional Bonds**

Under the Bond Ordinance, prior to or concurrently with the issuance of Additional Bonds of any Priority of Lien, GLWA shall calculate a number equal to Projected Net Revenues in the then current or the next succeeding Fiscal Year, or Historical Net Revenues, all as determined by GLWA, divided by Maximum Annual Debt Service for such Priority of Lien and any higher Priority of Lien (the “Additional Bonds Debt Service Coverage”). GLWA may elect to determine Additional Bonds Debt Service Coverage on the basis of Projected Net Revenues or Historical Net Revenues. GLWA is authorized to issue Additional Bonds on parity with the Series 2024 Bonds for the purposes set forth in the Bond Ordinance if, but only if, GLWA certifies that the Additional Bonds Debt Service Coverage for each Priority of Lien (regardless of the Priority of Lien of the Additional Bonds) is not less than the Required Coverage. The determination in a Series Ordinance that the Additional Bonds Debt Service Coverage for each Priority of Lien is not less than the Required Coverage shall be conclusive.

Alternatively, GLWA may issue Additional Bonds of any Priority of Lien for refunding outstanding Bonds if the aggregate Debt Service Installment Requirements in the current Fiscal Year and each Fiscal Year until maturity on the Additional Bonds and all outstanding unrefunded Bonds of equal and higher Priority of Lien after giving effect to the refunding, is less than the aggregate Debt Service Installment Requirements in the current Fiscal Year and each Fiscal Year thereafter until maturity on all Bonds of equal and higher Priority of Lien without giving effect to the refunding. See APPENDIX VI - SUMMARY OF THE BOND ORDINANCE.

## **Bond Reserve Accounts and Reserve Requirements Reduction**

Pursuant to the Bond Ordinance, there has been established a Senior Lien Bond Reserve Account and a Second Lien Bond Reserve Account. Such Bond Reserve Accounts are held by the Trustee under and pursuant to the Bond Ordinance. SRF Junior Lien Bonds have not been secured by any Reserve Account. Amounts in a Bond Reserve Account have been pledged solely for the payment of the principal (and premium, if any) of and interest on Bonds of the same Priority of Lien for which such Bond Reserve Account was established. The Bond Ordinance also permits Bond Reserve Accounts to be established on a series-specific basis pursuant to a Series Ordinance.

Pursuant to a 2020 amendment to the Bond Ordinance, the Authority has the option to reduce or eliminate the Reserve Requirement for the Senior Lien Bonds and/or the Second Lien Bonds, as the case may be, if the Senior Lien Bonds are rated “Aa3”, “AA-”, “AA-” or higher from at least two of Moody’s, S&P, and Fitch, respectively, and the Authority obtains confirmation that neither of such ratings will be reduced solely as a result of the change in the Reserve Requirement for such Bonds. The Authority intends to exercise this option and reduce to zero the Reserve Requirement for the Senior Lien Bonds and the Second Lien Bonds, respectively, upon the issuance of the Series 2024 Bonds and satisfaction of the requirements under the Bond Ordinance. The Authority has achieved the requisite ratings threshold and has obtained the requisite confirmation that such ratings will not be reduced as a result of the reduction of the Reserve Requirements to zero.

Prior to the issuance of the Series 2024 Bonds, the Reserve Requirement for the Senior Lien Bond Reserve Account and the Second Lien Bond Reserve Account, respectively, had been set at the lesser of (i) the Maximum Annual Debt Service for all Senior Lien Bonds or all Second Lien Bonds, as applicable, and (ii) the maximum amount permitted by the Code and had been each funded with cash, investments and surety bonds. In connection with the reduction of the Reserve Requirement to zero upon the issuance of the Series 2024 Bonds, all the investments will be liquidated and the resulting cash in the Bond Reserve Accounts is expected to be released and deposited into the Escrow Fund to refund the Refunded Bonds (see “THE SERIES 2024 BONDS - Plan of Financing”). The reduction of the Reserve Requirements to zero will reduce the total amount of the Series 2024 Bonds issued to refund the Refunded Bonds and will eliminate the ongoing costs of maintaining the Reserve Requirements in the Bond Reserve Accounts.

The existing surety bonds will be maintained by the Authority in accordance with their respective terms. The coverage of some of the existing surety bonds will be terminated as a result of the reduction of the Reserve Requirements to zero. There can be no assurance that any surety bonds will be maintained and available as a source of payment for the Series 2024 Bonds or any other Bonds after such reduction of the Reserve Requirements.

## **Remedies**

Upon the occurrence and continuance of any Event of Default under the Bond Ordinance, the Trustee may, or upon the request of the Holders of not less than 20% in principal amount of the Outstanding Bonds shall, proceed in its own name, to protect and enforce its rights and the rights of the Bondholders, by suit, action, or other proceedings, and to protect and enforce the statutory lien on the Net Revenues and enforce and compel the performance of all duties of the officials of the Authority as set forth in the Bond Ordinance. See APPENDIX VI – SUMMARY OF THE BOND ORDINANCE.

The remedies available under the Bond Ordinance upon the occurrence of an Event of Default are in many respects dependent upon judicial actions, which are often subject to substantial discretion and delay. Additionally, under State constitutional and statutory law and judicial decisions concerning reme-



dies, certain of these remedies may be limited, or may not be readily available or enforceable. The enforceability of remedies or rights with respect to the Series 2024 Bonds and the Bond Ordinance also is limited by State and federal bankruptcy, reorganization, insolvency, sovereign immunity, moratorium and other similar laws regarding creditors' rights or remedies currently in effect and may be limited by such laws hereafter enacted.

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## OUTSTANDING AUTHORITY INDEBTEDNESS

The following table sets forth information with respect to outstanding Water Supply System Revenue Bonds upon the issuance of the Series 2024 Bonds.

<b>Water Supply System Revenue Bonds</b>	<b>Original Principal Amount</b>	<b>Outstanding Principal Amount</b>
<b>Senior Lien Bonds</b>		
Water Supply System Revenue Senior Lien Bonds, Series 2003A	\$ 234,805,000	\$ 100,000
Water Supply System Revenue Senior Lien Bonds, Series 2005B	\$ 194,900,000	\$ 100,000
Water Supply System Revenue Senior Lien Bonds, Series 2006A	\$ 280,000,000	\$ 100,000
Water Supply System Revenue Refunding Senior Lien Bonds, Series 2014D-2	\$ 188,455,000	\$ 45,555,000
Water Supply System Revenue Refunding Senior Lien Bonds, Series 2015D-1	\$ 89,430,000	\$ 69,275,000
Water Supply System Revenue Senior Lien Bonds, Series 2016A	\$ 88,000,000	\$ 87,985,000
Water Supply System Revenue Refunding Senior Lien Bonds, Series 2016C	\$ 443,930,000	\$ 415,685,000
Water Supply System Revenue Senior Lien Bonds, Series 2020A	\$ 42,445,000	\$ 42,445,000
Water Supply System Revenue Refunding Senior Lien Bonds, Series 2020C (Taxable)	\$ 377,515,000	\$ 284,360,000
Water Supply System Revenue Senior Lien Bonds, Series 2022A	\$ 137,470,000	\$ 137,470,000
Water Supply System Revenue Refunding Senior Lien Bonds, Series 2023A	\$ 67,210,000	\$ 67,210,000
Water Supply System Revenue Senior Lien Bonds, Series 2023B	\$ 148,535,000	\$ 148,535,000
Water Supply System Revenue Refunding Senior Lien Bonds, Series 2024A	\$ 348,175,000	\$ 348,175,000
	<u>\$ 2,640,870,000</u>	<u>\$ 1,646,995,000</u>
<b>Second Lien Bonds</b>		
Water Supply System Revenue Second Lien Bonds, Series 2003B	\$ 172,945,000	\$ 100,000
Water Supply System Revenue Second Lien Bonds, Series 2006B	\$ 120,000,000	\$ 100,000
Water Supply System Revenue Refunding Second Lien Bonds, Series 2014D-6	\$ 65,425,000	\$ 2,130,000
Water Supply System Revenue Refunding Second Lien Bonds, Series 2015D-2	\$ 37,235,000	\$ 37,235,000
Water Supply System Revenue Second Lien Bonds, Series 2016B	\$ 163,830,000	\$ 163,815,000
Water Supply System Revenue Refunding Second Lien Bonds, Series 2016D	\$ 222,045,000	\$ 222,045,000
Water Supply System Revenue Refunding Second Lien Bonds, Series 2018A	\$ 155,595,000	\$ 96,075,000
Water Supply System Revenue Second Lien Bonds, Series 2020B	\$ 43,135,000	\$ 43,135,000
Water Supply System Revenue Second Lien Bonds, Series 2022B	\$ 69,745,000	\$ 69,745,000
Water Supply System Revenue Refunding Second Lien Bonds, Series 2024B	\$ 35,930,000	\$ 35,930,000
	<u>\$ 1,085,885,000</u>	<u>\$ 670,310,000</u>
<b>SRF Junior Lien Bonds</b>		
Water Supply System Revenue Bonds, Series 2005-SRF-1 (7161-01)	\$ 13,805,164	\$ 2,370,164
Water Supply System Revenue Bonds, Series 2005-SRF-2 (7162-01)	\$ 8,891,730	\$ 1,496,730
Water Supply System Revenue Bonds, Series 2006-SRF-1 (7178-01)	\$ 5,180,926	\$ 880,926
Water Supply System Revenue Bonds, Series 2008-SRF-1 (7240-01)	\$ 2,590,941	\$ 550,941
Water Supply System Revenue Bonds, Series 2016-SRF-1 (7412-01)	\$ 8,273,168	\$ 7,048,168
Water Supply System Revenue Bonds, Series 2016-SRF-2 (7413-01)	\$ 3,393,543	\$ 2,883,543
Water Supply System Revenue Bonds, Series 2017-SRF-1 (7414-01)	\$ 5,807,931	\$ 5,032,931
Water Supply System Revenue Bonds, Series 2019-SRF-1 (7446-01)	\$ 8,330,000	\$ 7,280,000
Water Supply System Revenue Bonds, Series 2019-SRF-2 (7445-01) (1)	\$ 29,950,000	\$ 27,465,000
Water Supply System Revenue Bonds, Series 2019-SRF-3 (7447-01) (1)	\$ 11,788,056	\$ 10,905,000
Water Supply System Revenue Bonds, Series 2020-SRF-1 (7460-01) (1)	\$ 20,538,700	\$ 19,520,000
Water Supply System Revenue Bonds, Series 2020-SRF-2 (7461-01) (1)	\$ 8,960,000	\$ 7,830,000
Water Supply System Revenue Bonds, Series 2020-SRF-3 (7445-02) (1)	\$ 9,000,000	\$ 8,630,000
Water Supply System Revenue Bonds, Series 2020-SRF-4 (7483-01) (1)	\$ 12,153,050	\$ 11,545,000
Water Supply System Revenue Bonds, Series 2021-SRF-1 (7445-04) (1)	\$ 11,940,000	\$ 11,940,000
Water Supply System Revenue Bonds, Series 2021-SRF-2 (7461-02) (1)	\$ 104,725,000	\$ 104,725,000
Water Supply System Revenue Bonds, Series 2021-SRF-3 (7484-01) (1)	\$ 11,528,950	\$ 11,528,950
Water Supply System Revenue Bonds, Series 2022-SRF-2 (7532-01) (1)	\$ 34,075,000	\$ 32,655,000
Water Supply System Revenue Bonds, Series 2023-SRF-1 (7532-02) (1)	\$ 48,172,500	\$ 48,172,500
	<u>\$ 359,104,659</u>	<u>\$ 322,459,853</u>
<b>Total Water Supply System Revenue Bonds</b>	<u>\$ 4,085,859,659</u>	<u>\$ 2,639,764,853</u>

(1) Outstanding amount shown for loans that have not been fully disbursed is based on full authorized amount minus principal repaid.

SOURCE: The Authority

## DEBT SERVICE REQUIREMENTS

The following table sets forth the Debt Service Installment Requirements, as defined under the Master Bond Ordinance, for the outstanding Senior Lien Bonds, Second Lien Bonds and SRF Junior Lien Bonds, upon the issuance of the Series 2024 Bonds. In this schedule the outstanding SRF Junior Lien Bonds debt service is computed in a manner that assumes all loans are currently fully drawn. Actual debt service for loans not yet fully drawn will be lower. The debt service for the outstanding SRF Junior Lien Bonds presented in the Feasibility Report reflects the estimated draw schedules on active SRF Loans.

Fiscal Year Ended June 30 <sup>(2)</sup>	Senior Lien Bonds						Second Lien Bonds						Outstanding SRF Junior Lien Debt Service <sup>(1)</sup>	Total System Debt Service
	Senior Lien Bonds, Series 2024A			Total Senior Lien Debt Service	Second Lien Bonds, Series 2024B			Total Second Lien Debt Service						
	Outstanding Senior Lien Debt Service	Less: Refunded Debt Service	Principal		Interest	Total	Outstanding Second Lien Debt Service		Less: Refunded Debt Service	Principal	Interest	Total		
2024 <sup>(3)</sup>	139,877,517	(1,355,816)	-	1,208,941	1,208,941	139,730,642	51,754,463	(151,701)	-	124,757	124,757	51,727,518	17,352,753	208,810,914
2025	143,419,752	(49,048,750)	25,790,000	17,408,750	43,198,750	137,569,752	51,930,463	(5,054,500)	1,900,000	1,796,500	3,696,500	50,572,462	18,728,320	206,870,534
2026	145,953,743	(68,417,500)	47,655,000	16,119,250	63,774,250	141,310,493	51,931,713	(3,936,000)	1,000,000	1,701,500	2,701,500	50,697,213	20,236,802	212,244,508
2027	145,951,146	(49,869,000)	31,490,000	13,736,500	45,226,500	141,308,646	51,934,213	(3,876,250)	995,000	1,651,500	2,646,500	50,704,463	19,501,429	211,514,537
2028	146,281,213	(36,502,000)	19,695,000	12,162,000	31,857,000	141,636,213	52,180,463	(2,294,750)	-	1,601,750	1,601,750	51,487,463	19,091,922	212,215,598
2029	146,294,001	(59,942,500)	44,125,000	11,177,250	55,302,250	141,653,751	52,175,713	(2,327,500)	-	1,601,750	1,601,750	51,449,963	18,999,762	212,103,475
2030	146,284,401	(64,619,250)	51,005,000	8,971,000	59,976,000	141,641,151	54,984,213	(2,207,500)	-	1,601,750	1,601,750	54,378,463	18,959,951	214,979,564
2031	146,300,187	(36,114,000)	25,050,000	6,420,750	31,470,750	141,656,937	54,982,463	(2,202,250)	-	1,601,750	1,601,750	54,381,963	18,968,596	215,007,495
2032	146,285,474	(25,123,250)	15,310,000	5,168,250	20,478,250	141,640,474	54,985,963	(2,201,250)	-	1,601,750	1,601,750	54,386,463	18,984,268	215,011,204
2033	135,617,841	(12,990,750)	3,945,000	4,402,750	8,347,750	130,974,841	65,651,563	(2,194,250)	-	1,601,750	1,601,750	65,059,063	18,980,440	215,014,343
2034	139,547,777	(57,397,500)	48,550,000	4,205,500	52,755,500	134,995,777	61,729,363	(2,931,500)	95,000	1,601,750	1,696,750	60,494,613	18,977,419	214,377,808
2035	162,594,985	(22,229,500)	15,810,000	1,778,000	17,588,000	157,953,485	34,442,863	(1,655,750)	-	1,597,000	1,597,000	34,384,113	18,975,083	211,312,681
2036	53,290,160	(1,208,500)	-	987,500	987,500	53,069,160	143,274,363	(34,770,750)	31,940,000	1,597,000	33,537,000	142,040,613	18,958,294	214,068,066
2037	93,868,660	(25,378,500)	19,750,000	987,500	20,737,500	89,227,660	18,284,863	-	-	-	-	18,284,863	18,972,266	126,484,788
2038	95,535,410	-	-	-	-	95,535,410	16,613,863	-	-	-	-	16,613,863	18,972,493	131,121,765
2039	99,480,963	-	-	-	-	99,480,963	13,386,113	-	-	-	-	13,386,113	18,967,894	131,834,969
2040	99,488,276	-	-	-	-	99,488,276	13,382,850	-	-	-	-	13,382,850	18,973,419	131,844,546
2041	98,192,023	-	-	-	-	98,192,023	13,385,338	-	-	-	-	13,385,338	18,461,280	130,038,641
2042	46,543,100	-	-	-	-	46,543,100	43,008,075	-	-	-	-	43,008,075	17,456,683	107,007,858
2043	43,259,113	-	-	-	-	43,259,113	46,154,813	-	-	-	-	46,154,813	15,158,322	104,572,247
2044	43,253,375	-	-	-	-	43,253,375	46,157,188	-	-	-	-	46,157,188	7,657,919	97,068,482
2045	43,253,338	-	-	-	-	43,253,338	46,152,650	-	-	-	-	46,152,650	5,721,777	95,127,765
2046	43,258,350	-	-	-	-	43,258,350	46,151,925	-	-	-	-	46,151,925	3,535,404	92,945,679
2047	22,958,825	-	-	-	-	22,958,825	8,330,000	-	-	-	-	8,330,000	2,798,306	34,087,131
2048	19,605,413	-	-	-	-	19,605,413	8,407,850	-	-	-	-	8,407,850	2,654,993	30,668,256
2049	19,605,163	-	-	-	-	19,605,163	8,399,175	-	-	-	-	8,399,175	2,049,507	30,053,845
2050	16,653,763	-	-	-	-	16,653,763	5,401,625	-	-	-	-	5,401,625	1,983,800	24,039,188
2051	16,651,638	-	-	-	-	16,651,638	5,403,625	-	-	-	-	5,403,625	1,588,425	23,643,687
2052	16,651,450	-	-	-	-	16,651,450	5,401,600	-	-	-	-	5,401,600	1,093,950	23,147,000
2053	10,146,100	-	-	-	-	10,146,100	-	-	-	-	-	-	-	10,146,100
	\$ 2,626,103,154	\$ (510,196,816)	\$ 348,175,000	\$ 104,733,941	\$ 452,908,941	\$ 2,568,815,279	\$ 1,125,979,363	\$ (65,803,951)	\$ 35,930,000	\$ 19,680,507	\$ 55,610,507	\$ 1,115,785,918	\$ 402,761,477	\$ 4,087,362,674

(1) Outstanding SRF Junior Lien Bonds schedule assumes loans are currently fully drawn; In cases where SRF loans are not yet fully drawn, debt service will be lower  
(2) Debt Service Installment Requirements calculated as defined in the Master Bond Ordinance; July 1 payments are included in the prior fiscal year  
(3) FY 2024 payments represent full fiscal year of payments and includes accrued interest contributed with respect to the Series 2024 transactions

Source: The Authority

## SERVICE AREA AND CUSTOMERS

The Authority currently provides wholesale water services in a service area encompassing 1,698 square miles and serves all or a portion of eight Michigan counties in southeast Michigan, including Oakland, Macomb, Wayne, Lapeer, Genesee, Washtenaw, St. Clair and Monroe Counties. The service area includes communities located in and around the Detroit-Warren-Dearborn Metropolitan Statistical Area (the “Detroit MSA”). See APPENDIX III – DETROIT MSA. Approximately 3.8 million people, or approximately 38% of the total population of the State of Michigan, live in the Authority’s water service area. Suburban customers comprise approximately 82% of the population served by the Authority, and the Retail Water Customers comprise the remainder served by the Authority. Under certain circumstances, subject to the Authority’s system optimization guidelines, the Authority’s water service area may be expanded to include additional communities. The Authority’s customer classes include communities and districts served via wholesale service contracts and the City of Detroit retail customer class served via the terms of the Water and Sewer Services Agreement.

### Wholesale Customers

The Regional Water System provides continuous wholesale water service to 112 communities served through 86 wholesale water service contracts with municipal and other public entity customers. Recently, the City of Mount Clemens entered the planning phase of becoming a new wholesale water service customer. In addition, the System provides stand by water service via a Reciprocal Backup Water Service Contract with the Genesee County Drain Commissioner (“GCDC”) and a Stand-By Water Supply Service Contract with the City of Grosse Pointe Farms. The City of Detroit is served via the terms of the Water and Sewer Services Agreement, as further described herein. Model contracts are in effect for 85 of the 86 current wholesale customers. The remaining wholesale customer is served under a former contract structure. The 85 customers under model contracts comprise almost 97% of total billed revenues from the wholesale customers in Fiscal Year 2023.

The City is not a “wholesale” customer, although it does receive wholesale service from the Regional Water System and pays wholesale water charges to the Regional Water System. The Authority has exclusive rights under the Lease to set rates (including retail rates) and pursuant to the Water and Sewer Services Agreement has appointed DWSD as agent for the Authority for setting retail rates, billing, collecting and enforcing the collection of amounts due from the Detroit retail customer class. That relationship is further defined by the Water and Sewer Services Agreement, consistent with the provisions of the Lease and related agreements. The Authority may revoke or terminate its appointment of the City as agent for the Authority if the City fails to perform its duties, obligations or administrative functions in accordance with the Water and Sewer Services Agreement. See APPENDIX V – SUMMARY OF THE LEASE and APPENDIX VII – SUMMARY OF THE WATER AND SEWER SERVICES AGREEMENT.

### *Wholesale Contracts*

The model water service contracts generally provide for (i) delivery of water by the Authority to the wholesale customer at designated metered points at specified rates of flow and pressure and (ii) payment by the wholesale customer for all water supplied at reasonable charges established by the Authority. The Authority is responsible for meeting all water quality requirements at the designated metered points. The wholesale customer is solely responsible for distributing water from the points of delivery to its retail customers, for local billing, collection and rate setting.

The model contracts have a 30-year initial term and automatically renew for an additional 10-year term unless a party to the contract provides written prior notice of intent to terminate at least 5 years prior to the end of the then-current contract term. In the event of an early termination, the model contract provides

that wholesale customers are liable to GLWA for the payment of any costs incurred by GLWA related to the provision of services to the customer, unless the termination is for cause, in which case GLWA has cure rights. The model contract provides that GLWA has no responsibility for distributing, operating, repairing, replacing or maintaining any portion of the customer’s retail system.

The model contracts also provide that the One Water Partnership (formally, the “Water Technical Advisory Committee”), established to facilitate a cooperative working relationship between GLWA and its customers, will remain in place for the contract term. In addition, the model contracts include other provisions required for the orderly operation of an integrated water supply and distribution system such as the following: (i) restrictions on redistribution outside the limits of the particular municipality or other public entity without the consent of GLWA; (ii) measurement of water furnished by meters; (iii) the metered flow of water as the basis for billing; (iv) prohibition against combining GLWA supplied water with water from any other source without prior written approval of GLWA to ensure a uniform water quality; (v) GLWA standards for construction of distribution mains and GLWA approval of construction plans therefor to ensure a uniform standard throughout the area; (vi) GLWA notification of changes to wholesale charges; (vii) payment and late payment terms; (viii) delineation of maintenance responsibilities; (ix) specific water pressure commitments by the Authority; and (x) maximum day, peak hour and annual volume commitments by the wholesale customer.

*Wholesale Customer Information*

Approximately 72% of total receipts under the Bond Ordinance for Fiscal Year 2023 were derived from suburban wholesale customers. The following table provides information about the ten largest wholesale customers which provided approximately 43.7% of the GLWA operating revenues for Fiscal Year 2023.

**Ten Largest Customers in Fiscal Year 2023**

	Total Billed Flow Mcf <sup>(a)</sup> FY 2023	Total Billed Revenue FY 2023
Southeast Oakland County Water Authority	1,314,300	\$25,534,500
North Oakland County Water Authority	934,700	\$24,485,800
Sterling Heights	584,900	\$16,661,900
Shelby Township	440,500	\$16,043,300
Troy	446,200	\$14,538,300
Macomb Township	358,300	\$14,279,100
Livonia	468,300	\$12,384,000
West Bloomfield Township	294,400	\$11,824,600
Canton Township	403,100	\$11,802,600
Ypsilanti Community Utilities Authority	503,600	\$11,464,500

(a) “Mcf” equals thousand cubic feet.

There are significant barriers to leaving the Water System, including (i) the geology of the area not supporting a substantial water supply by subsurface wells, (ii) a natural supply of raw water coupled with the existing capital facilities of the Water System, and (iii) longstanding municipal relationships extending contractually for many years. The Authority has no material competition in the Southeastern Michigan region.

Wholesale water service is provided to the City of Flint (“Flint”) through an intergovernmental collaboration with the MDEQ, GCDC, the Authority, and Karegnondi Water Authority (“KWA”) based upon a Master Agreement (the “Master Agreement”) and related agreements, effective December 1, 2017. Under the operating terms of the agreements a) GLWA provides Flint with treated drinking water under a 30-year water supply model contract and b) GLWA and GCDC provide back-up service to each other for Flint, for customers of GCDC, and for GLWA member communities west of the GLWA Imlay City Pump Station. This back-up service redundancy provides security to customers should a system emergency or issue arise. Under the financial terms of the arrangement, GLWA (a) provides Flint with a credit under the water contract for its proportional share of KWA debt service paid by Flint to KWA and (b) receives Flint’s rights to the raw water from KWA. The net revenues received from Flint by GLWA constitute “Revenues” under the Master Bond Ordinance. Flint is required to remit payments to KWA, GLWA and GCDC through U.S. Bank Trust Company, National Association pursuant to the terms of an evergreen baseline and all receipts trust, intended to provide a single coordinated system for payment processing.

The following table for historical water sales and reported total water production presents water volume in thousands of cubic feet (“Mcf”) for suburban wholesale customers, for the Retail Water Customers, and for the Regional Water System as a whole, together with total water production and non-revenue water volume. As is common for all large water systems, the Regional Water System experiences a differential between the quantity of water produced by the treatment plants during the Fiscal Year and the quantity of water billed to customers over the same period, and the difference is referred to as “non-revenue water.” Non-revenue water results from a variety of factors such as the range of accuracy of production and retail meters, losses due to leaks or major breaks in the transmission and distribution systems, unmetered water that is used for fire protection, and the accuracy of estimates for unmetered use. The Authority believes that improvements in the accuracy of the reported production figures may reduce the level of non-revenue water. Production at some of the water plants is not metered, but rather is estimated based on pump curves. The data continues to be reviewed, and the Authority has initiated efforts to measure production figures and refine production estimating techniques.

*[Remainder of page intentionally left blank]*

## Historical Water Sales and Reported Water Production

	Fiscal Year Ending June 30,				
	<u>2019</u> <i>Mcf</i>	<u>2020</u> <i>Mcf</i>	<u>2021</u> <i>Mcf</i>	<u>2022</u> <i>Mcf</i>	<u>2023</u> <i>Mcf</i>
Water Sales Volumes					
<u>Suburban Wholesale Customers</u>					
Master Metered Customers (a)	12,962,100	12,895,100	13,568,600	12,557,900	13,153,000
Dearborn (b)	636,600	577,400	585,100	541,700	545,000
Highland Park (b)	<u>109,900</u>	<u>106,200</u>	<u>104,600</u>	<u>105,700</u>	<u>105,500</u>
Total Wholesale Customer	13,708,600	13,578,700	14,258,300	13,205,300	13,803,500
Detroit Retail Customer Class (b)	<u>4,354,600</u>	<u>4,161,300</u>	<u>4,120,000</u>	<u>4,297,300</u>	<u>4,342,400</u>
Total System	18,063,200	17,740,000	18,378,300	17,502,600	18,145,900
Total Water Production (c)	20,968,100	19,989,500	20,565,800	19,725,700	21,159,700
Non-Revenue Water	2,904,900	2,249,500	2,187,500	2,223,100	3,013,800
Non-Revenue % of Production	13.9%	11.3%	10.6%	11.3%	14.2%

- (a) Reflects wholesale water sales as measured by master meters.  
(b) Reflects retail sales plus estimated distribution system non revenue water from engineering studies.  
(c) Water Production is estimated via pump curves and related measurers.

The mitigation of non-revenue water is a goal of the Authority. The Water Master Plan (defined herein) proposed a 20-year capital improvement program for (1) plant production metering; (2) non-revenue water reduction, including ongoing water audits and other operational initiatives, a district metered area approach to leak detection and management, and distribution system inspection, rehabilitation and replacement; (3) wholesale metering for the cities of Dearborn, Highland Park and Detroit; and (4) completion of automatic meter reading in Detroit.

As noted, the water sales volume data in the above table include estimates of unaccounted for water within the DWSD Local Water System and within Dearborn and Highland Park.

### Service Charges to Customers

The Authority's wholesale water service charges and the Authority's allocated annual revenue requirement to Retail Water Customers under the Water and Sewer Services Agreement are reviewed and adjusted annually. The model contracts with wholesale customers typically provide, and the Water and Sewer Services Agreement provides, that rates be reasonable in relation to the costs incurred. The Authority's staff and outside consultants review and make recommendations on charges for water service. Prior to Fiscal Year 2016, the Water System's charges were determined by the "utility basis" method, which is recommended by the American Water Works Association for municipally-owned utilities providing services to metropolitan areas and which the Water System was required to use under Michigan law. Under this method, the revenue requirement is comprised of three elements of cost: operation and maintenance expenses, depreciation expense and a return on the rate base. In formulating charges, distinctions were made between Retail Water Customers and the various wholesale municipal customers based on the differences in the cost of serving each class of customer.

The structure for retail water customer service charges adopted for Fiscal Year 2016 was developed during negotiation of the Lease. Fiscal Year 2016 represented the first year that formally froze the return on rate base at \$20.7 million credited to Retail Water Customers that the City received in Fiscal Year 2015.

The \$20.7 million annual credit is now a part of the parties’ contractual agreement over the 40-year term of the Lease and not directly representative of any application of the utility basis nor differential rates of return.

The schedule of charges for each of the wholesale customers consists of a fixed monthly charge and a commodity charge applied to monthly metered water purchases. While the overall methodology used to determine charges for each customer is uniform, the service charge schedule for each customer is unique, reflecting the specific volumes, peak demands, and other demographic information in their individual contracts. Starting with the Fiscal Year 2016 wholesale water charges, a modification was made to the portion of the overall revenue requirement collected from each of the charge elements. These charges were designed to recover 60% of the revenue requirement via fixed monthly charges (increased from approximately 40%), with the other 40% generated by commodity charges (down from approximately 60%). The Fiscal Year 2016 charges also reflected a more conservative approach to estimating water sales volumes for each customer. Instead of basing estimated water sales on the long-term planning amounts contained within the customer contracts, estimated water sales volumes are now calculated based on a 36-month average for each customer community, on an adjusted historical data analysis that reflects historical data through each September. These modifications were made to further improve the alignment between cost-of-service allocations and cost recovery and to stabilize billings to customers and revenues. The historical averaging method has been further refined to consider the peak month volumes, from April to September, and the base month volumes in a separate manner. To recognize the continued decrease in “off peak” volume, the 36-month average of the base month volume has been decreased for each customer, initially by 2.5% annually and most recently by one percent annually. The 36-month peak month volume for each customer has not been adjusted. This method remains in effect and has contributed to revenue stability.

The actual reported billings to wholesale customers during the past seven years indicate that the service charge structural reforms have been successful. Subsequent to the reforms, water service charges have produced revenues close to or exceeding budgeted amounts, as illustrated in the table below.

**Billed Wholesale Volumes and Revenues Compared to Budget**

<b>Fiscal Year</b>	<b>Billed Volumes</b>	<b>Billed Revenues</b>	<b>Revenue Variance (millions)</b>
2019	97.6%	99.1%	(\$2.8)
2020	96.9%	99.0%	(\$3.2)
2021	105.2%	101.0%	\$3.2
2022	96.7%	98.7%	(\$4.2)
2023	102.2%	101.2%	\$4.1

*Amounts are unaudited  
Billed comparison is to adopted charges.*

The modified approach to service charge development noted above has been continued for the Fiscal Year 2024 wholesale service charges and the Authority’s allocated revenue requirement to Retail Water Customers under the Water and Sewer Services Agreement. The Fiscal Year 2024 service charges were approved by the GLWA Board on February 22, 2023. The wholesale portion of the Fiscal Year 2024 service charge schedule reflects an overall increase of 2.75% compared to the current service charges. The 2.75% charge adjustment also factors in higher investment income than included in the prior year’s budget. See “AUTHORITY FINANCIAL OPERATIONS—Projected Financial Plan for Fiscal Years 2024 through 2029” and “- 4% Revenue Requirement Parameter.”



## **DWSD and Retail Customers**

The Department is established under the City Charter and is governed by the Board of Water Commissioners (“BOWC”), which meets monthly. Pursuant to the Leases and the Water and Sewer Services Agreement, the Department is responsible for (i) operating and maintaining its own local water and sewer system infrastructure within the City under the direction of the BOWC and (ii) acting as the billing and collection agent for the Authority.

Pursuant to the Leases, the Authority (i) has the exclusive right to establish rates for water and sewer service it provides to customers of the Systems including Retail Customers, (ii) may delegate its rights to establish rates for those services to one or more agents, as it deems necessary or convenient, and (iii) directly or through an agent, has the exclusive right to charge, bill to and collect from such customers amounts for such services, including the retail rates and charges. Under the Water and Sewer Services Agreement, the Authority delegated to the City, as its agent, its rights to set and collect rates with respect to services provided by the Authority to Retail Customers of the City. The Authority may terminate its appointment of the City as agent for the Authority if the City fails to perform its duties, obligations or administrative functions in accordance with the Water and Sewer Services Agreement.

The seven members of the BOWC are appointed by and serve at the pleasure of the Mayor of the City. The Charter of the City (i) prohibits any member of the BOWC from being a City official or employee, or a principal or employee of a contractor of the City, (ii) requires that a member of the BOWC be a citizen of the United States and a resident of the State of Michigan, and (iii) requires no fewer than four members be residents of the City. The members of the BOWC serve four-year terms which are staggered so that not more than two members’ terms expire each year.

DWSD provides water, wastewater, and drainage services to a customer base of approximately 248,000 Detroit residential and non-residential active accounts. DWSD’s water network consists of more than 2,700 miles of distribution lines. Retail service includes all water service customers, including residential and non-residential accounts. DWSD also provides water supply services to certain retail customers outside the City on a very limited basis.

DWSD is an enterprise agency of the City of Detroit and is a customer of the Great Lakes Water Authority (GLWA). The City of Detroit by and through the Water and Sewerage Department is GLWA’s agent to perform certain services and functions in Detroit, including setting retail rates to meet revenue requirements, billing and collecting from Detroit retail customers, and enforcing the collection of fees and charges. GLWA leases the City’s water supply and sewerage disposal facilities serving the regional service area and makes an annual payment that is used by DWSD to support capital infrastructure for its retail systems.

The Department provides local water distribution services to Retail Water Customers and local sewer services to Retail Sewer Customers. Retail service includes all water and sewer service customers, including residential, commercial, and industrial. The Department also provides water supply services and sewer services to certain retail customers outside the City on a very limited basis. Pursuant to the City Charter, the Water and Sewer Services Agreement, which authorizes the City as the Authority’s agent for rate setting, billing and collecting in Detroit, and an Order dated December 15, 2015 Order (the “December 15, 2015 Order”) of the Federal District Court in proceedings related to non-compliance with the Clean Water Act, the BOWC approves Department retail rate schedules for these customers. These customers are billed on a monthly basis and water, sewerage and drainage charges are included on the same bill. The Department also bills various governmental agencies, including the City, for service. Rate changes, once established, generally become effective the following July 1; however, certain drainage charges are being phased in over several years, commencing October 1, 2016. For information regarding current billing and

collection activities of the Department, see “SERVICE AREA AND CUSTOMERS - Collections and Delinquencies – *Retail Customers*.” The Department acts as the agent of the Authority for purposes of billing, collecting and enforcing payment of bills.

## **Collections and Delinquencies**

### *Wholesale Customers*

Wholesale customers are billed monthly. The model contract has a provision for a late payment charge of 1.5% per month for each month that a bill remains unpaid. Payment of charges to the Authority is not contractually dependent upon collections by the wholesale customers from their respective retail customers. Wholesale customers are responsible for their own retail billing systems. In the event of a wholesale customer delinquency, the Authority has options available to it under the relevant contractual agreement, including the right to early termination costs and to obtain a judgment against the wholesale customer.

### *Retail Customers*

As of January 31, 2024, retail customer accounts receivable for water service were approximately \$59.2 million, including \$55.2 million for regular active accounts. The remaining balances are made up of inactive accounts. Of the \$59.2 million, \$46.5 million was 60 days or more past due. As of the same date, active residential accounts greater than 60 days were approximately \$39.8 million and active non-residential accounts were approximately \$2.6 million.

The Department operates a computerized billing system which accounts for a total of approximately 248,000 active accounts. DWSD reports that the average collection rate for the residential class is 76% and the overall weighted average for all customer classes is 87%. Inactive accounts remain in the billing system while the Department pursues collection through various collection methods. Retail customer account categories include residential, commercial, industrial, and government. Based on the approved Fiscal Year 2024 retail rates, the typical monthly bill is approximately \$90 for combined water and sewer service charges based on 600 cubic feet of water consumed per month and a 5/8” meter. All Retail Customers are billed monthly and are allowed 21 days to pay, after which a one-time 5% late payment charge is applied.

In accordance with State law, the December 15, 2015 Order and the Water and Sewer Services Agreement, the City, as the agent of the Authority or the Authority if such agency is terminated, has a right to discontinue the supply of water to any premises for non-payment of water or sewer bills when due. It is the Department’s policy that Retail Customers may have their service interrupted for non-payment if the account is more than thirty days in arrears. Residential customers are notified of payment plan options and financial assistance programs if they demonstrate that their account is delinquent due to financial hardship. Residential customers may be subject to constitutional safeguards regarding due process, including notice and hearing requirements in the event of discontinuation of services.

The service interruption program was in an active moratorium from March 2020 through March 2023. Service interruptions historically have been reduced from December through March of each year. The service interruption program has generated active engagement with customers whose service is preserved by participation in a payment plan program, as well as payment assistance programs for those who meet certain eligibility criteria. Beginning in Fiscal Year 2023, the City launched the Lifeline Plan which will utilize WRAP funding in addition to other funding sources to address water affordability and arrearages for low-income residential customers. See “Water Assistance Program and Lifeline Plan” below. The City also expanded customer service hours. The Department has been able to improve collection efforts with

increased contacts with delinquent customers before service interruptions occur and earlier intervention with customers on payment plans when they become delinquent.

In the event that an account remains delinquent for more than six months, the Municipal Water Lien Act, MCL 123.161 et seq., provides that the charges for water and sewage service furnished to premises may become a lien on such premises when the service is provided, and the lien may be placed on the property tax roll. The lien may then be enforced in the same manner as the collection of property taxes and enforcement of a lien for property taxes (assuming proper statutory notice to the party responsible for the payment of the charges). The Department historically has transmitted commercial and industrial delinquent accounts to the City Treasurer who places the delinquent amount on the winter tax bill. If the delinquent amounts are not collected by the City Treasurer by March 1 each year, the City transfers unpaid real property tax bills to Wayne County for collection in accordance with State law. The City receives payment for such taxes from Wayne County's delinquent tax revolving fund as of March 1 each year, which is funded by the issuance of Delinquent Taxes Anticipation Notes. If the delinquent real property taxes remain uncollected after three years, the County charges the respective amount of such taxes back to the City.

Prior to the Effective Date, the City, acting through the BOWC, and the Authority each adopted ordinances that authorize the Authority to take all such actions necessary to charge and collect rates and charges for water and sewer services as described in the Leases. Such rates and charges may be a lien on the premises for which the services have been provided. Amounts delinquent for six (6) months or more may be certified annually to the City's Board of Assessors to be entered upon the next tax roll against the premises to which the services have been rendered. Such lien may be enforced by the City on behalf of the Authority or by the Authority directly in the manner prescribed in the City Charter or by other applicable law for the enforcement of tax liens.

The Department continues to report positive net receipts for both the Water and Sewer systems due to concerted efforts by its leadership to manage budgeting, forecasting and cash collections. (Net receipts equals cash collections less Master Bond Ordinance disbursements). The Department also secured state and federal funding in Fiscal Years 2021, 2022 and 2023 to assist with past due balances associated with the inability to conduct shutoffs during COVID. The Department continues to utilize tax liens to assist in long-term past due balance collection on commercial and industrial accounts which further supports their positive receipt position.

### **Water Residential Assistance Program and Lifeline Plan**

The Water Residential Assistance Program ("WRAP") is the first program of its kind in Michigan and one of only a few models of sustainable assistance funding plans in the country. WRAP provides resources for water bill assistance, conservation services, arrearage assistance, and minor plumbing repairs to qualifying low-income customers in the GLWA's service area. For Fiscal Year 2024, the funding level was budgeted at \$6.5 million combined for water and sewer services with \$4.3 million from GLWA Revenue Requirements and an additional \$2.2 million provided by DWSD for City of Detroit residents.

WRAP funding is available to all qualified residents who receive water and/or sewer service from GLWA. To participate in WRAP an applicant must have household gross incomes at or below 200% of the federal poverty income thresholds. Eligible residential customers can receive assistance with paying down arrears and receive bill payment assistance for up to two years. Eligible seniors and disabled persons can obtain bill credit assistance without an expiration date. Participants can also receive an in-home water audit and educational water usage information. WRAP also provides replacement of lead-based fixtures in the kitchen, bathroom, and utility room as well as repair or replacement of leaking or nonfunctioning plumbing and other water fixtures up to \$2,000 to create a healthy, safe and livable home.

GLWA launched the WRAP Income Based Plan (IBP) in Fiscal Year 2023 for residents outside the City of Detroit. The primary change is that bill payment assistance is based on the annual household water and sewer bill as a percentage of household income rather than the prior flat \$25 per month assistance payment. Bill credit amounts are unique to each household and are determined based on annual household income and water and sewer bills. The goal is to limit that household expense for the water and sewer bill to be three percent of the household income after bill credits are applied.

For Retail customers in the City, in Fiscal Year 2023 DWSD launched the Lifeline Plan, a three-tier, income-based water affordability plan which caps payments for the first 4,500 gallons of usage. The program also includes plumbing repairs and forgives arrearages. The program utilizes Low-Income Household Water Assistance Program funding from the federal and state government and DWSD's allocation of WRAP funds, as well as other utility payment assistance and affordability programs.

The costs of both the IBP and Lifeline programs will be limited to the funding available.

## **AUTHORITY FINANCIAL OPERATIONS**

### **Financial Statements**

The financial statements of the GLWA Water Fund for the Fiscal Year ended June 30, 2023 have been audited by Baker Tilly US, LLP and are included in Appendix II of this Official Statement.

### **Summary of Historical Debt Service Coverage**

The following table summarizes the historical reported financial results for the Water System for Fiscal Years 2019 through 2023. This schedule depicts results based on a cash receipts and disbursement basis, which aligns with the flow of funds concept and the definition of Net Revenues set forth in the Master Bond Ordinance. The Authority tracks actual cash receipts into the Trust Estate, and disbursements to the various funds maintained both within and outside the Trust Estate. This table summarizes calculations of debt service coverage by various liens and the use of receipts not used to fund operating expenses or debt service.

*[Remainder of page intentionally left blank]*

**Summary of Historical Water System Receipts and Disbursements  
For Fiscal Years 2019-2023 (\$)**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>Rate Covenant Basis</b>					
GLWA Receipts					
1 Wholesale System Receipts	308,690,722	303,568,071	310,032,178	313,964,381	332,337,913
2 Annual Revenue Requirement-DWSD Local System	20,181,400	21,295,500	21,925,500	21,697,300	22,834,300
3 Total GLWA Receipts	328,872,122	324,863,571	331,957,678	335,661,681	355,172,213
4 Investment Earnings - Regional System	7,722,112	7,742,625	4,684,353	2,456,013	8,163,261
5 Total Regional System Receipts	336,594,234	332,606,196	336,642,031	338,117,694	363,335,474
6 Local Retail System Receipts (a)	79,686,819	75,590,223	80,141,924	80,267,663	98,010,223
7 <b>Total Receipts</b>	<b>416,281,053</b>	<b>408,196,419</b>	<b>416,783,955</b>	<b>418,385,357</b>	<b>461,345,697</b>
8 O&M Transfers (b)	162,161,294	171,170,592	170,321,527	184,242,800	209,649,300
9 Pledged Revenue/Net Revenues	254,119,759	237,025,827	246,462,428	234,142,557	251,696,397
<u>Debt Service Requirements</u>					
10 Senior Lien Bonds	119,230,820	122,318,928	123,798,304	124,309,692	133,773,102
11 Senior Lien and Second Lien Bonds	165,445,205	170,168,278	175,529,462	171,150,042	183,890,292
12 All Bonds including SRF Junior Lien Bonds	167,966,454	172,869,073	179,214,379	176,589,315	192,800,887
13 Revenues Remaining After Debt Service	86,153,305	64,156,754	67,248,049	57,553,242	58,895,510
14 Transfers to Pension Obligation Payment Fund	10,695,696	10,695,683	10,695,700	10,695,700	10,695,700
15 Transfers to WRAP Fund	2,061,000	1,980,800	2,324,200	2,376,600	2,611,800
16 Transfers to ER&R Fund	-	-	-	-	2,200,000
17 Lease Payment to Local I&E Account	18,527,800	18,952,000	14,221,700	13,574,600	19,577,900
18 Net Available for Other Purposes	54,868,809	32,528,271	40,006,449	30,906,342	23,810,110
<u>Debt Service Coverage (c)</u>					
19 Senior Lien Bonds	2.13	1.94	1.99	1.88	1.88
20 Senior Lien and Second Lien Bonds	1.54	1.39	1.40	1.37	1.37
21 All Bonds including SRF Junior Lien Bonds	1.51	1.37	1.38	1.33	1.31
(a) Net of annual revenue requirement to GLWA reported on Line 2					
(b) <u>O&amp;M Transfers</u>					
22 GLWA Regional System Operations (d)	116,356,994	126,188,192	124,167,627	143,933,800	156,747,700
23 DWSD Local System Operations	35,484,300	34,662,400	35,833,900	29,989,000	42,581,600
24 Subtotal O&M Transfers for Operations	151,841,294	160,850,592	160,001,527	173,922,800	199,329,300
25 Legacy Pension Transfers	10,320,000	10,320,000	10,320,000	10,320,000	10,320,000
26 Total O&M Transfers	162,161,294	171,170,592	170,321,527	184,242,800	209,649,300
(c) Computed consistent with Rate Covenant basis for rate determination purposes. Not applicable for purposes of Additional Bonds Test calculations.					
(d) For years prior to 2022 a different methodology was used. A calculation was performed to determine the cash basis disbursements from the operations fund.					

SOURCE: GLWA

**Fiscal Year 2019-2023 Operations**

The following information summarizes the financial operations of the Water System in Fiscal Years 2019 through 2023.

*Receipts*

As indicated in the above table, Water System receipts from wholesale service charges have been fairly stable during this period, with moderate growth indicated in 2023. Receipts (line 3) during 2023 were approximately \$19.5 million or 5.8% higher in 2023 than in 2022. The increases in 2021 through 2023 are due to increases in water usage and a moderate charge increases in 2021 and 2022. Receipts during 2019

and 2020 reflect lower sales volumes during summer months due to unusually cool and wet climate conditions. The impact of the lower sales volumes was partially mitigated by the structural changes to the water service charge methodology implemented starting in 2016. The fixed monthly charge portion of the service charge schedule was increased from 40% to 60%, mitigating the potential impact of sales volume variances on revenues and receipts. In addition, projected sales volumes for all customers were determined via a uniform forecasting model, rather than on projections established independently by each individual customer. See “SERVICE AREA AND CUSTOMERS – Wholesale Customers” and APPENDIX I – FEASIBILITY CONSULTANT’S REPORT – “Service Charge Methodology and Existing Service Charges.”

The reported total receipts from customers in Detroit (Line 2 + Line 6) have grown steadily during this period and were almost \$19 million (18.5%) higher in 2023 than in 2022. This growth represents improved collection performance in the Local System, aided by a material increase in receipt of assistance funds during 2023.

Investment earnings (line 4) reported to the Trust Estate were approximately \$5.7 million higher in 2023 than in 2022, reflecting the recent higher interest rate environment. The investment earnings in this table exclude earnings on restricted Construction Bond Funds.

Total receipts (line 7) to the Trust Estate during 2023 were approximately \$43 million (10.3%) higher in 2023 than in 2022.

#### *Operation and Maintenance Expenses*

Operating expenses in the above table reflect the actual cash transfers outside of the Trust Estate to the Regional System O&M Account (Line 22), the Local System O&M (Line 23) and the Pension Obligation O&M (line 25) accounts, irrespective of actual expenses from those accounts and irrespective of operating and maintenance expenses reported on an accrual basis. These budgeted transfers are made in equal monthly amounts throughout the year, subject to periodic budget modifications and adjustments. These amounts will differ from the accrual basis operating expenses reported on the audited financial statements, although the differences are not generally material and generally reflect the impact of yearend accruals.

The reported Regional System accrual basis operation and maintenance expenses, as reported in the GLWA Annual Comprehensive Financial Report, have been below budgeted levels for all but one year for the Fiscal Years 2019 through 2022. Actual expenses compared to budget were approximately 97% in 2019, 104% in 2020, 89% in 2021, 95% in 2022 and 98% in 2023.

The reported 2023 Local System operation and maintenance transfers (Line 23) reflect a revised allocation between the Water System and Sewer System amounts. While the Water System transfers increased by \$12.6 million, the Sewer System transfers decreased by \$9.9 million. The combined total represents an increase of approximately \$2.7 million, or 2.9%.

Operation and maintenance expenses in the above table also include the monthly contributions to the Pension Obligation subaccounts (line 25) of the Operation and Maintenance Fund. These amounts reflect the portion of the pension obligation that were deemed to be treated as operating expenses by the Lease.

Reported net receipts throughout this time period have been quite stable. Both charge increases and operating disbursements have been moderate, leading to this stability. Reported Net Revenues (line 9) for 2023 were \$17.5 million (7.5%) higher than 2022, due largely to the increased receipts and investment earnings.

### *Debt Service Requirements*

Total debt service requirements (line 12) for 2023 were \$24.8 million (14.8%) higher than 2019. This increase reflects debt service from the 2020 and 2022 new money transactions, offset in part by refinancing of debt in 2018 and 2020. The portion of the Junior Lien debt service portfolio for the Water System continues to grow as the Authority is increasingly using the State of Michigan Drinking Water Revolving Fund (“SRF”) program for funding capital projects.

### *Other Bond Ordinance Requirements*

Lines 14-17 of the above table presents revenue requirements identified in the Bond Ordinance related to transfers to other funds within the Trust Estate that are subordinate to debt service. These include the non-operating portion of the pension obligation, the deposits to the WRAP Fund and the ER&R Fund, and the annual Lease Payment. The Lease Payment amounts in these tables reflect the amounts transferred to the Local System Improvement and Extension Account. In each of these years Detroit opted to apply a portion of the annual \$22.5 million Lease Payment to fund its allocated share of debt service, rather than transfer the entire amount to the Local System Improvement and Extension Account.

The “net available for other purposes” (line 18) are effectively amounts available to transfer to the Regional System Improvement and Extension Account or to be maintained in the Regional System Operation and Maintenance Account as working capital.

### *Debt Service Coverage*

While stable receipts during this time period coupled with moderate increases in operating disbursements have resulted in moderate net revenue growth, the growth in debt service requirements has slightly exceeded that growth. Total debt service coverage ratios have declined, although the senior lien coverage ratio for 2023 is still 1.88x.

### *Liquidity*

The following table details unrestricted cash and investments, annual operation and maintenance expenses, and resulting days cash for Fiscal Year 2019 through Fiscal Year 2023. Inherent in utilizing the ten-year forecast for managing debt service coverage levels, an objective of the forecast was to also focus on scaling back use of revenue bonds to fund capital improvements. The strategy has been to fund capital improvements with a) cash designated for that purpose carried forward from prior years as well as b) maximizing the use of low interest state revolving fund loans. In January 2021, the remaining revenue bonds were expended. From January 2021 through the issuance of revenue bonds in September of 2022, as planned in the forecast, the capital program was funded solely by Improvement & Extension funds and state revolving fund loans. This strategy has been in place since inception of the Authority. The reduction in days cash below was planned and has allowed the Authority to avoid the cost of added interest expense at a time when the offsetting investment income market for those cash and investments assets was low.

**Water System Days Cash**

<b>Fiscal Year</b>	<b>Unrestricted Cash &amp; Investments</b>	<b>Operation &amp; Maintenance Expenses</b>	<b>Days Cash (a)</b>
2019	\$ 347,204,900	\$ 119,821,900	1,058
2020	\$ 394,440,800	\$ 132,532,800	1,086
2021	\$ 353,308,400	\$ 123,638,100	1,043
2022	\$ 238,690,900	\$ 137,816,000	632
2023	\$ 243,707,300	\$ 155,167,000	573

*(a) Days Cash = Unrestricted Cash & Investments / (O&M / 365)*

**Fiscal Year 2024 and 2025 and Fiscal Year 2025 and 2026 Biennial Budgets**

The GLWA Board approved the Fiscal Year 2024 and 2025 Biennial Budget in February 2023. The biennial budget establishes a formal authorization for Fiscal Year 2024 (the current year). In February 2024 the Board approved the 2025 and 2026 Biennial Budget. The budgets include several depictions of the overall financial plans, including a schedule that reflects “Sources of Revenues and Use of Revenue Requirements – Flow of Funds Basis per Bond Ordinance.” That consolidated schedule includes elements related to the wholesale service requirements of the Authority, as well as the retail service requirements of DWSD, and recognizes that all receipts from both organizations flow through the Bond Ordinance flow of funds.

The Board also approved a schedule of water service charges for Fiscal Year 2024 and Fiscal Year 2025 on the same dates as the corresponding Biennial Budgets. Both the approved Fiscal Year 2024 budget and the approved Fiscal Year 2025 budget contained expenses or revenue requirements that represented a 4.0% increase in the budget for the Regional Water System over the originally approved budget for the prior fiscal year. The Fiscal Year 2024 wholesale water service charges represented a 2.75% increase over the Fiscal Year 2023 wholesale sewer charges and the Fiscal Year 2025 wholesale water service charges represented a 3.25% increase over the Fiscal Year 2024 wholesale water charges. The remainder of the corresponding budget increases were funded by budgeted increases in revenues from miscellaneous and non-operating sources. See APPENDIX I – FEASIBILITY CONSULTANT’S REPORT – “Service Charge Methodology and Existing Service Charges.”

The biennial budgets approved by the Board have generally established the baseline plan from which to develop long-term financial plan forecasts. The Authority also conducts ongoing diligent re-view of financial activity during a fiscal year and employs a formal budget amendment policy. Several significant events, including increased operating expenses related to costs of commodities such as chemicals and utilities and enhanced levels of investment earnings due to market conditions, occurred subsequent to the approval of the original budgets. The results of the original review resulted in the first quarter budget amendments for Fiscal Year 2024, which were approved by the Board on January 24, 2024. Ongoing review and the emergence of subsequent events may merit additional re-evaluation of the existing budgets. The Fiscal Year 2024 and Fiscal Year 2025 revenues and revenue requirements in the forecast in the Feasibility Report (as described below) reflect the potential budget adjustments being considered. See APPENDIX I – FEASIBILITY CONSULTANT’S REPORT – “FY 2024 and FY 2025 Budgets and Modifications.”

With respect to the Fiscal Year 2024 Budget, the most significant additional modifications being considered relates to the resolution of the dispute with the City of Highland Park. The Authority has secured an agreement that receipts from all Highland Park retail customers will be placed in a trust, and that the



amounts due to the Authority will be the first priority in trust disbursements. This arrangement is intended to ensure that the Authority will be made whole for bills to Highland Park for wholesale services. The settlement resulted in a negotiated modification to estimated Highland Park water and sewer usage and charges effective January 1, 2024. The unpaid amounts as of June 30, 2023 were fully reserved in an allowance for doubtful accounts. The impact of the negotiated settlement results in a reduction in revenues of approximately \$800,000 in Fiscal Year 2024. As a result of the settlement, the Authority also approved a plan to issue credits to other Customers for certain amounts that had been included in prior water and sewer charges that were directly attributable to bad debt expense related to Highland Park’s non-payment. The impact of those credits on Fiscal Year 2024 water revenues is a reduction of approximately \$5 million. Also, as part of the settlement, the State of Michigan will provide to the Authority \$30 million in grants to finance capital improvements. The Water System’s share of those grants is \$5 million. The sewer system’s \$25 million share of those grants have been received. These grants are restricted to capital financing and do not directly impact budgeted revenue requirements but lower the cost of financing future capital improvements. Anticipated receipt of the grants is included in budget modifications being considered for the capital financing plan in the projections herein. See “ENVIRONMENTAL MATTERS AND LITIGATION – GLWA Litigation - GLWA v. City of Highland Park.”

### **Projected Financial Plan for Fiscal Years 2024 through 2029**

The projected revenues of the Water System shown in the table titled “Summary of Projected Revenues and Additional Revenue Requirements for Fiscal Years 2024-2029” below are included and are described in the Feasibility Report (the “Feasibility Report”) prepared by The Foster Group, LLC (the “Feasibility Consultant”). The Feasibility Report also contains projections for Fiscal Years 2030 through 2034 and is presented in a format that simulates the reported “Statement of Changes in Net Position” in the Authority’s annual audited financial statements. See APPENDIX I —FEASIBILITY CONSULTANT’S REPORT.

The projections set forth in the following table are intended as “forward-looking statements.” The Authority cautions that these projections may and often do differ materially from actual results. Some of the factors that could cause actual results to differ materially from those projected are the Authority’s ability to execute the CIP as scheduled and within budget, regional climate and weather conditions, and adverse legislative, regulatory or legal decisions (including environmental laws and regulations) affecting the Authority’s ability to manage the Water System. See “THE MASTER PLAN AND THE CAPITAL IMPROVEMENT PLAN.”

As noted in the Feasibility Report, the projections summarized in the following table follow a “modified cash” approach of evaluating revenues and revenue requirements. In past years, at times significant variances between “modified cash” representations and actual cash flows for certain periods could occur, depending on seasonal patterns of billed revenues and cash receipts.

The financial plan represented in this forecast reflects a combination of assumptions regarding future budgeted revenue requirement and charge levels for both the Regional Water System and the Local Water System. The Regional Water System projections in the following table reflect the estimated modifications to the Fiscal Year 2024 and the Fiscal Year 2025 budgets introduced above and also reflect modified assumptions regarding inflationary impacts in subsequent years. The Fiscal Year 2025 figures in this table represent the approved DWSD budget and rates. The assumptions applied for the Local Water System in this forecast have been developed in consultation with DWSD and align with the long-term forecast prepared by DWSD.

**Summary of Projected Revenues and Additional Revenue Requirements  
For Fiscal Years 2024-2029**

	Fiscal Year Ending June 30,					
	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
	\$	\$	\$	\$	\$	\$
<b>Revenue</b>						
Regional System Wholesale Service Revenue (a)	356,240,300	374,852,800	404,099,700	435,185,400	467,970,000	505,399,700
Local System Retail Service Revenue - Detroit (b)	<u>89,766,700</u>	<u>92,081,400</u>	<u>94,448,700</u>	<u>96,674,700</u>	<u>100,354,700</u>	<u>103,924,500</u>
Total Projected Revenue from Water Charges	446,007,000	466,934,200	498,548,400	531,860,100	568,324,700	609,324,200
Miscellaneous and Non-Operating Revenue	<u>19,129,900</u>	<u>15,174,300</u>	<u>15,049,900</u>	<u>15,265,700</u>	<u>16,124,900</u>	<u>14,856,700</u>
Total Projected Revenue	465,136,900	482,108,500	513,598,300	547,125,800	584,449,600	624,180,900
<b>Revenue Requirements</b>						
Operation and Maintenance Expense	211,659,700	219,093,700	227,784,500	233,272,300	238,932,500	244,747,000
Projected Net Revenues	253,477,200	263,014,800	285,813,800	313,853,500	345,517,100	379,433,900
Senior Lien Debt Service	139,730,600	144,069,800	154,310,500	168,984,500	180,074,600	193,446,800
Second Lien Debt Service	51,727,600	50,572,500	50,697,200	50,704,500	51,487,500	51,450,000
DWRF Junior Lien Debt Service	<u>15,674,800</u>	<u>18,148,200</u>	<u>20,168,000</u>	<u>19,617,400</u>	<u>19,970,500</u>	<u>21,018,200</u>
Total Debt Service (c)	207,133,000	212,790,500	225,175,700	239,306,400	251,532,600	265,915,000
Projected Senior Lien Debt Service Coverage	1.81	1.83	1.85	1.86	1.92	1.96
Projected Second Lien Debt Service Coverage	1.32	1.35	1.39	1.43	1.49	1.55
Projected Total Debt Service Coverage	1.22	1.24	1.27	1.31	1.37	1.43
Balance for Other Purposes	46,344,200	50,224,300	60,638,100	74,547,100	93,984,500	113,518,900
<b>Projected Application of Balance</b>						
Transfer to Pension Obligation Payment Fund	2,568,700	3,895,700	3,842,600	3,549,500	3,304,400	3,251,300
Transfer to WRAP Fund	2,710,200	2,835,100	2,995,800	3,182,400	3,397,300	3,624,000
Maintained as Regional System Working Capital	0	2,600,000	3,700,000	2,800,000	2,600,000	2,800,000
Lease Payment - Transfer to Detroit Local I&E	22,500,000	22,500,000	22,500,000	22,500,000	22,500,000	22,500,000
Transfer to Regional System I&E Account	16,357,600	16,846,400	25,492,500	40,892,700	60,380,500	80,274,600
Transfer to Local System I&E Account	2,207,700	1,547,100	2,107,200	1,622,500	1,802,300	1,069,000

(a) Assumes increases in wholesale charges to meet annual revenue requirement increases of 7.5% for FY 2026 - FY 2029.

(b) Assumes annual increases in revenues from retail rates of 5% for FY 2026 - FY 2027 and 6% for FY 2028 - 2029.

(c) Does not reflect any potential results of the Series 2024 Bonds. Assumes bond sales in subsequent years at an annual interest rate of 5.00%.

Although the Authority may issue Additional Water System Bonds as Senior Lien or Second Lien Bonds, for purposes of this table future debt is assumed to be issued as Senior Lien Bonds.

SOURCE: THE FOSTER GROUP, LLC.

## **Future Issuance of Additional Bonds**

After the issuance of the Series 2024 Bonds, GLWA expects to issue Additional Senior Lien or Second Lien Bonds to finance additional expenditures identified in the CIP every two years starting in Fiscal Year 2025. See “THE MASTER PLAN AND THE CAPITAL IMPROVEMENT PLAN.” GLWA intends to adjust water service charges, as appropriate and consistent with the Bond Ordinance. To the extent such funding is not approved or secured or sufficient funds are not available in the Authority Regional Improvement and Extension Account of the Improvement and Extension Fund, additional debt issuance may be required during this projection period.

## **Debt Management Policy**

The Authority’s Debt Management Policy was adopted by the GLWA Board on December 9, 2015 and amended on April 26, 2023. The goal of the policy is to ensure that financings undertaken by GLWA satisfy clear objective standards which allow it to protect its financial resources in order to meet its long-term capital needs and comply with the provisions of the Bond Ordinance. The policy provides guidance on the types and structures of debt instruments and the methods of sales to be considered. The policy also specifies the selection process of underwriters and other professionals for debt transactions. In addition to addressing the sale of debt, the policy also demonstrates the Authority’s goal to provide debt management activities such as timely continuing disclosure filings and rating agency communications that will help the Authority to maintain and improve its credit ratings to reduce the future cost of capital.

## **Investment Policy**

The Authority’s investment policy was adopted on October 22, 2015 and amended on March 24, 2021. Funds in excess of current Regional Water System requirements are invested by the Authority in accordance with Michigan law. The Authority may invest in direct obligations of the United States, obligations of an agency or instrumentality of the United States, repurchase agreements, mutual funds that invest solely in such government obligations and repurchase agreements, certain grades of commercial paper, bankers acceptances of United States banks, and certificates of deposit, savings accounts or depository receipts of savings and loan associations or member banks of the Federal Deposit Insurance Corporation. This policy was amended in 2021 to add Certificates of Deposit Account Registry Service as an eligible investment.

The purpose of the investment policy is to endeavor to accumulate a pool of assets sufficient to build capital for future use with the corresponding obligations to support near-term and long-term needs of the Authority. The investment policy attempts to maintain and protect investment principal while striving to maximize total return on the portfolio consistent with risk limitations, pursuant to guidelines set forth in Act 20, Public Acts of Michigan, 1943, as amended. The Authority has not experienced material investment-related losses in any Authority-managed funds. As of June 30, 2023, the Water Fund held cash and investments with a total market value of \$517,319,066, and the longest investment has a maturity date of December 31, 2025.

## **4% Revenue Requirement Parameter**

In accordance with the Lease, commencing with the Fiscal Year beginning July 1, 2016, the Authority is required to adopt a two-year budget for the Regional Water System for the following two Fiscal Years that sets forth budgeted Revenues and expenses for each such Fiscal Year. The budgeted expenses for each Fiscal Year shall equal the sum of the projected expenses and revenue requirements for the Regional Water System for such Fiscal Year (the “Authority Revenue Requirement”). The Authority Revenue Requirement includes operations and maintenance costs, annual costs of financing capital improvements,

debt service, replenishment of debt service reserves, an allotment for revenue-financed capital reserves, Pension Obligation commitments, WRAP funding, and the lease payment to the City for use of the Leased Water Facilities and such additional amounts as may be necessary to satisfy the Rate Covenant.

The Lease provides that the Regional Water System is assumed to experience annual increases in the Authority Revenue Requirement of not more than 4% through the Fiscal Year ending June 30, 2025; provided however, this limitation shall not be applicable if the Authority Revenue Requirement must increase beyond the 4% assumption in order to satisfy the Rate Covenant or to pay the cost of improvements to the Leased Water Facilities that are required to be made by Applicable Laws. The changes in the budgeted Authority Revenue Requirement for the Regional Water System are shown in the table below. See “AUTHORITY FINANCIAL OPERATIONS - Fiscal Year 2024 and 2025 and Fiscal Year 2025 and 2026 Biennial Budgets.”

**Board Approved Changes in the Authority’s Water System Revenue Requirement**

Fiscal Year	Percentage Change
2017	4.0%
2018	-0.9%
2019	1.0%
2020	2.5%
2021	0.6%
2022	0.7%
2023	3.5%
2024	4.0%
2025	4.0%

The Authority is committed to developing future financial plans that embraces the general objectives of the original foundation established by this commitment for years beyond Fiscal Year 2025. The financial forecast presented herein assumes annual increases that are larger than 4%, while still resulting in average annual increases (since Authority inception) of 4% or less during the forecast period.

**Lease Payment**

Part of the consideration for the Lease is an allocation of \$22,500,000 per year (the “Lease Payment”), which is funded from a portion of the common-to-all revenue requirements for the Regional Water System. The Lease Payment will be held by GLWA under the Bond Ordinance and will flow through the flow of funds under the Bond Ordinance, together with other funding requirements, after payment of Operations and Maintenance Expenses. The Lease Payment will not be treated as an Operation and Maintenance Expense and shall be applied solely, at the City’s direction and discretion, to the cost of improvements to the Local Water System (payable after debt service and pension liability payments in the flow of funds), or to the payment of debt service on Bonds associated with such improvements or the City’s share of debt service on Bonds associated with common-to-all improvements.

**2018 Memorandum of Understanding**

On June 27, 2018, GLWA entered into a 2018 Memorandum of Understanding with DWSD (the “2018 MOU”) to provide for clarification and adjustments contemplated by the Leases, the Water and Sewer Services Agreement and the Bond Ordinances for the Sewer System and the Water System and to address the liquidation of certain liabilities set forth in the Leases. Pursuant to the 2018 MOU, if there is a

cumulative negative variance of more than two percent (2%) of the total budget for either the Local Water System or the Local Sewer System (a “Budget Shortfall”) from its budget adopted pursuant to the Water and Sewer Services Agreement based on DWSD’s quarterly reports to GLWA, DWSD, as the agent of GLWA, shall convene a meeting of the Reconciliation Committee and develop a plan to cure the Budget Shortfall. If the Budget Shortfall is not cured within the same Fiscal Year, DWSD shall reallocate available funds in the related DWSD Improvement and Extension Account of the Improvement and Extension Fund or reallocate any unencumbered Lease Payment to eligible debt service to satisfy the Budget Shortfall. Budget Shortfalls not cured by the end of the Fiscal Year following the year in which they arise shall be repaid in full, in installments, over a period not to exceed the next three fiscal years, plus a surcharge as set forth in the 2018 MOU, as part of the Revenue Requirement payable by DWSD. See APPENDIX IX-SUMMARY OF THE 2018 MEMORANDUM OF UNDERSTANDING. There have been no Budget Shortfalls to date for the Local Water System.

### **Legacy Retirement System Obligations of the Authority**

Under the Plan of Adjustment, the GRS defined benefit plan (the “GRS Plan”) was frozen as of July 1, 2014 and closed to new participants; however, the City retained the responsibility to fund amounts necessary to provide adjusted (reduced) pension benefits to employees and retirees who accrued benefits under the GRS Plan. The Plan of Adjustment required DWSD to make annual contributions to the GRS Plan in the amount of \$42.9 million per year, plus \$2.5 million per year in administrative expenses, combined for both the Water System and the Sewer System, for the nine Fiscal Years beginning on July 1, 2014 and ending on June 30, 2023 (collectively, the “DWSD Pension Obligation”) and also required DWSD to pay to the City its allocated share of the BC Note Obligation related to both the Water System and the Sewer System (collectively, the “BC Note Obligation” and together with the DWSD Pension Obligation, the “Pension Obligation”). These annual payment amounts to the GRS were based upon an estimated GRS Plan contribution total of \$408.6 million for the entire nine-year period. Pursuant to the Plan of Adjustment, after the initial nine-year period through June 30, 2023 is completed, DWSD remains responsible for any unfunded accrued actuarial liability (“UAAL”) of the DWSD Pension Obligation. Under the Plan of Adjustment, in calculating the amount of the DWSD Pension Obligation an assumed investment rate of 6.75% and then-available mortality tables were utilized in calculating the potential size of the remaining liability with respect to the DWSD Pension Obligation as of June 30, 2023, then estimated to be very small, if any.

Pursuant to the Leases, the Authority assumed the obligation to pay that portion of the Pension Obligation allocable to the Regional Water System (the “Authority Water Pension Obligation”) and the Regional Sewer System (the “Authority Sewer Pension Obligation” and together with the Authority Water Pension Obligation, the “Authority Pension Obligation”) and the City retained the obligation to pay that portion of the Pension Obligation allocated to the Local Water System and the Local Sewer System. The City, the GRS and the Authority entered into an agreement on December 1, 2015 setting forth the terms for contributions and reporting of the DWSD share of the GRS pension pool. On January 24, 2017, DWSD and the Authority provided a supplement to the agreement whereby GRS is directed to allocate investments and pension liabilities of the DWSD on the basis of 70.3% to the Authority and 29.7% to DWSD effective January 1, 2016.

The Authority allocates the assumed portions of the Pension Obligation on a pro-rata basis between the Regional Water System and Regional Sewer System. The Authority Pension Obligation will be paid by the Authority from charges to users of the Regional Water System and the Regional Sewer System, respectively.

The net pension liability for DWSD as reported in the GRS GASB Statement Nos. 67 and 68 Accounting and Financial Reporting for Pension Plans of Component II as of June 30, 2023 is \$52.3 million. In the most recent GRS actuarial report dated December 22, 2023, calculated as of June 30, 2023 (the

“Actuarial Report”), DWSD’s annual contribution for fiscal year 2025 is projected to be \$2.3 million, of which the Authority’s total share would be \$1.62 million, of which \$0.58 million would be allocated to the Water System and \$1.04 million to the Sewer System. The remaining share of the UAAL of the DWSD Pension Obligation allocable to the Authority will be monitored annually, and Authority management expects to plan for the liability accordingly. These financial projections assume no changes in the 6.75% assumed rate of return and mortality tables set forth in the Actuarial Report. Future actuarial reports may result in different estimates for the UAAL and annual contributions depending on several factors including actual experience, the assumed rate of return and mortality tables. These projections may change if such assumptions change in a future actuarial report. The financial projections in this document provide for a total annual contribution of \$2.5 million starting in Fiscal Year 2024 and assume that all of this amount will be reflected as a non-operating expense funded via transfers to the Pension Obligation Payment Fund. The \$2.5 million annual contribution reflects the total amount for the Regional Water System, the Regional Sewer System, the Local Water System, and the Local Sewer System. The Water System’s share is 43%, or \$1.1 million, of which \$0.6 million is allocated to the Regional Water System.

The June 30, 2023 liability for the BC Note Obligation is approximately \$74.3 million, with approximately \$53.1 million allocated to the Authority as noted above, of which the Sewer System’s share is approximately \$36.8 million and the Water System’s share is approximately \$16.3 million. Annual payments required from the Authority average \$2.84 million (\$0.87 million Water System share) from Fiscal Year 2016 through Fiscal Year 2024, increasing to \$5.37 million (\$1.65 million Water System share) in Fiscal Year 2025, and then decreasing yearly to \$2.68 million (\$0.82 million Water System share) for the final payment in Fiscal Year 2044. The BC Note Obligation is an obligation of the City for which the Authority makes a payment to the City for its allocable share of certain City of Detroit Financial Recovery Bonds which were issued pursuant to the Plan of Adjustment to satisfy in whole or in part claims relating to the City’s pension obligation certificates and post-retirement health benefits. This liability is a known non-operating expense commitment; and it is not expected to change in the future.

As required by the Leases, the GRS, the City and the Authority entered into an “Agreement re GRS Defined Benefit Plan”, dated as of December 1, 2015 (the “Pension Agreement”), in which certain disclosures and calculations are required by the GRS auditors and actuaries related to (i) the DWSD Pension Pool (which is defined in the Pension Agreement to mean that portion of the undivided interest in investments and the pension liabilities of the GRS Plan that is allocated to DWSD retirees, deferred retirees and non-vested members in the Plan of Adjustment), (ii) the DWSD-R Pension Pool (defined to mean that portion of the DWSD Pension Pool that is allocated to DWSD after the Effective Date), and (iii) the Authority Pension Pool (defined to mean that portion of the DWSD Pension Pool that is allocated to the Authority after the Effective Date). This will provide for monitoring the remaining allocable share of the Authority of the DWSD Pension Pool on an annual basis so that the Authority can incorporate adjustments into its financial plan. Specifically, the Pension Agreement requires the GRS to provide to the Authority each Fiscal Year each of the following reports on or before March 1 following the end of such Fiscal Year:

(1) A summary annual report that will: (A) commencing with the Fiscal Year ending June 30, 2015, continue to track DWSD retirees, deferred retirees and active and inactive vested and non-vested members, pension benefits paid and pension liabilities accrued separately from other GRS members; and (B) commencing with the Fiscal Year ending June 30, 2016, continue to track DWSD, and then within DWSD to DWSD-R and the Authority, pursuant to written direction from DWSD-R and the Authority, the retirees, deferred retirees and active and inactive vested and non-vested members, pension benefits paid and pension liabilities accrued separately from other GRS members, to enable the Authority to verify the appropriateness of allocations to the Authority.

(2) A Statement of Changes in Fiduciary Net Position by Division to enable the Authority to verify the appropriateness of allocations to the Authority that will: (A) commencing with the Fiscal Year

ending June 30, 2015, continue to track and allocate to DWSD an undivided interest in the investments net of investment expenses in the GRS Plan; and, (B) commencing with the Fiscal Year ending June 30, 2016, continue to track and allocate to DWSD, and then within DWSD to DWSD-R and the Authority, an undivided interest in investments net of investment expenses in the GRS Plan. Administrative expenses for purposes of the determination of the Fiduciary Net Position of DWSD, DWSD-R and the Authority shall be allocated as provided in the Pension Agreement.

(3) An actuarial study that sets forth as of (A) the Fiscal Year ending June 30, 2015, the undivided interest in investments in the GRS Plan allocated to the DWSD Pension Pool as set forth in the Statement of Changes in Fiduciary Net Position by Division and the actuarial accrued liability and the UAAL for the DWSD Pension Pool, and (B) each Fiscal Year ending on and after June 30, 2016, the undivided interest in investments in the GRS Plan allocated to the DWSD Pension Pool and within the DWSD Pension Pool, the DWSD-R Pension Pool and the Authority Pension Pool, respectively, as set forth in the Statement of Changes in Fiduciary Net Position by Division and the actuarial accrued liability and the UAAL for the DWSD Pension Pool and within the DWSD Pension Pool, the DWSD-R Pension Pool and the Authority Pension Pool, respectively.

(4) An audit of the Statement of Changes in Fiduciary Net Position by Division expressing an opinion on each divisional column commencing with the Fiscal Year ending June 30, 2015. In lieu of a direct audit opinion on this schedule, the parties may agree to secure an in-relation-to audit opinion on this schedule (in-relation-to the audited financial statement of the GRS) on a regular or occasional basis at any time after the Fiscal Year ending June 30, 2017. To the extent that the actual net asset amounts as reflected in the final audit report differ from the net assets utilized to determine the UAAL for the DWSD Pension Pool reflected above, the difference shall be adjusted in a future GRS actuarial report and the UAAL provided on June 30, 2014 shall be considered amended accordingly.

In addition to the foregoing reports, the Pension Agreement also requires the GRS to provide the Authority for each Fiscal Year commencing from and after July 1, 2023, on its normal schedule for determining the current Fiscal Year's contributions to the GRS, with a determination of the UAAL for the Authority Pension Pool using the market value of assets for the Authority Pension Pool and whether the Authority Pension Pool is funded at 100%. If the Authority Pension Pool is fully funded at 100% or more, no contributions for the current Fiscal Year will be required of the Authority. If the Authority Pension Pool is less than 100% funded, then the Authority is required to make such level annual contributions to the GRS as necessary to amortize such shortfall over five years (as provided in the Leases or such greater period not to exceed ten years as agreed upon by GRS and the Authority) at an interest rate equal to the then current GRS investment return assumption. Except for the additional required payments described in this paragraph, if any, the Authority shall have no further liability whatsoever to the City or the GRS in connection with any other shortfalls that that may occur with respect to the GRS Plan.

## **FEASIBILITY REPORT AND HISTORICAL FINANCIAL INFORMATION**

In preparing the Feasibility Report, the Feasibility Consultant has relied upon certain assumptions and projections regarding future operating expenses, capital expenditures and debt service on the Series 2024 Bonds, some of which are those of the Authority or DWSD. See APPENDIX I – FEASIBILITY CONSULTANT'S REPORT. The Feasibility Consultant has also made other assumptions, including assumptions regarding water use patterns, charge increases, collection rates and customer responses to charge increases. Projected operating and financial performance of the Water System may not be indicative of future performance; actual results will differ from those included in the Feasibility Report, and such differences may be material. GLWA cannot give any assurance that the events assumed will materialize or that actual results will match those projected, and any such differences may be material. In addition, the future

policies, operations and financing decisions of GLWA may not be the same as those assumed in the Feasibility Report. No representation is made or intended, nor should any representation be inferred, with respect to the likely existence of any particular future set of facts or circumstances, and prospective purchasers of the Series 2024 Bonds are cautioned not to place undue reliance upon the Feasibility Report or the revenue forecasts or other projections contained therein.

In addition, certain historical financial information is included in this Official Statement. There can be no assurance that the financial results achieved in the future will be similar to historical results, and the financial information is expressly qualified in its entirety by the disclaimers set forth in such financial information and the disclosure in this Official Statement. Such future results will vary from historical results, and actual variations may be material. Therefore, the historical operating results of the Water System contained in this Official Statement cannot be viewed as a representation that sufficient revenues will be generated in the future to make timely payment of principal of, redemption premium, if any, and interest on the Series 2024 Bonds.

## **THE REGIONAL WATER SYSTEM**

The Regional Water System draws its water from the largest fresh water source in North America, the Great Lakes system, with Lake Huron to the north, the Detroit River to the south and Lake St. Clair to the east. With access to nearly 2 billion gallons of high-quality source water and with three separate intakes, the Authority has highly reliable and more than sufficient source water for current and projected demands.

The major components of the Regional Water System include three intake facilities, five treatment plants, an extensive distribution system consisting of over 816 miles of transmission mains throughout the service area, 19 booster pumping stations and 32 water storage reservoirs (14 at the water treatment plants and 18 at booster stations) located throughout the Regional Water System. Water flow and pressure throughout the Regional Water System are monitored and controlled by a Systems Control Center housed in the Authority's Central Services Facility.

### **Physical Facilities**

#### *Intake Facilities*

The Regional Water System's three intake facilities are listed below and, in the opinion of the Authority, are generally in adequate to good working order and repair.

The Lake Huron intake, located in Lake Huron, approximately 5 miles north of Port Huron and 5 miles into the lake, was placed in operation in 1974. This intake supplies raw water through a tunnel to the Lake Huron water treatment plant.

The Belle Isle intake, located at the eastern end of Belle Isle where Lake St. Clair flows into the Detroit River, was placed in operation in 1931. This intake supplies raw water to the Water Works Park, Springwells and Northeast water treatment plants.

The Fighting Island intake and tunnel, located under the Detroit River on the Canadian side just west of the northern end of Fighting Island, was placed in operation in 1964. This intake supplies raw water to the Southwest water treatment plant.



### *Water Treatment Plants*

Raw water from the intake facilities is treated at the Regional Water System’s water treatment plants, which includes screening, filtering, bacteria control, and taste and odor control. Each of the five water treatment plants in the Regional Water System was constructed with the capability to treat the water in accordance with federal requirements under the Safe Drinking Water Act. In the opinion of the Authority, based upon physical evaluations conducted by its consultants, no significant improvements to the treatment plants are presently required to meet such requirements. See “ENVIRONMENTAL MATTERS AND LITIGATION — Environmental Matters” below. In addition, each treatment plant is equipped with its own laboratory facilities for the examination of drinking water which are recertified periodically (every three years) by the Michigan Department of Public Health. The treatment plants are more particularly described in the following table. For capital improvements planned for each plant, see “THE MASTER PLAN AND THE CAPITAL IMPROVEMENT PLAN — Capital Improvement Plan and Planning Process” and “The CIP Financing Plan.”

#### **Water Treatment Plants**

<b>Plant</b>	<b>Placed in Operation</b>	<b>Rated Capacity (mgd)</b>
Lake Huron	1974	400
Southwest	1964	240
Northeast	1956	300
Springwells <sup>(1)</sup>	1931/1958	540
Water Works Park	2003	240

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<sup>(1)</sup> A major addition was completed in 1958, doubling the capacity of such water treatment plant by adding a new reservoir, sedimentation basin and filtration facility.

### *Water Delivery System*

The Authority leases and maintains transmission mains (24 inches to 120 inches in diameter) within the City limits and certain transmission mains throughout the wholesale service area. The Regional Water System connects throughout the wholesale service area with the transmission and distribution mains owned and operated by the wholesale municipal customers and the City of Detroit.

The GLWA transmission system is laid out to provide adequate pressures that are reinforced by use of booster stations and reservoirs as necessary. The transmission system is interconnected (looped) and flow of water can be controlled, particularly in emergency conditions, to flow in either direction by opening or closing valves. Water pressures can be boosted to overcome any losses due to an emergency situation.

As a part of their operations and asset management, water utilities must be prepared for linear assets and appurtenances (such as water mains and valves) to fail, often without notice. In addition to attempting to maximize assets’ functional life, the Authority maintains unallocated reserves in its Operations and Maintenance budget and operating cash reserves to address these types of unforeseen events. For example, on August 13, 2022, a 120-inch watermain failed, which services the northern reaches of the Authority’s service area. Through existing emergency repair contracts, the Authority was able to deploy contractors to isolate the break and order all available replacement pipe in the United States to effectuate the repair. In addition, the Authority was able to reverse the flow through a portion of its transmission main system to provide water to the affected communities and deployed three water trucks to provide drinking water to

residents during the boil water advisory. Finally, the Authority used the watermain break to inspect portions of the normally pressurized pipe and identified additional sections of the watermain for refurbishment and renewal.

### *Monitoring Facilities*

The Water System Control Center located in the Authority's Central Services Facility controls and monitors the transmission of water throughout the Regional Water System. Operators in the Control Center can remotely control the pump stations at the treatment plants and the 19 booster stations to adjust flow and pressure requirements to meet the changing demands of customers. Recent improvements to the Control Center have been undertaken as part of an instrumentation and computerization project included in the CIP.

## **THE MASTER PLAN AND THE CAPITAL IMPROVEMENT PLAN**

### **Regional Water System Master Plan**

The Water Master Plan (the "Water Master Plan") was materially completed in 2015 and accepted by the GLWA Board on August 24, 2016. Customers were engaged in the preparation of the Water Master Plan. This provided broader perspective utilizing the region's entire infrastructure for public benefit to leverage existing infrastructure before investing in new infrastructure. The Water Master Plan has been utilized to develop the amended Regional Water System CIP.

The Water Master Plan, which covers a period of 20 years, instead of 50 years in prior master plans, recognizes the national trend of declining instead of growing demand. A key focus was to establish a strategic infrastructure and operating plan associated with this reality. The Water Master Plan recommended right-sizing the capacity of the Regional Water System based on the current lower projections of population and water volumes. The Water Master Plan found that the Authority's combined water treatment plant design capacity was estimated to be over 60% greater than the forecasted 20-year water demands. The total rated capacity of the existing five water treatment plants is 1.7 billion gallons per day. The Water Master Plan identified likely maximum demands in the range of up to 1.0 billion gallons per day during the 20-year planning period. This provided the rationale to strategically align capacity and service requirements and planning for structural de-rating of capacity as warranted at all of the water treatment plants. The Water Master Plan identified the financial benefit of capital cost avoidance in reducing the combined treatment capacity at all five of the GLWA Water Treatment Plants. That recommendation included the decommissioning of Water Treatment Plants. Operational, regulatory and life cycle cost updates no longer support decommissioning Water Treatment Plants. The Water Master Plan recommendation of reducing capacity remains the right course of action.

The Water Master Plan is designed to provide the system with flexibility to meet multiple growth scenarios and regulatory changes in the future, furthering GLWA's sustainability goals. Realigning water treatment plant capacity with forecasted demands will require additions and modifications to the existing water transmission system. The first five years of the Water Master Plan contain several capital projects related to the additions and modifications to the existing water transmission system, several of which are in the Fiscal Year 2024-2028 Regional Water System CIP. The Water Master Plan also provided planning for new transmission systems to add enhanced water system redundancy and long-term serviceability of the system. Due to some of the above changes and a need for realignment with projected demands, GLWA is planning to begin the water master plan update process in 2024.

## System Optimization Guidelines

As noted above, the Regional Water System currently has excess capacity due to changing trends in water consumption that are occurring both nationally and regionally, as well as the fact that the existing system was designed for a larger projected population than it now serves or is projected to serve in the near future. Along with the Authority’s implementation of the Water Master Plan recommendations in conjunction with the Regional Water System CIP to right size capacity, the Authority is pursuing the addition of new customers to the Regional Water System. To guide the Authority’s management team as it engages in discussions with prospective new customers, the Authority has established system optimization guidelines to ensure a thorough analysis of system and customer impacts is undertaken prior to seeking GLWA Board approval for the addition of new customers to the system. These system optimization guidelines evaluate the prospect of additional customer relationships from a regional perspective and assess the impacts any prospective additions would have on seven key elements: water quality, service reliability, existing customers, the efficient leveraging of existing assets, existing planning documents, the system’s financial stability and the region’s economic benefits.

## Capital Improvement Plan and Planning Process

The current Capital Improvement Plan for Fiscal Years 2024-2028 was approved by the GLWA Board on February 22, 2023 and the Capital Improvement Plan for Fiscal Years 2025-2029 was approved on February 28, 2024. The CIP is a dynamic roadmap to capital delivery and requires continual review and modification during the course of each year. The Authority is in the process of updating the CIP in conjunction with initial planning for the Fiscal Year 2026 and 2027 Biennial Budget. The CIP expenditure schedule shown in the following table reflects the current estimates being developed by that process.

### Regional Water System Capital Improvement Plan Projected Expenditure Schedule – Fiscal Years 2024 through 2029

	<i>Fiscal Year Ended June 30,</i>						<i>Total</i>
	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	
	\$	\$	\$	\$	\$	\$	\$
<u>Treatment Plants and Facilities</u>							
Lake Huron	24,323,000	27,217,000	32,731,000	33,384,000	55,921,000	43,730,000	217,306,000
Northeast	2,325,000	8,150,000	8,150,000	18,170,000	14,298,000	14,248,000	65,341,000
Southwest	4,411,000	5,754,000	1,193,000	1,193,000	2,376,000	5,817,000	20,744,000
Springwells	27,049,000	37,514,000	36,470,000	54,798,000	32,561,000	25,192,000	213,584,000
Water Works Park	14,780,000	13,854,000	7,339,000	0	2,046,000	10,588,000	48,607,000
General Water Treatment	16,509,000	16,696,000	772,000	1,020,000	1,734,000	11,520,000	48,251,000
<b>Treatment Plants and Facilities Total</b>	<b>89,397,000</b>	<b>109,185,000</b>	<b>86,655,000</b>	<b>108,565,000</b>	<b>108,936,000</b>	<b>111,095,000</b>	<b>613,833,000</b>
<u>Water Delivery</u>							
Water Transmission System	97,596,000	91,983,000	116,934,000	113,593,000	119,719,000	76,708,000	616,533,000
Metering	1,007,000	6,166,000	6,166,000	5,666,000	7,676,000	2,748,000	29,429,000
<b>Water Delivery Total</b>	<b>98,603,000</b>	<b>98,149,000</b>	<b>123,100,000</b>	<b>119,259,000</b>	<b>127,395,000</b>	<b>79,456,000</b>	<b>645,962,000</b>
Programs / General Purpose	2,000,000	2,666,000	245,000	2,176,000	3,669,000	4,449,000	15,205,000
<b>GRAND TOTAL</b>	<b>190,000,000</b>	<b>210,000,000</b>	<b>210,000,000</b>	<b>230,000,000</b>	<b>240,000,000</b>	<b>195,000,000</b>	<b>1,275,000,000</b>

\* Based on Preliminary Capital Improvement Plan Under Development

GLWA’s CIP supports the continuation of major capital asset investment in programs and projects that will upgrade its water and wastewater system infrastructure. The CIP is a five-year plan which identifies capital projects and programs and their respective financing options. The CIP is updated annually to reflect changing system needs, priorities and funding opportunities.

GLWA's capital replacement strategy is to increase resiliency of water and wastewater systems, adhere to long-term planning recommendations and actively solicit stakeholder input for best-in-class planning and execution. A small percentage of projects have permit and regulatory requirements, while others have been identified in master plans and condition or need assessments.

### **The CIP Financing Plan**

The Authority uses an incremental method of capital project funding rather than funding all projects in advance. The Authority's capital financing strategy is designed to align capital project financing sources with program requirements in a framework that balances multiple goals, including to: (i) recover the costs of capital investment over the useful lives of the capital assets; (ii) minimize the impact of the capital programs on water service charges; and (iii) protect and enhance the Authority's financial position. The Authority employs a policy of establishing capital financial plans based on a CIP spend rate assumption. This policy recognizes the challenges of executing multiple large infrastructure projects and provides an analytical approach to bridge the total dollar amount of projects in the CIP with what can realistically be spent due to limitations beyond the Authority's control and/or delayed for non-budgetary reasons. Reasons for those difficulties include coordination of work with public and private entities, interdependency of projects, and seasonal outdoor conditions. In prior CIP financing plans, the Authority has generally applied CIP spend rate assumption of 75% to 80%. While preparing the CIP financing plan presented herein the Authority has balanced the project delivery challenges noted above with the inflationary project cost increases related to material prices and supply chain challenges. As a result, this CIP financing plan is based on a CIP spend rate assumption of 100% for the entirety of the forecast period. Historically the Authority has increased the level of expenditures on Water System CIP projects: \$61.5 million in Fiscal Year 2019, \$76.3 million in Fiscal Year 2020, \$129.8 million in Fiscal Year 2021, \$159 million in Fiscal Year 2022 and 195.5 million in Fiscal Year 2023.

The Regional Water System CIP is estimated to cost \$1.275 billion from Fiscal Year 2024 through Fiscal Year 2029. The Authority expects that approximately \$894 million (net amount) will be financed with proceeds of Additional Senior Lien or Second Lien Bonds issued during the five-year planning period. In addition, the Authority plans to finance approximately \$102 million of CIP expenditures for capital improvements to the Regional Water System via draws on loans through the DWSRF. All of these loans have already been secured via outstanding SRF Junior Lien Bonds. Other loans are in various stages of review and approval in the planning and application process. While the Authority anticipates that it will continue to be a regular, significant participant in the SRF program for both Regional System and Local System improvements, the projections herein do not anticipate issuance of additional SRF Junior Lien Bonds to fund Regional System improvements. Regular participation for capital improvements to the Local Water System is forecasted, as shown in the table. The balance of the CIP will be financed with funds on hand and additional Revenues. See APPENDIX I – FEASIBILITY CONSULTANT'S REPORT. The Feasibility Report also contains projections for Fiscal Years 2030 through 2034.

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**Regional Water System Capital Improvement Program  
Projected Funding Sources**

	Fiscal Year Ending June 30,						Total
	2024	2025	2026	2027	2028	2029	
Existing Improvement and Extension Funds (a)	112,800,000						112,800,000
Existing Construction Funds (a)	255,000,000						255,000,000
Current Revenues	16,357,800	16,846,300	25,492,400	40,892,800	60,380,500	80,274,500	240,244,300
Bond Proceeds - Par Amount (b)	384,105,000	260,000,000	0	430,500,000	0	275,000,000	1,349,605,000
plus: Premium	35,894,900	0	0	0	0	0	35,894,900
plus: Available Bond Reserve Funds	25,455,400	0	0	0	0	0	25,455,400
less: Defeasance Requirements for Refunded Bonds	(443,288,700)	0	0	0	0	0	(443,288,700)
less: Transfer to DWSD Construction Fund (c)	0	0	0	(35,056,200)	0	(24,687,500)	(59,743,700)
less: Issuance Expenses (d)	(2,166,600)	(3,250,000)	0	(5,381,300)	0	(3,437,500)	(14,235,400)
Net Bond Proceeds Available to Regional System	0	256,750,000	0	390,062,500	0	246,875,000	893,687,500
Draws of Drinking Water State Revolving Fund Loans	62,307,100	38,599,700	35,030,000	20,800,000	16,800,000	16,800,000	190,336,800
less: Transfer to DWSD Construction Fund (e)	0	(12,800,000)	(20,800,000)	(20,800,000)	(16,800,000)	(16,800,000)	(88,000,000)
Net State DWSRF Financing for Authority	62,307,100	25,799,700	14,230,000	0	0	0	102,336,800
Grants and Contributions	5,000,000	0	0	0	0	0	5,000,000
Investment Income	6,864,700	8,626,400	4,863,200	6,682,600	4,967,800	4,327,400	36,332,100
<b>Total Funding Sources (f)</b>	<u>458,329,600</u>	<u>308,022,400</u>	<u>44,585,600</u>	<u>437,637,900</u>	<u>65,348,300</u>	<u>331,476,900</u>	<u>1,645,400,700</u>

(a) Estimated balance available June 30, 2023. (Applies only to Fiscal Year 2024). Construction Fund amount includes proceeds from Series 2023 Bonds issued December 2023.

(b) The Series 2024 Bonds. Also includes projected additional future bonds.

(c) Reflects forecasted bond proceeds to be utilized by the DWSD Local System.

(d) Includes Underwriter's Discount and other issuance expenses.

(e) Reflects draws on DWSRF Loans related to capital improvements to the DWSD Local System.

(f) Approximately \$315 million is expected to be available to finance the capital program after 2029. This is the difference between the total projected funding sources and the projected capital expenditures, including the major CIP and routine capital outlay expenditures that are not part of the CIP.

SOURCE: THE FOSTER GROUP, LLC.

## Limits on Future Borrowing

If the Regional Water System does not generate sufficient Revenues to pay for the cost of capital improvements to the Regional Water System, or if other funds are not available, additional funds may have to be borrowed. In the event Additional Bonds are issued, such Additional Bonds would, in some cases, increase the debt service requirements to be serviced by the Revenues of the Regional Water System. In order for GLWA to issue Additional Bonds, certain conditions must be satisfied as described in greater detail above in "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS—Issuance of Additional Bonds."

## Local Water System Capital Improvement Plan

DWSD utilizes a five-year Capital Improvement Plan (the "Local CIP" or the "Local Water System CIP") to maintain and improve the reliability of the Local Water System, meet regulatory standards as well as to achieve greater operating and maintenance efficiency. The Local CIP must be approved by a supermajority of at least five members of the BOWC.

Pursuant to the Water and Sewer Services Agreement, no later than February 1 of each year, DWSD shall develop and provide the Authority with the Local Water System CIP. The Local Water System CIP must include the capital improvements and an estimate of the costs which DWSD plans to undertake in the next Fiscal Year, and projected capital improvement projects and estimates for the four years following. At least three months prior to finalizing the Local Water System CIP and any modifications thereto, DWSD shall provide a copy of the proposed Local Water System CIP to the Authority solely for the purpose of: (A) coordinating the Local Water System CIP and the Regional Water System CIP to maximize economies of scale, minimize service disruptions and to achieve other efficiencies from a coordinated implementation effort, and (B) providing notice to the Authority of any financing requirements of DWSD for the Local Water Facilities to be satisfied from Lease Payments and/or the issuance of Additional Bonds or requests for collaboration on grant applications or other funding opportunities. Upon receipt of the adopted Local Water System CIP from DWSD, the Authority shall ensure that its financial planning and budgeting reflect the foregoing requirements.

The Local Water System CIP provides a framework for ensuring capital plans are consistent with DWSD's overall organizational goals within a set of financial considerations including fiscal capacity, debt service obligations, impact on operating budgets and reserve levels. Actual project proposals are initiated and reviewed within the context of the Local Water System CIP. Deviations from the Local Water System CIP could occur as a result of factors such as actual bids versus cost estimates, unforeseen cost-benefit scenarios and grant opportunities.

The following table details the planned expenditures and the projected funding sources for the Fiscal Year 2024-2029 Local Water System CIP. The Feasibility Report also contains projections for Fiscal Years 2030 through 2034.

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**Local Water System Capital Improvement Program  
Projected Funding Sources**

	Fiscal Year Ending June 30,						Total
	2024	2025	2026	2027	2028	2029	
	\$	\$	\$	\$	\$	\$	\$
<b>CIP Financing Requirements</b>	<b>70,504,700</b>	<b>118,279,000</b>	<b>102,738,000</b>	<b>75,826,000</b>	<b>55,374,000</b>	<b>50,910,000</b>	<b>473,631,700</b>
<b>Financing Sources</b>							
<u>DWSD Local I&amp;E Account</u>							
Beginning Balance	34,000,000						34,000,000
Lease Payment from GLWA (a)	22,500,000	22,500,000	22,500,000	22,500,000	22,500,000	22,500,000	135,000,000
GLWA Reimbursement	0	1,058,000	462,000	580,800	52,800	52,800	
Investment Income	0	1,000,000	1,000,000	1,000,000	500,000	500,000	
Transfers from Revenues	2,207,700	1,547,100	2,107,200	1,622,500	1,802,300	1,069,000	10,355,800
Subtotal	58,707,700	26,105,100	26,069,200	25,703,300	24,855,100	24,121,800	179,355,800
<u>Construction Funds (GLWA Revenue Bonds)</u>							
Beginning Balance	64,000,000						64,000,000
Proceeds from GLWA Revenue Bonds	0	0	0	35,056,200	0	24,687,500	59,743,700
Draws on DWRP Loans	0	12,800,000	20,800,000	20,800,000	16,800,000	16,800,000	88,000,000
Grant Reimbursements	43,797,000	42,394,000	14,008,000	0	0	0	100,199,000
Investment Income	0	2,000,000	1,000,000	500,000	1,000,000	500,000	5,000,000
Subtotal	107,797,000	57,194,000	35,808,000	56,356,200	17,800,000	41,987,500	316,942,700
<b>Total Financing Sources</b>	<b>166,504,700</b>	<b>83,299,100</b>	<b>61,877,200</b>	<b>82,059,500</b>	<b>42,655,100</b>	<b>66,109,300</b>	<b>496,298,500</b>
Annual Balance	96,000,000	(34,979,900)	(40,860,800)	6,233,500	(12,718,900)	15,199,300	22,666,800
Cumulative Balance	96,000,000	61,020,100	20,159,300	26,392,800	13,673,900	28,873,200	
<i>(a) Lease Payment Application</i>							
<i>Total Lease Payment</i>	<i>22,500,000</i>	<i>22,500,000</i>	<i>22,500,000</i>	<i>22,500,000</i>	<i>22,500,000</i>	<i>22,500,000</i>	<i>135,000,000</i>
<i>less: Lease Payment applied to Debt Service</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>Net amount transferred to Local I&amp;E Account</i>	<i>22,500,000</i>	<i>22,500,000</i>	<i>22,500,000</i>	<i>22,500,000</i>	<i>22,500,000</i>	<i>22,500,000</i>	<i>135,000,000</i>

SOURCE: DWSD / THE FOSTER GROUP, LLC.

The Local Water System CIP in this table reflects amounts that DWSD has indicated are appropriate for the Authority to consider for planning purposes. The six-year program is estimated to cost approximately \$473 million, to be funded with a combination of existing balances in the Local System Construction Fund and the Detroit Improvement and Extension Account of the Improvement and Extension Fund, draws on loans from the SRF, and annual transfers of Lease Payments. DWSD expects to participate in forecasted GLWA revenue bond transactions to secure capital financing in Fiscal Years 2027 and 2029. The projected financing plan anticipates that revenues for the Local System will be sufficient to meet its revenue requirements and therefore will not require the use of the Lease Payment for debt service during this forecast period.

DWSD continues to pursue federal funding assistance to finance additional capital improvements, including an enhanced Lead Service Line Replacement Program. Some of these improvements are not contained in the current approved Local System CIP, and the grant funding is shown in the table. To the extent that additional funding is secured, the CIP and the CIP Financing Plan will be adjusted accordingly. Initial discussions indicate that the entire amount of the enhanced Program will be funded via Federal grants and therefore, would not impact the forecasted financing plan presented herein.

## ENVIRONMENTAL MATTERS AND LITIGATION

### Environmental Matters

The operation of the Regional Water System is subject to extensive regulation pursuant to the federal Clean Water Act, the Clean Air Act, the Safe Drinking Water Act, the Michigan Natural Resources and Environmental Protection Act, and the administrative rules and regulations that have been promulgated pursuant to these statutes. These programs affect many facets of the Regional Water System. One such program is the GLWA optimized corrosion control treatment program. In 2015, after experiencing issues related to a lack of corrosion control, Flint reconnected to the Regional Water System to take advantage of the corrosion control treatment program. The corrosion control treatment program impacts all plumbing, whether the plumbing is in a private home, business or school.

GLWA monitors water quality parameters within the GLWA regional water distribution system according to the Safe Drinking Water Act's Lead and Copper Rule. The water quality parameters for lead and copper are monitored at the water treatment plants and within the GLWA water distribution system on a routine basis. Monitoring for these parameters ensures that the corrosion control treatment protective coating remains intact. In addition, GLWA regularly monitors lead and copper levels in residential plumbing once every three years. GLWA has been in compliance since corrosion control treatment was installed. GLWA is not responsible for operating or maintaining the Local Water System or the retail distribution and storage facilities of its wholesale customers.

In June 2018, the State of Michigan enacted changes to its rules regulating the presence of lead and copper in drinking water. The rules lowered the action level for detected lead or copper from 15 parts per billion to 12 parts per billion. Michigan's new lead and copper rules added additional testing requirements for individual and sequential water systems and increased the frequency of that testing. Similar to Michigan, the EPA has proposed changes to the national rules regulating lead and copper in drinking water.

GLWA draws its source water from Lake Huron and the Detroit River, treats that water at its facilities and distributes the finished drinking water to its customer communities through the regional water transmission system. Lead and copper are not present in GLWA water.

Although not a direct issue for GLWA, the Authority has worked with its customer communities to provide them with sequential water system testing, educational materials regarding the impact of both Michigan and federal rule changes, advocacy at the state and national levels, and access to artificial intelligence software systems that permit customer communities to make real time operational decisions that will help them better manage lead and copper challenges within their systems. GLWA is also in the process of voluntarily and proactively completing a Corrosion Control Optimization Study to ensure that the Authority's corrosion control treatment is optimized. GLWA believes the results from this study will help the Authority and its customer communities prepare for potential further changes in federal and state regulations concerning lead and copper.

In light of the unprecedented water quality issues that have occurred in Flint and across the country, GLWA established an ad hoc Water Quality Workgroup entitled "Water Quality Matters" to bring together technical experts and representatives within its customer communities, sharing leading best practices and developing public education materials. Because GLWA is engaged with the water sector regulatory community and with national associations, the initial focus of the Workgroup was to communicate information from these two forums to GLWA's Customer community. As the circumstances in Flint progressed, the Workgroup's focus turned to developing materials for use and instruction by the local communities which convey technically sound, thorough and consistent messages on the approaches to minimizing lead exposure to the end users. The Workgroup recently developed a presentation suitable for use at local council



and board meetings to communicate important information on the role of GLWA as the regional wholesale water provider and the role of the local water service provider on the topic of lead and drinking water.

There has recently been national discussion regarding the presence of PFAS in water. The State of Michigan has established regulatory requirements to address the presence of PFAS in drinking water, and GLWA and DWSD have been testing drinking water for PFAS since 2009. In GLWA's most recent test in 2023, PFAS registered as a "non-detect," meaning that PFAS levels, if any, were below that which is measurable under the EPA's standard analytical methodology for the detection of the compounds.

The Authority is in material compliance with all existing permits and an Administrative Compliance Agreement relating to the operation of the Regional Water System. In a departure from past practice, EGLE indicated that it needed formal agreement on ensuring deficiencies, including significant deficiencies, were addressed within an agreed upon timeframe. The ACA is that signed Corrective Action Plan for addressing significant deficiencies within a specific timeframe. Federal, state and local standards and procedures that regulate the environmental impact of the Regional Water System are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures.

### **GLWA Litigation**

GLWA has not been served with any litigation and, to the best of GLWA's knowledge, there is no threatened litigation against GLWA seeking to restrain or enjoin the sale of the Series 2024 Bonds, affecting the security pledged therefor or questioning or affecting the validity of the proceedings or authority under which the Series 2024 Bonds were issued. Neither the creation, organization or existence of GLWA, nor the title of any of the present members or other officers of GLWA to their respective offices, is being contested. GLWA has not been served with any litigation and, to the best of GLWA's knowledge, there is no litigation threatened which in any manner questions the right of the GLWA Board to adopt the Bond Ordinance or the 2024 Series Ordinance.

Except as noted in this section, GLWA has not been served with any litigation which may have a material impact on GLWA's operations or Revenues and, to the best of GLWA's knowledge, there is no threatened litigation against GLWA which may have a material impact on GLWA's operations or Revenues.

*Highland Park Litigation* Over the past decade there have been several pieces of litigation filed between DWSD, GLWA, and Highland Park. In October, 2023, the State of Michigan, City of Highland Park and GLWA, approved a Term Sheet which provided an outline for the global resolution of their mutual differences.

A comprehensive Settlement Agreement incorporating the parties agreed upon resolution has been approved and executed by all parties. This Settlement Agreement incorporates a trust, which GLWA has been advised is now receiving funds. When initial distributions from the trust are received pursuant to the Settlement Agreement the trust, the Highland Park litigation will be closed.

Following its Board of Directors' October 25, 2023 approval of the Term Sheet between the State of Michigan, Highland Park and GLWA, the Board referred to the Audit Committee the question of potential credits to Customers for certain amounts that had been included in prior water and sewer charges that were directly attributable to bad debt expense related to Highland Park's non-payment ("Member Partner Bad Debt Recovery Credits"). At its November 9, 2023 meeting, the Audit Committee referred the matter to the full Board for discussion and, at its November 16, 2023 meeting, the Board approved Resolution No. 2023-427 "Resolution Regarding Approval of Schedule of Member Partner Bad Debt Recovery Credits

#2023-2 Totaling \$20,026,500 with Conditions Precedent Utilizing the Highland Park Bad Debt Recovery Credits Methodology.” The Highland Park Bad Debt Recovery Credit Methodology provides for credit allocation among member partner communities of the Authority related to the settlement of the litigation between Highland Park and the Authority as discussed herein. Resolution 2023-427 authorized payment of Member Partner Bad Debt Recovery Credits totaling \$20,026,500 (\$5,026,500 for the Water System and \$15,000,000 for the Sewer System), conditioned upon satisfaction of certain conditions precedent necessary to effectuate the Term Sheet. Credits are expected to be provided no sooner than the fourth quarter of Fiscal Year 2024.

## **DWSD Litigation**

The information under this “DWSD Litigation” section has been furnished solely by DWSD. No representation is made by the Authority or the Underwriters as to the completeness or accuracy of such information. Except as noted in this section, the Department has not been served with any litigation which is expected to have a material impact on the Department’s operations or revenues with respect to the Water System and, to the best of the Department’s knowledge, there is no threatened litigation against the Department which is expected to have a material impact on the Department’s operations or revenues with respect to the Water System.

*Detroit Water & Sewerage Department v. Highland Park*, WCCC Case No. 14-001974 CK; COA Docket No. 327448; SC Docket No. 154017; and *City of Highland Park v US EPA, GLWA et al*, 16-cv-13840. As noted in “GLWA Litigation” above, DWSD was named as a defendant in the state and federal actions filed by Highland Park. Pursuant to the Leases, GLWA assumed the accounts receivable owed by Highland Park and the accompanying liability. See “GLWA Litigation above for a full description of this matter.

*Ajax Metal Processing, Inc. v. City of Detroit*, WCCC Case No. 23-015314-CZ (Judge Allen). The Plaintiff is challenging the “Inclining Block Water Rates” charges imposed on commercial and industrial users. The Plaintiff claims that the rate structure results in overcharges to large volume users and that these overcharges are “arbitrary, capricious and unreasonable” and violates Michigan common law and the City of Detroit Charter. The City moved for summary disposition and the oral arguments for the motion were held in March 2024. After the arguments, the Court stayed the case for thirty days while it decides the motion and issues a ruling.

*Henrique Almeida, Temporary Conservator of the Estate of Justin Almeida*, Eastern District of Michigan Case No. 22-CV-10617-GAD-EAS (Judge Drain). This is a personal injury matter where the Plaintiff was operating a scooter and hit a pothole that was alleged to be caused by a leaking gate valve. The Plaintiff suffered significant injuries and has demanded in excess of \$10 million. The parties have reached a tentative settlement in the amount of \$7 million, subject to approval by the Board of Water Commissioners and the Court.

## **TAX MATTERS**

### **State Tax Matters**

In the opinion of Dickinson Wright PLLC, Bond Counsel to the Authority, based on its examination of the documents described in its opinion, under existing law as enacted and construed on the date of the initial delivery of the Series 2024 Bonds, the Series 2024 Bonds and the interest thereon are exempt from

taxation by the State of Michigan or by any taxing authority within the State of Michigan, except estate taxes and taxes on gains realized from the sale, payment or other disposition of the Series 2024 Bonds.

## **Federal Tax Matters**

### *General*

In the opinion of Dickinson Wright PLLC, Bond Counsel to the Authority, based on its examination of the documents described in its opinion, under existing law as enacted and construed on the date of the initial delivery of the Series 2024 Bonds, the interest on the Series 2024 Bonds is excluded from gross income for federal income tax purposes. Interest on the Series 2024 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, interest on the Series 2024 Bonds held by an “applicable corporation” (as defined in Section 59(k) of the Code) is included in annual “adjusted financial statement income” for purposes of calculating the alternative minimum tax imposed on an applicable corporation that are subject to the corporate alternative minimum tax under Section 55 of the Code.

The opinion set forth in the first sentence of the paragraph above is subject to the condition that the Authority comply with all requirements of the Code, that must be satisfied subsequent to the issuance of the Series 2024 Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Series 2024 Bonds to be included in gross income retroactive to the date of issuance of the Series 2024 Bonds. The Authority has covenanted to comply with all such requirements to the extent permitted by law. Bond Counsel to the Authority will express no opinion regarding other federal tax consequences arising with respect to the Series 2024 Bonds and the interest thereon.

Prospective purchasers of the Series 2024 Bonds should be aware that (i) interest on the Series 2024 Bonds is included in the effectively connected earnings and profits of certain foreign corporations for purposes of calculating the branch profits tax imposed by Section 884 of the Code, (ii) the Inflation Reduction Act of 2022 imposes a corporate alternative minimum tax equal to 15% of the “adjusted financial statement income” of any corporation (other than an S corporation, a regulated investment company and a real estate investment trust) having average “adjusted financial statement income” exceeding \$1,000,000,000 over such corporation’s three preceding taxable years, and interest on the Series 2024 Bonds is included in the calculation of corporation’s “adjusted financial statement income,” (iii) interest on the Series 2024 Bonds may be subject to a tax on excess net passive income of certain S corporations imposed by Section 1375 of the Code, (iv) interest on the Series 2024 Bonds is included in the calculation of modified adjusted gross income for purposes of determining taxability of social security or railroad retirement benefits, (v) the receipt of interest on the Series 2024 Bonds by life insurance companies may affect the federal tax liability of such companies, (vi) in the case of property and casualty insurance companies, the amount of certain loss deductions otherwise allowed is reduced by a specific percentage of, among other things, interest on the Series 2024 Bonds, (vii) registered owners acquiring the Series 2024 Bonds subsequent to initial issuance will generally be required to treat market discount recognized under Section 1276 of the Code as ordinary taxable income, (viii) the receipt or accrual of interest on the Series 2024 Bonds may cause disallowance of the earned income credit under Section 32 of the Code, (ix) interest on the Series 2024 Bonds is subject to backup withholding under Section 3406 of the Code in the case of registered owners that have not reported a taxpayer identification number and are not otherwise exempt from backup withholding, and (x) registered owners of the Series 2024 Bonds may not deduct interest on indebtedness incurred or continued to purchase or carry the Series 2024 Bonds, and financial institutions may not deduct that portion of their interest expense allocated to interest on the Series 2024 Bonds.

### *Tax Treatment of Accruals on Original Issue Discount Bonds*

For federal income tax purposes, the difference between the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of the Series 2024 Bonds initially sold at a discount as shown on the inside cover page hereof (the “OID Bonds”) is sold and the amount payable at the stated redemption price at maturity thereof constitutes “original issue discount.” Such discount is treated as interest excluded from federal gross income to the extent properly allocable to each registered owner thereof. The original issue discount accrues over the term to maturity of each such OID Bond on the basis of a constant interest rate compounded at the end of each six-month period (or shorter period from the date of original issue) with straight line interpolations between compounding dates. The amount of original issue discount accruing during each period is added to the adjusted basis of such OID Bonds to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such OID Bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of registered owners of the OID Bonds who purchase such bonds after the initial offering of a substantial amount thereof. Registered owners who do not purchase such OID Bonds in the initial offering at the initial offering and purchase prices should consult their own tax advisors with respect to the tax consequences of ownership of such OID Bonds.

### *Amortizable Bond Premium*

For federal income tax purposes, the difference between an original registered owner’s cost basis of the Series 2024 Bonds initially sold at a premium as shown on the inside cover page hereof (the “Original Premium Bonds”) and the amounts payable on the Original Premium Bonds other than stated interest constitutes an amortizable bond premium. The same applies with respect to any Series 2024 Bond, if a registered owner’s cost basis exceeds the amounts payable thereon other than stated interest (collectively with the Original Premium Bonds held by the original registered owners, “Premium Bonds”). Such amortizable bond premium is not deductible from gross income, but is treated for federal income tax purposes as an offset of the amount of stated interest paid on the Premium Bonds, which may affect liability for the branch profits tax imposed by Section 884 of the Code. The amount of amortizable bond premium allocable to each taxable year is generally determined on the basis of the registered owner’s yield to maturity determined by using the registered owner’s basis (for purposes of determining loss on sale or exchange) of such Premium Bonds and compounding at the close of each six-month accrual period. The amount of amortizable bond premium allocable to each taxable year is deducted from the registered owner’s adjusted basis of such Premium Bonds to determine taxable gain upon disposition (including sale, redemption or payment at maturity) of such Premium Bonds.

### *Information Reporting and Backup Withholding*

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Series 2024 Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a valid IRS Form W-9, together with appropriate attachments, reporting and certifying under penalties perjury the recipient’s correct taxpayer identification number (“TIN”) and further certifying that the recipient is not subject to backup withholding on a valid IRS Form W-9 or suitable substitute, or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing the Series 2024 Bonds through a brokerage account has executed a valid IRS Form W-9 in connection with the establishment of such account no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2024 Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the IRS.

## **Future Developments**

Bond Counsel's engagement with respect to the Series 2024 Bonds ends with the issuance of the Series 2024 Bonds and, unless separately engaged, Bond Counsel is not obligated to defend the Authority in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Series 2024 Bonds, under current IRS procedures, the IRS will treat the Authority as the taxpayer and the beneficial owners of the Series 2024 Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit

NO ASSURANCE CAN BE GIVEN THAT ANY FUTURE LEGISLATION OR CLARIFICATIONS OR AMENDMENTS TO THE CODE, IF ENACTED INTO LAW, WILL NOT CONTAIN PROPOSALS WHICH COULD CAUSE THE INTEREST ON THE SERIES 2024 BONDS TO BE SUBJECT DIRECTLY OR INDIRECTLY TO FEDERAL INCOME TAXATION OR THE INTEREST ON THE SERIES 2024 BONDS TO BE SUBJECT DIRECTLY OR INDIRECTLY TO STATE OF MICHIGAN INCOME TAXATION, ADVERSELY AFFECT THE MARKET PRICE OR MARKETABILITY OF THE SERIES 2024 BONDS, OR OTHERWISE PREVENT THE REGISTERED OWNERS FROM REALIZING THE FULL CURRENT BENEFIT OF THE STATUS OF THE INTEREST THEREON. FURTHER, NO ASSURANCE CAN BE GIVEN THAT ANY SUCH FUTURE LEGISLATION, OR ANY ACTIONS OF THE INTERNAL REVENUE SERVICE, INCLUDING BUT NOT LIMITED TO, SELECTION OF THE SERIES 2024 BONDS FOR AUDIT EXAMINATION, OR THE AUDIT PROCESS OR RESULT OF ANY EXAMINATION OF THE SERIES 2024 BONDS OR OTHER BONDS THAT PRESENT SIMILAR TAX ISSUES, WILL NOT ADVERSELY AFFECT THE MARKET PRICE OF THE SERIES 2024 BONDS. BOND COUNSEL TO THE AUTHORITY EXPRESSES NO OPINION REGARDING ANY PENDING OR PROPOSED FEDERAL OR STATE OF MICHIGAN TAX LEGISLATION.

INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE SERIES 2024 BONDS AND THE TAX CONSEQUENCES OF THE ORIGINAL ISSUE PREMIUM THEREOF, IF ANY.

The tax status of the Series 2024 Bonds could be affected by post-issuance events. Various requirements of the Code must be observed or satisfied after the issuance of the Series 2024 Bonds in order for such interest to remain excludable from gross income of the holders thereof. These requirements include restrictions on the use of the proceeds of the Series 2024 Bonds, use of the facilities financed by the Series 2024 Bonds, investment of proceeds of the Series 2024 Bonds, and the rebate of so-called excess arbitrage earnings. Compliance with these requirements is the responsibility of GLWA. Failure to comply could result in the inclusion of interest on the Series 2024 Bonds in gross income retroactive to the date of issuance of the Series 2024 Bonds.

The IRS conducts an audit program to examine compliance with the requirements applicable to tax-exempt obligations. If the Series 2024 Bonds become the subject of an audit, under current IRS procedures, the Authority would be treated as a taxpayer in the initial stages of an audit, and the owners of the

Series 2024 Bonds would have limited rights to participate in the audit process. The initiation of an audit with respect to the Series 2024 Bonds could adversely affect the market value and liquidity of the Series 2024 Bonds, even though no final determination about the tax-exempt status would have been made. If an audit were to result in a final determination that the Series 2024 Bonds do not qualify as tax-exempt obligations, such a determination could be retroactive in effect to the date of issuance of the Series 2024 Bonds.

In addition to post-issuance compliance, a change in law after the date of issuance of the Series 2024 Bonds could affect the tax-exempt status of the Series 2024 Bonds or the economic benefit of investing in the Series 2024 Bonds. For example, Congress could eliminate the exemption for interest on the Series 2024 Bonds, or it could reduce or eliminate the federal income tax, or it could adopt a so-called “flat tax.”

## **CERTAIN LEGAL MATTERS**

The legality of the authorization, sale and delivery of the Series 2024 Bonds is subject to the approval of Bond Counsel to the Authority, whose approving opinion, substantially in the form attached as Appendix XI to this Official Statement, will be delivered upon the issuance of the Series 2024 Bonds. The fees to be received by the Bond Counsel to the Authority in connection with the issuance of the Series 2024 Bonds will be paid from the proceeds of the Series 2024 Bonds.

Certain legal matters will be passed upon for the Underwriters by their counsel, Kutak Rock LLP, Washington, D.C. Certain legal matters will be passed upon for DWSD by its counsel, Miller, Canfield, Paddock and Stone, P.L.C.

## **RATINGS**

Moody’s Investors Service, Inc. (“Moody’s”), S&P Global Ratings (“S&P”) and Fitch Ratings (“Fitch”) have assigned (i) the Series 2024A Bonds ratings of “Aa3” (stable outlook), “AA-” (stable outlook) and “A+” (stable outlook), respectively, and (ii) the Series 2024B Bonds ratings of “A1” (stable outlook), “A+” (stable outlook) and “A” (stable outlook), respectively. Such ratings reflect only the views of Moody’s, S&P and Fitch and an explanation of the significance of such ratings may be obtained from Moody’s, S&P and Fitch. The Authority has furnished to Moody’s, S&P and Fitch certain information and materials with respect to the Series 2024 Bonds. There is no assurance that the ratings which have been assigned to the Series 2024 Bonds will continue for any given period of time or that either of them will not be revised or withdrawn entirely by Moody’s, S&P or Fitch, if in the judgment of Moody’s, S&P or Fitch circumstances so warrant. A downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series 2024 Bonds. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

## **UNDERWRITING**

The Series 2024 Bonds are being purchased on a negotiated basis for reoffering by the underwriters set forth on the cover of this Official Statement (collectively, the “Underwriters”), for whom Siebert Williams and Shank & Co., LLC is acting as representative. The Underwriters have agreed, subject to the terms of a bond purchase agreement (the “Bond Purchase Agreement”) with the Authority dated May 21, 2024, to purchase the Series 2024 Bonds from the Authority. The Bond Purchase Agreement provides, in part, that the Underwriters, subject to certain conditions, will purchase from the Authority (i) the Series 2024A Bonds at the purchase price of \$378,657,951.12 (the aggregate principal amount of \$348,175,000, less an Underwriter’s discount of \$1,001,743.28 plus original issue premium of \$31,484,694.40); and (ii) the Series 2024B Bonds at the purchase price of \$40,236,575.18 (the aggregate principal amount of \$35,930,000, less

an Underwriter's discount of \$103,664.97 plus original issue premium of \$4,410,240.15). The Underwriters are obligated to purchase all of the Series 2024 Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel, and certain other conditions. The initial public offering prices of the Series 2024 Bonds may be changed from time to time by the Underwriters. The Series 2024 Bonds may be offered and sold by the Underwriters to certain dealers (including dealers depositing the Series 2024 Bonds in unit investment trusts, some of which may be managed by the Underwriters) and certain dealer banks and banks acting as agents at prices lower than the public offering prices set forth in this Official Statement.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters and their respective affiliates have from time to time and may in the future perform various investment banking services for the Authority for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell, make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans, commodities, currencies, credit default swaps) for their own accounts and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Authority (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Authority. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments. Such investment and securities may involve securities and instruments of the Authority.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association ("WFBNA"), which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of WFBNA, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

WFBNA, one of the Underwriters of the Series 2024 Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name Wells Fargo Advisors) ("WFA"), for the distribution of certain municipal securities offerings, including the Series 2024 Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2024 Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Series 2024 Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Series 2024 Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings

at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Series 2024 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2024 Bonds that such firm sells.

Morgan Stanley & Co. LLC, an Underwriter of the Series 2024 Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2024 Bonds.

### **FINANCIAL ADVISOR**

PFM Financial Advisors LLC is acting as Financial Advisor (the “Financial Advisor”) to the Authority in connection with the issuance of the Series 2024 Bonds. PFM Financial Advisors LLC, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Series 2024 Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. The Financial Advisor is a “*municipal advisor*” as defined in Rule 15Ba1-1-(d)(3)(vi) of the Securities and Exchange Commission.

The Financial Advisor has provided the following for inclusion in this Official Statement: The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Authority and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

### **CONTINUING DISCLOSURE UNDERTAKING**

The Authority will covenant for the benefit of the Holders and the Beneficial Owners of the Series 2024 Bonds (as such terms are defined in the Continuing Disclosure Undertaking which the Authority expects to execute on or before the date of delivery of the Series 2024 Bonds (the “Continuing Disclosure Undertaking”), to disclose financial information and operating data, by not later than 270 days following the end of the applicable fiscal year, commencing with the report for fiscal years ending on or after June 30, 2024 (the “Annual Financial Information”) and to provide notices of the occurrence of certain listed events. The Continuing Disclosure Undertaking requires that the Annual Financial Information and notices of listed events be filed with the Municipal Securities Rulemaking Board (“MSRB”) by electronic transmission through the Electronic Municipal Market Access (“EMMA”) Dataport of the MSRB. The specific nature of the information to be contained in the Annual Financial Information and the notices of listed events are set forth in APPENDIX X - FORM OF CONTINUING DISCLOSURE UNDERTAKING. These covenants have been made in order to assist the Underwriters named on the cover page of this Official Statement to comply with paragraph (b)(5) of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission.

Except as described in the Continuing Disclosure Undertaking the provisions of the Continuing Disclosure Undertaking will create no rights in any other person or entity. The obligation of the Authority to comply with the provisions of the Continuing Disclosure Undertaking is enforceable by any Beneficial Owner of outstanding Series 2024 Bonds as described in the Continuing Disclosure Undertaking. The right to enforce the provisions of the Continuing Disclosure Undertaking is limited to a right, by action in mandamus or for specific performance, to compel performance of the Authority’s obligations under the Continuing Disclosure Undertaking. Any failure by the Authority to perform in accordance with the Continuing



Disclosure Undertaking will not constitute a default or an Event of Default under the Bond Ordinance, and the rights and remedies provided by the Bond Ordinance upon the occurrence of a default or an Event of Default will not apply to any such failure.

A failure by the Authority to comply with the Continuing Disclosure Undertaking must be reported by the Authority in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2024 Bonds in the secondary market. Consequently, such failure may adversely affect the marketability and liquidity of the Series 2024 Bonds and the market price thereof.

Although filed on time, the Authority failed to include certain information as part of its operating data for both the Water System and Sewer System for Fiscal Year 2019. Upon realizing that the tables were missing, the Authority made supplemental filings on January 21, 2020 and February 25, 2020 to remedy the failure.

The Authority failed to file notices of listed events regarding the incurrence of financial obligations in connection with the issuance of certain SRF Junior Lien Bonds in 2020-2022 on a timely basis as required by its continuing disclosure undertakings. The Authority has since made the required material event filings on the EMMA System and has put in place procedures to ensure that future event filings are made on a timely basis. The Authority has entered into a contract with Digital Assurance Certification, L.L.C. (“DAC”) to provide continuing disclosure dissemination agent services for all of its outstanding bond issues.

In order to provide continuing disclosure with respect to the Series 2024 Bonds in accordance with the Rule, the Authority has entered into a Disclosure Dissemination Agent Agreement (“Disclosure Dissemination Agreement”) with DAC, under which the Authority has designated DAC as Disclosure Dissemination Agent.

The Disclosure Dissemination Agent has only the duties specifically set forth in the Disclosure Dissemination Agreement. The Disclosure Dissemination Agent’s obligation to deliver the information at the times and with the contents described in the Disclosure Dissemination Agreement is limited to the extent the Authority has provided such information to the Disclosure Dissemination Agent as required by the Disclosure Dissemination Agreement. The Disclosure Dissemination Agent has no duty with respect to the content of any disclosures or notice made pursuant to the terms of the Disclosure Dissemination Agreement. The Disclosure Dissemination Agent has no duty or obligation to review or verify any information in the Annual Financial Information, Audited Financial Statements, notice of the occurrence of reportable events or voluntary disclosures, or any other information, disclosures or notices provided to it by the Authority and shall not be deemed to be acting in any fiduciary capacity for the Authority, the Bondholders or any other party. The Disclosure Dissemination Agent has no responsibility for the Authority’s failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine or liability for failing to determine whether the Authority has complied with the Disclosure Dissemination Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Authority at all times.

## **OTHER MATTERS**

The summaries and explanations herein of provisions of the Bond Ordinance, the Lease, the Water and Sewer Services Agreement, the Shared Services Agreement, the 2018 MOU, Act 94, Act 233 other public acts of Michigan, and other materials are brief summaries of certain provisions thereof. Such summaries do not purport to be complete and reference is made to such instruments, documents and other materials for full and complete statements of the provisions thereof.

The information contained in this Official Statement has been compiled or prepared from sources deemed to be reliable and, while not guaranteed as to completeness or accuracy, is believed to be correct as of this date. Any statements involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

The attached Appendices are an integral part of this Official Statement and must be read in their entirety together with all of the foregoing information.

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The execution and delivery of this Official Statement have been duly authorized by the Authority.

**GREAT LAKES WATER AUTHORITY**

By: /s/ Suzanne Coffey  
Chief Executive Officer

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**SCHEDULE I**

**REFUNDED BONDS †**

Series	Lien	Maturity or Sinking Fund	Par
2014A	Senior	7/1/2035	\$20,020,000
2014A	Senior	7/1/2037*	24,170,000
2014B	Senior	7/1/2025	29,525,000
2014B	Senior	7/1/2026	50,370,000
2014B	Senior	7/1/2027	34,340,000
2014B	Senior	7/1/2028	22,690,000
2014D	Senior	7/1/2029	47,265,000
2014D	Senior	7/1/2030	54,305,000
2014D	Senior	7/1/2031	28,515,000
2014D	Senior	7/1/2032	18,950,000
2014D	Senior	7/1/2033	7,765,000
2014D	Senior	7/1/2034*	52,560,000
Total			<b>\$390,475,000</b>
2014F	Second	7/1/2025	\$2,870,000
2014F	Second	7/1/2026	1,895,000
2014F	Second	7/1/2027	1,930,000
2014F	Second	7/1/2028	445,000
2014F	Second	7/1/2029	500,000
2014F	Second	7/1/2030	405,000
2014F	Second	7/1/2031	420,000
2014F	Second	7/1/2032	440,000
2014F	Second	7/1/2033	455,000
2014F	Second	7/1/2034	1,215,000
2014F	Second	7/1/2036*	33,115,000
Total			<b>\$43,690,000</b>

\*Final Maturity

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† Bonds issued to the Michigan Finance Authority, as Registered Owner, through the State of Michigan Local Government Loan Program.

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**APPENDIX I**  
**FEASIBILITY CONSULTANT'S REPORT**

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**T F G**  
**THE FOSTER GROUP**

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THE FOSTER GROUP, LLC  
12719 WENONGA LANE  
LEAWOOD, KS 66209

BART FOSTER, PRESIDENT  
CELL: (913) 530-6240  
[BFOSTER@FOSTERGROUPLLC.COM](mailto:BFOSTER@FOSTERGROUPLLC.COM)

May 21, 2024

Ms. Sue Coffey, Chief Executive Officer  
Great Lakes Water Authority  
735 Randolph Street  
Detroit, Michigan 48226

Dear Ms. Coffey:

In accordance with our agreement with the Great Lakes Water Authority (the "Authority" and/or "GLWA"), we submit herewith our Financial Feasibility Report to be included as an appendix to the official statement (the "Official Statement") prepared by the Authority in connection with its issuance of \$384,105,000 Water Supply System Revenue Senior Lien and Second Lien Bonds (the "Series 2024 Bonds"). The Series 2024 Bonds are being issued to refund certain outstanding bonds of the system. The purpose of this report is to set forth information concerning financial factors relating to the Official Statement and the Series 2024 Bonds.

The report contains financial feasibility information including analyses of water supply service charges, including specific charge methodology, projections of revenues under existing charges, projection of future operation and maintenance expenses, a summary of the Regional Water System Capital Improvement Program (the "CIP") for fiscal years 2024 through 2034, CIP financing, the impact of projected revenue requirements on future revenues and water service charges for a ten-year forecast period<sup>1</sup>, and the ability of the Authority to meet the "Additional Bonds Test" as defined in the ordinance authorizing the issuance of bonds by the Authority (the "Master Bond Ordinance.") A listing of our major opinions developed as a result of our studies is presented at the end of the report.

THE FOSTER GROUP provides financial and engineering management consulting services to a broad customer base, specializing in services for municipal utility clients in the United States. Our principal experience includes: managing financial planning, cost of service, and rate design studies for water and wastewater utilities; preparation of feasibility reports in conjunction with issuance of municipal water and sewer revenue bonds; development of other feasibility reports; design of financial management information systems; consulting assistance regarding contractual and other relationships amongst municipalities, and expert witness services in utility litigation matters.

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<sup>1</sup> Actually 11 years, including estimated results for 2024, the current year.

Principals of THE FOSTER GROUP have prepared every financial feasibility report published in conjunction with the revenue bonds issued by the Authority and the Detroit Water and Sewerage Department (the predecessor to the Authority) since 1989. Various reports have been issued in connection with work for the Authority on these matters and related matters, and are available for public inspection at the offices of the Authority and on the Authority's website.

It has been a pleasure to be of service to the Authority on this matter.

Very truly yours,

THE FOSTER GROUP

A handwritten signature in black ink, appearing to read 'Bart Foster', written in a cursive style.

Bart Foster  
President

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## Introduction

This report is based on our analysis of the records and capital improvement programs of the Authority, discussions with key Authority personnel, and such other investigations as we have found necessary.

In this report, where standards or requirements are indicated as being applicable, being fulfilled, or to be attained, such standards or requirements are those promulgated by the United States Environmental Protection Agency (the "EPA") and the Michigan Department of Environment, Great Lakes, and Energy ("EGLE") in accordance with the provisions of Federal laws and the laws of the State of Michigan governing the supply of drinking water. Capitalized terms not otherwise defined herein shall have the same meaning as ascribed to them in the Official Statement. References made herein to specific years are for the fiscal years ending June 30, unless otherwise noted.

The Authority was incorporated by the City of Detroit (the "City") and the Counties of Macomb, Oakland and Wayne (the "Counties") on November 26, 2014 pursuant to Act 233, Public Acts of Michigan, 1955, as amended ("Act 233"). At the time of the Authority's incorporation, the City, through its Detroit Water and Sewerage Department ("DWSD"), was providing wholesale water and sewer services to suburban wholesale customer communities and wholesale and retail water and sewer services to the City and its individual residents and businesses. Water service was provided via operation of the City's water supply system ("the Water System") that consisted of both wholesale and retail water production and delivery facilities.

On June 12, 2015, the City and GLWA executed a Regional Water Supply System Lease, a Regional Sewage Disposal System Lease and a Water and Sewer Services Agreement, and on December 1, 2015, the City and GLWA executed a Shared Services Agreement (each as more fully described under "THE GREAT LAKES WATER AUTHORITY" in this Official Statement). These agreements became effective on January 1, 2016 (the "Effective Date"), at which time the Authority assumed responsibility for the wholesale water and sewer services to the service area via operation of the portion of the Water System (the "Regional Water System" or the "System") that provides service to the wholesale water customers. The Authority also provides "wholesale" water and sewer service to the City of Detroit Customer class, although the City is served via a Water and Sewer Services Agreement that is different from the Authority's standard wholesale contracts, and the City of Detroit is not considered a wholesale customer of the Authority in the same manner as the other contract customer communities.

The portion of the Water System that provides water service directly to retail customers in the City of Detroit (the "Local Water System") continues to be operated by the City of Detroit through DWSD, just as the Authority's wholesale customers provide retail services to their individual residents and businesses. The Authority's customers (the "Customers") include communities and districts served via wholesale service contracts and the City of Detroit Customer class, served via the terms of the Water and Sewer Services Agreement. The Authority is authorized by its Articles of Incorporation to provide retail water service, but does not currently provide retail service to any customers.

The revenues and revenue requirements of the Authority include wholesale amounts related to service provided by the Regional Water System and retail amounts related to service provided by the Local Water System. In this report, revenues and revenue requirements associated with the Regional Water System are defined as “Wholesale” and / or “Wholesale System” activities and those associated with the Local Water System are defined as “Retail” and / or “Retail System” activities. All revenues are deposited into a trust established under the Master Bond Ordinance. *See "GLWA Financial Planning Guiding Principles."*

All Customers, including the City of Detroit retail customer class, receive Wholesale service and provide Wholesale revenues to the trust. Only the City of Detroit retail customer class receives Retail service and provides Retail revenues to the trust. The total of the Wholesale and Retail activities are referred to herein as “Combined” and / or “Combined System” revenues and revenue requirements.

Certain portions of this report may refer to historical wholesale service performance and events as being attributable to the Authority, while in fact they were applicable to the operations of the DWSD that existed prior to the Effective Date. We consider the attribution to be technically accurate, since the Authority has assumed responsibility for such performance and events.

The proceeds from the Series 2024 Bonds will be utilized to refinance certain outstanding bonds of the Authority (the “Refunded Bonds”). None of the Series 2024 Bonds are designed to generate additional capital financing for the Authority. Additional capital improvement program expenditures scheduled in the CIP through at least December 31, 2024 are projected to be financed by available fund balances, draws from loans from the State of Michigan Drinking Water Revolving Fund (“DWSRF”), and internally generated funds. The projections in this report include future bond issues to finance capital improvement expenditures for the Regional Water System. However, availability of projected other financing sources, along with the pace of execution of the CIP, may impact those projections. Importantly, while the Authority continues to seek access to funds available through grants from the federal government and the State of Michigan, none have been assumed for purposes of the projections in this report. *See "Capital Improvement Program Financing Plan."*

In conducting our studies and formulating our projections and opinions contained herein, we reviewed the books, records, agreements, capital improvement programs and other information produced by the Authority as we deemed necessary. While we consider such books, records, and other documents to be reliable, we have not verified the accuracy of these documents.

The projections in this report related to the Local Water System align with the long-term forecast prepared by DWSD and have been developed in consultation with DWSD.

The projections set forth herein are intended as “forward-looking statements”. Actual results may differ materially from those projected, as influenced by conditions, events, and circumstances that may actually occur. *See "Financial Feasibility for the Series 2024 Bonds."*

# Regional Water System Summary

## Introduction

The water treatment and transmission system consists of three major intake facilities, five water treatment plants, a conveyance system that consists of over 800 miles of transmission mains throughout the System, 19 booster pumping stations, and 32 water storage reservoirs. The Systems Control Center monitors and controls the water flow and pressure throughout the Regional Water System.

## Service Area

The Regional Water System is one of the largest in the nation in terms of water produced and population served, as the Authority is responsible for treatment and transmission of water to most of southeast Michigan. The System presently serves an area of 1,698 square miles in Wayne, Oakland, Macomb, Lapeer, Genesee, Washtenaw, St. Clair, and Monroe Counties. *See map, inside cover.* The Authority currently serves an estimated population of 3.8 million, with suburban customers served by wholesale service contracts comprising approximately 82 percent of the total, and the City of Detroit comprising the remainder.

Except as noted below, the Authority has traditionally experienced no material competition from other water supply systems in Southeastern Michigan. In 2010, Genesee County and the City of Flint (“Flint”), (along with other neighboring communities) formed the Karegnondi Water Authority (the “KWA”). In 2013, the Authority terminated its contract with Flint but continued to supply water to Flint. In May 2014, Flint began operating its own water treatment plant utilizing the Flint River as its raw water source and immediately began experiencing water quality issues. On October 16, 2015, Flint began receiving water services through the Authority on a short-term, emergency basis. During the period of emergency water service to Flint, the Authority was party to meetings with the State of Michigan, Flint, KWA and the Genesee County Drain Commissioner to develop a regional plan to provide Flint with long-term wholesale water service through the Authority and to provide reciprocal back-up services to the Authority and to the Genesee County Drain Commissioner.

On January 16, 2018, Flint, the Department of Environmental Quality of the State of Michigan (“DEQ”), the Genesee County Drain Commissioner (“GCDC”), the Authority, and KWA entered into a Master Agreement (the “Master Agreement”) and related documents outlining a set of inter-related transactions, effective as of December 1, 2017. As a result of the Master Agreement Flint became a full service Customer under terms of the Authority model contract and receives annual credits for its allocated share of debt service on KWA bonds related to construction of the KWA pipeline. Flint has granted an exclusive license of its share of KWA water rights to the Authority. These rights transfer to the Authority once the KWA bonds have been retired. The Master Agreement contains a reciprocal backup arrangement between GCDC and the Authority which establishes service redundancy for all parties. *See “SERVICE AREA AND CUSTOMERS” in this Official Statement.*

The implementation of the Master Agreement was effectuated during Fiscal Year 2018. Flint received a partial year credit related to the KWA debt service, and GCDC continued to be a full-service Customer for a portion of the year. GCDC has not purchased any water from the Authority since December 2017. The Master Agreement has been reflected in the sales volumes and revenue projections in this report. See *“Financial Feasibility for the Series 2024 Bonds - Projection of Revenues.”*

## **Capital Improvement Program**

The Authority’s System Planning Division is responsible for coordinating the evaluation of capital needs and developing programs to meet those needs. This division formally reviews the Capital Improvement Program and incorporates revisions into the five-year capital agenda on an annual basis.

In accordance with the terms of the Articles of Incorporation, the CIP must be approved by a supermajority of at least five members of the Authority’s Board of Directors. The Authority can modify individual projects within the CIP during the year to address changing costs and management decisions on specific project scope as long as the changes are within the basic framework approved by the Board. The Fiscal Year 2025-2029 CIP was approved by the Board on February 28, 2024. The approved CIP also includes a “Ten-Year Outlook” with preliminary forecasts of projected expenditures for Fiscal Years 2030 through 2034.

The CIP is dynamic and requires continual review and modification during the course of each year. As additional cost information is developed from design work being performed on the various projects, cost estimates are adjusted accordingly. The Authority is in the process of developing an updated document, which will eventually serve as the formal Fiscal Year 2026-2030 CIP. The initial update of that CIP document recognizes ongoing cost increases and timing challenges in individual projects associated with recent inflationary and supply chain pressures, as well as adjustments in project priorities. This initial updated CIP document has been utilized for purposes of this feasibility report.

A summary of the Regional Water System CIP is presented in Table 1. This presentation of the CIP categorizes improvements to Water Treatment Plants, the Water Delivery System, and General Purpose projects. Overall expenditures in the 10-year forecast are approximately evenly split between treatment and delivery projects. See *“THE MASTER PLAN AND THE CAPITAL IMPROVEMENT PLAN”* in this *Official Statement*. Table 1 does not include any capital improvements to the Local Water System facilities owned and managed by DWSD.

The Master Plan completed in 2016 was somewhat unique to the service area, in that it was designed to establish a strategic infrastructure and operating plan associated with declining water demands, rather than to address growth. The total rated capacity of the existing five water treatment plants is 1.7 billion gallons per day. The Master Plan identified likely maximum demands in the range of 1.0 billion gallons per day during the 20-year planning period, and evaluated the possibility of repurposing one or more water treatment plants to strategically align available capacity and service requirements and planning for structural de-rating of capacity as warranted at the remaining four water treatment plants. The Master Plan recommended converting



the existing Northeast Water Plant into a storage and pumping facility, thereby eliminating the need to invest in improvements that would otherwise be required for the existing facility to maintain rated capacity. The Master Plan also contained investments designed to strategically deliver water to the System via the four remaining water treatment plants. Recent developments have paused pursuit of this revised operating scenario, and the Authority is preparing to launch a Master Plan update. While specific projects are in the process of being reviewed, significant capital investments will be required to continue resilient and efficient operations of the Water System during the forecast period.

**Table 1**  
**Regional Water System Capital Improvement Program**  
**Projected Expenditure Schedule - Fiscal Years 2024 through 2034 (\$ millions)**

Line No.		Fiscal Year Ending June 30,										Total	
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033		2034
1	Water Treatment Plants	89.4	109.2	86.7	108.6	108.9	111.1	125.4	108.8	113.0	87.5	117.5	1,166.0
2	Water Delivery System	98.6	98.1	123.1	119.3	127.4	79.5	76.9	80.8	119.1	142.1	137.6	1,202.5
3	General Purpose	2.0	2.7	0.2	2.2	3.7	4.4	2.7	0.4	2.9	0.4	4.9	26.5
4	Total	190.0	210.0	210.0	230.0	240.0	195.0	205.0	190.0	235.0	230.0	260.0	2,395.0
5	CIP Spend Rate Assumption	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
6	CIP Funding Requirement	190.0	210.0	210.0	230.0	240.0	195.0	205.0	190.0	235.0	230.0	260.0	2,395.0

The draft CIP document contains specific project descriptions and summaries for planned activity through 2029, including that represented in Table 1. The planning documents that produce the published CIP also contain initial estimates for infrastructure investment from 2030 through 2034. Those amounts are also reflected in Table 1.

The Authority employs a policy of establishing capital financing plans based on a CIP Spend Rate Assumption. This policy recognizes the difficulties of executing multiple large infrastructure projects, and provides an analytical approach to bridge the total dollar amount of projects in the CIP with what can realistically be spent due to limitations beyond the Authority’s control and/or delayed for non-budgetary reasons. Based on review of historical records, the Authority has increased expenditures on Water capital improvements in recent years, from approximately \$76 million in 2020 to an estimated \$196 million in 2023. In prior CIP financing plans for 2020 through 2023, the Authority generally applied a CIP spend rate assumption of 75% to 80%. While preparing the CIP financing plan presented herein the Authority has balanced the project delivery challenges noted above with the inflationary project cost increases related to material prices and supply chain challenges. As a result, this CIP financing plan is based on a CIP spend rate assumption of 100% for the entirety of the forecast period. The overall CIP funding requirements shown on Line 6 of Table 1 reflect a reasonable expectation of CIP investments throughout the forecast period and form the basis for the Capital Financing Plan presented herein.

*[Remainder of page intentionally left blank]*

## Financial Feasibility for the Series 2024 Bonds

The financial data used in the analyses presented herein were obtained from the financial records of the Authority and of DWSD. The financial records of both the Authority and DWSD are audited annually and maintained in conformity with generally accepted accounting principles for water and wastewater utilities.

The projections set forth herein are intended as “forward-looking statements”. In formulating these projections, THE FOSTER GROUP has made certain assumptions with respect to conditions, events, and circumstances that may occur in the future. The methodology utilized by THE FOSTER GROUP in performing these analyses follows generally accepted practices for such projections. Such methodologies are summarized in this report and are reasonable and appropriate for the purpose for which they are used. While THE FOSTER GROUP believes the assumptions are reasonable and the projection methodology valid, actual results may differ materially from those projected, as influenced by conditions, events, and circumstances that may actually occur. Such factors may include the Authority’s ability to execute the CIP as scheduled and within budget, regional climate and weather conditions affecting the demand for water, and adverse legislative, regulatory or legal decisions (including environmental laws and regulations) affecting the Authority’s ability to manage the Regional Water System and maintain water quality.

### GLWA Financial Planning Guiding Principles

The financial plans developed for the Authority’s Water and Sewer Funds follow the guiding principles set forth in the various organizational documents, including the Articles of Incorporation, the Authority By-Laws, the Leases, the Water and Sewer Services Agreement with the City of Detroit, and the Master Bond Ordinances. In addition, in June 2018 DWSD and GLWA entered into a 2018 Memorandum of Understanding (the “2018 MOU”) that provides for clarification and implementation guidance for several elements of the organizational documents. The financial projections presented herein embrace these principles, which include:

- The Authority is empowered through its Board of Directors (the "Board") to provide wholesale water and wastewater service to the service area. The six-member Board has the authority to execute contracts, to set policy for the Authority, to establish service charges for wholesale water and wastewater service, and to set a revenue requirement for the Detroit retail customer class<sup>2</sup>.
- The Board must appoint an Audit Committee to “*review the reports related to the financial condition, operations, performance and management of the Authority*” on a regular basis.
- Certain actions by the Authority Board require “*the affirmative vote of at least 5 members of the Board.*” The elements which require this supermajority approval include, but are not limited to, service charge schedules, annual operating budgets, capital improvement programs, and issuance of debt.

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<sup>2</sup> The Authority has engaged the City of Detroit as its agent to establish retail water and sewer rates for the Detroit Customer class, and to bill and collect for service from that class. The Authority retains oversight responsibility for these activities through monitoring of the agency relationship.

- The Authority must establish biennial budgets, with the first year serving as formal authorization (including an approved schedule of service charges to support the budget) and the second year serving as an initial estimate of revenues and revenue requirements.
- **Through 2025**, the Water (and Sewer) System *“is assumed to experience annual increases in the Authority Revenue Requirement of not more than 4%; provided however, this limitation shall not be applicable if the Authority Revenue Requirement must increase beyond the 4% assumption in order to satisfy the Rate Covenant or to pay the cost of improvements to the Leased Water Facilities that are required to be made by Applicable Laws.”*<sup>3</sup>
  - The Authority has embraced this “4% Promise” in all budgets and financial plans since its inception. It is also committed to honoring the spirit of the original commitment beyond 2025. The financial forecast presented herein assumes annual Water revenue requirement increases that are larger than 4%, while still resulting in average annual increases (since Authority inception) of 4% or less during the majority of forecast period.
- In accordance with the City’s Plan of Adjustment resulting from its bankruptcy, the Authority provided annual contributions for Pension Obligations in an amount of \$45.4 million (which includes annual administrative fees of \$2.5 million) through 2023. \$24 million of this amount was be treated as an operating expense, and funded via the Pension Obligation sub account of the Operation and Maintenance Fund. The remaining \$21.4 million was be treated as non-operating expense and funded via the Pension Obligation Payment Fund, which is subordinate to the debt service payment funds. The Water System’s share of the amounts above were \$10.3 million and \$9.2 million, respectively.
  - The agreement contemplated a “true-up” adjustment after 2023 to reconcile with final actuarial analyses and to finalize the Authority’s Pension Obligation. Based on the most recent actuarial estimates, the annual requirement is projected to be reduced from \$45.4 million to \$2.5 million annually, all of which is to be treated as non-operating expense and funded via the Pension Obligation Payment Fund, which is subordinate to the debt service payment funds. The Water System’s share is assumed to be \$1.1 million annually in the projections in this report.
- ALL revenues, including revenues from retail customers of the City of Detroit, are deposited into a trust established under the Master Bond Ordinance (the “Trust”) and held by a trustee and subsequently applied to a flow of funds as set forth in summary fashion below:
  - Operation and Maintenance Fund, including separate accounts for the Authority Regional Water System and Detroit Local Water System operations, and including separate subaccounts for the “operating portion” of the Pension Obligation, separated by Authority Regional and Detroit Local portions; ***The accounts of the Operation and Maintenance Fund are the only monies held outside the Trust;***

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<sup>3</sup> The “not more than 4%” increase commitment has been achieved for every year of the Authority’s existence. See “AUTHORITY FINANCIAL OPERATIONS - 4% Revenue Requirement Parameter” section of this Official Statement

- Bond and Interest Redemption Funds, in cascading lien order, and including debt service accounts and bond reserve accounts;
  - Pension Obligation Payment Fund, to provide for funding of the Water System’s share of the “non-operating portion” of the Pension Obligation and obligation for the B and C Notes;
  - Water Residential Assistance Program (WRAP) Fund established to provide bill payment assistance to residents throughout the service area;
  - Budget Stabilization Fund established as a reserve to manage collection performance of the Detroit retail customer class;
  - Extraordinary Repair and Replacement Reserve (ER&R) Fund established as a reserve to pay the costs of making major unanticipated repairs or replacements;
  - Improvement and Extension (I&E) Fund established to pay for improvements, enlargements, or extensions; separate subaccounts established for the Regional Water System and the Local Water System.
  - Surplus Fund established to accommodate flexibility in managing the overall flow of funds.
- An annual common-to-all Lease Payment of \$50 million (of which the Regional Water System’s share is \$22.5 million). The Lease Payment is to be deposited into the Local Water System I&E Account, except in circumstances whereby the City applies a portion of the annual Lease Payment to pay a portion of its share of debt service. If the City elects to apply a portion of the Lease Payment to pay debt service, the total revenue requirement allocated to the City of Detroit retail customer class would be reduced accordingly.

These principles have been embraced in the financial plan established by the Authority, which serves as the guiding platform for the projections presented in this report. A discussion regarding the funding requirements of each element of the funds within the Trust is presented in the financial plan. *See “Operational Financing Plan.”*

*Additional information regarding organizational documents and related initiatives is contained in “THE GREAT LAKES WATER AUTHORITY” section of this Official Statement.*

## **FY 2024 and FY 2025 Budgets and Modifications**

In February 2023 the Board approved the Great Lakes Water Authority 2024 and 2025 Biennial Budget. That biennial budget establishes a formal authorization for 2024 (the current year), including an approved schedule of service charges to support the budget, and an initial estimate for 2025. In February 2024 the Board approved the 2025 and 2026 Biennial Budget, including the approved schedule of service charges for 2025. The budgets include several depictions of the overall financial plans, including a schedule that reflects “Sources of Revenues and Use of Revenue Requirements – Flow of Funds Basis per Master Bond Ordinance.” That Combined System schedule includes elements related to the entire Water System, including Wholesale service requirements of the Authority, as well as the Retail service requirements of DWSD, and recognizes that all receipts from both organizations flow through the Master Bond Ordinance flow of funds. The projections in this report reflect the Combined System revenues and revenue requirements described above.

The biennial budgets approved by the Board have generally established the baseline plan from which to develop long-term financial plan forecasts. The Authority also conducts ongoing diligent review of financial activity during a fiscal year, and employs a formal budget amendment policy. Several significant events have occurred after the original approval of the budgets. The results of the original review resulted in the first quarter budget amendments for 2024, which were approved by the Board on January 24, 2024. Ongoing review and the emergence of subsequent events merit additional re-evaluation of the existing budgets. The 2024 and 2025 revenues and revenue requirements in the forecast in this report reflect the potential additional budget adjustments described below. It is our understanding that the Authority will propose to formally adopt these recommended adjustments via subsequent budget amendments.

**Assumed Modifications to FY 2024 and FY 2025 Budgets (\$ millions)**

	<u>2024 2Q</u>	<u>2025</u>
1 Impact of Highland Park Settlement	(0.81)	0.00
2 Highland Park Bad Debt Recovery Credits	(5.03)	0.00
3 Recognize Increased Miscellaneous Revenue	0.42	0.00
4 Recognize Increased Investment Earnings	<u>2.00</u>	<u>1.20</u>
<b>5 Total Revenue Impacts</b>	<b>(3.42)</b>	<b>1.20</b>
6 Recognize Increased Operating Expenses	3.78	3.00
7 Changes in Debt Service Assumptions (a)	(0.57)	(7.78)
8 Receiving Fund Liquidity Requirement	(1.40)	(3.60)
9 Adjustment to I&E Contribution	<u>(5.23)</u>	<u>9.58</u>
<b>10 Total Revenue Requirement Impacts</b>	<b>(3.42)</b>	<b>1.20</b>

*(a) Refunding results of the Series 2024 Bonds and recognition of estimated size of next bond transaction and updated SRF loan draws*

Of most significance regarding the 2024 adjustments is the impact of the resolution of the long running dispute with the City of Highland Park. The Authority has secured an agreement that receipts from all Highland Park retail customers will be placed in a trust, and that the amounts due to the Authority will be the first priority in trust disbursements. This arrangement ensures that the Authority will be made whole for bills it issues to Highland Park for wholesale services. The settlement resulted in a negotiated modification to estimated Highland Park water and sewer usage and charges effective January 1, 2024, and a write-off of unpaid amounts as of that date. The impact of those adjustments is shown on Line 1 above for 2024. As a result of the settlement, the Authority also approved a plan to issue credits to other Customers for certain amounts that had been included in prior water and sewer charges that were directly attributable to bad debt expense related to Highland Park's non-payment. The impact of those credits on 2024 revenues is shown on Line 2 above. Also as part of the agreement, the Authority will receive \$30 million in grants from the State of Michigan to finance capital improvements. The Water System's share of those grants is \$5 million. These grants are restricted to capital financing and do not directly impact budgeted revenue requirements, but lower the cost of financing future capital improvements.

Anticipated receipt of the grants was included in the approved 2025 budget, and therefore no budget adjustments are necessary to reflect this aspect of the agreement. See “*ENVIRONMENTAL MATTERS AND LITIGATION – GLWA Litigation - GLWA v. City of Highland Park*” in this *Official Statement*.

## **Service Charge Methodology and Existing Service Charges**

The Authority's water service charges are developed to provide sufficient levels of revenue to meet all operation and maintenance expenses of the Water System, debt service requirements on obligations issued for the Water System, capital improvement expenditures to be funded from current revenues, and other specific bond ordinance and revenue requirements. A schedule of wholesale water service charges is developed for each wholesale Customer, and an annual wholesale revenue requirement is established for the City of Detroit retail customer class, by determining the total costs of service and individual customer water service requirements. All Customers are proportionally allocated costs of service based on their use of the Regional Water System and their geographic location relative to the water treatment plants.

The Authority's water cost of service allocation and service charge methodologies were developed in conjunction with its Customers as part of the design of the model contract originally implemented in 2010. The cost allocation and service charge methodologies are sound and strive to utilize the best available, verifiable information to allocate costs to individual Customers in the most equitable fashion possible. Customers are allocated costs based, in large part, on the maximum daily and peak hourly demands they place on the System, and those demands are set forth in each Customer's contract.

The Authority and its Customer representatives recently completed a review of the water cost of service allocation and service charge methodology and implemented subtle changes effective with the approved 2025 water charges. The core logic of the new methodology embraces the same measures of customer use (commodity, max day demand, peak hour demand) as the prior, more complex method but applies such measures in a simplified fashion and replaces the impacts of delivering water to various geographical locations via customer distance and elevation statistics with a “water delivery factor”. The simplified methodology reduces the number of cost pools used to allocate cost responsibility and fixes the relative weighting factors for those cost pools to historical averages. The new simplified methodology was implemented in a manner that maintained relative stability in charges to Customers and is designed to result in greater stability in the future.

The current water service charges for 2024 became effective July 1, 2023. In February 2024 the Board approved a new schedule of water service charges for 2025 that will become effective on July 1, 2024. The 2025 water service charges are designed to generate an overall revenue increase of 4.0 percent over revenues generated by the existing charges. The wholesale portion of the 2025 service charge schedule reflects an overall increase of 3.25% compared to the current service charges. The 3.25% revenue adjustment for 2025 represents a 4.0% increase in the overall budget and a small decrease in projected sales volumes and revenues, offset by higher budgeted investment income. As described below, the wholesale service structure consists of

commodity and fixed portions, which are unique for each Customer. The average unit cost of the charge structure for the System is \$21.41 per thousand cubic feet of wholesale water sales.

The water service charges established for 2025 were developed in alignment with traditional core cost of service principles noted above that have been in place for over 30 years, although there are some notable modifications that emerged from the establishment of the Authority. These changes originally impacted the 2016 service charges previously established by DWSD, and continue for the 2024 service charges established by the Authority.

### ***Modifications Resulting from the Lease***

Prior to 2016, water cost allocations and charge schedules for wholesale customers have been developed on the “utility” basis, in conformance with State of Michigan statutes. Under the “utility” basis, a schedule of charges is developed for each wholesale customer that is designed to recover allocated cost of service responsibility as represented by operation and maintenance expense, depreciation expense, and a return on the investment the City had made in wholesale service facilities. The rate of return charged to wholesale customers generally averaged between six and seven percent in the years immediately preceding 2016. Water rates for retail customers within the City of Detroit were determined in the same manner, except that the rate of return was calculated to meet the Water System's cash requirements. The rate of return charged to City of Detroit customers was generally lower than that charged to wholesale customers, reflecting the City's ownership of the Water System and the associated risks, rights, and responsibilities of investing in regional water service facilities. At the time, this annual “ownership benefit” was valued at approximately \$20.7 million. In effect, that amount reflected an amount that was reduced from the cost of service initially allocated to the City of Detroit retail class, and added to the Suburban Wholesale class at large, prior to determining final cost responsibility and schedules of charges.

The Lease contains a directive to “lock in” the ownership benefit at the \$20.7 million figure. The water service charges adopted for 2016 reflect the first year that formally reflects this provision. The principles of the utility basis remain in place, but rather than determining relative owner and non-owner rates of return on an annual basis, the resulting differential is fixed. The \$20.7 million adjustment was also applied in development of the 2024 water service charges.

### ***Wholesale Charge Methodology Principles***

In recent years the structure of the wholesale charge schedules has been modified to recover more costs through a fixed component of the charge structure, and less through a commodity charge. This initiative is designed to more closely align the manner in which costs of service are allocated to customers and the manner in which such costs are recovered from customers, thereby further enhancing the water rate structure. In 2010 charges were designed to recover the entire wholesale revenue requirement through commodity charges. The 2011 charges reflected the first step in a phased approach and recovered approximately 10 percent of the revenue requirement through fixed charges. This portion was increased to approximately 27 percent in 2012 and to approximately 40 percent in 2013, where it remained through 2015. In addition to enhanced cost allocation and cost recovery alignment, this initiative also dampens seasonal and annual fluctuations in Water System revenues.

Reported sales volumes from 2013 through 2015 were significantly lower than planned levels, particularly during summer months and the traditional high levels of outdoor irrigation. Although downward adjustments in projected sales volumes were made each year, the still lower than anticipated water sales led to consistent revenue shortfalls, and the prior DWSD Board challenged management and customers to establish fundamental structural reforms similar in nature to the “Sewer Rate Simplification” initiative that was implemented for the 2015 sewer charges.

As part of the development of the 2016 water service charges, Authority management worked closely with Customer representatives to recommend two fundamental modifications designed to provide enhanced equitability and revenue stability to the wholesale water service charge schedules.

- 1. Rather than relying on planning level estimates in customer contracts to develop revenue estimates and related financial plans, a uniform forecasting method was designed. Estimated 2016 water sales volumes for each Customer (including the City of Detroit retail class) reflected the 24-month average ending September 2014. This time period covers two of the mildest summers on record. For the wholesale class in total, the revised approach lowered projected sales volumes by over 10 percent. The resulting projected revenues were much less susceptible to abnormally low water sales volumes.*
- 2. The portion of the allocated revenue requirement recovered through fixed monthly charges was increased to 60% from 40%. As a result, any future variances in water sales volume will have far less impact on annual revenue levels.*

The recommended modifications were accepted and incorporated into the 2016 water service charges, and continued to be reflected in all subsequent water service charges. The uniform forecasting method has been slightly modified in each year, but continues to use recent actual historical sales data to estimate future water sales. The actual reported billings to wholesale customers during the seven years the service charge structural reforms have been in place indicate success. Cumulative water sales volumes to wholesale master metered customers for 2019 through 2021 were equivalent to planned levels for that period. Data for 2023 indicates that actual sales volumes exceeded the originally planned levels by approximately 1.5%.

The Authority anticipates that analysis of future water charges will evaluate the most recent water sales data and will continue to reflect the uniform forecasting approach. The Authority does not endorse converting to a full fixed charge rate structure, as was implemented for the suburban wholesale sewer charges. While future analyses may result in further modifications to the fixed / commodity approach, the new allocation reflects a reasonable and responsible balance and should continue to stabilize revenues.

## **Projection of Revenues**

Table 2 presents actual reported billed revenues from water sales for 2020 through 2023, and estimated and projected amounts for 2024 and 2025. The 2024 estimate is based on a review



of preliminary year to date activity for the fiscal year and reflects application of the water service charges in effect during the entirety of the year<sup>4</sup>. The 2025 forecast is computed based on application of the approved 2025 water service charges and serves as the forecast basis for the remainder of the forecast period. These figures are net of reported and estimated bad debt expense.

Table 2 also presents the actual reported and projected sales volumes upon which the commodity charge portion of the projected water revenues are based. The table is structured to separate wholesale Customers based on how sales to them are measured. Master meters are used to measure water sales to 85 of the 87 wholesale Customers. “Wholesale” water sales to Dearborn and Highland Park are estimated based on retail water meters and estimates of non-revenue water in each of these Customers’ distribution systems. In this manner Dearborn and Highland Park are treated similarly to Detroit.

The reported actual revenues for 2020 through 2023 in Table 2 do not include any revenue from the City of Highland Park. The estimated amount for 2024 and the forecasted amount for 2025 reflect the recently approved settlement. The estimated 2024 figures reflect the projected issuance of “bad debt recovery credits” to Customers related to amounts included in prior charges related to Highland Park bad debt expense, as shown on Line 7 of the table. *See “FY 2024 and FY 2025 Budgets and Modifications” and “ENVIRONMENTAL MATTERS AND LITIGATION – GLWA Litigation - GLWA v. City of Highland Park” in this Official Statement.*

“Baseline” suburban wholesale revenues for 2025 reflect application of the approved commodity charges to the projected sales volumes, and adding the revenue associated with the proposed fixed monthly charges of the charge structure. The Authority's financial records account for revenue based on all volume billed at the appropriate fiscal year charges and as such approximately reflect treated water pumped during the fiscal year. The projections shown in Table 2 are developed on the same basis.

Table 2 also presents revenue figures associated with Local System retail water rates charged to the Detroit Customer class. These figures are also net of reported and estimated bad debt expense. The 2024 estimate and the 2025 forecast were developed in consultation with DWSD and align with the long-term forecast prepared by DWSD. The portion of these revenues that are related to Wholesale service are shown on Line 5 and are included in the wholesale service charge revenues shown on Line 6. These amounts from Detroit are fixed annually as part of the development of wholesale service charges and the Authority effectively “bills” Detroit monthly in equal installments<sup>5</sup>. While annual cost allocations may change in future years related to future cost of service and service charge studies, none have been anticipated for purposes of these projections.

The balance of revenues from the Detroit Customer class are Retail revenues and are available to be applied to Retail revenue requirements, as shown on Line 9. The 2023 Retail

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<sup>4</sup> The representation of actual and estimated revenues in this table reflects *billed* amounts. Similar reported figures in the Official Statement are designed to present *receipts*. Also, the figures in the table reflect our review of billing records, including the effect of retroactive billing adjustments. Figures reported elsewhere in this Official Statement may differ slightly.

<sup>5</sup> All receipts from Detroit retail customers are deposited into the Trust, so the bill prepared for the Detroit Customer class is solely to assist in the accounting practices.

revenues for the Local Water System reflect a modified budget and rate analysis that DWSD conducted in developing its 2023 budget. That detailed cost of service study shifted approximately \$19 million of Local Sewer System revenues and revenue requirements to the Local Water System.

**Table 2**  
**Historical and Projected Water System Charge Revenue and Sales**

Line No.	Fiscal Year Ending June 30,						
	2020	2021	2022	2023	2024 <i>estimate</i> <i>(b)</i>	2025 <i>forecast</i> <i>(c)</i>	
<b>Water Sales Revenues - \$ millions (a)</b>							
<u>Suburban Wholesale Customers</u>							
1	Master Metered Customers	295.6	306.8	310.3	306.8	324.7	335.6
2	Dearborn	10.4	10.5	10.8	10.7	10.6	11.2
3	Highland Park (a)	-	-	-	-	0.5	1.0
4	Total Suburban Wholesale Customers	306.0	317.3	321.1	317.4	335.7	347.8
5	Detroit Customer Class	21.3	21.9	21.7	22.8	25.5	27.1
6	Total Wholesale Service Charges	327.3	339.2	342.8	340.2	361.3	374.9
7	<i>less: Bad Debt Expense Recovery Credit (d)</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>(5.0)</i>	<i>NA</i>
8	<i>Adjusted Wholesale Service Charges</i>	<i>327.3</i>	<i>339.2</i>	<i>342.8</i>	<i>340.2</i>	<i>356.2</i>	<i>374.9</i>
9	Detroit Retail Local Charges (a)	75.6	80.1	80.3	98.0	89.8	92.1
10	<b>Total Revenue from Service Charges</b>	<b>402.8</b>	<b>419.4</b>	<b>423.1</b>	<b>438.2</b>	<b>446.0</b>	<b>466.9</b>
11	<i>Total Detroit Customer Class (5) + (9)</i>	<i>96.9</i>	<i>102.1</i>	<i>102.0</i>	<i>120.8</i>	<i>115.3</i>	<i>119.2</i>
<b>Water Sales Volumes - millions of Mcf</b>							
<u>Suburban Wholesale Customers</u>							
12	Master Metered Customers (e)	12.95	13.55	12.69	13.21	12.51	12.66
13	Dearborn (f)	0.58	0.59	0.54	0.55	0.51	0.54
14	Highland Park (f)	0.11	0.10	0.11	0.10	0.10	0.10
15	Total Suburban Wholesale Customers	13.63	14.24	13.34	13.86	13.12	13.30
16	Detroit Retail Customer Class (f)	4.16	4.12	4.30	4.34	4.17	4.23
17	Total System	17.79	18.36	17.63	18.21	17.29	17.53
18	Total Water Production (g)	20.47	20.95	19.69	21.16	20.60	20.60
19	Non-Revenue Water	2.68	2.59	2.06	2.95	3.31	3.07
20	Non-Revenue % of Production	13.1%	12.4%	10.5%	14.0%	16.1%	14.9%

- (a) Net of bad debt expense. All Highland Park billings resulted in bad debt expense from 2020 through the first 6 months of FY 2024.
- (b) Based on existing FY 2024 wholesale charges and rates and updated sales volume forecasts for FY 2024.
- (c) Based on FY 2025 approved charges and sales volume forecasts for FY 2025. Serves as wholesale system forecast basis for FY 2025 - FY 2034.
- (d) Amounts credited to wholesale charges from prior Highland Park bad debt expense per settlement.
- (e) Reflects wholesale water sales as measured by master meters.
- (f) Reflects retail sales plus estimated distribution system non revenue water from engineering studies.
- (g) Water Production is estimated via pump curves and related measures.

A summary of historical water sales, water production, and “non-revenue” water (reported in millions of thousands of cubic feet – “Mcf”) is presented at the bottom of Table 2. As shown

in the table, there has been remarkable stability in the annual production and sales data in recent years. Reported water sales during “off peak” months have continued to decline slightly, consistent with industry trends. The Authority believes this is indicative of changing attitudes towards water use being experienced throughout the country and throughout the entire year, and the impact of changing plumbing standards and fixtures such as low flow shower heads and toilets.

The projected water sales for 2024 and 2025 reflect the uniform forecasting method introduced above, and have been adjusted for 2024 based on data experienced in the first quarter of the fiscal year. For purposes of this report, projected sales volumes for 2025 through 2034 are assumed at static levels indicated by the uniform forecasting method for 2025.

Total 2025 projected revenue from Wholesale water charges (and Local System Retail water rates) available to the Trust is shown on Line 10 of Table 2. For purposes of the projections herein, we have assumed a static level of “baseline” revenues under the approved 2025 rates and charges applied to the forecasted 2025 sales volumes. Due to the fact that 60% of the revenue profile for the Suburban Wholesale Customers consists of fixed monthly charges, any variance in water sales volumes would only impact revenue levels by 40% of the variance. Revenues presented later in in Table 5 “Combined Wholesale and Retail System Financing Plan and Debt Service Coverage” reflect an assumed series of annual charge and rate increases designed to support annual forecasted revenue requirement increases.

## Operation and Maintenance Expense Projections

Table 3 presents projected operation and maintenance expenses for 2024 through 2034. The expenses in this table are those of the Combined System and reflect the total of Wholesale and Retail amounts.

The GLWA Wholesale System projections for 2024 and 2025 reflect the modifications introduced previously. These modified amounts reflect anticipated adjustments that will be formally reflected by Authority budget amendments. For purposes of this forecast, projected operating expenses assume inflationary increases of 4.0% for 2026 and 2.0% annually in all future years – based on information provided by Authority research.

**Table 3**  
**Projected Water Operation and Maintenance Expenses (\$ millions)**

Line No.	Fiscal Year Ended June 30,										
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
<u>GLWA Wholesale System</u>											
1	90.8	97.7	100.9	102.5	104.6	108.4	110.6	112.8	115.0	117.3	119.7
2	57.7	56.6	59.1	60.6	61.7	61.1	62.3	63.6	64.9	66.2	67.5
3	18.4	18.4	19.5	19.9	20.3	20.7	21.1	21.5	21.9	22.4	22.8
4	166.9	172.6	179.4	182.9	186.5	190.2	194.0	197.9	201.8	205.9	210.0
5	44.8	46.5	48.4	50.3	52.4	54.5	56.8	59.1	61.5	64.0	66.6
6	211.7	219.1	227.8	233.3	238.9	244.7	250.8	257.0	263.3	269.9	276.6

(a) Excludes DWSD's allocated Wholesale revenue requirement to avoid duplication of expenses.

The annual operating expenses of the Wholesale System are reflected on Lines 1 through 4. Consistent with the Authority’s budget presentation, Wholesale System amounts are reflected

in direct Water System operations and allocated Centralized and Administrative support services for the Water System. The Authority continues to pursue implementation of programs designed to improve efficiency and produce operating expense savings, and it is possible that such savings will emerge during the projection period.

The projected operating budget for DWSD Retail System operation and maintenance expense is shown on Line 5. This line item reflects amounts collected via Retail rates charged to the Detroit retail customer class and transferred to the Detroit Local Operation and Maintenance Account to fund local operating expenses. The amounts are effectively “pass through” revenue requirements for the Authority. For purposes of these projections we have relied upon detailed budget plans developed by DWSD. Line 6 indicates the projected Combined annual operation and maintenance expense for both entities and represents the projected amount of revenues that will be transferred to the Operation and Maintenance Fund for each year related to current operating expenses of the Water System.

## **Capital Improvement Program Financing Plan**

Projected capital financing plans for both the Wholesale Water System and the Local Water System are presented in Tables 4a and 4b, respectively.

### ***Wholesale System CIP Financing Plan***

The projected plan for financing the Wholesale Water System CIP for the study period is set forth in Table 4a. Prior to the establishment of the Authority, the Water System’s capital financing requirements were predominantly financed with bond proceeds. Authority management (with support of the Board) continues to employ a more balanced debt/revenue financing approach to achieve the objective of reducing the Water System’s significant reliance on debt. The capital financing plan presented herein is designed to continue implementation of that more balanced approach. Customer representatives have embraced this planning strategy as being essential to improving the financial position of the Water System.

Total capital financing requirements are shown on Lines 1 through 3 of the table, and include budgeted capital outlay (minor replacements and equipment) and the major CIP expenditures from Table 1.

The capital financing plan presented in Table 4a reflects strategic application of existing available fund balances, draws on loans from Drinking Water State Revolving Fund (DWSRF) Loans, and transfers from revenues to the Authority I&E Fund to pay for improvements, and to then rely on the issuance of additional revenue bonds to the extent necessary. The basic strategy is based on maintaining a projected minimum year end balance of amounts in the Authority I&E Account of the I&E Fund that (together with other unrestricted balances) results in a Days Cash Ratio<sup>6</sup> at minimum policy targets established by the Authority, and sufficient amounts in the Construction Fund to accommodate bond issues forecasted for a subsequent year. For purposes of this forecast we have assumed minimum Days Cash Ratio policy targets of 500 days for 2024

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<sup>6</sup> Defined as amount of unrestricted funds divided by budgeted daily operation and maintenance expenses for the Wholesale System.

through 2026, increasing by 25 days every two years thereafter to 600 days by the end of the forecast period. See “Projected Wholesale System Fund Balances” and Table 6.

**Table 4a**  
**GLWA Wholesale Water System Capital Improvement Program Financing Plan (\$ millions)**

Line No.	Item	Fiscal Year Ended June 30,											Total
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	
<b>Financing Requirements</b>													
1	Budgeted Capital Outlay	10.3	10.5	12.0	8.6	7.3	6.2	6.4	6.5	6.6	6.7	6.9	88.1
2	Major Capital Improvement Program (a)	<u>190.0</u>	<u>210.0</u>	<u>210.0</u>	<u>230.0</u>	<u>240.0</u>	<u>195.0</u>	<u>205.0</u>	<u>190.0</u>	<u>235.0</u>	<u>230.0</u>	<u>260.0</u>	<u>2,395.0</u>
3	<b>Total Financing Requirements</b>	<b>200.3</b>	<b>220.5</b>	<b>222.0</b>	<b>238.6</b>	<b>247.3</b>	<b>201.2</b>	<b>211.4</b>	<b>196.5</b>	<b>241.6</b>	<b>236.7</b>	<b>266.9</b>	<b>2,483.1</b>
<b>Financing Sources</b>													
<u>GLWA Regional System Improvement and Extension Account</u>													
4	Beginning Balance (b)	112.8	114.3	110.6	116.2	130.4	133.0	148.8	151.2	167.0	170.4	187.9	112.8 (i)
5	Transfers from Water Receiving Fund	<u>16.4</u>	<u>16.8</u>	<u>25.5</u>	<u>40.9</u>	<u>60.4</u>	<u>80.3</u>	<u>97.5</u>	<u>117.8</u>	<u>144.3</u>	<u>170.2</u>	<u>202.5</u>	<u>972.5</u>
6	Subtotal - Improvement & Extension Fund	129.2	131.2	136.1	157.1	190.8	213.3	246.3	269.0	311.3	340.6	390.4	1,085.3
<u>Construction Fund</u>													
7	Beginning Balance (b)	255.0	143.7	234.8	51.9	236.7	52.2	166.6	53.1	149.4	51.1	117.9	255.0 (i)
Bond Proceeds													
8	Water System Revenue Bonds - Par Value	384.1	260.0	-	430.5	-	275.0	-	230.0	-	187.5	-	1,767.1
9	Plus: Premium	35.9	-	-	-	-	-	-	-	-	-	-	35.9
10	Plus: Available Bond Redemption Funds (c)	25.5	-	-	-	-	-	-	-	-	-	-	25.5
11	Less: Defeasance Requirements (d)	(443.3)	-	-	-	-	-	-	-	-	-	-	(443.3)
12	Less: Transfer to DWSDF Const. Fund (e)	-	-	-	(35.1)	-	(24.7)	-	(39.5)	-	(37.0)	-	(136.3)
13	Less: Issuance Expenses (f)	<u>(2.2)</u>	<u>(3.3)</u>	<u>-</u>	<u>(5.4)</u>	<u>-</u>	<u>(3.4)</u>	<u>-</u>	<u>(2.9)</u>	<u>-</u>	<u>(2.3)</u>	<u>-</u>	<u>(19.5)</u>
14	Net Bond Proceeds Available	-	256.8	-	390.1	-	246.9	-	187.6	-	148.1	-	1,229.4
15	State Drinking Water Revolving Fund Loan Draws	62.3	38.6	35.0	20.8	16.8	16.8	10.0	10.0	10.0	10.0	10.0	240.3
16	Less: Transfer to DWSDF Const. Fund (e)	<u>-</u>	<u>(12.8)</u>	<u>(20.8)</u>	<u>(20.8)</u>	<u>(16.8)</u>	<u>(16.8)</u>	<u>(10.0)</u>	<u>(10.0)</u>	<u>(10.0)</u>	<u>(10.0)</u>	<u>(10.0)</u>	<u>(138.0)</u>
17	Net State DWSRF Financing for Authority	62.3	25.8	14.2	-	-	-	-	-	-	-	-	102.3
18	Grants and Contributions	5.0	-	-	-	-	-	-	-	-	-	-	5.0
19	Investment Income	<u>6.9</u>	<u>8.6</u>	<u>4.9</u>	<u>6.7</u>	<u>5.0</u>	<u>4.3</u>	<u>2.7</u>	<u>3.2</u>	<u>2.5</u>	<u>2.6</u>	<u>2.1</u>	<u>49.4</u>
20	Subtotal - Construction Fund	<u>329.2</u>	<u>434.8</u>	<u>253.9</u>	<u>448.7</u>	<u>241.7</u>	<u>303.4</u>	<u>169.3</u>	<u>243.9</u>	<u>151.9</u>	<u>201.9</u>	<u>120.0</u>	<u>1,641.2</u>
21	<b>Total Financing Sources Available</b>	<b>458.3</b>	<b>566.0</b>	<b>390.1</b>	<b>605.7</b>	<b>432.5</b>	<b>516.7</b>	<b>415.6</b>	<b>512.9</b>	<b>463.1</b>	<b>542.5</b>	<b>510.4</b>	<b>2,726.5</b>
<b>Application of Financing Sources</b>													
22	I&E Funds - Budgeted Capital Outlay	10.3	10.5	12.0	8.6	7.3	6.2	6.4	6.5	6.6	6.7	6.9	88.1
23	I&E Funds - Major CIP Financing	4.5	10.0	8.0	18.0	50.5	58.3	88.8	95.5	134.3	146.0	191.5	805.3
24	Project Expenditures from Construction Fund	<u>185.5</u>	<u>200.0</u>	<u>202.0</u>	<u>212.0</u>	<u>189.5</u>	<u>136.8</u>	<u>116.3</u>	<u>94.5</u>	<u>100.8</u>	<u>84.0</u>	<u>68.5</u>	<u>1,589.8</u>
25	<b>Total Financing Sources Applied</b>	<b>200.3</b>	<b>220.5</b>	<b>222.0</b>	<b>238.6</b>	<b>247.3</b>	<b>201.2</b>	<b>211.4</b>	<b>196.5</b>	<b>241.6</b>	<b>236.7</b>	<b>266.9</b>	<b>2,483.1</b>
<b>Financing Sources Available for Future Requirements</b>													
26	Improvement & Extension Fund (g)	114.3	110.6	116.2	130.4	133.0	148.8	151.2	167.0	170.4	187.9	192.0	192.0 (j)
27	Construction Fund (h)	<u>143.7</u>	<u>234.8</u>	<u>51.9</u>	<u>236.7</u>	<u>52.2</u>	<u>166.6</u>	<u>53.1</u>	<u>149.4</u>	<u>51.1</u>	<u>117.9</u>	<u>51.5</u>	<u>51.5 (j)</u>
28	<b>Financing Sources Available for Future Req'ts</b>	<b>258.0</b>	<b>345.5</b>	<b>168.1</b>	<b>367.1</b>	<b>185.2</b>	<b>315.4</b>	<b>204.2</b>	<b>316.4</b>	<b>221.5</b>	<b>305.8</b>	<b>243.5</b>	<b>243.5 (j)</b>

(a) From Table 1

(b) Estimated balance available June 30, 2023. Includes \$150 million of proceeds from the Series 2023 Bonds. (applies only to Fiscal Year 2024)

(c) Existing Bond Reserve Funds plus year to date transfers to the Bond and Interest Redemption Funds for the Refunded Bonds.

(d) Amounts required to defease the Refunded Bonds.

(e) Current forecast estimate for Local System improvements. See Table 4b.

(f) Includes underwriter's discount. Assumes amounts will not be required from future bond proceeds to fund debt service reserve fund.

(g) Line 6 minus Lines 22 and 23.

(h) Line 20 minus Line 24.

(i) Total column reflects estimated balance available June 30, 2023.

(j) Total column reflects estimated balance available June 30, 2034.

Lines 4 through 21 outline the sources available to meet the CIP financing requirements. The 2024 amount on Line 4 shows the estimated net balance in the Authority Improvement and Extension (“I&E”) Fund as of June 30, 2023, which is available to fund the CIP. Annual transfers of Water System revenues to the I&E Fund are shown on Line 5. For planning purposes, these amounts are not assumed to be eligible to finance capital improvements until at least the year subsequent to their generation. As such, they are effectively treated as a “year-end” transfer when

establishing capital financing plans. See “*Combined System Financing Plan and Debt Service Coverage*” and Table 5.

The capital financing available from the Authority Construction Fund is indicated on Lines 7 through 20. The 2024 amount on Line 7 shows the estimated net balance in the Construction Fund as of June 30, 2023, adjusted to include \$150 million of proceeds from the Series 2023 Bonds issued in December 2023. Lines 8 through 14 reflect the projected financing sources generated via the issuance of revenue bonds. The par amount of the Series 2024 Bonds totals approximately \$384 million as shown in 2024 on Line 8. Amounts available in the bond reserve and bond and interest redemption funds to support the refunding transaction are shown on Line 10. The amount required to defease the Refunded Bonds are shown on Line 11. The Series 2024 Bonds are designed solely as refunding bonds and are not intended to provide any proceeds to finance capital improvements to the Regional System, as shown on Line 14.

Existing capital financing sources are projected to be sufficient to finance capital improvements through the fall of 2024, when an additional transaction is contemplated. The projection approach applied in this forecast results in projected additional bond sales every two years (as needed) to provide financing for the Wholesale Water System CIP. A portion of each of these additional bond sales are forecasted to finance expenditures in the Local Retail Water System CIP, as shown on Line 12. See “*Local System CIP Financing Plan*” and Table 4b.

Line 15 presents the proceeds from DWSRF Loans. As the Authority incurs expenditures for DWSRF funded projects, invoices are transmitted to the state administrators of the DWSRF for reimbursement. As such, the amounts shown on Line 15 reflect the projected expenditure schedule of DWSRF funded projects, representing a slight lag associated with the reimbursement process. The Authority plans to finance approximately \$102 million of CIP expenditures through 2026 for capital improvements to the Regional Water System via draws on DWSRF loans. All of these loans have already been secured via outstanding SRF Junior Lien Bonds. The Authority anticipates that it will continue to be a regular, significant participant in the DWSRF program for both Regional System and Local System improvements, and other loans are in various stages of review and approval in the application process. While the Authority intends to continue to actively pursue additional DWSRF funding for Regional Water System capital improvements in 2026 and beyond, this CIP financing plan does not rely on the availability of such funds until specific projects and loans have been identified and approved via the application process. To the extent that any such funding becomes available, it would have the effect of replacing or reducing the anticipated future revenue bond amounts shown on Line 8.

The forecast for the Local System improvements does assume availability of DWSRF loans on a regular basis throughout the forecast period. The relevant amounts are shown to be transferred to the DWSD Construction Fund on Line 16, and total approximately \$138 million<sup>7</sup>. While the Authority is responsible for the debt service on these Junior Lien Bonds, the annual principal and interest requirements are included in the Retail revenue requirements assigned to the City of Detroit Customer class.

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<sup>7</sup> This figure includes significant amounts that are either fully grant funded or are for loans that have partial principal forgiveness.

Forecasted receipt of grants and contributions to finance capital improvements is shown on Line 18. For 2024 this amount represents the \$5 million grant related to the Highland Park settlement agreement. *See “FY 2024 and FY 2025 Budgets and Modifications.”*

Lines 22 through 25 illustrate the projected application of financing sources to meet the Authority’s CIP financing requirements. The strategic approach applies I&E Funds to finance budgeted capital outlay as shown on Line 22. Additional I&E amounts are forecasted to fund certain specifically designated, short lived major capital improvements and a portion of the “debt eligible” projects in the CIP. Line 23 presents these forecasted amounts. All other major CIP expenditures are financed from available Construction Funds, which include the amounts funded via DWSRF loans, grants, and contributions.

The balances of projected funds available for subsequent years is shown on Lines 26 through 27 and are carried forward to Lines 4 and 7 in the next year. These forecasted amounts are consistent with the strategic minimum year end balances noted above.

### ***Local System CIP Financing Plan***

The projected plan for financing the Retail Water System CIP for the study period is set forth in Table 4b. The general format and approach is similar to that presented for the Wholesale System CIP in Table 4a.

An estimated level of major capital improvements is presented on Line 1. These projected expenditures reflect amounts that DWSD has indicated are appropriate for the Authority to consider for planning purposes. DWSD continues to pursue federal funding assistance to finance additional capital improvements, including an enhanced Lead Service Line Replacement Program, that are not contained in the current approved Local System CIP. To the extent that such funding is secured, the CIP and the CIP Financing Plan will be adjusted accordingly. Initial discussions indicate that the entire amount of the enhanced Program will be funded via Federal grants and therefore, would not impact the forecasted financing plan presented herein.

Lines 2 through 14 illustrate projected financing sources. Funds available to the Retail System I&E Account include existing balances and deposits related to the portion of annual deposits from the Lease Payment that are not directed to fund debt service. The program is estimated to be funded with a combination of existing balances in the Local System Construction Fund and the Detroit Improvement and Extension Account of the Improvement and Extension Fund, draws on loans from the State Drinking Water Revolving Fund, and annual transfers of Lease Payments and revenues from Retail Water Customers to the Detroit Improvement and Extension Account of the Improvement and Extension Fund. DWSD expects to participate in forecasted GLWA revenue bond transactions to secure capital financing starting in 2027, as shown on Line 9. The projected financing plan anticipates that revenues for the Local System will be sufficient to not require any use of the Lease Payment for debt service, and will actually provide sufficient amounts to make annual transfers to the Detroit Improvement and Extension Account of the Improvement and Extension Fund. *See Footnote (b).*

*[Remainder of page intentionally left blank]*

**Table 4b**  
**DWSD Retail Water System Capital Improvement Program Financing Plan (\$ millions)**

Line No.	Fiscal Year Ended June 30,												
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total	
<b>Financing Requirements</b>													
1	DWSD Local System CIP	70.5	118.3	102.7	75.8	55.4	50.9	50.0	50.0	50.0	50.0	50.0	723.6
<b>Financing Sources</b>													
<u>DWSD Local System Improvement and Extension Account</u>													
2	Beginning Balance (a)	34.0	38.0	24.4	15.9	8.0	8.1	7.9	12.8	18.5	23.9	28.9	34.0 (e)
3	Deposits from Lease Payment (b)	22.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5	247.5
4	GLWA Reimbursement	-	1.1	0.5	0.6	0.1	0.1	-	-	-	-	-	2.2
5	Investment Income	-	1.0	1.0	1.0	0.5	0.5	0.5	0.5	0.5	0.5	0.5	6.5
6	Deposits from DWSD Local System Revenues	2.2	1.5	2.1	1.6	1.8	1.1	2.0	2.7	2.4	2.0	2.2	21.6
7	Subtotal - Improvement & Extension Fund	58.7	64.1	50.4	41.6	32.8	32.2	32.8	38.5	43.9	48.9	54.1	311.8
<u>Construction Bond Funds</u>													
8	Beginning Balance (a)	64.0	58.0	36.6	4.2	18.4	5.6	21.0	2.0	22.0	3.0	20.5	64.0 (e)
9	Net Bond Proceeds	-	-	-	35.1	-	24.7	-	39.5	-	37.0	-	136.3
10	State Drinking Water Revolving Fund Loan Draws	-	12.8	20.8	20.8	16.8	16.8	10.0	10.0	10.0	10.0	10.0	138.0
11	Grant Reimbursements	43.8	42.4	14.0	-	-	-	-	-	-	-	-	100.2
12	Investment Income	-	2.0	1.0	0.5	1.0	0.5	1.0	0.5	1.0	0.5	1.0	9.0
13	Subtotal - Construction Bond Funds	107.8	115.2	72.4	60.6	36.2	47.6	32.0	52.0	33.0	50.5	31.5	447.5
14	<b>Total Financing Sources Available</b>	166.5	179.3	122.9	102.2	69.0	79.8	64.8	90.5	76.9	99.4	85.6	759.3
<b>Application of Financing Sources</b>													
15	Project Expenditures from I&E Funds	20.7	39.7	34.5	33.6	24.8	24.3	20.0	20.0	20.0	20.0	20.0	277.7
16	Project Expenditures from Construction Funds	49.8	78.6	68.2	42.2	30.6	26.6	30.0	30.0	30.0	30.0	30.0	446.0
17	<b>Total Financing Sources Applied</b>	70.5	118.3	102.7	75.8	55.4	50.9	50.0	50.0	50.0	50.0	50.0	723.6
<b>Financing Sources Available for Future Requirements</b>													
18	Improvement & Extension Fund (c)	38.0	24.4	15.9	8.0	8.1	7.9	12.8	18.5	23.9	28.9	34.1	34.1 (f)
19	Construction Bond Funds (d)	58.0	36.6	4.2	18.4	5.6	21.0	2.0	22.0	3.0	20.5	1.5	1.5 (f)
20	<b>Financing Sources Available for Future Req'ts</b>	96.0	61.0	20.2	26.4	13.7	28.9	14.8	40.5	26.9	49.4	35.6	35.6 (f)
(a) Estimated allocated balance available June 30, 2023 (applies only to FY 2024).													
(b) Total Lease Payment													
	less: Lease Payment applied to Debt Service	-	-	-	-	-	-	-	-	-	-	-	-
	Net Lease Payment transferred to Local I&E Account	22.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5	247.5
(c) Line 7 minus Line 15.													
(d) Line 13 minus Line 16.													
(e) Total column reflects estimated balance available June 30, 2023.													
(f) Total column reflects estimated balance available June 30, 2034.													

Financing sources are applied (on Lines 15 through 17) in this forecast in a manner to utilize Construction Funds in a timely manner, adhere to scheduled draws of DWSRF loans, and finance the remaining capital improvements through the funds available in the Local System I&E Account, while maintaining projected sufficient minimum year end balances in that account. For planning purposes, this forecast assumes that such amounts are not eligible to finance capital improvements until at least the year subsequent to their generation. The balances of funds available for subsequent years is shown on Lines 18 through 20 and are carried forward to Lines 2 and 8 in the next year.

## Combined System Financing Plan and Debt Service Coverage

Projected financing plans for the annual operating and capital revenue requirements of the Water System for the 2024 through 2034 study period are presented in Table 5. This Combined System presentation includes all Wholesale and Retail revenues and revenue requirements, consistent with the MBO flow of funds. The table provides an indication of the adequacy of the Authority's revenues and the feasibility of the Series 2024 Bonds and future anticipated revenue bond sales and the associated capital financing plans.



The financing plan represented in this forecast reflects a combination of assumptions regarding future budgeted revenue requirement and charge levels for both the Regional Water System and the Local Water System. The assumptions applied for the Local Water System in this forecast have been developed in consultation with DWSD and align with the long-term forecast prepared by DWSD.

The forecast period begins with the representation of the modified expected budgets for 2024 and 2025 presented earlier. *See “FY 2024 and FY 2025 Budgets and Modifications.”*

The overall financial plan summarized by these projections is designed to embrace the Authority’s long-term financial stability strategy, which leverages efficiency savings and optimized infrastructure plans coupled with annual revenue adjustments, to produce increasing amounts of “unrestricted cash” that remains after providing for payment of operation and maintenance expenses, debt service payments, and funding of the various non-operating elements set forth in the foundational documents for the Authority. *See “GLWA Financial Planning Guiding Principles.”*

The “baseline” 2025 revenues from Wholesale service charges and Detroit Retail rates and charges were presented in Table 2. The forecast for the remaining years assumes static levels of wholesale water sales volumes, and annual increases in wholesale service charge revenues in amounts required to meet annual Regional System revenue requirement increases. For the Wholesale Water System 2025 is the last year of that such increases were limited to 4.0% annually via the principles established in the Agreements. The forecast presented herein assumes annual increases of 7.5% for 2026 through 2029 and 6.0% for 2030 through 2034. Under this forecast scenario, the average annual increases since GLWA’s inception will still be below 4.0% through 2030. *See “GLWA Financial Planning Guiding Principles.”*

Detroit’s forecast for the Local Retail System assumes annual increases in revenues from retail water rates of 5.0% for 2026 and 2027, 6.0% for 2028 through 2031, and 5.0% for 2032 through 2034.

Projected non-operating revenues of the Wholesale Water System include investment earnings from all eligible Water System funds and have been projected based on an analysis of funds on hand, construction schedules, and average fund balances. Interest rates provided by the Authority’s investment advisors (ranging between 2.5 of 5.0 percent) have been assumed in projecting investment income for the forecast period.

The Revenue Requirements in this table are presented in a manner that follows the flow of funds set forth in the Master Bond Ordinance. Operation and maintenance expenses are provided for first, followed by debt service separated by the various liens, followed by deposits to the Pension Obligation Payment Fund, the WRAP Fund, the ER&R Reserve Fund, and finally the I&E Fund (including the Lease Payment), as further described below.

The projected operation and maintenance expenses shown on Lines 8 through 10 reflect the total projected transfers to the Wholesale System and Retail System Operation and Maintenance Accounts as summarized in Table 3.

**Table 5**  
**Combined Wholesale and Retail Water System Financing Plan and Debt Service Coverage (\$ millions)**

Line No.		Fiscal Year Ended June 30,										
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
<b>Revenue (a)</b>												
1	Regional System Wholesale Service Revenue (a)	356.2	374.9	404.1	435.2	468.0	505.4	537.9	570.5	605.2	642.0	681.1
2	Local System Retail Service Revenue - Detroit (b)	89.8	92.1	94.4	96.7	100.4	103.9	108.6	113.8	117.7	121.7	125.9
3	Total Projected Revenue from Water Charges	446.0	466.9	498.5	531.9	568.3	609.3	646.5	684.4	723.0	763.7	807.0
4	Miscellaneous Operating Revenue	5.1	4.1	4.2	4.4	4.6	4.7	4.9	5.1	5.3	5.5	5.7
5	Total Operating Revenue	451.1	471.0	502.8	536.3	572.9	614.1	651.4	689.4	728.2	769.2	812.7
6	Non-Operating Revenue	14.1	11.1	10.8	10.9	11.6	10.1	8.6	8.8	8.8	8.9	8.9
7	<b>Total Revenue Available</b>	465.1	482.1	513.6	547.1	584.4	624.2	660.0	698.2	737.1	778.1	821.6
<b>Revenue Requirements</b>												
8	Transfer to GLWA Regional O&M Account	166.9	172.6	179.4	182.9	186.5	190.2	194.0	197.9	201.8	205.9	210.0
9	Transfer to DWSD Local O&M Account	44.8	46.5	48.4	50.3	52.4	54.5	56.8	59.1	61.5	64.0	66.6
10	Total O&M Expense	211.7	219.1	227.8	233.3	238.9	244.7	250.8	257.0	263.3	269.9	276.6
<b>Debt Service - Bond Interest and Redemption Deposits</b>												
<b>Senior Lien Bonds</b>												
11	Outstanding Bonds	138.5	94.4	77.5	96.1	109.8	86.4	81.7	110.2	121.2	122.6	82.2
12	The 2024 GLWA Bonds	1.2	43.2	63.8	45.2	31.9	55.3	60.0	31.5	20.5	8.3	52.8
13	Future Bonds (assumed Sr. Lien)	-	6.5	13.0	27.7	38.4	51.8	58.7	68.6	74.3	82.5	87.1
14	Total Senior Lien Debt Service	139.7	144.1	154.3	169.0	180.1	193.4	200.3	210.2	215.9	213.4	222.0
<b>Second Lien Bonds</b>												
15	Outstanding Bonds (b)	51.6	46.9	48.0	48.1	49.9	49.8	52.8	52.8	52.8	63.5	58.8
16	The 2024 GLWA Bonds	0.1	3.7	2.7	2.6	1.6	1.6	1.6	1.6	1.6	1.6	1.7
17	Total Second Lien Debt Service	51.7	50.6	50.7	50.7	51.5	51.5	54.4	54.4	54.4	65.1	60.5
18	Subtotal Debt Service	191.5	194.6	205.0	219.7	231.6	244.9	254.7	264.6	270.3	278.5	282.5
19	SRF Junior Lien Bonds	15.7	18.1	20.2	19.6	20.0	21.0	22.1	23.0	23.9	24.5	25.0
20	Total Debt Service	207.1	212.8	225.2	239.3	251.5	265.9	276.8	287.6	294.3	303.0	307.6
21	Transfer to Pension Obligation Payment Fund	2.6	3.9	3.8	3.5	3.3	3.3	3.2	3.1	3.1	3.0	3.0
22	Transfer to WRAP Fund	2.7	2.8	3.0	3.2	3.4	3.6	3.8	4.1	4.3	4.5	4.8
23	Lease Payment - Transfer to Detroit Local I&E	22.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5
24	Receiving Fund Working Capital Requirement	-	2.6	3.7	2.8	2.6	2.8	3.5	3.4	2.9	3.0	2.4
<b>Transfers to I&amp;E Fund to Finance Capital Improvements</b>												
25	Transfer to GLWA Regional I&E Account	16.4	16.8	25.5	40.9	60.4	80.3	97.5	117.8	144.3	170.2	202.5
26	Transfer to DWSD Local I&E Account	2.2	1.5	2.1	1.6	1.8	1.1	2.0	2.7	2.4	2.0	2.2
27	Total Transfers to I&E Fund	18.6	18.4	27.6	42.5	62.2	81.3	99.4	120.5	146.7	172.2	204.7
28	<b>Total Revenue Requirements</b>	465.1	482.1	513.6	547.1	584.4	624.2	660.0	698.2	737.1	778.1	821.6
29	Indicated Balance (Deficiency)	-	-	-	-	-	-	-	-	-	-	-
<b>Debt Service Coverage Projections</b>												
30	<b>Senior Lien for Rate Covenant Purposes</b>	<b>1.81</b>	<b>1.83</b>	<b>1.85</b>	<b>1.86</b>	<b>1.92</b>	<b>1.96</b>	<b>2.04</b>	<b>2.10</b>	<b>2.19</b>	<b>2.38</b>	<b>2.45</b>
31	<b>Second Lien for Rate Covenant Purposes</b>	<b>1.32</b>	<b>1.35</b>	<b>1.39</b>	<b>1.43</b>	<b>1.49</b>	<b>1.55</b>	<b>1.61</b>	<b>1.67</b>	<b>1.75</b>	<b>1.82</b>	<b>1.93</b>
32	<b>SRF Junior Lien for Rate Covenant Purposes</b>	<b>1.22</b>	<b>1.24</b>	<b>1.27</b>	<b>1.31</b>	<b>1.37</b>	<b>1.43</b>	<b>1.48</b>	<b>1.53</b>	<b>1.61</b>	<b>1.68</b>	<b>1.77</b>
33	Net Revenues (7) - (10)	253.5	263.0	285.8	313.9	345.5	379.4	409.2	441.2	473.7	508.2	544.9
34	Revenues Remaining after Debt Service (33)-(18)	46.3	50.2	60.6	74.5	94.0	113.5	132.5	153.6	179.5	205.3	237.4
35	Applied to MBO Reserve Funds (21,22)	(5.3)	(6.7)	(6.8)	(6.7)	(6.7)	(6.9)	(7.0)	(7.2)	(7.4)	(7.6)	(7.8)
36	Applied as Lease Payment to DWSD I&E Acct (23)	(22.5)	(22.5)	(22.5)	(22.5)	(22.5)	(22.5)	(22.5)	(22.5)	(22.5)	(22.5)	(22.5)
37	Maintained as Regional System Working Capital (24)	-	(2.6)	(3.7)	(2.8)	(2.6)	(2.8)	(3.5)	(3.4)	(2.9)	(3.0)	(2.4)
38	Available for I&E Fund Accounts (34) - (35,36,37)	18.6	18.4	27.6	42.5	62.2	81.3	99.4	120.5	146.7	172.2	204.7

(a) Assumes increases in wholesale charges to meet annual revenue requirement increases of 7.5% for FY 2026 - FY 2029 and 6.0% for FY 2030 - FY 2034.

(b) Assumes annual increases in revenues from rates of 5.0% for FY 2026 - FY 2027, 6.0% for FY 2028 - FY 2031, and 5.0% for FY 2032 - FY 2034.

(c) Excludes debt service on the Refunded Bonds.

The Authority's projected debt service is depicted on Lines 11 through 20, separated by priorities of lien. The debt service on outstanding bonds differs slightly from that presented in the "DEBT SERVICE REQUIREMENTS" section of this Official Statement. The forecasted debt

service on DWSRF Junior Lien Bonds recognizes the expected interest expense that aligns with forecasted loan draw schedules, rather than the originally published schedules. The debt service on outstanding bonds excludes debt service on the Refunded Bonds. Debt service on Senior Lien Bonds is summarized on Lines 11 through 14, and includes existing debt service on outstanding bonds, plus debt service on the Series 2024A Bonds, plus estimated debt service on future bond sales indicated in Table 4a. For purposes of these projections, a scale assuming level debt service based on a 30-year term and an interest rate of 5.0 percent has been assumed on all projected bond sales. While no strategic designation as to the lien status of future bonds has been made nor contemplated, for purposes of these projections it is assumed that any additional bonds would be issued as senior lien. A similar presentation of debt service on second lien bonds is presented on Lines 15 through 17. Projected repayments of DWSRF Junior Lien Bonds are shown on Line 19. These figures reflect repayments of existing loans. The forecast does not anticipate any availability of DWSRF loans that have not been closed.

Transfers to the Pension Obligation Payment Fund are shown on Line 21. These amounts reflect the Water System's allocated share of the legacy Pension Obligation payments and the B and C Note payments.

Transfers to the WRAP Fund, shown on Line 22, are established at 0.5% of total projected revenues from Wholesale System service charges, plus 1.0% of total projected revenues from Local Retail System water rates (excluding the wholesale portion of same). For purposes of these projections, we've assumed that annual amounts deposited into the WRAP Fund will be fully exhausted in the year they are transferred, and therefore these projections do not track WRAP Fund balances or activities.

As part of the 2018 MOU implementation, the Budget Stabilization Fund and the ER&R Fund requirement were fully funded from existing cash and investment balances. As such, no future deposits to those funds are projected to be required during the study period. Any amounts required to fund future ER&R balances are assumed to be funded via allocations of the Receiving Fund Working Capital requirement discussed below.

The next revenue requirement relates to the Water System's share of the \$50 million Lease Payment, which was initially established as \$22.5 million. For purposes of establishing the Wholesale System Operational Financing Plan, the entirety of the \$22.5 million payment is recognized as a Wholesale System revenue requirement from Wholesale service charges, irrespective of how it is utilized. However, if the City of Detroit opts to apply a portion of the Lease Payment to effectively fund a portion of its allocated debt service responsibility, that decision results in a reduction of revenue to the Combined System, and a corresponding reduction in the Lease Payment cash transfer to the Retail System I&E Account. As noted in the discussion of the "*Local System CIP Financing Plan*", Detroit has opted to utilize a portion of the Lease Payment to finance all "post bifurcation" Local System debt service - unless revenues are sufficient to not do so. In addition, the portion of the annual Lease Payment used for debt service must also consider any amounts required to balance the Local System revenues and revenue requirements. These projections assume that the "Lease Payment applied to Debt Service" amounts will be equivalent to the amounts necessary to carry out that approach. The projected financing plan anticipates that revenues for the Local System will be sufficient to not require any use of the Lease

Payment for debt service, and will provide sufficient amounts to make annual transfers to the Detroit Improvement and Extension Account of the Improvement and Extension Fund. Forecasted annual Lease Payment Transfers to the Local System I&E Account are shown on Line 23.

All remaining balances are then available to be maintained as “Working Capital” reserves in the Receiving Fund, the Authority Wholesale Operation and Maintenance Account, the ER&R Fund, or transferred to the Authority Wholesale and Detroit Retail I&E subaccounts of the I&E Fund held within the Trust. Our projections assume that the Receiving Fund and the Operation and Maintenance Account will collectively serve as a “Working Capital Reserve” fund and will provide approximately 190 to 200 days towards the desired days cash ratio. The ER&R Fund requirement by definition provides approximately 70 days cash – so collectively these amounts will provide 260 to 270 days cash. Amounts required to provide this level of liquidity are shown on Line 24.

For purposes of these projections we have assumed funding of the Detroit Retail I&E Account (other than that provided by the Lease Payment) will be generated in years for which forecasted Local System revenues are sufficient to meet revenue requirements without utilizing a portion of the Lease Payment for debt service. Therefore moderate deposits to the Detroit Retail I&E Account are forecasted on Line 26. All other remaining amounts are projected to be transferred to the Authority Wholesale I&E subaccount of the I&E Fund held within the Trust, as shown on Line 25. In effect, the projected amounts on this line reflect the total annual Wholesale System revenue requirement, as determined by the indexed annual revenue requirement adjustments, less all other Wholesale System revenue requirements. The projected amounts are available to finance capital improvements and appear as a CIP financing source in Tables 4a and 4b. The year end balances in this account are strategically targeted to provide, together with other Working Capital sources, minimum days cash ratios in alignment with the Authority targets of 500 days for 2024 through 2026, increasing by 25 days every two years thereafter to 600 days by 2033.

Pursuant to the Rate Covenant of the Master Bond Ordinance, water service charges must be established to maintain debt service coverage ratios of at least 1.20 for Senior Lien Bonds, 1.10 for Second Lien Bonds, and 1.00 for SRF Junior Lien Bonds. The Authority’s management team has targeted higher minimum planning targets for each lien of debt. While these informal targets have not yet been formally established as policy positions, the long-term financial sustainability and stability objectives include increasing levels of debt service coverage as a strategic objective.

Projections of annual debt service coverage levels are summarized on Lines 30 through 32. These coverage levels are calculated on the same basis as required by the rate covenant contained in the Master Bond Ordinance. As indicated, annual coverage levels, assuming the revenue adjustments shown, are projected to be in excess of the amounts required by the Master Bond Ordinance, and are forecasted to experience steady growth throughout the forecast period.

## **Projected Wholesale System Fund Balances**

Table 6 presents a summary of the projected cash and investment balances in the Wholesale Water System’s Operating, Budget Stabilization, ER&R, and I&E Funds. It does not reflect any of the funds that are effectively “exhausted” in the year they are transferred, such as the Debt

Service Accounts within the Bond and Interest Redemption Funds, the Pension Obligation Payment Fund, and the WRAP Fund.

**Table 6**  
**Projected Cash and Investment Fund Balances - Wholesale Water System (\$ millions) (a)**

Line No.		Fiscal Year Ended June 30,										
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
<u>Working Capital Reserve (b)</u>												
1	Beginning Balance	87.4	87.4	90.0	93.7	96.5	99.1	101.9	104.4	106.8	108.7	110.7
2	Transfers to ER&R Fund	-	-	-	-	-	-	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
3	Deposit from Operations	-	2.6	3.7	2.8	2.6	2.8	3.5	3.4	2.9	3.0	2.4
4	Ending Balance	87.4	90.0	93.7	96.5	99.1	101.9	104.4	106.8	108.7	110.7	112.1
<u>Budget Stabilization Fund (a)</u>												
5	Beginning Balance	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
6	Deposits / (Withdrawals)	-	-	-	-	-	-	-	-	-	-	-
7	Ending Balance	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
<u>ER&amp;R Fund (a)</u>												
8	Beginning Balance	36.0	36.0	36.0	36.0	36.0	36.0	36.0	37.0	38.0	39.0	40.0
9	Transfers from Working Capital	-	-	-	-	-	-	1.0	1.0	1.0	1.0	1.0
10	Ending Balance	36.0	36.0	36.0	36.0	36.0	36.0	37.0	38.0	39.0	40.0	41.0
<u>I&amp;E Fund (c)</u>												
11	Beginning Balance	112.8	114.3	110.6	116.2	130.4	133.0	148.8	151.2	167.0	170.4	187.9
12	Budgeted Capital Outlay	(10.3)	(10.5)	(12.0)	(8.6)	(7.3)	(6.2)	(6.4)	(6.5)	(6.6)	(6.7)	(6.9)
13	Transfer to Construction Fund	(4.5)	(10.0)	(8.0)	(18.0)	(50.5)	(58.3)	(88.8)	(95.5)	(134.3)	(146.0)	(191.5)
14	Subtotal prior to Revenue Transfer	98.0	93.8	90.7	89.5	72.6	68.5	53.7	49.2	26.1	17.7	(10.5)
15	Deposits from Revenues (c)	16.4	16.8	25.5	40.9	60.4	80.3	97.5	117.8	144.3	170.2	202.5
16	Ending Balance	114.3	110.6	116.2	130.4	133.0	148.8	151.2	167.0	170.4	187.9	192.0
<u>Total Revenue Generated Funds (d)</u>												
17	Beginning Balance	238.2	239.7	238.6	247.9	264.9	270.1	288.7	294.6	313.8	320.1	340.6
18	Net Sources and Uses	1.5	(1.1)	9.2	17.1	5.2	18.6	5.9	19.2	6.3	20.5	6.5
19	Ending Balance	239.7	238.6	247.9	264.9	270.1	288.7	294.6	313.8	320.1	340.6	347.1
20	<b>Days Cash on Hand (e)</b>	<b>520</b>	<b>500</b>	<b>500</b>	<b>525</b>	<b>525</b>	<b>550</b>	<b>550</b>	<b>575</b>	<b>575</b>	<b>600</b>	<b>600</b>
<u>Other Funds</u>												
21	Bond Reserve (excludes Surety)	15.9	-	-	-	-	-	-	-	-	-	-
22	Bond Redemption (Average)	77.7	79.8	84.4	89.7	94.3	99.7	103.8	107.9	110.3	113.6	115.3
23	Construction Fund	143.7	234.8	51.9	236.7	52.2	166.6	53.1	149.4	51.1	117.9	51.5
24	Total Funds	477.0	553.3	384.2	591.4	416.6	555.0	451.4	571.1	481.6	572.1	513.9
25	Subtotal w/o Construction Funds	333.3	318.4	332.3	354.7	364.5	388.4	398.4	421.7	430.5	454.2	462.5

(a) Technically includes "Combined System" amounts held by GLWA.

(b) Represents Operating Reserve and amounts maintained in the Receiving Fund for subsequent MBO transfers.

(c) Only includes GLWA Regional I&E Account. Does not include Lease Payment transferred to DWSD Local I&E Account.

(d) Excludes MBO Funds that are funded and assumed to be fully expended each year, such as the Bond Interest and Redemption Funds, the Pension Obligation Payment Fund, and the WRAP Fund.

(e) Excludes Budget Stabilization Fund amounts from Line 7.

The figures on Lines 1 through 19 represent those funds that are entirely generated by revenues, and exclude any amounts funded by bond proceeds. Collectively, these amounts make up "Working Capital" for the Authority. The Authority carefully monitors Working Capital balances to ensure that adequate amounts are on hand for subsequent monthly transfers via the MBO requirements. The forecasted financing plan anticipates maintaining Working Capital balances that produce a minimum "days cash" ratios introduced above, which are shown on Line 20. The capital financing plan embraces a strategy that is forecasted to result in amounts in the I&E Fund that, together with the other unrestricted fund balances, meet this objective. For planning

purposes, operating revenues generated to finance capital improvements are transferred to the I&E Fund and assumed to not be eligible for capital financing until at least the following year. These funds are technically available to be transferred to a Surplus Fund and to other Water System funds for any Water System use.

The Bond Reserve and Construction Fund balances on Lines 21 and 23 are generated via issuance of debt. We've also included a representation of average funds available throughout the year in Bond Redemption Funds, which are funded monthly in advance of semi-annual principal and interest payments. Table 6 illustrates the projected stability in cash and investment balances, and the strategic use of liquidity to finance capital improvements.

## Projected Wholesale System Income Statement

A component of the Authority's long-term financial sustainability objectives is the goal of improving the "net position" of the Regional Water System, as reported on the GAAP basis annual audited financial reports. Tables 7a and 7b present a recent historical summary of audited results, and the impact of the forecasted results on future statements of net position.

**Table 7a**  
**Reported Statement of Changes in Net Position (\$ millions)**

Line No.	Fiscal Year Ended June 30,							
	2016	2017	2018	Actual				2023
	2019	2020	2021	2022	2023	2024	2025	2026
1	167.7	351.7	338.3	331.6	334.3	344.6	345.0	363.8
2	49.5	101.7	108.5	119.8	132.5	123.6	137.8	155.2
3	<u>71.3</u>	<u>144.1</u>	<u>146.1</u>	<u>144.1</u>	<u>130.7</u>	<u>126.8</u>	<u>126.8</u>	<u>130.1</u>
4	120.8	245.9	254.6	264.0	263.3	250.5	264.6	285.2
5	46.8	105.9	83.7	67.6	71.0	94.1	80.4	78.6
	<u>Nonoperating revenue (expenses)</u>							
6	0.4	1.8	6.1	14.8	13.7	0.8	(2.4)	16.7
7	(56.5)	(113.7)	(118.2)	(114.2)	(111.3)	(106.3)	(103.6)	(110.1)
8	5.2	6.4	5.1	16.0	8.4	10.5	13.6	21.4
9	<u>0.0</u>	<u>(32.8)</u>	<u>(0.7)</u>	<u>(0.7)</u>	<u>(1.4)</u>	<u>0.0</u>	<u>0.0</u>	<u>(21.2)</u>
10	(4.1)	(32.4)	(24.0)	(16.4)	(19.5)	(0.9)	(12.0)	(14.6)
11	0.0	(4.1)	(36.5)	(60.4)	(76.9)	(96.4)	(97.3)	(109.3)
12	<b>(4.1)</b>	<b>(36.5)</b>	<b>(60.4)</b>	<b>(76.9)</b>	<b>(96.4)</b>	<b>(97.3)</b>	<b>(109.3)</b>	<b>(123.9)</b>

As reported elsewhere in this Official Statement, the "cash basis" financial performance of Regional Water System has been sound and has generated increased liquidity levels and debt service coverage ratios. However, the GAAP basis annual "changes in net position" have been negative for each of the six years of the Authority's existence, and have resulted in a current negative net position of approximately \$124 million. This is primarily due to the manner by which annual revenue requirements differ between the two separate, but related, depictions of financial performance.

Several “revenue requirements” (such as operating expenses, and debt service interest) are identical between the two approaches. Others are materially different. For instance, the cash basis capital revenue requirements include principal payments on bonds and deposits to the I&E Fund. The GAAP basis capital revenue requirement is predominantly related to depreciation expense. In general, if “cash basis” non-common capital items (which are used to establish charges and revenue levels) exceed their GAAP basis elements, a net gain will result, and vice versa. In recent years, the GAAP basis elements have exceeded the cash basis elements, and decreases in Net Position have resulted. The actual reported results are summarized for this period in Table 7a. *Note that Fiscal Year 2016 reflects a 6-month period from January 1, 2016 through June 30, 2016.*

The forecasted changes in net position are presented in Table 7b and illustrate the impact of depreciation expense on the GAAP basis financial results. *See Line 3.* When GLWA “acquired” its capital assets, a total asset value and depreciation schedule was established via a valuation study. The nature of the analysis produced a material increase in asset value (from what was on the DWSD books) and a corresponding acceleration of depreciation schedules for the acquired assets. Note the reduction in reported depreciation expense in both 2020 and 2021, compared to prior years. Many of the originally acquired assets will be fully depreciated during the early part of the forecast period, particularly in 2025. The relatively high level of depreciation expense in the first six years contributed significantly to the reported negative changes in net position and is forecasted to continue to do so through 2024. The forecast adds projected depreciation expense on new assets (from annual capital outlay and the CIP) but that level of depreciation does not make up for the reduction in depreciation on existing assets. As a result, positive changes in net position are forecasted starting in 2025. The cumulative net position is forecasted to turn positive starting in 2027 and climb steadily through the end of the forecast period.

**Table 7b**  
**Forecasted Statement of Changes in Net Position (\$ millions)**

Line No.	Forecasted											
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	
1	Total operating revenues	363.8	381.9	411.2	442.2	475.0	512.5	544.9	577.6	612.3	649.1	688.2
2	Operating expenses	166.9	172.6	179.4	182.9	186.5	190.2	194.0	197.9	201.8	205.9	210.0
3	Depreciation/Amortization	<u>135.8</u>	<u>93.5</u>	<u>97.2</u>	<u>101.2</u>	<u>107.5</u>	<u>116.4</u>	<u>122.3</u>	<u>127.3</u>	<u>136.4</u>	<u>147.5</u>	<u>157.0</u>
4	Total operating expenses	302.7	266.2	276.6	284.2	294.1	306.6	316.3	325.2	338.2	353.4	367.0
5	Operating income	61.1	115.7	134.5	158.1	180.9	205.8	228.6	252.4	274.1	295.7	321.2
	<u>Nonoperating revenue (expenses)</u>											
6	Earnings on investments	20.9	19.7	15.7	17.5	16.5	14.5	11.3	12.0	11.3	11.6	11.0
7	Interest Expense - Bonded Debt	(113.2)	(100.2)	(104.5)	(113.3)	(121.0)	(123.7)	(127.1)	(129.2)	(129.4)	(128.1)	(125.7)
8	Other Non-Operating	14.8	16.1	17.2	11.9	15.6	15.5	14.2	13.7	12.8	11.8	8.1
9	Special Item	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
10	Change in net position	(16.4)	51.3	62.9	74.3	92.1	112.0	127.0	148.8	168.7	190.9	214.6
11	Net position (deficit), beginning of year	(123.9)	(140.3)	(89.0)	(26.1)	48.2	140.3	252.3	379.4	528.2	696.9	887.9
12	Net position (deficit), end of year	<b>(140.3)</b>	<b>(89.0)</b>	<b>(26.1)</b>	<b>48.2</b>	<b>140.3</b>	<b>252.3</b>	<b>379.4</b>	<b>528.2</b>	<b>696.9</b>	<b>887.9</b>	<b>1,102.4</b>

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# Compliance with Additional Bonds Test

The "Additional Bonds Test" (the "ABT") of the Master Bond Ordinance governing issuance of the Series 2024 Bonds provides two approaches for certifying eligibility to issue the bonds. For any bonds that are structured to provide new capital financing proceeds, the test requires a net revenues analysis to show coverage of maximum annual future debt service. An alternate test is available for bonds that are issued solely for refunding purposes.

## Coverage Test

The coverage test portion of the Additional Bonds Test states that the Authority may not issue additional securities to finance system improvements unless the applicable net revenues of the Water System generate sufficient coverage of the maximum future annual principal and interest requirements on the outstanding bonds and on the additional bonds issued. The coverage requirement for each lien of priority includes debt service for the lien in question, plus debt service on all bonds (if any) of all higher lien priorities. Sufficient coverage is defined as being equal to or greater than 1.20 for Senior Lien Bonds, 1.10 for Second Lien Bonds, and 1.00 for all bonds, including Junior Lien Bonds. For purposes of determining the "applicable" net revenues, the Authority may utilize either (a) the historical net revenues for the most recently completed fiscal year for which there is an audit report (so long as the fiscal year has been completed within 16 months of the issuance date of the bonds in question); (b) the current fiscal year; or (c) the immediately succeeding fiscal year. To the extent that a historical year is chosen as the "applicable" year, and to the extent that any changes in rates, fees and charges has been authorized prior to the issuance of the bonds being evaluated, net revenues may be augmented by an amount reflecting the effect of such changes had the Water System's billings during such fiscal year been at the increased charges.

Table 8 presents the level of ABT coverage provided for the Series 2024 Bonds. For purposes of the test, we have prepared calculations of "ABT Net Revenues" for the current and immediately succeeding fiscal years (2024 and 2025). The projected revenue and net revenue figures are consistent with those presented in Table 5. While the ABT technically only requires compliance with any one of the applicable test periods, this table presents capacity under both applicable "projected" test periods – and the historical test period based on the audited 2023 financial results.

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**Table 8**  
**Ability of the Water System to Meet the Additional Bonds Test**  
**for Issuance of the Series 2024 Bonds (\$ millions)**

Line <u>No.</u>				Historical Test	Prospective Test	
				Audited Year	Current Year	Succeeding Year
				<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
				\$	\$	\$
1	Revenues		476.8	465.1	482.1	
2	Operating Expenses		<u>(210.4)</u>	<u>(211.7)</u>	<u>(219.1)</u>	
3	Net Revenues		266.5	253.5	263.0	
<u>Allowable Max Future Debt Service</u>						
4	Senior Lien Bonds	<i>1.20</i>	222.1	211.2	219.2	
5	Senior and 2nd Lien Bonds	<i>1.10</i>	242.2	230.4	239.1	
6	All Bonds, Including SRF Jr Lien	<i>1.00</i>	266.5	253.5	263.0	
<u>Maximum Future Debt Service</u>						
7	Senior Lien Bonds	<i>in 2035</i>	158.0	158.0	158.0	
8	2nd Lien Bonds	<i>in 2031</i>	196.0	196.0	196.0	
9	SRF Jr Lien Bonds	<i>in 2033</i>	215.0	215.0	215.0	
<u>Additional Bonds Test Coverage Ratio</u>						
10	Senior Lien Bonds		1.69	1.60	1.67	
11	2nd Lien Bonds		1.36	1.29	1.34	
12	SRF Jr Lien Bonds		1.24	1.18	1.22	

***Alternate Test for Refundings***

The alternate test simply requires that any bonds that are issued solely for refunding purposes may also be issued “without regard to” the coverage test summarized above, so long as debt service savings can be illustrated in all future years. As the Series 2024 Bonds are being issued solely as refunding bonds, compliance with the "ABT" of the Bond Ordinance can be achieved if such savings can be demonstrated.

A review of the debt service schedules resulting from the Series 2024 Bonds indicates that debt service savings occur in all future years impacted by the transaction.

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## Opinions

As a result of our investigations and analysis, we have formulated the following opinions:

1. While faced with additional capital expenditures to ensure reliability of service and implement the Master Plan, the projected increases in the Authority's wholesale water charges through 2034 are comparable to what has recently been experienced by other large wholesale providers.
2. The Authority's organizational documents establish financial planning guiding principles that are designed to ensure responsible financial performance, balancing service requirements and impacts on Customers, and to result in continued improvements in the current financial position of the Water System, including reported debt service coverage and liquidity balances.
3. The Authority's financial plan is sound, supported by gradual revenue adjustments, and is expected to be sufficient to adequately fund the CIP and other programs necessary to meet Water System obligations.
4. The revenues pledged as security for the Series 2024 Bonds are projected to be sufficient to comply with debt service coverage ratios set forth in the rate covenant required by the Master Bond Ordinance and the targets established by Authority policy. Debt service savings resulting from the Series 2024 Bonds have produced enhanced debt service coverage ratios compared to prior forecasted ratios.
5. The requirements contained in the Master Bond Ordinance authorizing the issuance of the Series 2024 Bonds have been met<sup>8</sup>, as:
  - Debt service savings are evident in fiscal year 2024 and all future years as a result of issuance of the Series 2024 Bonds.
  - Our calculated Additional Bonds Test coverage ratios exceed the ratios required by the Master Bond Ordinance.

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<sup>8</sup> We note that the ABT is met by the conditions in the first sub-bullet. The opinion set forth in the second sub-bullet further illustrates compliance.

**APPENDIX II**  
**AUDITED FINANCIAL STATEMENTS OF THE GREAT LAKES WATER AUTHORITY**  
**WATER FUND FOR THE YEAR ENDED JUNE 30, 2023**

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The logo graphic consists of two large, stylized, interlocking shapes that resemble the letter 'G' or 'W'. The top shape is a dark blue 'G' and the bottom shape is a light blue 'W'. They are positioned symmetrically around the center text.

**GLWA**

*Great Lakes Water Authority*

**Water Fund**

**Fiscal Year Ended June 30, 2023**

Dedicated to efficiently delivering the nation's best water and sewer services in partnership with our member partners across southeast Michigan

Prepared by  
Great Lakes Water Authority  
Financial Services Area  
Detroit, Michigan



# GREAT LAKES WATER AUTHORITY WATER FUND

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## **FINANCIAL SECTION**



## Independent Auditors' Report

To the Board Directors of  
Great Lakes Water Authority

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of the Water Fund of the Great Lakes Water Authority (the Water Fund), as of and for the year ended June 30, 2023 and 2022, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Water Fund major fund of the Great Lakes Water Authority, as of June 30, 2023 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Water Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Emphasis of Matter

As discussed in Note 1, the financial statements present only the Water Fund and do not purport to, and do not, present fairly the financial position of the Great Lakes Water Authority as of June 30, 2023, and the changes in financial position or cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Water Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Water Fund has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information. We note the significant financial events of the Water Fund are included in the Management's Discussion and Analysis of the Great Lakes Water Authority's Annual Comprehensive Financial Report.

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Water Fund's financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the financial statements as a whole.

## **Other Information**

Management is responsible for the other information of this annual report. The other information comprises the statistical section included in the annual report but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

## **Report on Summarized Comparative Information**

We have previously audited the Water Fund's 2022 financial statements, and we expressed an unmodified audit opinion on those statements in our report dated December 14, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2023 on our consideration of the Great Lakes Water Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Great Lakes Water Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Great Lakes Water Authority's internal control over financial reporting and compliance.



Madison, Wisconsin  
December 13, 2023



## **FINANCIAL STATEMENTS**

# GREAT LAKES WATER AUTHORITY WATER FUND

## STATEMENT OF NET POSITION

As of June 30, 2023

With Comparative Amounts at June 30, 2022

	2023	2022
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 222,625,550	\$ 147,191,020
Restricted cash and cash equivalents	127,679,570	49,069,747
Restricted cash for the benefit of DWSD	17,474,699	11,371,285
Investments	21,081,772	91,499,859
Restricted investments	9,975,144	30,711,544
Receivables, net	72,947,774	70,897,955
Due from other governments	5,785,565	11,246,188
Due from other funds	1,032,754	2,328,086
Contractual obligation receivable	20,608,286	18,126,021
Prepaid items and other assets	10,795,086	8,701,487
Total Current Assets	510,006,200	441,143,192
Noncurrent Assets		
Restricted cash and cash equivalents	96,480,165	2,773,291
Restricted investments	22,002,166	9,506,991
Contractual obligation receivable	544,820,801	549,493,189
Prepaid lease	11,250,000	11,250,000
Capital assets		
Nondepreciable/nonamortizable	670,557,112	567,414,021
Depreciated/amortized, net	1,330,639,811	1,384,312,298
Prepaid insurance on debt	5,995,322	6,649,782
Total Noncurrent Assets	2,681,745,377	2,531,399,572
Total Assets	3,191,751,577	2,972,542,764
<b>Deferred Outflows of Resources</b>		
Deferred charge on refunding	39,316,288	41,997,055
Deferred pension amounts	17,107,308	10,810,800
Total Deferred Outflows of Resources	56,423,596	52,807,855

The accompanying notes are an integral part of these financial statements.



# GREAT LAKES WATER AUTHORITY WATER FUND

## STATEMENT OF NET POSITION

As of June 30, 2023

With Comparative Amounts at June 30, 2022

	2023	2022
<b>Liabilities</b>		
Current Liabilities		
Accounts and contracts payable	\$ 60,207,304	\$ 56,890,771
Accrued salaries, wages and benefits	1,757,758	1,046,674
Accrued liabilities	25,111,216	15,261,427
Due to other governments	3,124,058	17,610,601
Due to other funds	2,214,714	-
Interest payable	41,789,634	36,398,995
Current portion of		
Revenue bonds and loans	62,332,082	40,091,255
Raw water rights obligation	2,963,619	2,845,282
BC Note obligation	214,151	203,954
Regional system leases	5,928,467	5,686,745
Other liabilities	3,743,223	3,378,083
Total Current Liabilities	209,386,226	179,413,787
Noncurrent Liabilities		
Revenue bonds and loans	2,592,206,224	2,359,238,286
Raw water rights obligation	89,552,155	92,515,774
BC Note obligation	16,124,188	16,338,339
Regional system leases	394,167,195	400,095,662
Other liabilities	3,713,668	4,132,979
Net pension liability	22,645,805	23,379,480
Total Noncurrent Liabilities	3,118,409,235	2,895,700,520
Total Liabilities	3,327,795,461	3,075,114,307
<b>Deferred Inflows of Resources</b>		
Deferred gain on refunding	44,182,654	48,216,421
Deferred amounts for swap terminations	56,712	61,438
Deferred pension amounts	-	11,224,189
Total Deferred Inflows of Resources	44,239,366	59,502,048
<b>Net Position (Deficit)</b>		
Net investment in capital assets	(198,390,747)	(109,163,683)
Restricted for debt service	56,139,482	31,660,045
Restricted for payment assistance program	2,289,905	5,272,708
Unrestricted	16,101,706	(37,034,806)
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>\$ (123,859,654)</b>	<b>\$ (109,265,736)</b>

The accompanying notes are an integral part of these financial statements.

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## GREAT LAKES WATER AUTHORITY WATER FUND

### STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended June 30, 2023

With Comparative Amounts at June 30, 2022

	2023	2022
<b>Operating Revenues</b>		
Wholesale customer charges	\$ 340,593,806	\$ 323,026,213
Local system charges	22,834,300	21,697,300
Other revenues	350,991	234,462
Total Operating Revenues	363,779,097	344,957,975
<b>Operating Expenses</b>		
Operating expenses before depreciation and amortization		
Personnel	48,855,342	44,892,622
Contractual services	52,817,187	50,683,897
Utilities	33,436,545	28,725,292
Chemicals	12,689,666	7,788,784
Supplies and other expenses	11,926,150	9,157,367
Capital program allocation	(1,172,302)	(1,618,459)
Intergovernmental reimbursements	(3,385,540)	(1,813,535)
Total operating expenses before depreciation and amortization	155,167,048	137,815,968
Depreciation	126,485,762	123,196,027
Amortization of intangible assets	3,566,664	3,566,664
Total Operating Expenses	285,219,474	264,578,659
<b>Operating Income</b>	78,559,623	80,379,316
<b>Nonoperating Revenues (Expenses)</b>		
Earnings (loss) on investments	16,724,485	(2,361,396)
Interest on shortfall and obligations receivable	24,662,083	25,107,207
Interest expense	(131,161,860)	(125,086,379)
Amortization of debt related items and cost of issuance	14,577,852	15,610,434
Legacy pension recovery (expense)	7,443,572	(4,988,132)
Water Residential Assistance Program	(5,023,436)	(1,049,908)
Other	526,389	388,656
Discontinued capital projects	(20,902,626)	-
Total Nonoperating Expenses	(93,153,541)	(92,379,518)
<b>Change in Net Position</b>	(14,593,918)	(12,000,202)
NET POSITION (DEFICIT), Beginning of Year	(109,265,736)	(97,265,534)
<b>NET POSITION (DEFICIT), END OF YEAR</b>	<b>\$ (123,859,654)</b>	<b>\$ (109,265,736)</b>

The accompanying notes are an integral part of these financial statements.

## GREAT LAKES WATER AUTHORITY WATER FUND

STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2023  
With Comparative Amounts at June 30, 2022

	2023	2022
<b>Cash Flows From Operating Activities</b>		
Cash received from customers	\$ 355,242,971	\$ 335,022,666
Cash received from intergovernmental reimbursements	10,611,322	2,694,534
Cash payments for intergovernmental services provided	(3,385,540)	(1,813,536)
Cash payments to suppliers for goods and services	(115,165,508)	(98,259,357)
Cash payments for employee services	(45,728,366)	(46,681,790)
Cash payments to other governments for obligation payable	(875,507)	(875,509)
Cash payments for WRAP	(2,999,887)	(1,049,908)
Cash payments for GLWA share pension agreement	(11,440,800)	(11,440,800)
Cash received from insurance claims	-	72,709
Cash received from grants	25,198	-
Cash received (paid) nonoperating income (expense)	(5,718)	435,044
Cash received for DWSD nonoperating pension	4,427,400	4,427,400
Cash paid for DWSD nonoperating pension	(4,427,393)	(4,427,394)
Cash received for DWSD WRAP	841,300	671,100
Cash payments for DWSD WRAP	(621,375)	(671,100)
Cash increase from DWSD budgetary surplus (1)	6,097,784	7,470,103
Principal payments received on obligation receivable	17,358,850	15,820,056
Interest received on obligation receivable	25,345,025	26,069,023
Advanced payments received on obligation receivable	5,623	475,121
Cash received from DWSD for cost of issuance fees	29,500	49,500
Payments for bond issuance costs on DWSD debt	-	(79,000)
Payments of state revolving fund loan proceeds to DWSD	(23,886,889)	(11,851,337)
<b>Net Cash Provided by Operating Activities</b>	<b>211,447,990</b>	<b>216,057,525</b>
<b>Cash Flows From Noncapital Financing Activities</b>		
Proceeds from state revolving fund loans for DWSD	17,694,392	18,043,834
Cash received from grants	511,714	147,288
Principal payments	(17,358,850)	(15,820,056)
Interest payments	(23,188,902)	(25,787,369)
<b>Net Cash Used in Noncapital Financing Activities</b>	<b>(22,341,646)</b>	<b>(23,416,303)</b>

The accompanying notes are an integral part of these financial statements.

Continued on  
Next Page

	2023	2022
<b>Cash Flows From Capital and Related Financing Activities</b>		
Proceeds from sale of assets	\$ 195,874	\$ 15,857
Proceeds from revenue bonds	228,878,775	-
Proceeds from state revolving fund loans	87,088,198	25,642,083
Payment of bond issuance costs	(878,769)	(204,225)
Principal payments on bonds	(44,582,900)	(50,798,000)
Principal payments on regional system leases	(5,686,745)	(5,454,878)
Interest payments	(98,303,474)	(95,078,335)
Purchase of capital assets	<u>(197,407,129)</u>	<u>(158,973,426)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(30,696,170)</u>	<u>(284,850,924)</u>
<b>Cash Flows From Investing Activities</b>		
Investment purchases	(388,757,476)	(213,527,072)
Investment sales and maturities	474,538,066	279,775,191
Interest received	<u>9,663,877</u>	<u>2,259,942</u>
Net Cash Provided in Investing Activities	<u>95,444,467</u>	<u>68,508,061</u>
<b>Net change in cash and cash equivalents</b>	253,854,641	(23,701,641)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>210,405,343</u>	<u>234,106,984</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 464,259,984</u>	<u>\$ 210,405,343</u>
<b>STATEMENT OF NET POSITION CLASSIFICATION OF CASH</b>		
Cash and cash equivalents	\$ 222,625,550	\$ 147,191,020
Restricted cash and cash equivalents	127,679,570	49,069,747
Restricted cash for the benefit of DWSD	17,474,699	11,371,285
Noncurrent restricted cash and cash equivalents	<u>96,480,165</u>	<u>2,773,291</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 464,259,984</u>	<u>\$ 210,405,343</u>
<b>NONCASH OPERATING ACTIVITIES</b>		
Credits given on billings-Flint KWA obligation	\$ (6,452,573)	\$ (6,496,428)
Interest income obligation receivable premium amortization	\$ (767,171)	\$ (738,660)

The accompanying notes are an integral part of these financial statements.

## GREAT LAKES WATER AUTHORITY WATER FUND

STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2023  
With Comparative Amounts at June 30, 2022

Continued From  
Previous Page

	2023	2022
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>		
Bond proceeds paid directly to underwriters for cost of issuance	\$ 635,485	\$ -
Decrease in raw water rights obligation	\$ 2,845,282	\$ 2,734,246
Interest paid for raw water rights obligation	\$ 3,607,291	\$ 3,762,182
Increase in unrealized gain (loss) on investments	\$ 5,809,575	\$ (860,822)
Amortization income (expense)	\$ 16,091,106	\$ 15,815,659
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating income	\$ 78,559,623	\$ 80,379,316
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	126,485,762	123,196,027
Amortization of intangible assets	3,566,664	3,566,664
Credits for raw water rights	(6,452,573)	(6,496,427)
Miscellaneous nonoperating income (expense)	(5,718)	435,044
Legacy pension recovery (expense) and administrative fee	7,219,715	(5,150,550)
WRAP (Water Residential Assistance Program)	(5,023,436)	(1,049,908)
Loan forgiveness pass-through to DWSD	(1,758,494)	(2,518,000)
Interest income on contractual obligation receivable	24,662,083	25,107,207
Interest expense on obligation payable	(671,554)	(681,267)
Changes in:		
Receivables	(2,049,819)	(3,613,279)
Due from other governments	5,982,342	602,303
Due from other funds	1,295,332	458,258
Contractual obligation receivable	2,190,123	1,032,882
Prepaid items and other assets (operating)	(2,154,269)	(1,561,979)
Inventories	-	794,521
Accounts payable (operating)	(174,339)	1,113,432
Accrued salaries, wages and benefits	711,084	(3,845,359)
Accrued liabilities	9,849,789	8,302,871
Due to other governments	(14,486,543)	1,916,608
Due to other funds	2,214,714	(162,368)
Obligation payable including accrued interest	(203,953)	(194,242)
Other liabilities	(54,171)	248,439
Net pension liability and deferred items	(18,254,372)	(5,822,668)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 211,447,990</u></b>	<b><u>\$ 216,057,525</u></b>

(1) Represents local system retail receipts received in excess of DWSD's current year budget requirements. Amounts will be used to meet future budget requirements.

The accompanying notes are an integral part of these financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

# GREAT LAKES WATER AUTHORITY WATER FUND

## INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2023

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# GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2023

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## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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### **ACCOUNTING AND REPORTING PRINCIPLES**

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

### **REPORTING ENTITY**

The Great Lakes Water Authority (GLWA or the Authority) is the regional wholesale provider of water and sewage disposal services in southeast Michigan. The Authority was incorporated by the counties of Macomb, Oakland, Wayne and the City of Detroit (the City) on November 26, 2014 pursuant to Act 233, Public Acts of Michigan, 1955, as amended (Act 233). Pursuant to Regional System Leases that became effective on January 1, 2016, the Authority assumed possession and control of the regional assets of both the water supply and sewage disposal systems owned by the City, which were previously operated by the Detroit Water and Sewerage Department (DWSD). The City, acting through DWSD, will continue to manage and operate its own local retail water and sewage disposal system infrastructure. The Regional System Leases assigned all revenues of both systems to the Authority for an initial term of 40 years and, pursuant to bondholder consent, replaced the City with GLWA as the obligor on all outstanding debt obligations of the City related to the systems.

The term "Regional System Leases" is used throughout the financial statements to represent the agreements that transferred the regional water system and sewage disposal system assets and operations from the City of Detroit to GLWA. The Regional System Leases are not considered a lease as defined by the Government Auditing Standards Board (GASB) in GASB Statement No. 87, *Leases*.

The Authority's water system is one of the largest in the United States, both in terms of water produced and population served. The water system currently serves an area of 1,698 square miles located in eight Michigan counties and an estimated population of approximately 3.8 million or approximately 38% of Michigan's population. Suburban wholesale customers comprise approximately 82% of the population in the service area, and the DWSD retail water customers comprise the remainder.

The Authority's Board is authorized to establish rates, fees and charges for its water supply and sewage disposal services. Under the Water and Sewer Services Agreement, the City is appointed as agent of the Authority for setting retail rates and for billing, collecting and enforcing the collection of charges from retail water and sewer customers. As an agent of the Authority, the City, through the Board of Water Commissioners and without further approval by the City Council, is required to set retail rates to meet the revenue requirements that the Authority establishes for the retail system for regional commitments as well as other reasonable costs of the local DWSD systems. Under certain conditions, the Authority may terminate the City's appointment.

### **GOVERNANCE**

The GLWA Board is composed of six voting members. Two members are residents of the City of Detroit and are appointed by the Mayor of the City of Detroit. The chief executive of the counties of Macomb, Oakland and Wayne each appoint one member who is a resident of the county from which appointed and the Governor of the State of Michigan appoints one member who is a resident of an area served by the Authority outside of the counties. All members of the GLWA Board must have at least seven years of experience in a regulated industry, a utility, engineering, finance, accounting or law firm. After the initial term specified in its Articles of Incorporation, each GLWA Board member is appointed for a four-year term and serves at the pleasure of the appointing government.

The GLWA Board has adopted a committee structure. Four committees have been established: Audit, Capital Improvement Planning, Operations and Resources, and Legal.

# GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2023

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## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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### ***BASIS OF PRESENTATION***

The Authority presents a water enterprise fund for its financial statements which consists of a statement of net position, statement of revenues, expenses and changes in net position, a statement of cash flows and these notes to the financial statements.

### ***BASIS OF ACCOUNTING***

The accounting policies of the Authority conform to GAAP as applicable to governmental entities. The accounts of the Authority are used to account for its activities, which are financed and operated in a manner similar to a private business enterprise. Accordingly, the Authority maintains its records on the accrual basis of accounting. Revenues from operations, investments and other sources are recorded when earned. Expenses (including depreciation) of providing services are accrued when incurred.

Nonexchange transactions, in which the Authority receives value without directly giving equal value in return, include contributions and grants. On an accrual basis, revenue from contributions and grants is recognized in the fiscal year in which all eligibility requirements have been satisfied, including timing and expense requirements. Timing requirements specify the year when the resources are required to be used or the fiscal year when use is first permitted. Expense requirements specify the year in which the resources are provided to the Authority on a reimbursement basis.

### ***ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION***

#### ***Cash and Cash Equivalents and Investments***

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value or estimated value. The Authority maintains and adheres to a formal investment policy in accordance with Michigan Public Act 20 of 1943, Investment of Surplus Funds of Political Subdivisions. Michigan State law allows the Authority to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances and mutual funds composed of otherwise legal investments. These investments are subject to interest rate risk and credit risk which may affect the value at which these investments are recorded.

#### ***Restricted Assets***

Restricted assets are those assets set aside as required by the Authority's Master Bond Ordinance (MBO), funds held on behalf of another entity, or where legally restricted for a particular purpose such as bond proceeds for the capital program. See Note 4 for further details.

#### ***Accounts Receivable, Net***

The Authority records unbilled revenues for services provided prior to year-end by accruing actual revenues billed in the subsequent month. The Authority recognizes an estimate of uncollectible accounts for its customer accounts receivable related to its water services.

#### ***Due from and Due to Other Governments***

The due from other governments includes amounts owed to the Authority by DWSD for shared services and intergovernmental agreements, accrued interest receivable on the contractual obligation receivable and grants. The due to other governments includes amounts owed by the Authority to DWSD for shared services.

#### ***Due from and Due to Other Funds***

An amount owed between the Water and Sewage Disposal Funds based on shared centralized and administrative services administered by the Water Fund and allocated to the Sewage Disposal Fund. Any water system usage of inventory in the Sewage Disposal Fund is charged through an interfund payable to the Sewage Disposal Fund.

# GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2023

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## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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### Contractual Obligation Receivable

Pursuant to the Water and Sewer Services Agreement, the City through DWSD is responsible for paying the portion of debt service on the bonds assumed by the Authority that were issued to finance the cost of improvements to the Detroit local facilities. The resulting contractual obligation is a receivable recorded by the Authority and is repaid by DWSD based upon an agreed upon schedule. Any new debt issued on behalf of the City for DWSD is also included in the contractual obligation receivable.

### Prepaid Items and Other Assets

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. Other assets include accrued interest receivable on investments.

### Inventories

Inventories consist of operating, maintenance and repair parts for sewage disposal system assets and are valued at the lower of cost or market, with cost being determined on an average cost method. Inventory is recorded as expense when consumed rather than when purchased. The water fund does not report inventory because the amounts are insignificant and for efficiency are recorded in the sewage disposal fund. Any inventory usage by the water fund is charged through an interfund payable to the sewage disposal fund.

### Prepaid Lease

As described in Note 14, the Authority has recorded a prepaid lease for cash paid to DWSD on the date GLWA began operations equivalent to six months of lease payments. As noted in the 2018 MOU dated June 2018, this amount will be applied at the end of the 40-year term and, hence, it is classified as a noncurrent asset.

### Capital Assets

Capital assets are recorded at historical cost. All acquisitions of land and land improvements are capitalized regardless of cost. The capitalization threshold is \$5,000 for capital assets with an estimated useful life greater than one year, except for information technology assets and the right to use leased assets. The capitalization threshold for information technology assets is \$1,000,000 with an estimated useful life greater than three years. Subscription-Based Information Technology Arrangement (SBITA) contracts greater than \$1,000,000 are analyzed for the both the quantitative and qualitative aspects of materiality to determine if they will be recorded as an intangible asset under GASB 96. Right to use leased assets have a capitalization threshold of \$1,000,000 for leases greater than one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets acquired after January 1, 2016 are depreciated on the straight-line basis over the useful life of the assets as follows:

	<u>Useful Lives (In Years)</u>
Site improvements	15
Buildings and structures	20-50
Infrastructure	80
Machinery and equipment	3-20
Vehicles	5-7
Leasehold improvements	15

Capital assets acquired as of the operational effective date of the Authority at January 1, 2016 are depreciated over their estimated remaining useful lives at that time as determined by a third-party valuation. These remaining lives differ from the years cited above for newly acquired capital assets and, in most instances, are significantly shorter.

# GREAT LAKES WATER AUTHORITY WATER FUND

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2023

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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The Authority has recorded an intangible asset for raw water rights which are being amortized on a straight-line basis over 30 years in the water fund. See Note 9 for a description of these rights.

#### Prepaid Insurance on Debt

Prepaid insurance on debt represents insurance costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the straight-line method.

#### Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to future periods. At that time, the activity will be recognized as an outflow of resources (or expense). The Authority reports deferred outflows of resources for two items: deferred charges on refunding and pension amounts. Deferred charges on refunding results from the difference in the carrying value of refunded debt and its reacquisition price; these amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources from pension amounts relate to differences between expected and actual investment returns and contributions to the plan subsequent to the plan measurement date. More detailed information on pension amounts can be found in Note 17.

#### Accrued Liabilities

Accrued liabilities represent amounts held for specific purposes or other parties as described below:

- Under the terms of the MBO, the Authority retains cash on hand for the benefit of DWSD to be used for current revenue requirements.
- Pursuant to the water service contract with a customer, the Authority holds a security deposit for \$3,750,000 plus interest earned net of bank fees.
- Amounts owed to the WRAP service delivery partners for WRAP expenses incurred.
- Advanced billings on rentals

#### Revenue Bonds and Loans

The Authority issues revenue bonds to finance capital improvement projects, refund outstanding bonds to reduce future debt service payment and pay the cost of issuance. Loans are direct borrowings through the State of Michigan revolving fund loan program. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. See Note 12 for the details on revenue bonds and loans.

#### Raw Water Rights Obligation

The Authority has recorded a liability for the purchase obligation on raw water rights. See Note 12 for the details of this obligation.

#### BC Note Obligation

Under the terms of the lease agreements with the City, the Authority is required to pay a portion of the City's B and C notes allocated to the regional water system. See "BC Note Obligation" in Note 12.

#### Regional System Leases

The effective date of the Regional System leases by the City to the Authority for the leased water facilities was January 1, 2016. See Note 13 for the details of the regional system leases.

# GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2023

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## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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### Other Liabilities

Other liabilities include the following liabilities which are discussed in Note 14:

- Compensated absences
- Workers' compensation
- Claims and judgements
- Cash held for the benefit of DWSD budget stabilization

### Net Pension Liability

Under the terms of the Regional System leases, the Authority is a nonemployer contributing entity in the City of Detroit General Employee's Retirement system (GRS) Component II plan in a special funding situation. For the purposes of measuring the net pension liability, deferred outflows, and pension expense, information about the fiduciary net position of the Component II plan of the GRS and additions to and deductions from the plan's net position have been determined on the same basis as they are reported by GRS. The GRS combined plan uses the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred. Plan member contributions are recognized in the period in which the contributions are due. Benefits are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value or estimated fair value. Refer to Note 17 for additional information on the net pension liability.

### Deferred Inflows of Resources

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to future periods. At that time, the activity will be recognized as an inflow of resources (or revenues). The Authority has included the deferred gain on refunding, deferred amounts on swap terminations and deferred pension amounts in this reporting category. Deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price; these amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts on swap terminations were assumed as part of the regional system lease agreements with the City. The amounts will be fully amortized for both funds by fiscal 2035. Deferred inflows of resources from pension amounts relate to differences between expected and actual investment returns. More detailed information on pension amounts can be found in Note 17.

### Net Position (Deficit)

Net position, which represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources, is reported in three components as follows:

*Net Investment in Capital Assets* - consists of capital assets, net of accumulated depreciation and reduced by the balance of outstanding related debt including the share of the regional system lease liability allocable to the net investment in capital assets acquisition value of the regional systems recorded under GASB 69.

*Restricted* – consists of amounts that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. The restricted net position consists of restricted assets reduced by liabilities related to those assets.

*Unrestricted* – is the residual balance of net position after net investment in capital assets and restricted.

When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first and then unrestricted resources when they are needed.

# GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2023

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## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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### **STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

#### Classification of Revenues and Expenses

The Authority classifies its revenues and expenses as either operating or nonoperating.

Operating revenues are those revenues generated from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are wholesale charges for providing water treatment. The local system charges are the charges to the City of Detroit under the Water and Sewer Services Agreement (WSSA), dated June 12, 2015. Wholesale customer charges are shown net of loss contingency expense of \$2,308,673 for the Water Fund.

Operating expenses include the direct costs of operating the water system, centralized support, utilities, administrative expenses, depreciation on capital assets and amortization of intangible assets. The following items are shown as a reduction to operating expenses:

- The capital program allocation represents personnel costs that support the project delivery of the Capital Improvement Plan and have been capitalized.
- Intergovernmental reimbursements represent reimbursement of costs related to shared facilities and personnel which the Authority provides to DWSD through a shared services agreement or separate interlocal agreement. It also includes reimbursement of costs for contracted services that are billed to member partners under an intergovernmental agreement.

All revenue and expenses not meeting these definitions above are reported as nonoperating revenues and expenses.

#### Taxes

The Authority pays no direct federal or state taxes except for Social Security and Medicare taxes. The Authority pays a local tax bill for maintenance charges on a county drain and an international local tax on leased property as part of the lease agreement.

#### Interest Income on Obligations Receivable

Interest income is the interest earned on the contractual obligation receivable.

#### Amortization of Debt Related Items and Cost of Issuance

Bond premiums, discounts, and gains or losses on refunding are deferred and amortized over the life of the bonds. Bond premiums, discounts and GASB 69 debt value adjustment are amortized using the effective interest method. The deferred amounts on refunding are amortized using the straight-line method. Debt cost of issuance is expensed when incurred.

#### Legacy Pension Expense

GLWA is legally responsible for making substantial contributions to a legacy pension plan of another entity, see Note 17 for additional information on this Plan.

#### Water Residential Assistance Program (WRAP)

The Water Residential Assistance Program is a unique program that started with the formation of GLWA. The program provides that an amount equal to half of one percent of GLWA Regional Systems revenue be set aside to provide assistance to qualified residents in participating communities across southeast Michigan. The amount expensed represents the amount expended for this purpose during the year. Amounts set aside and not spent are shown as restricted cash. Information on restricted assets is disclosed in Note 4.

# GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2023

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## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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### Centralized Services and Administrative Services

Certain costs incurred by the Authority are allocated between the Water and Sewerage Disposal Funds. The allocations are based on an annual cost allocation analysis. The following table shows the allocation of these common costs for the year ended June 30, 2023:

<u>Common Costs</u>	<u>Water % Allocation</u>	<u>Water Allocation</u>	<u>Sewer % Allocation</u>	<u>Sewer Allocation</u>	<u>Total Common Costs</u>
Centralized services	52.1%	\$ 51,965,447	47.9%	\$ 47,713,609	\$ 99,679,056
Administrative services	43.1%	\$ 15,238,261	56.9%	\$ 20,091,544	\$ 35,329,805

Centralized services includes the following operating areas: planning services, systems control, facility operations, fleet operations, field service operations, energy research and innovation, transformation, information technology and security and integrity.

Administrative services includes the following operating areas: board of directors, chief executive officer, chief administrative and compliance officer, general counsel, public affairs, organizational development, and financial services.

### **USE OF ESTIMATES**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **ADOPTION OF NEW ACCOUNTING STANDARDS**

The following GASB pronouncements were implemented in the current fiscal year with no effect on the financial statements as a result of implementation:

- Statement No. 91, *Conduit Debt Obligations* (effective for fiscal years beginning after December 15, 2021)
- Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (effective for fiscal years beginning after June 15, 2022)
- Statement No. 100, *Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62* (effective for fiscal years beginning after June 15, 2023)

### **NEW ACCOUNTING PRONOUNCEMENTS TO BE IMPLEMENTED IN THE FUTURE**

The following GASB pronouncement will be implemented in the future. The Authority has not completed its assessment of the future impact of the adoption of this statement, if any.

- Statement No. 101, *Compensated Absences* (effective for fiscal years beginning after December 15, 2023)

### **RECLASSIFICATIONS**

Certain prior year amounts have been reclassified to conform to current year presentation.

# GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2023

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## NOTE 2 – BUDGETARY INFORMATION

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The financial activity of the Authority is presented in two enterprise funds. While enterprise funds are not required under State statutes to adopt appropriated budgets, the Authority's Articles of Incorporation outlines a budget adoption process. Budget to actual schedules for revenues and expenses are presented in the Supplementary Information section of this report. This schedule is not required by GAAP or subject to audit procedures. It is presented strictly for informational purposes.

### ***BUDGET PROCESS***

GLWA adopts a biennial budget for the regional water and sewage disposal systems as required by its Articles of Incorporation. The revenue requirements budget is adopted separately for the water and sewerage disposal systems. It is the sum of: a) operation and maintenance expenses; b) amounts necessary to pay the principal of and interest on all bonds and to fund any reserves required by the Master Bond Ordinances; c) the Regional Systems lease payments, which shall be a common-to-all charge; d) GLWA's portion of the GRS net pension liability and the BC Note obligations; e) the required deposit to the Water Residential Assistance Program (WRAP) Fund; f) the amounts needed to make the required deposits to the regional Extraordinary Repair and Replacement Reserve Fund as defined in the Master Bond Ordinance; g) deposits to the regional Improvement and Extension Funds; and h) the amount necessary to satisfy the coverage ratios required by the rate covenant in the Master Bond Ordinance.

As provided in the Regional System leases, through the fiscal year ending June 30, 2025, the water and sewage disposal systems are limited to annual increases in the regional revenue requirement of not more than 4%. This limitation shall not be applicable if the regional revenue requirement must increase beyond the 4% assumption in order to satisfy the rate covenant or to pay the cost of improvements to the leased water and/or sewage disposal facilities that are required to be made by applicable laws.

In the Regional System leases, the City acknowledges that all local water and sewer system revenues received from customers in the City are the property of GLWA and will be deposited as received in the Receiving Fund as defined in the Master Bond Ordinance and applied as provided in the Bond Ordinance. As a result, the City agrees to provide the Authority with a budget for the local water and sewage disposal system as required in the Water and Sewer Services Agreement.

### ***SCHEDULE OF CHARGES PROCESS***

The GLWA Wholesale Customer Model Water Contract requires that GLWA provide wholesale customers with written notice of a proposed charge, meet to review the proposed charge, and the underlying data used to calculate the charge not less than 30 calendar days prior to a public hearing. Further, the contract requires that a public hearing be held no less than 120 days prior to the date that proposed charges take effect.

The Water and Sewer Services Agreement between GLWA and DWSD requires that GLWA provide the City with written notice of the proposed charge and the underlying data used to calculate the charge not less than 120 calendar days prior to the effective date of any new charge.

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## NOTE 3 – CASH DEPOSITS AND INVESTMENTS

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Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes the Authority to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The Authority is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.



# GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2023

## NOTE 3 – CASH DEPOSITS AND INVESTMENTS (cont.)

The deposits and investments of the Authority at June 30, 2023 are reported in the financial statements as follows:

### Statement of Net Position

Cash and cash equivalents	\$ 222,625,550
Restricted cash and cash equivalents	127,679,570
Restricted cash for the benefit of DWSD	17,474,699
Investments	21,081,772
Restricted investments	9,975,144
Noncurrent restricted cash and cash equivalents	96,480,165
Noncurrent restricted investments	<u>22,002,166</u>
 Total	 <u>\$ 517,319,066</u>

### Cash Deposits and Investments

Bank deposits – checking and savings accounts	\$ 63,007,459
Money market accounts	401,252,525
Investments in securities	<u>53,059,082</u>
 Total	 <u>\$ 517,319,066</u>

### **CUSTODIAL RISK OF BANK DEPOSITS**

Deposits and money market accounts are exposed to custodial credit risk if they are not covered by depository insurance. At year-end, the carrying amount of the Authority's deposits and money market accounts was \$464,259,984 for the water fund. The bank balance of the water fund deposits and money market accounts was \$466,465,276 of which \$448,273,029 was uninsured and uncollateralized.

In accordance with the Authority's investment policy and State law, all deposits are held in the Authority's name, and evidenced by a safekeeping receipt. Also, due to the dollar amounts of cash deposits and the limits of FDIC insurance, the Authority believes it is impractical to insure all bank deposits. As a result, the Authority evaluates each financial institution and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

### **INVESTMENTS**

Following is a summary of the Authority's investments as of June 30, 2023:

	Water Fund	Standard & Poors Rating	Weighted Maturity In Years
U.S. treasury notes	\$ 24,225,975	AA+	1.22
U.S. government agencies	1,648,515	AA+	0.03
Commercial paper	<u>27,184,592</u>	A1	0.11
 Total	 <u>\$ 53,059,082</u>		

# GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2023

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## NOTE 3 – CASH DEPOSITS AND INVESTMENTS (cont.)

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### **CUSTODIAL RISK OF INVESTMENTS**

Investments are exposed to custodial credit risk if the securities are uninsured, unregistered or held by a counterparty or its agent but not in the government's name. In accordance with the Authority's investment policy, all investments are held in the name of the Authority and are evidenced by a safekeeping receipt confirmation, and thus not exposed to custodial credit risk.

### **CREDIT RISK**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's investment policy and State law require that commercial paper be rated in the top two ratings by at least two nationally recognized statistical rating organizations.

As of June 30, 2023, all of the Authority's investments in securities of U.S. agencies were rated AA+ by Standard & Poor's and Aaa by Moody's. The Authority's investment in commercial paper was rated A1 by Standard and Poor's and P1 by Moody's. U.S Treasury notes are explicitly guaranteed by the U.S. government and not considered to have credit risk. The Authority's money market accounts were not rated.

### **CONCENTRATION OF CREDIT RISK**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. In order to manage its exposure risk, the Authority's investment policy requires diversification by security type to no more than 50% of the total investment portfolio.

At June 30, 2023, the Authority had greater than 5% of its total investment portfolio concentrated as follows:

<u>Investment Type</u>	<u>Issuer</u>	<u>% of Portfolio</u>
Commercial paper	Natixis Bank NY	19.90%
Commercial paper	Bank of America Securities	14.81
Commercial paper	Mitsubishi UFJ Financial Group Bank LTD NY	12.38

### **INTEREST RATE RISK**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of investments. As a means of limiting its exposure to fair value losses due to rising interest rates, the Authority's investment policy limits the maximum maturity period to no more than five years, unless matched to a particular cash flow need. The Authority's investment policy further provides risk will be minimized by matching investments with short and long-term cash flow requirements and monitoring the maturity dates of individual securities and the weighted average maturity of the investment portfolio, to ensure duration is commensurate with the cash flow requirements.

# GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2023

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## NOTE 3 – CASH DEPOSITS AND INVESTMENTS (cont.)

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### *FAIR VALUE MEASUREMENTS*

The Authority categorizes investments measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The Authority is required to classify certain assets and liabilities based on the following fair value hierarchy:

Level 1: Quoted price in active markets for identical assets.

Level 2: Inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly. Debt securities are priced based on a compilation of primarily observable market information or broker quote in non-active market.

Level 3: Inputs are significant unobservable inputs.

	<u>Level 2</u>
Investments by fair value:	
U.S. treasury notes	\$ 24,225,975
U.S. government agencies	1,648,515
Commercial paper	<u>27,184,592</u>
Total Investments	<u>\$ 53,059,082</u>

The Water Fund has no Level 1 or 3 inputs on June 30, 2023.

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## NOTE 4 – RESTRICTED ASSETS

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Restricted assets, comprised of cash and investments, are available for debt service on revenue bonds and to provide funds for improvements, enlargements, extensions and construction. In accordance with the provisions of the Master Bond Ordinance and Regional System Leases, the Authority follows a sequential flow of funds in segregated accounts through which revenue receipts are deposited and are maintained at certain levels in satisfaction of all legal requirements.

## GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2023

### NOTE 4 – RESTRICTED ASSETS (cont.)

The following schedules provide, in the order of the flow of funds per the Master Bond Ordinance, the assignment of cash and investments between restricted and unrestricted assets based on the source of the monies as of June 30, 2023.

	Funded from Revenue and Other		Funded from Debt Issuance	
	Unrestricted	Restricted	Restricted	Total
<b>Water Fund</b>				
Receiving fund	\$ 67,350,172 *	\$ -	\$ -	\$ 67,350,172
Operations and maintenance	29,372,504	-	-	29,372,504
Operations and maintenance – legacy pension	-	325,928	-	325,928
Senior lien debt service	-	54,922,269	-	54,922,269
Senior lien bond reserve	-	-	101,461,882	101,461,882
Second and junior lien debt service	-	35,922,001	-	35,922,001
Second lien bond reserve	-	-	49,184,236	49,184,236
Legacy pension obligation	-	595,285	-	595,285
Water residential assistance program (WRAP)	-	4,313,454	-	4,313,454
Budget stabilization	-	2,000,000	-	2,000,000
Extraordinary repair and replacement	28,445,753	-	-	28,445,753
Improvement and extension – regional	118,538,893	-	-	118,538,893
Subtotal – Reserves Defined by Ordinance	243,707,322	98,078,937	150,646,118	492,432,377
Less: Funded by surety (noncash)	-	-	(142,325,062)	(142,325,062)
Total – Reserves Defined by Ordinance (net of surety coverage)	243,707,322	98,078,937	8,321,056	350,107,315
Cash held for the benefit of DWSD	-	17,474,699	-	17,474,699
Construction retainage and deposits	-	22,012,952	-	22,012,952
Construction fund	-	-	127,724,100	127,724,100
Total Cash, Cash Equivalents and Investments Water Fund	\$ 243,707,322	\$ 137,566,588	\$ 136,045,156	\$ 517,319,066

\* Balance includes funds sufficient for two months of required Master Bond Ordinance transfers

Surety coverage includes series specific policies; therefore, this represents the lesser of the maximum amount of the policy or amount of reserve requirement allocated to the specific series covered by such policy.

# GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2023

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## NOTE 4 – RESTRICTED ASSETS (cont.)

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A reconciliation of restricted assets to restricted net position is as follows:

Restricted assets from schedule above:	
From revenue and other	\$ 137,566,588
From debt issuance	136,045,156
Amounts payable for liabilities and debt	<u>(215,182,357)</u>
Restricted Net Position	<u>\$ 58,429,387</u>
Restricted net position for:	
Debt service	\$ 56,139,482
Payment assistance program	<u>2,289,905</u>
Total Restricted Net Position	<u>\$ 58,429,387</u>

The following summary reconciles the above cash and investment balances with the balances per the Statement of Net Position. The allocation of restricted balances to current and noncurrent categories is not intended to directly align with the funding source allocation included in the schedule.

	<u>Unrestricted</u>	<u>Restricted Current</u>	<u>Restricted Noncurrent</u>	<u>Total</u>
Cash and cash equivalents	\$ 222,625,550	\$ 127,679,570	\$ 96,480,165	\$ 446,785,285
Cash held for the benefit of DWSD	-	17,474,699	-	17,474,699
Investments	<u>21,081,772</u>	<u>9,975,144</u>	<u>22,002,166</u>	<u>53,059,082</u>
Total	<u>\$ 243,707,322</u>	<u>\$ 155,129,413</u>	<u>\$ 118,482,331</u>	<u>\$ 517,319,066</u>

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## NOTE 5 – RECEIVABLES, NET

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The following is a summary of the net receivables as of June 30, 2023:

Receivables, net:	
Billed	\$ 55,359,908
Unbilled	33,527,694
Other	<u>286,079</u>
Subtotal	89,173,681
Allowance for doubtful accounts	<u>(16,225,907)</u>
Total Receivables, net	<u>\$ 72,947,774</u>

# GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2023

## NOTE 6 – DUE FROM OTHER GOVERNMENTS

Due from other governments in the statement of net position are as follows:

DWSD-Billed shared services	\$	644,536
DWSD-Unbilled shared services		1,351,751
DWSD-Accrued interest on obligation receivable		306,114
Intergovernmental agreements and other		2,233,678
Grants-Federal and State		22,000
State of Michigan FEMA		<u>1,227,486</u>
 Total Due From Other Governments	 \$	 <u>5,785,565</u>

## NOTE 7 – DUE TO AND DUE FROM OTHER FUNDS

Interfund balances result from the time lag between the dates the interfund reimbursements occur and the payment between the funds are made. Interfund balances for the year ended June 30, 2023 consisted of the following:

	Water Fund – Due from Sewage Disposal Fund		Sewage Disposal Fund - Due from Water Fund
Water Fund – Due to Sewage Disposal Fund	\$ -	-	\$ 2,214,714
Sewage Disposal Fund – Due to Water Fund	<u>1,032,754</u>		
 Total Due From	 <u>\$ 1,032,754</u>		 <u>\$ 2,214,714</u>

## NOTE 8 – CONTRACTUAL OBLIGATION RECEIVABLE

As part of the regional system lease transaction, in which GLWA leased the regional water system from the City of Detroit, all DWSD revenue bonds outstanding as of December 31, 2015, including those purchased by the Michigan Finance Authority under its state revolving loan program, were assumed by GLWA with the consent of bondholders. The total bonds assumed by GLWA on January 1, 2016 totaled \$2,313,683,761 for the Water Fund.

Per the lease agreements, the WSSA and the MBO, the Detroit retail class continues to pay its common-to-all share of debt service revenue requirements and its allocated share of debt service revenue requirements associated with improvements to the local water system. Payments on the debt service incurred by GLWA on the outstanding revenue bonds assumed as of December 31, 2015 are to be allocated using an agreed-upon percentage of total debt service associated with bond-financed local improvements over the life of such bonds, though the bonds themselves continue to be secured by the net revenue of GLWA, and the revenues of the Detroit retail class. The MOU dated June 27, 2018 defines an agreed upon allocation and amortization schedule. This allocated debt is referred to as “Bifurcated debt” in the table below. Any additional debt issued by GLWA on behalf of the local system is also included in the obligation receivable. DWSD is billed monthly for the debt requirements on a debt set-aside basis so the funds are available when the associated debt payment is due.

# GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2023

## NOTE 8 – CONTRACTUAL OBLIGATION RECEIVABLE (cont.)

Changes in obligation receivable for the year ended June 30, 2023 were as follows:

	Beginning Balance	Increase	Decrease	Debt Forgiveness	Ending Balance	Due Within One Year
Obligation Receivable						
Bifurcated debt	\$ 368,672,900	\$ -	\$ (15,890,000)	\$ -	\$ 352,782,900	\$ 16,646,300
New money bonds	136,320,000	-	-	-	136,320,000	1,670,000
State revolving funds	43,759,364	17,694,392	(1,468,850)	(1,758,494)	58,226,412	1,495,200
Total Obligation						
Receivable	548,752,264	17,694,392	(17,358,850)	(1,758,494)	547,329,312	19,811,500
Deferred amounts for:						
Unamortized premiums	18,866,946	-	(767,171)	-	18,099,775	796,786
Total Obligation						
Receivable	\$ 567,619,210	\$ 17,694,392	\$ (18,126,021)	\$ (1,758,494)	\$ 565,429,087	\$ 20,608,286

The current obligation receivable payment schedule is as follows:

Year Ended June 30	Principal	Interest	Total
2024	\$ 19,811,500	\$ 24,819,135	\$ 44,630,635
2025	21,209,050	23,905,698	45,114,748
2026	22,163,300	22,945,688	45,108,988
2027	23,171,000	21,941,276	45,112,276
2028	24,215,100	20,890,011	45,105,111
2029-2033	138,659,900	86,878,204	225,538,104
2034-2038	173,334,200	52,154,636	225,488,836
2039-2043	50,743,810	24,741,940	75,485,750
2044-2048	65,133,561	9,311,955	74,445,516
2049-2052	8,887,891	421,146	9,309,037
Total	\$ 547,329,312	\$ 288,009,689	\$ 835,339,001

# GREAT LAKES WATER AUTHORITY WATER FUND

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2023

### NOTE 9 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Nondepreciable and nonamortizable capital assets					
Land	\$ 34,907,091	\$ -	\$ (459,432)	\$ 30,000	\$ 34,477,659
Easements	259,138,946	-	-	-	259,138,946
Construction in progress	272,954,060	195,531,135	(21,543,446)	(72,697,796)	374,243,953
Prepaid subscription assets	413,924	2,282,630	-	-	2,696,554
<b>Total Nondepreciable and Nonamortizable Capital Assets</b>	<b>567,414,021</b>	<b>197,813,765</b>	<b>(22,002,878)</b>	<b>(72,667,796)</b>	<b>670,557,112</b>
Depreciated and amortized capital assets					
Site improvements	84,054,180	-	-	-	84,054,180
Buildings and structures	607,176,076	301,069	-	4,396,850	611,873,995
Infrastructure	668,116,959	-	-	18,883,260	687,000,219
Machinery and equipment	791,592,580	2,770,921	(1,227,769)	49,387,686	842,523,418
Vehicles	5,281,129	1,010,099	(35,607)	-	6,255,621
Leasehold improvements	8,407,125	14,660	-	-	8,421,785
Intangible asset – raw water rights	106,999,919	-	-	-	106,999,919
<b>Total Depreciable and Amortizable Assets</b>	<b>2,271,627,968</b>	<b>4,096,749</b>	<b>(1,263,376)</b>	<b>72,667,796</b>	<b>2,347,129,137</b>
Less: Accumulated depreciation and amortization					
Site improvements	(54,638,999)	(6,855,620)	-	-	(61,494,619)
Buildings and structures	(197,253,224)	(25,200,015)	-	-	(222,453,239)
Infrastructure	(248,147,691)	(38,825,276)	-	-	(286,972,967)
Machinery and equipment	(367,472,545)	(54,280,617)	845,572	-	(420,907,590)
Vehicles	(2,289,286)	(766,983)	33,198	-	(3,023,071)
Leasehold improvements	(1,166,715)	(557,251)	-	-	(1,723,966)
Intangible asset – raw water rights	(16,347,210)	(3,566,664)	-	-	(19,913,874)
<b>Total Accumulated Depreciation and Amortization</b>	<b>(887,315,670)</b>	<b>(130,052,426)</b>	<b>878,770</b>	<b>-</b>	<b>(1,016,489,326)</b>
<b>Total Depreciated and Amortized Capital Assets, Net</b>	<b>1,384,312,298</b>	<b>(125,955,677)</b>	<b>(384,606)</b>	<b>72,667,796</b>	<b>1,330,639,811</b>
<b>Net Capital Assets</b>	<b>\$ 1,951,726,319</b>	<b>\$ 71,858,088</b>	<b>\$(22,387,484)</b>	<b>\$ -</b>	<b>\$ 2,001,196,923</b>



# GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2023

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## NOTE 9 – CAPITAL ASSETS (cont.)

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### **ASSET IMPAIRMENT**

Capital assets are evaluated annually to determine if any asset impairments exist, defined as a significant, unexpected decline in the service utility of a capital asset. The 2015 Water Master Plan recommended right-sizing the capacity of the Regional Water System based on the trends of lower projections of population and water volume demands. The Water Master Plan found that the Authority's combined water treatment plant design capacity was estimated to be over 60% greater than the forecasted 20-year water demands. The total rated capacity of the existing five water treatment plants is 1.7 billion gallons per day. The 2015 Master Plan Update identified likely maximum demands in the range of up to 1.0 billion gallons per day during the 20-year planning period. This provided the rationale to strategically align capacity and service requirements and planning for structural de-rating of capacity as warranted at all of the water treatment plants. The Water Master Plan identified the financial benefit of capital cost avoidance in reducing the combined treatment capacity at all five of the GLWA Water Treatment Plants. That recommendation included the decommissioning of Water Treatment Plants. During FY 2023, operational, regulatory and life cycle cost updates no longer support decommissioning Water Treatment Plants. A report related to the factors that impacted this decision was presented to the GLWA Board of Directors on June 28, 2023 which included a write-off of some or all of the activity for the following CIP projects: 122003 – Waterworks Park to NE Transmission Main, 122017 – Seven Mile/Nevada Transmission Main, and 122018 – Garland, Hurlbut, Bewick Transmission Main. As a result \$20,902,626 has been recognized as a loss for the discontinued capital projects.

### **RAW WATER RIGHTS ASSET**

Effective December 1, 2017, the Authority, the City of Flint, Karegnondi Water Authority (KWA), Genesee County Drain Commission (GCDC) and State of Michigan entered into a long-term partnership agreement to satisfy a number of critical water service needs across the region. Key provisions of a master agreement includes: 1) a 30-year water service contract with the City of Flint that establishes the Authority as the long-term water source for the City of Flint and credits the City of Flint for its debt service payment obligations on existing KWA bonds for the building of its raw water intake and supply line; 2) a license to the Authority of the 72-inch line serving the City of Flint; and 3) a 30-year contract for reciprocal, emergency water services between the Authority and GCDC.

The 30-year water service contract with the City of Flint includes a license to raw water rights on 17.46 MGD of the 18 MGD purchased by Flint as part of KWA bond obligation. These license rights constitute an intangible asset under governmental accounting standards. Therefore, the Authority has recorded an intangible asset and purchase obligation liability of approximately \$107 million associated with this agreement in the accompanying financial statements. The Authority is amortizing the intangible asset over 30 years. As the City of Flint satisfies its monthly bond payment obligations to KWA, the Authority credits Flint's water invoice for that payment and reduces the Authority's purchase obligation. This process will continue each year over the 30-year life of the asset.

### **PREPAID SUBSCRIPTION ASSETS**

The Authority has entered into two contracts for Subscription-Based Information Technology Arrangements (SBITA) that will be recorded under GASB 96. The SBITA's are in the initial implementation stage, therefore costs associated with these SBITA's have been recorded as prepaid subscription assets. Once the subscription assets are placed in service, the costs incurred and any future subscription liability (present value of expected future payments) will be recognized as an intangible right-to-use subscription asset and amortized over the subscription term.

# GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2023

## NOTE 10 – ACCRUED LIABILITIES

As described in Note 1, other accrued liabilities in the statement of net position are as follows:

Cash held for the benefit of DWSD	\$ 17,474,699
Due to WRAP service delivery partners	2,023,549
Advanced billings	1,707,978
Customer deposit	<u>3,904,990</u>
 Total Accrued Liabilities	 <u>\$ 25,111,216</u>

## NOTE 11 – DUE TO OTHER GOVERNMENTS

Due to other governments, which consists entirely of amounts due to the DWSD, in the statement of net position is as follows:

Shared services	<u>\$ 3,124,058</u>
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## NOTE 12 – LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2023 were as follows:

	Beginning Balance	Increase	Decrease	Debt Forgiveness	Ending Balance	Due Within One Year
Bonds and Loans						
Revenue bonds	\$2,128,890,000	\$ 207,215,000	\$ (56,845,000)	\$ -	\$2,279,260,000	\$ 40,250,000
Notes from direct borrowings and direct placements - State revolving loan	<u>109,429,462</u>	<u>104,782,590</u>	<u>(5,096,750)</u>	<u>(1,758,494)</u>	<u>207,356,808</u>	<u>6,985,000</u>
Total Bonds and Loans	2,238,319,462	311,997,590	(61,941,750)	(1,758,494)	2,486,616,808	47,235,000
Deferred amounts for:						
Unamortized premiums	167,471,141	22,299,260	(16,285,358)	-	173,485,043	15,838,410
Unamortized discounts	<u>(6,461,062)</u>	<u>-</u>	<u>897,517</u>	<u>-</u>	<u>(5,563,545)</u>	<u>(741,328)</u>
Total Bonds and Loans, Net	2,399,329,541	334,296,850	(77,329,591)	(1,758,494)	2,654,538,306	62,332,082
Other Debt						
Raw water rights obligation	95,361,056	-	(2,845,282)	-	92,515,774	2,963,619
BC Note obligation	<u>16,542,293</u>	<u>-</u>	<u>(203,954)</u>	<u>-</u>	<u>16,338,339</u>	<u>214,151</u>
Total	<u>\$2,511,232,890</u>	<u>\$ 334,296,850</u>	<u>\$ (80,378,827)</u>	<u>\$ (1,758,494)</u>	<u>\$2,763,392,419</u>	<u>\$ 65,509,852</u>

## GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2023

### NOTE 12 – LONG-TERM DEBT (cont.)

As of June 30, 2023, aggregate debt service requirements of the Authority's bonds and loans (fixed and variable-rate) were as follows. These amounts assume that current interest rates on variable-rate bonds will remain the same for their respective terms. As these rates vary, interest payments on variable-rate bonds will vary.

Year Ended June 30	Bonds		Notes from Direct Borrowings and Direct Placements		Total
	Principal	Interest	Principal	Interest	
2024 *	\$ 40,250,000	\$ 91,625,071	\$ 6,985,000	\$ 4,099,446	\$ 142,959,517
2025	82,590,000	103,512,277	12,453,950	3,888,845	202,445,072
2026	86,795,000	99,634,323	12,710,000	3,641,836	202,781,159
2027	90,805,000	95,382,395	12,952,820	3,389,809	202,530,024
2028	95,310,000	90,959,407	11,560,000	3,150,348	200,979,755
2029-2033	561,450,000	378,469,377	60,195,190	12,292,397	1,012,406,964
2034-2038	619,035,000	227,124,415	45,605,907	6,887,898	898,653,220
2039-2043	357,870,000	124,057,575	32,398,814	3,045,047	517,371,436
2044-2048	283,025,000	48,048,437	9,272,237	901,376	341,247,050
2049-2053	62,130,000	7,691,537	3,222,890	137,896	73,182,323
<b>Total</b>	<b>\$ 2,279,260,000</b>	<b>\$ 1,266,504,814</b>	<b>\$ 207,356,808</b>	<b>\$ 41,434,898</b>	<b>\$ 3,794,556,520</b>

\* For bonds issued through the Michigan Finance Authority (MFA) in 2014 and 2015, the Authority is required to make payment on these obligations to the MFA depository account five business days prior to the actual due date of the bond principal and interest payments. Therefore, the payments for principal and interest due on July 1, 2023 are not included in the debt service requirements amounts above as they were paid on June 26, 2023.

# GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2023

## NOTE 12 – LONG-TERM DEBT (cont.)

### REVENUE BONDS

Net revenues of the Authority are pledged to repayment of bonds; following are the revenue bonds payable at June 30, 2023:

Issue	Bond Date	Original Issue Amount	Range of Interest Rates	Maturity Dates	Outstanding Ending Balance	Callable at Par
Series 2003A	1/30/03	\$ 234,805,000	5.00%	7/01/34	\$ 100,000	\$ 100,000
Series 2003B	1/30/03	172,945,000	5.00%	7/01/34	100,000	100,000
Series 2005B	5/14/08	194,900,000	5.25%	7/01/35	100,000	100,000
Series 2006A	8/16/06	280,000,000	5.00%	7/01/34	100,000	100,000
Series 2006B	4/01/09	120,000,000	6.25%	7/01/36	100,000	100,000
Series 2014D-1	9/04/14	206,540,000	5.00%	7/01/35-37	44,190,000	44,190,000
Series 2014D-2	9/04/14	188,455,000	5.00%	7/01/24-28	182,480,000	136,925,000
Series 2014D-4	9/04/14	307,645,000	5.00%	7/01/29-34	209,360,000	209,360,000
Series 2014D-6	9/04/14	65,425,000	5.00%	7/01/24-36	45,820,000	43,690,000
Series 2015D-1	12/15/15	89,430,000	5.00%	7/01/27-35	69,275,000	69,275,000
Series 2015D-2	12/15/15	37,235,000	5.00%	7/01/34	37,235,000	37,235,000
Series 2016A	10/27/16	88,000,000	5.00%	7/01/23-46	87,990,000	87,970,000
Series 2016B	10/27/16	163,830,000	5.00%	7/01/23-46	163,820,000	163,800,000
Series 2016C	10/27/16	443,930,000	5.00-5.25%	7/01/23-35	439,065,000	367,685,000
Series 2016D	10/27/16	222,045,000	4.00-5.00%	7/01/24-36	222,045,000	217,380,000
Series 2018A	10/3/18	155,595,000	5.00%	7/01/23-29	109,040,000	-
Series 2020A	5/12/20	42,445,000	5.00%	7/01/24-49	42,445,000	35,685,000
Series 2020B	5/12/20	43,135,000	5.00%	7/01/24-49	43,135,000	36,265,000
Series 2020C**	5/12/20	377,515,000	1.879-3.473%	7/01/23-41	375,645,000	317,530,000
Series 2022A	9/13/22	137,470,000	5.00-5.25%	7/01/25-52	137,470,000	132,900,000
Series 2022B	9/13/22	69,745,000	5.00-5.50%	7/01/25-52	69,745,000	66,710,000

Total Revenue Bonds Payable \$ 2,279,260,000

\*\* Taxable bond

### New Money Bond – Water Fund

On September 13, 2022, the Authority completed a new money water supply system revenue bond transaction. The Authority issued \$137,470,000 in Series 2022A senior lien revenue bonds and \$69,745,000 in 2022B second lien revenue bonds for a total issue of \$207,215,000.

### Arbitrage

Certain bonds are subject to arbitrage rebate requirements in accordance with regulations issued by the U.S. Treasury Department. The requirements generally stipulate that earnings from the investment of the tax-exempt bond proceeds that exceeds related interest costs on the bonds must be remitted to the Federal government on every fifth anniversary of each bond issue. The Authority did not have an arbitrage rebate liability as of June 30, 2023.

# GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2023

## NOTE 12 – LONG-TERM DEBT (cont.)

### STATE REVOLVING FUND LOANS

The Authority participates in direct borrowings through the State of Michigan Drinking Water State Revolving Fund (DWSRF) to finance qualified water supply system projects. As GLWA draws additional amounts, the outstanding principal amounts of such loans will correspondingly increase. All loans are callable under terms specified in the loan agreements.

The Authority received direct borrowing loans from the State of Michigan Revolving Loan Fund during the year ended June 30, 2023 for the Water Fund totaling \$104,782,590 of which \$1,758,494 has been forgiven. The water loans forgiven and \$17,694,392 of the proceeds of the Water Fund loans were a pass through to DWSD, the subrecipient of the loans. The remaining proceeds of the Water Fund loans were used to pay costs of acquiring, constructing extensions, and making certain repairs and improvements to the regional water system. At June 30, 2023, \$73,915,545 for the Water Fund was authorized and unissued. Of the authorized and unissued amount, \$9,145,105 of the Water Fund is for pass through loans to DWSD.

Net revenues of the Authority are pledged for repayment of the loans.

The following is a schedule of the state revolving loans payable at June 30, 2023:

Issue	Bond Date	Amount Issued	Range of Interest Rates	Maturity Dates	Outstanding Ending Balance
Series 2005 SRF-1	9/22/05	\$ 13,805,164	2.125%	10/01/23-26	\$ 3,130,164
Series 2005 SRF-2	9/22/05	8,891,730	2.125%	10/01/23-26	1,976,730
Series 2006 SRF-1	9/21/06	5,180,926	2.125%	10/01/23-26	1,165,926
Series 2008 SRF-1	9/29/08	2,590,941	2.50%	10/01/23-28	650,941
Series 2016 SRF-1	9/16/16	8,273,168	2.50%	4/01/24-48	7,258,168
Series 2016 SRF-2	9/16/16	3,393,543	2.50%	4/01/24-48	2,968,543
Series 2017 SRF-1	6/23/17	5,807,931	2.50%	10/1/23-48	5,192,931
Series 2019 SRF-1	6/7/19	8,330,000	2.00%	10/1/23-40	7,635,000
Series 2019 SRF-2	8/30/19	29,950,000	2.00%	4/1/24-42	27,824,226
Series 2019 SRF-3	8/30/19	11,788,056	2.00%	10/1/23-43	7,447,932
Series 2020 SRF-1	7/31/20	20,538,700	2.00%	4/1/24-52	19,514,960
Series 2020 SRF-2	8/28/20	9,000,000	2.00%	10/1/23-39	6,940,958
Series 2020 SRF-3	8/28/20	8,960,000	2.00%	4/1/24-41	7,909,220
Series 2020 SRF-4	9/30/20	12,153,050	2.00%	4/1/24-47	8,832,593
Series 2021 SRF-1	6/21/21	11,940,000	1.875%	10/1/24-31	4,209,249
Series 2021 SRF-2	8/30/21	104,725,000	1.875%	10/1/24-34	50,945,907
Series 2021 SRF-3	8/30/21	11,528,950	1.875%	10/1/24-41	9,678,360
Series 2022 SRF-2	9/20/22	34,075,000	1.875%	10/1/23-43	34,075,000
Total State Revolving Loans Payable					<u>\$ 207,356,808</u>

# GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2023

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## NOTE 12 – LONG-TERM DEBT (cont.)

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### ***PLEDGES OF FUTURE REVENUE***

The Authority has pledged assets to secure the repayment of the revenue bonds and State of Michigan revolving fund loans. The Water System bonds and loans are paid solely from the net revenues of the Water System. Net revenues are defined in the Great Lakes Water Authority Water Master Bond Ordinances as all revenues except those transferred to the Operation and Maintenance funds. These revenues are further defined to include the revenues from the Retail Customers who are serviced under the Water and Sewer Services Agreement with the City of Detroit which are reported in the financial statements of the City of Detroit Water and Sewerage Department. The pledged revenues calculation for the fiscal year ending June 30, 2023 includes revenues reported by the Great Lakes Water Authority and the City of Detroit Water and Sewerage Department as this revenue is pledged for payment of the bonds and loans of the Great Lakes Water Authority.

The general purpose of the Water System debt is to provide funding for various water treatment and transmission capital improvements, refund certain water revenue bonds, pay termination amounts for interest rate swap agreements and fund reserve requirements. The term of pledge commitment for the water bonds is through fiscal year 2053.

The table below has the pledged revenue coverage as of June 30, 2023:

Remaining principal and interest requirement	\$ 3,794,556,520
Principal and interest funding requirement for the year ending June 30, 2023 (calculated on a debt set aside basis consistent with rate covenant basis for rate determination)	\$ 192,800,887
Pledged revenue for the year ending June 30, 2023	\$ 266,472,915
Pledged revenue collected as a percentage of funding requirement	138%

At the date of the issuance of the GLWA financial report, DWSD's audited financial report had not been released. The local system amounts used for the calculation above reflect DWSD's management representation of preliminary financial results for the year ended June 30, 2023.

### ***DEBT RATINGS***

In August 2022, S&P Global Ratings affirmed the Authority's senior lien water system rating of AA- and its second lien water system rating of A+. The outlook remained stable. Moody's Investors Service affirmed the Authority's water system senior lien ratings of A1, and its second lien ratings of A2. The outlook was moved to positive from stable. Fitch affirmed the Authority's ratings for its water system senior lien bonds at an A+, and its second lien bonds at an A. The water system outlook remained stable.

In November 2018, S&P Global Ratings assigned an A+ rating to the Authority's junior lien water system SRF bonds.

See Note 20 for rating agency upgrades received in October 2023.

# GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2023

## NOTE 12 – LONG-TERM DEBT (cont.)

### **RAW WATER RIGHTS OBLIGATION**

An obligation has been recorded related to the license of the raw water rights that were part of the 30-year service contract with the City of Flint. This obligation represents the future credits to the City of Flint's water bills as the City of Flint satisfies its monthly bond payment obligations to KWA. See related footnote for the raw water rights intangible asset (Note 9).

The future credits to be issued are detailed below:

Year Ended June 30	Principal	Interest	Total
2024	\$ 2,963,619	\$ 3,689,208	\$ 6,652,827
2025	3,085,994	3,567,008	6,653,002
2026	3,212,750	3,439,803	6,652,553
2027	3,345,194	3,307,356	6,652,550
2028	3,483,226	3,169,448	6,652,674
2029-2033	19,688,493	13,571,493	33,259,986
2034-2038	24,097,490	9,164,433	33,261,923
2039-2043	28,187,150	3,811,606	31,998,756
2044-2046	<u>4,451,858</u>	<u>158,742</u>	<u>4,610,600</u>
Total	<u>\$ 92,515,774</u>	<u>\$ 43,879,097</u>	<u>\$ 136,394,871</u>

### **BC NOTE OBLIGATION**

Under the terms of the lease agreements with the City, the Authority is required to pay a portion of the City's Financial Recovery Bonds, Series 2014-B and 2014-C allocated to the regional water and sewage disposal systems. The Financial Recovery Bonds, Series 2014-B are federally taxable. The Series 2014-B bonds have two components: B(1) which has a 4.0 percent per annum interest rate and B(2) which has a variable interest rate until the maturity date of April 1, 2044. The bonds were delivered to classes of creditors in satisfaction of: (1) Class 12 OPEB claims the bonds were distributed to the new Voluntary Employee Beneficiary Associations (VEBA) for the general retirees and police and fire retirees; (2) Class 9 Pension Obligation Certificate (POC) claims; and (3) other unsecured bankruptcy claims. GLWA has a contractual obligation to pay a portion of the bonds based on an agreed-upon allocation percentage.

The Financial Recovery Bonds, Series 2014-C were issued with interest at 5.0 percent per annum. The 2014-C bonds were issued as part of the Syncora Settlement and FGIC/POC Settlement in the bankruptcy plan. GLWA has a contractual obligation to pay a portion of the bonds based on an agreed-upon allocation percentage.

In 2018, the governing body of the City of Detroit authorized the use of general funds for the full redemption of the General Obligation Bonds, 2014 Series C, including the amount allocated to the Authority. The 2014 Series C debt was fully redeemed on April 13, 2018. In addition, on December 13, 2018, the City issued Financial Recovery Refunding Bonds to redeem a portion of the 2014 Series B. The Authority will repay the City of Detroit General Fund under the terms of the original debt payment schedules for the 2014 Series B & C General Obligation Bonds, with principal and interest due on June 30 each year.

# GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2023

## NOTE 12 – LONG-TERM DEBT (cont.)

### **BC NOTE OBLIGATION** (cont.)

The following is a schedule of the BC Note obligation for the Financial Recovery Bonds at June 30, 2023:

Bond Issue (GLWA share)	Original Issue Amount (GLWA share)	Range of Interest Rates	Maturity Date	Outstanding Ending Balance
Series 2014-B	\$ 26,540,080	4.00% and variable	4/1/44	\$ 15,556,024
Series 2014-C	3,829,794	5.00%	6/30/27	782,315
<b>Total</b>				<b><u>\$ 16,338,339</u></b>

As of June 30, 2023, debt service requirements of the BC Note obligation for the Financial Recovery Bonds were as follows:

Year Ended June 30	Principal	Interest	Total
2024	\$ 214,151	\$ 661,357	\$ 875,508
2025	1,002,661	650,649	1,653,310
2026	1,013,904	608,294	1,622,198
2027	885,004	565,378	1,450,382
2028	777,802	528,905	1,306,707
2029-2033	3,889,008	2,177,844	6,066,852
2034-2038	3,889,008	1,928,948	5,817,956
2039-2043	3,889,008	933,362	4,822,370
2044	777,793	46,668	824,461
<b>Total</b>	<b><u>\$ 16,338,339</u></b>	<b><u>\$ 8,101,405</u></b>	<b><u>\$ 24,439,744</u></b>

### **INTEREST EXPENSE**

The following represents the amounts recorded as interest expense for the year ended June 30, 2023:

Revenue bonds and loans	\$ 110,094,574
Regional System Lease	16,793,494
Raw water rights obligation	3,602,238
BC Note obligation	<u>671,554</u>
<b>Total Interest Expense</b>	<b><u>\$ 131,161,860</u></b>



# GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2023

## **NOTE 13 – REGIONAL SYSTEMS LEASES PAYABLE AND RELATED PREPAID LEASE**

On January 1, 2016, the Authority effectuated lease agreements with the City for the regional water and sewage disposal systems for a term of 40 years, to be extended automatically to coincide with the final maturity of any bonds issued to finance improvements to the regional or local sewage disposal systems. The agreements collectively provide for an annual lease payment of \$50 million. Currently, \$22,500,000 is allocated to the Water Fund. The lease for the water system provides service to the wholesale customers and the retail water customers of the City up to the point of connection to the local water system facilities of the City. In addition, the leases provide that certain other assets including cash and investments held by DWSD as of December 31, 2015 be transferred to GLWA, all revenues of the regional and local water and sewage disposal systems are assigned to GLWA, and that GLWA assumes all DWSD bonded debt and certain other liabilities. The long-term leases are recorded as the present value of all future debt payments.

The regional system leases were recorded under GASB 69 to record the acquisition of the operations of the City of Detroit water and sewage disposal systems. The liability for the leases is allocated in the computation of net position based upon the components of net position acquired. Under the definitions of the regional system leases all improvements, additions and replacements to the original facilities acquired are considered to be leased facilities.

Amounts reported as a liability at year-end represent the net present value of all future lease payments. Changes in the Water Regional System lease payable for the year ended June 30, 2023 is as follows:

<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Amount due Within One Year*</u>
\$ 405,782,407	\$ -	\$ (5,686,745)	\$ 400,095,662	\$ 5,928,467

\* The current portion of the Water Regional System lease payable represents the 12 monthly payments required from July 1, 2023 through June 30, 2024. Future revenues are intended to cover these payments.

As of June 30, 2023, aggregate requirements of the Water Regional System lease is as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 5,928,467	\$ 16,571,533	\$ 22,500,000
2025	6,180,464	16,319,536	22,500,000
2026	6,443,173	16,056,827	22,500,000
2027	6,717,048	15,782,952	22,500,000
2028	7,002,565	15,497,435	22,500,000
2029-2033	39,738,870	72,761,130	112,500,000
2034-2038	48,933,801	63,566,199	112,500,000
2039-2043	60,256,289	52,243,711	112,500,000
2044-2048	74,198,617	38,301,383	112,500,000
2049-2053	91,366,974	21,133,026	112,500,000
2054-2056	53,329,394	2,920,606	56,250,000
<b>Total</b>	<b>\$ 400,095,662</b>	<b>\$ 331,154,338</b>	<b>\$ 731,250,000</b>

# GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2023

## **NOTE 13 – REGIONAL SYSTEMS LEASES PAYABLE AND RELATED PREPAID LEASE (cont.)**

As part of the 2018 MOU, the MBO requirement for six months of lease payments made to DWSD on January 1, 2016 will be treated as a prepaid lease payment. The initial term of the regional system leases began on the effective date and ends on December 31, 2055. GLWA's last monthly payment shall be June 1, 2055 and GLWA's \$25 million lease pre-payment on January 1, 2016 shall be applied to the period of July 1, 2055 through December 31, 2055. Of the \$25 million recorded as a prepaid on the statement of net position, \$11,250,000 is recorded in the Water Fund.

## **NOTE 14 – OTHER LIABILITIES**

Changes in other liabilities for the year ended June 30, 2023 were as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Compensated absences	\$ 4,797,762	\$ 4,225,984	\$ (3,920,228)	\$ 5,103,518	\$ 3,464,850
Workers' compensation	213,300	448,142	(443,069)	218,373	143,373
Claims and judgements	500,000	85,000	(450,000)	135,000	135,000
Cash held for the benefit of DWSD budget stabilization	2,000,000	-	-	2,000,000	-
<b>Total</b>	<b>\$ 7,511,062</b>	<b>\$ 4,759,126</b>	<b>\$ (4,813,297)</b>	<b>\$ 7,456,891</b>	<b>\$ 3,743,223</b>

### **COMPENSATED ABSENCES**

The Authority has a paid time off (PTO) policy which has an annual accrual period ending September 30 each year. Employees are allowed to carry over a maximum bank of 80 hours to the next accrual period. Balances greater than 80 hours up to a maximum of 160 hours are converted to the retiree health saving program at 50% of the value of the PTO time. Hours in excess of 160 hours are forfeited if unused by September 30 of each accrual period. Due to Covid, an additional Reserve PTO account was created in September 2020 to allow team members to set aside an additional 80 hours of their PTO balance to be used through September 30, 2022. In August 2022, a change was made allowing employees an option to elect a payout of all or a partial amount of this Reserve PTO balance by September 30, 2022. Any amounts not paid out will remain in the Reserve PTO account until September 30, 2023 at which point any unused remaining hours will expire. The accrued compensated absences on June 30, 2023 for PTO accruals are \$3,166,198 for the Water Fund which is current.

The Authority also has an accrued compensated absence liability assumed on January 1, 2016 relating to the accumulated unpaid vacation and sick leave balances for those employees who retired from the City or resigned from the City and accepted employment with the Authority on January 1, 2016. The June 30, 2023 balance of the accrued compensated absences for the liability assumed on January 1, 2016 is approximately \$1,937,320 of which \$298,652 is current. This liability is recorded in the Water Fund as the disbursements for payment will be processed from the Water Fund with reimbursement from the Sewage Disposal Fund.

The accrued compensated absences include the employers' share of Social Security and Medicare taxes as well as the 401 (a) employer contribution.

### **WORKERS' COMPENSATION**

Workers' compensation is discussed in Note 15 Risk Management/Self-Insurance Programs.

# GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2023

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## NOTE 14 – OTHER LIABILITIES (cont.)

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### **CLAIMS AND JUDGEMENTS**

The Authority has accrued in its financial statements for known asserted claims in which future settlements may be necessary. See Note 15 for discussion of risk of loss and insurance coverages.

### **CASH HELD FOR THE BENEFIT OF DWSD BUDGET STABILIZATION**

Under the terms of the Master Bond Ordinance (MBO), the Authority retains cash on hand for the benefit of DWSD for budget stabilization funds to be used if DWSD has cash shortfalls. The 2018 Memorandum of Understanding set the balance to be retained in the Budget Stabilization Funds at \$7,500,000 for the life of the Regional System Leases. The Water Fund has retained \$2,000,000.

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## NOTE 15 – RISK MANAGEMENT/SELF-INSURANCE PROGRAMS

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The Authority is exposed to various types of risk of loss including torts; theft of, damage to, or destruction of assets; errors or omissions; occupationally related illnesses or injuries to employees; natural disasters; and environmental occurrences. Also included are risk of loss associated with providing medical and prescription drug benefits to employees.

The Authority transfers risk via the purchase of a variety of insurance policies the most significant of which are shown in the table below (alphabetical by coverage):

Coverage	Coverage Limits	Maximum Retention Per Occurrence
Aviation	\$5,000,000	Physical damage 5% of insured value
Fiduciary	\$15,000,000	\$5,000
General Liability	\$10,000,000	\$1,000,000
Pollution Legal Liability	\$25,000,000	\$500,000
Property Damage	\$750,000,000	\$3,500,000 combined for all coverages
Public Officials and Employment Practices	\$25,000,000	\$500,000
Underground Storage Tanks	\$2,000,000	\$5,000
Workers' Compensation	Statutory/\$2,000,000	\$1,250,000

The Authority assumes all risk for motor vehicle physical damage.

Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage since inception of the Authority.

A liability for claims is reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The Authority estimates the liability for medical and worker's compensation claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported, which includes estimates of both future payments of losses and related claim adjustments expense. The liability is based on individual claims and management's evaluation of experience with respect to the probable number and nature of claims.

# GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2023

## **NOTE 15 – RISK MANAGEMENT/SELF-INSURANCE PROGRAMS (cont.)**

### ***MEDICAL AND PRESCRIPTION DRUG INSURANCE***

The Authority provides medical and prescription drug benefits to a significant number of employees through a self-insured health plan that is administered by third party administrators. The Authority has stop-loss insurance for its self-insured medical and prescription drug plans with terms of \$300,000 per contract to reduce risk exposure. The self-insured program is administered by a third-party administrator who provides claims review and processing services as well as illustrated premium rates, which are anticipated, over time, to approximate the actual cost of benefits. Claim payments are reported net of rebates received for negotiated pricing for pharmacy benefits and stop loss reimbursements. The unpaid claims estimate is accrued within the Water Fund's accrued salaries, wages and benefits payable account on the Statement of Net Position. Although the liability is recorded in the Water Fund, the Sewage Disposal Fund's share of these costs are allocated through the Centralized and Administrative Services allocation.

	2023	2022
Unpaid claims, beginning of year	\$ 765,795	\$ 917,531
Incurred claims (including change in IBNR provisions)	9,661,534	10,510,451
Claims payments	(9,878,417)	(10,662,187)
Unpaid Claims, End of Year	\$ 548,912	\$ 765,795

### ***WORKERS' COMPENSATION***

The Authority maintains a self-insurance program for workers' compensation coverage up to statutory limits. The program is administered by a third-party who provides claim review and medical bill review services. Claim liabilities are calculated considering the effects of recent claim settlement trends including frequency and amount of payouts and other economic and social factors. The claim liabilities also include estimated costs for claim administration fees and outside legal and medical assistance costs. The liabilities for workers' compensation current year claims is based on estimates and payments are based on actuals. The unpaid claims estimate is accrued within the Water Fund's accrued workers' compensation account (See Note 14). Although the liability is recorded in the Water Fund, the Sewage Disposal Fund's share of these costs are allocated through the Centralized and Administrative Services allocation.

Changes in the balances of claims liabilities during the past two years are as follows:

	2023	2022
Unpaid claims, beginning of year	\$ 213,300	\$ 330,817
Incurred claims (including change in IBNR provisions)	448,142	717,963
Claims payments	(443,069)	(835,480)
Unpaid Claims, End of Year	\$ 218,373	\$ 213,300

# GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2023

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## NOTE 16 – DEFINED CONTRIBUTION PENSION PLANS

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### ***DEFINED CONTRIBUTION PLANS***

The Great Lakes Water Authority Defined Contribution Retirement Plan is a 401(a) governmental money purchase plan administered by ICMA Retirement Corporation (the “Administrator”) to provide benefits at retirement to all full-time employees of the Authority. The Authority contributes 6.0% of an employee’s base pay to the plan. The Authority will make an additional contribution to the 401(a) plan to match employee contributions under the Great Lakes Water Authority 457 Plan up to 3% of compensation. Employees are 100% vested after three years of service (cliff vesting). Employees who transferred to the Authority on or around January 1, 2016 from DWSD retain their years of service for vesting purposes. The Authority recognized expense of \$5,999,361, which is net of forfeitures of \$113,314, for the year ended June 30, 2023. The Authority has accrued approximately \$83,000 of expense on the accrued payroll at June 30, 2023. At June 30, 2023, there were 1,231 plan members, of which 1,007 are active.

The Great Lakes Water Authority Defined Contribution Plan Make-Up Benefit is a 401(a) governmental money purchase plan administered by ICMA Retirement Corporation (the “Administrator”) to provide benefits at retirement to all employees who terminated employment with DWSD on or around January 1, 2016 and were not vested in the City of Detroit General Retirement System (GRS). Eligible employees were required to rollover to the Authority’s Section 457 Deferred Compensation Plan their refunded employee mandatory contribution from GRS. The amount of the make-up benefit was determined by an actuary based on the present value of the lost GRS benefit. It was accrued in fiscal year 2018 and funded during fiscal year 2019. No additional contributions are required for this plan. Employees are 100% vested after one year of service. At June 30, 2023 there are 24 participants in the plan.

The Authority has a Section 457 Deferred Compensation Plan which employees can make pre-tax or post-tax (Roth) contributions which are immediately 100% vested. At June 30, 2023 there were 1,194 plan members, of which 1,083 are active.

The Authority has a Roth IRA Plan which allows employees to make post-tax contributions which are immediately 100% vested.

### ***RETIREMENT HEALTH SAVINGS PLAN***

The Authority also provides a Retirement Health Savings Program for full-time employees. Employees are required to contribute \$10 per pay period and the Authority contributes \$80 per pay period. Employees are 100% vested after three years of service (cliff vesting). Employees who transferred to the Authority on or around January 1, 2016 from DWSD retain their years of service for vesting purposes. Members can access their account for reimbursement of qualified medical expenses and payment of insurance premiums for their dependents when they separate from GLWA and reach age 60. The Authority recognized an expense \$2,127,738, which is net of forfeitures of \$52,776, for the year ended June 30, 2023. The Authority has accrued approximately \$28,000 of expense on the accrued payroll at June 30, 2023. Employee contributions were \$249,000 for the year ended June 30, 2023. At June 30, 2023, there were 1,799 plan members, of which 1,098 are active.

# GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2023

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## NOTE 17 – NET PENSION LIABILITY (SPECIAL FUNDING SITUATION)

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As part of the City of Detroit bankruptcy plan of adjustment (POA) and the Regional System Leases (Section 4.3), the City, the City of Detroit General Employees' Retirement system (GRS or the System) and the Authority entered into an agreement on December 1, 2015 that set forth the terms for contributions and reporting of the DWSD share of the GRS pension pool. GRS provides the information necessary for the Authority and DWSD to report the proportionate share separately in their respective statements. On January 24, 2017, DWSD and the Authority provided a supplement to the agreement whereby GRS is directed to allocate investments and pension liabilities of the DWSD division on the basis of 70.3% to the Authority and 29.7% to DWSD effective January 1, 2016. This agreement constitutes a special funding situation pursuant to the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As such, while no Authority employees earn service credit in the legacy or hybrid plans, GLWA is legally responsible for making substantial contributions to a legacy pension plan of another entity and, accordingly, must record a net pension liability for its proportion and make the following disclosures regarding the plan as required by the standard. Information is available in a separate audit report for the "General Retirement System of the City of Detroit Financial Report with Supplemental Information" as well as "The General Retirement System of the City of Detroit GASB Statement Nos. 67 and 68 Accounting and Financial Reporting for Pension Plans of Component II" as of June 30, 2022 which are available by contacting the Authority's management.

*Plan Administration.* The Authority contributes to (and DWSD participates in) the System. The System is a single employer plan composed of a defined benefit plan component and a defined contribution annuity plan component. The plan provides retirement, disability, and survivor benefits to plan members and beneficiaries. The plan is administered by its own board of trustees. Plan members include active employees, retirees and beneficiaries from various departments within the City. Benefit terms have been established by contractual agreements between the City and the employees' collective bargaining units; amendments are subject to the same process.

The System issues publicly available financial reports that include financial statements and the required supplementary information. The reports can be obtained from City of Detroit Retirement Systems, One Detroit Center, 500 Woodward Avenue, Suite 3000, Detroit, MI 48226 or obtained from the Systems' website ([www.rscd.org](http://www.rscd.org)). Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports.

*Benefits Provided.* Plan members may retire at age 55 or 60 with 5, 8, 10 or 25 years of credited service depending on which group the employee is in. Members are vested after completing 5, 8 or 10 years of credited service. Retirement options that provide for survivor benefits are available to members. The Plan also provides death and disability benefits. If a member leaves employment or dies before vesting, accumulated member contributions plus interest are refunded to the member or designated beneficiary.

Component II is the legacy plan, the original defined benefit plan, which includes a defined benefit component and a defined contribution component. Component II generally applies to benefits accrued by members prior to July 1, 2014. The plan provides retirement, disability, and survivor benefits to plan members and beneficiaries. Except as specifically provided in the combined plan, benefits provided under Component II are frozen effective June 30, 2014. Component II also includes the income stabilization fund. The fund, a part of Component II and established as a provision of the POA, was established for the sole purpose of paying the income stabilization benefits to eligible pensioners. Complete details regarding the Component II benefits and changes in those benefits by virtue of the POA are presented in the System financial statements.

*Employer Contributions.* Employer contributions, including the Authority's nonemployer contribution, for the respective components are as follows:

# GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2023

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## NOTE 17 – NET PENSION LIABILITY (SPECIAL FUNDING SITUATION) (cont.)

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During the Plan's fiscal year 2022, employer contributions were not actuarially determined, but are determined by the provisions of the POA. Included within contributions for fiscal year 2022 are contributions from the Foundation for Detroit's Future in the amount of \$375,000 and approximately \$47.9 million of contributions from the City, City-related entities, and GLWA.

The POA obligates DWSD to pay \$2,500,000 per year towards administrative costs and annual plan contributions of \$42,900,000 per year in total for both water and sewer employees, until 2023. Pursuant to the Regional System leases, the Authority is obligated to pay its allocable share of such liability. The portion allocated to the Authority is \$31,916,200 for fiscal year 2023. This includes a contribution to the GRS pension plan of \$10,810,800 for the Water Fund. The contribution was made subsequent to the measurement date and has been recorded as a deferred outflow. It also includes an administrative fee of \$1,757,500, with \$630,000 paid by the Water Fund. Part of the administrative fee is considered a prepayment based on actual administrative expenses incurred by the plan as reported in the other supplemental information of the audited financial report of the GRS Plan.

Subsequent to 2023, DWSD and the Authority will be responsible for paying their allocable share of any additional amounts that are actuarially determined to be payable. An estimate of the 2024 contribution was included in the GRS annual actuarial valuation of Component II dated June 30, 2022. The total share for the DWSD is estimated to be \$0.7 million. GLWA's share of the 2024 estimated contribution will be \$0.5 million with approximately \$0.18 million allocated to the Water Fund.

*DWSD Employee Contributions.* Contribution requirements of plan members are established and may be amended by the GRS Board of Trustees in accordance with the City Charter, union contracts, and plan provisions. For the year ended June 30, 2022, there were no employee contributions into Component II, as the plan was frozen as of June 30, 2014; contributions into Component I began thereafter.

*Actuarial Assumptions.* The total pension liability was actuarial determined as of June 30, 2021, which used updated procedures to roll forward the estimated liability to June 30, 2022. The actuarial valuation used the following actuarial assumptions applied to all periods included in the measurement.

Inflation	Not applicable
Salary increases	No inflation assumption or salary increases due to plan freeze as of June 30, 2014
Investment rate of return	6.75%, net of investment expense and including inflation

Note that the long-term assumed rate of return used for the purpose of the GASB Statement No. 67 valuations was determined in accordance with generally accepted accounting principles. This rate will change annually based on capital market expectations in consideration of the System's most recently approved asset mix. This should not be confused with the provisions in the Plan of Adjustment, which established a 6.75 percent assumed rate of return that does not change annually as it is set by the POA for the purpose of the various provisions within the plan; the Plan of Adjustment did not attempt to dictate the long-term rate of return to be used for accounting purposes.

The mortality table assumption was based on the PubG-2010(B) Below-Median General Retiree Table. The tables are projected to be fully generational, based on the two-dimensional, sex-distinct mortality scale MP-2021.

# GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2023

## **NOTE 17 – NET PENSION LIABILITY (SPECIAL FUNDING SITUATION) (cont.)**

The actuarial assumptions, other than the investment rate of return, used in the June 30, 2021 valuation to calculate the total pension liability as of June 30, 2022 were based on the results of an actuarial experience study for the period from July 1, 2015 through June 30, 2020. The assumptions were first used in the June 30, 2021 actuarial valuation and assumption changes included mortality tables (change from the RP-2014 Blue Collar Annuitant Table), withdrawal rates, and disability rates.

*Investment Rate of Return.* The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the long-term expected real rate of return as of June 30, 2022 for each major asset class and the target allocations are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	46.0%	5.02%
Global fixed income	33.0%	4.02%
Real estate	13.0%	3.73%
Diversifying strategies	8.0%	3.95%
	100.0%	

*Single Discount Rate.* A Single Discount Rate of 6.75%, net of investment expenses, was used to measure the total pension liability as of June 30, 2022. This Single Discount Rate was based on the expected rate of return on pension plan investments of 6.75% as directed by the System and approved by the System's Auditor. The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions ceased as of June 30, 2014, and that employer contributions will be made at rates equal to those set by the final Plan of Adjustment through June 30, 2023 and contributions consistent with PERSIA and the intention to fully fund the System by 2053 as determined in the bankruptcy (POA). Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Net Pension Liability.* As permitted by GASB Statement No. 68, the net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The information below represents the Water Fund's share of pension liability activity. DWSD separately reports its pro rata share of activity in its separate financial statements.

*Changes in the Net Pension Liability.* The components of the change in the Water Fund's share of the net pension liability are summarized as follows:

Total pension liability	\$ 168,530,590
Plan fiduciary net position	(145,884,785)
Net Pension Liability	\$ 22,645,805



## GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2023

### NOTE 17 – NET PENSION LIABILITY (SPECIAL FUNDING SITUATION) (cont.)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2022	\$ 183,593,989	\$ 160,214,509	\$ 23,379,480
Changes for the year:			
Interest	11,408,491	-	11,408,491
Difference between expected and actual experience	(43,813)	-	(43,813)
Changes in assumptions	(10,270,600)	-	(10,270,600)
Employer contributions	-	10,810,800	(10,810,800)
Net investment income	-	(9,347,846)	9,347,846
Benefit payments, including refunds of employee contributions	(16,157,477)	(16,157,477)	-
Other changes	-	364,799	(364,799)
Net changes	(15,063,399)	(14,329,724)	(733,675)
Balances at June 30, 2023	\$ 168,530,590	\$ 145,884,785	\$ 22,645,805

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate.* The following presents the net pension liability of the Water Fund, calculated using the discount rate of 6.75%, as well as what the Water Fund's net pension liability would be if it were calculated using a discount rate that is 1% lower (5.75%) or 1% higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net Pension Liability	\$ 27,724,756	\$ 22,645,805	\$ 18,269,024

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued plan financial statements.

*Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions.* For the year ended June 30, 2023, the Authority recognized pension income of \$7,443,572 for the Water Fund. At June 30, 2023, the Water Fund reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 6,296,508	\$ -	\$ 6,296,508
Employer contributions to the plan subsequent to the measurement date	10,810,800	-	10,810,800
Total	\$ 17,107,308	\$ -	\$ 17,107,308

# GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2023

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## NOTE 17 – NET PENSION LIABILITY (SPECIAL FUNDING SITUATION) (cont.)

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The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30		
2024	\$	2,440,975
2025		1,087,832
2026		(1,152,274)
2027		<u>3,919,975</u>
Total	\$	<u>6,296,508</u>

*Payable to the Pension Plan.* At June 30, 2023, the Authority did not have any outstanding contributions payable to the pension plan for the year then ended.

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## NOTE 18 – COMMITMENTS AND CONTINGENCIES

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### **CAPITAL IMPROVEMENT PROGRAM**

The Authority is engaged in a variety of projects that are part of its five-year capital improvement program (the Program). The total cost of this Program for the Water Fund is anticipated to be approximately \$986.6 million with an 100% spend rate assumption through fiscal year 2028. The Program is being financed from revenue bond and state revolving fund proceeds in addition to the Improvement and Extension Funds.

The total amount of construction contract commitments outstanding at June 30, 2023 was approximately \$213 million for the Water Fund.

### **SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)**

The Authority has two SBITA's that are in the implementation phase. A summary of the commitments for each SBITA are detailed below:

NEXGEN is an enterprise asset management system subscription service. The contract is a \$1.7 million purchase for a duration of five years with one two-year renewal. The contract ends November 30, 2026 with a two-year renewal which would end November 30, 2028. The anticipated in-service date is expected during fiscal year 2025. There is a separate implementation contract for three years ending early in fiscal year 2025 for a not to exceed cost of \$4.6 million. The Authority's remaining commitment under this contract is \$3.4 million. Implementation costs incurred up to the date placed in service will be capitalized.

Workday is an enterprise resource planning system subscription service which is an integrated financial, HR, payroll and analytic system service. The contract is for eight years ending in fiscal year 2030. The cost for the SBITA for the eight-year period is \$5.3 million. The remaining commitment under this contract is \$4.3 million. The anticipated in-service date for HR and payroll is January 2024, and the financial system in July 2024. There are two separate implementation contracts that terminate in 2029 for a not to exceed cost of \$7.7 million. The Authority's remaining commitment under these contracts is \$4.5 million. Implementation costs incurred up to the date placed in service will be capitalized.

# GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2023

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## NOTE 18 – COMMITMENTS AND CONTINGENCIES (cont.)

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### **CONTINGENCIES**

The Authority is subject to various government environmental laws and regulations. GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, established accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remedial activities such as site assessments and cleanups. The standard excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and post-closure care. The Authority determined that there were no estimated pollution remediation obligations to be recorded at June 30, 2023.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, established accounting and financial reporting standards for legally enforceable liabilities related to the retirement of tangible capital asset(s) where the tangible capital asset is permanently removed from service. The retirement of a tangible capital asset can occur via sale, abandonment, recycling or disposal in some other manner and excludes the temporary idling of a tangible capital asset. An asset retirement obligation does not apply to obligations resulting from the disposal, or plan to dispose, of a tangible capital asset; obligation(s) associated with using a tangible capital asset for a different purpose; obligation(s) for pollution remediation; obligation(s) from regular maintenance or the cost to replace a component. The Authority determined there were no legally enforceable asset retirement obligations to be recorded at June 30, 2023.

The Authority is a defendant in numerous alleged claims, lawsuits, billing disputes, and other stated and pending demands. The Authority's Legal Department has estimated a reserve of \$135,000 for the Water Fund, which is included in the accompanying financial statements, for the potential outcome of such claims or the amount of potential damages in the event of an unfavorable outcome for each of the above contingencies. The Authority's management believes that any differences in reserved amounts and final settlement, after consideration of claims covered by insurance, resulting from such litigation will not materially impact the Authority's financial position or results of operations.

The Authority holds various commercial insurance policies to cover other potential loss exposures.

## GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2023

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### NOTE 19 – NET INVESTMENT IN CAPITAL ASSETS

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The composition of net investment in capital assets as of June 30, 2023 was as follows:

Capital Assets	
Nondepreciable/nonamortizable	\$ 670,557,112
Depreciated/amortized – net	<u>1,330,639,811</u>
Total Capital Assets	<u>2,001,196,923</u>
Less: Related Debt	
Total bonds and loans, net (Note 12)	2,654,538,306
Less outstanding bonds used for:	
SWAP termination agreements	(167,261,744)
Unspent bond proceeds	(108,161,275)
To fund reserves	(3,030,378)
Obligation receivable-local system share of debt (Note 8)	(565,429,087)
Deferred charge on refunding	(39,316,288)
Deferred gain on refunding	44,182,654
Capital portion of regional system lease	291,549,708
Lease obligation-raw water rights (Note 12)	<u>92,515,774</u>
Total Related Debt	<u>2,199,587,670</u>
Net Investment in Capital Assets	<u>\$ (198,390,747)</u>

The capital portion of the regional system lease payable is the percentage of the lease liability that has been determined to be allocated to the net investment in capital assets acquired. The lease is described in Note 13.

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### NOTE 20 – SUBSEQUENT EVENTS

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#### *JUNIOR LIEN REVENUE BONDS*

On July 17, 2023, Water Supply System Revenue Bonds, Series 2023 SRF-1, were issued for \$48.2 million to fund regional water system improvements. The series ordinance authorizing issuance of these revenue bonds (SRF Junior Lien) in an aggregate amount not to exceed \$71 million (Ordinance No. 2023-02) was approved by the GLWA Board in May 2023.

The above SRF loan bears a fixed interest rate of 1.875% for a term of twenty (20) years.

# GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2023

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## **NOTE 20 – SUBSEQUENT EVENTS (cont.)**

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### ***HIGHLAND PARK AGREEMENT***

On October 25, 2023, GLWA's Board of Directors approved a Term Sheet between the State of Michigan (SOM), City of Highland Park, and GLWA which provides an outline for the resolution of their mutual differences. Highland Park's unpaid water and sewer disposal charges date back many years and have been recognized as a reduction to revenue in the estimate of uncollectible accounts over the years. The SOM will pay for service work that the Department of Environment, Great Lakes and Energy (EGLE) determines necessary to decrease the water loss the HP water distribution system is experiencing. The SOM will also pay and EGLE will oversee the installation of meters for both the water and sewer systems at the connection points to the GLWA system. In order to provide some relief to the communities the Authority serves, who have been burdened by these uncollectible amounts from HP, the SOM will provide \$5 million for water infrastructure improvements and \$25 million for sewer infrastructure improvements to the regional system.

### ***RATING AGENCY UPGRADES***

In October 2023, S&P Global Ratings affirmed the Authority's senior lien water systems rating of AA- and its second lien rating of A+. The outlook remained stable. Moody's Investors Service upgraded the Authority's water system senior lien ratings to Aa3 from A1, and its second lien ratings to A1 from A2. The outlook was moved to stable from positive for both. Fitch Ratings affirmed the Authority's ratings for its water system for senior lien bonds of A+ and second lien bonds of A. The water system outlook remained stable.

### ***WATER BOND REFUNDING AND NEW MONEY TRANSACTION***

On December 5, 2023, the Authority issued \$215,745,000 of Water Supply System Revenue and Revenue Refunding Bonds (\$148,535,000 in new money and \$67,210,000 in refunding bonds). The net present value savings from the refunding transaction for the water fund was \$7.9 million.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**GREAT LAKES WATER AUTHORITY WATER FUND**

REQUIRED SUPPLEMENTARY INFORMATION  
Nonemployer Contributing Entity Share of City of Detroit General Employees' Retirement System - Component II  
Schedule of Changes in Net Pension Liability and Related Ratios - Water Fund

	Fiscal Year							
	2023	2022	2021	2020	2019	2018	2017	2016
Measurement Date	2022*	2021*	2020*	2019*	2018*	2017*	2016*	2015**
<b>Share of Total Pension Liability</b>								
Interest	\$ 11,408,491	\$ 12,299,693	\$ 13,006,533	\$ 13,155,758	\$ 13,111,573	\$ 13,560,348	\$ 14,475,348	\$ 18,422,673
Differences between expected and actual experience	(43,813)	(3,299,415)	(3,679,680)	1,241,001	(114,927)	849,266	(1,815,233)	(153,112)
Changes in assumptions	(10,270,600)	8,341,534	4,696,986	-	(7,651,537)	5,431,838	6,318,782	(7,093,982)
Benefit changes	-	-	-	-	-	-	-	(54,618,440)
Benefit payments, including refunds of employee contributions	(16,157,477)	(15,928,886)	(16,166,129)	(16,671,401)	(16,989,833)	(18,310,822)	(24,963,262)	(19,462,302)
Net change	(15,063,399)	1,412,926	(2,142,290)	(2,274,642)	(11,644,724)	1,530,630	(5,984,365)	(62,905,163)
Share of total pension liability, beginning of year	183,593,989	182,181,063	184,323,353	186,597,995	198,242,719	196,712,089	202,696,454	265,601,617
Share of Total Pension Liability, End of Year	168,530,590	183,593,989	182,181,063	184,323,353	186,597,995	198,242,719	196,712,089	202,696,454
<b>Share of Plan Fiduciary Net Position</b>								
Employer contributions	10,810,800	10,810,800	10,810,800	10,810,800	10,810,800	10,810,800	10,810,800	10,808,000
Employee contributions	-	-	-	-	-	-	-	46,941
Net investment income (loss)	(9,347,846)	34,407,230	(1,295,521)	3,295,871	10,878,360	13,912,782	(470,295)	6,194,355
Benefit payments, including refunds of employee contributions	(16,157,477)	(15,928,886)	(16,166,129)	(16,671,401)	(16,989,833)	(18,310,822)	(24,963,262)	(19,462,302)
Administrative expense	-	-	-	-	-	-	-	(7,633)
Other changes	364,799	472,481	423,755	(42,826)	496,841	535,562	90,427	9,950,436
Net change	(14,329,724)	29,761,625	(6,227,095)	(2,607,556)	5,196,168	6,948,322	(14,532,330)	7,529,797
Share of plan fiduciary net position, beginning of year	160,214,509	130,452,884	136,679,979	139,287,535	134,091,367	127,143,045	141,675,375	134,145,578
Share of Plan Fiduciary Net Position, End of Year	145,884,785	160,214,509	130,452,884	136,679,979	139,287,535	134,091,367	127,143,045	141,675,375
<b>SHARE OF NET PENSION LIABILITY</b>	<u>\$ 22,645,805</u>	<u>\$ 23,379,480</u>	<u>\$ 51,728,179</u>	<u>\$ 47,643,374</u>	<u>\$ 47,310,460</u>	<u>\$ 64,151,352</u>	<u>\$ 69,569,044</u>	<u>\$ 61,021,079</u>
<b>Nonemployer contributing entity share of collective net pension liability - Water Fund</b>	2.5%	2.6%	4.7%	5.1%	5.7%	6.8%	7.0%	7.4%
<b>Plan fiduciary net position as a percentage of total pension liability</b>	86.6%	87.3%	71.6%	74.2%	74.6%	67.6%	64.6%	69.9%

\* As described in Notes 1 and 17 GLWA was established on January 1, 2016. At that time, GLWA assumed a portion of the net position and liabilities of the City of Detroit Water and Sewerage Department. This reflects only the portion allocated to GLWA.

\*\* The 2015 information is presented based on City of Detroit Water and Sewerage Department (DWSD) prior to the establishment of GLWA. The amounts shown represent GLWA's allocation, fiduciary net position and net pension liability. The actual employer contributions made by DWSD were \$18,440,222.

This schedule is being built prospectively; ultimately, 10 years of data will be presented.

The accompanying notes to required supplementary information are an integral part of these financial statements.



**GREAT LAKES WATER AUTHORITY WATER FUND**

REQUIRED SUPPLEMENTARY INFORMATION  
 Nonemployer Contributing Entity Share of City of Detroit General Employees' Retirement System - Component II  
 Schedule of Contributions

	Fiscal Year							
	2023*	2022*	2021*	2020*	2019*	2018*	2017*	2016*
<b>Water Fund</b>								
Contractually required contribution**	\$ 10,810,800	\$ 10,810,800	\$ 10,810,800	\$ 10,810,800	\$ 10,810,800	\$ 10,810,800	\$ 10,810,800	\$ 10,810,800
Actual contribution	<u>10,810,800</u>	<u>10,810,800</u>	<u>10,810,800</u>	<u>10,810,800</u>	<u>10,810,800</u>	<u>10,810,800</u>	<u>10,810,800</u>	<u>10,810,800</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

\* As described in Notes 1 and 17 GLWA was established on January 1, 2016. At that time GLWA assumed a portion of the net position and liabilities of the City of Detroit Water and Sewerage Department. This reflects only the portion allocated to GLWA.

\*\* Contributions are determined by the provisions of the Plan of Adjustment and are not actuarially determined.

This schedule is being built prospectively; ultimately, 10 years of data will be presented.

The accompanying notes to required supplementary information are an integral part of these financial statements.

## **GREAT LAKES WATER AUTHORITY WATER FUND**

Nonemployer Contributing Entity Share of City of Detroit General Employees' Retirement System –  
Component II

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2023

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#### *Changes in Assumptions*

In 2016, amounts reported as changes in assumptions resulted from adjustment of the discount rate from 7.61 percent to 7.23 percent.

In 2017, amounts reported as changes of assumptions resulted from adjustment of the discount rate from 7.23 percent to 6.91 percent.

In 2018, amounts reported as changes of assumptions resulted from adjustment of the discount rate from 6.91 percent to 7.38 percent.

In 2020, amounts reported as changes of assumptions resulted from adjustment of the discount rate from 7.38 percent to 7.06 percent.

In 2021, amounts reported as changes of assumptions resulted from adjustment of the discount rate from 7.06 percent to 6.50 percent.

In 2022, amounts reported as changes of assumptions resulted from adjustment of the discount rate from 6.50 percent to 6.75 percent and updating the mortality tables from the RP-2014 Blue Collar Annuitant Table to the Pub-2010 General Employee table, as well as updates to wage inflation, withdrawal, and disability rates.

Note: GLWA began operations on January 1, 2016. Accounting standards allow the presentation of as many years as are available until ten fiscal years are presented. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

## **SUPPLEMENTARY INFORMATION**

## GREAT LAKES WATER AUTHORITY WATER FUND

### COMBINING SCHEDULE OF NET POSITION - WATER FUND

As of June 30, 2023

	Water Operations Fund	Water Improvement and Extension Fund	Water Construction Fund	Total Water Fund
<b>Assets</b>				
Current Assets				
Cash and cash equivalents	\$ 105,735,172	\$ 116,890,378	\$ -	\$ 222,625,550
Restricted cash and cash equivalents	90,024,353	-	37,655,217	127,679,570
Restricted cash for the benefit of DWSD	17,474,699	-	-	17,474,699
Investments	19,433,257	1,648,515	-	21,081,772
Restricted investments	9,975,144	-	-	9,975,144
Receivables				
Billed	55,359,908	-	-	55,359,908
Unbilled	33,527,694	-	-	33,527,694
Other	286,079	-	-	286,079
Allowance for doubtful accounts	(16,225,907)	-	-	(16,225,907)
Due from other governments	5,692,565	93,000	-	5,785,565
Due from other funds	-	1,001,087	31,667	1,032,754
Due from other water funds	109,746	20,553,426	679,970	21,343,142
Contractual obligation receivable	20,608,286	-	-	20,608,286
Prepaid items and other assets	10,793,138	1,948	-	10,795,086
Total Current Assets	<u>352,794,134</u>	<u>140,188,354</u>	<u>38,366,854</u>	<u>531,349,342</u>
Noncurrent Assets				
Restricted cash and cash equivalents	7,280,283	-	89,199,882	96,480,165
Restricted investments	3,040,772	-	18,961,394	22,002,166
Contractual obligation receivable	544,820,801	-	-	544,820,801
Prepaid lease	11,250,000	-	-	11,250,000
Capital assets				
Nondepreciable/nonamortizable	670,557,112	-	-	670,557,112
Depreciated/amortized, net	1,330,639,811	-	-	1,330,639,811
Prepaid insurance on debt	5,995,322	-	-	5,995,322
Total noncurrent assets	<u>2,573,584,101</u>	<u>-</u>	<u>108,161,276</u>	<u>2,681,745,377</u>
Total Assets	<u>2,926,378,235</u>	<u>140,188,354</u>	<u>146,528,130</u>	<u>3,213,094,719</u>
<b>Deferred outflows of resources</b>				
Deferred charge on refunding	39,316,288	-	-	39,316,288
Deferred pension amounts	17,107,308	-	-	17,107,308
Total Deferred Outflows of Resources	<u>56,423,596</u>	<u>-</u>	<u>-</u>	<u>56,423,596</u>

The accompanying notes to the supplementary information are an integral part of this schedule.

	Water Operations Fund	Water Improvement and Extension Fund	Water Construction Fund	Total Water Fund
<b>Liabilities</b>				
Current Liabilities				
Accounts and contracts payable	\$ 21,428,232	\$ 1,123,855	\$ 37,655,217	\$ 60,207,304
Accrued salaries, wages and benefits	1,757,758	-	-	1,757,758
Accrued liabilities	23,477,888	1,633,328	-	25,111,216
Due to other governments	3,124,058	-	-	3,124,058
Due to other funds	226,996	-	1,987,718	2,214,714
Due to other water funds	20,553,426	679,970	109,746	21,343,142
Interest payable	41,789,634	-	-	41,789,634
Current portion of:				
Revenue bonds and loans	62,332,082	-	-	62,332,082
Raw water rights obligation	2,963,619	-	-	2,963,619
BC Note obligation	214,151	-	-	214,151
Regional system lease	5,928,467	-	-	5,928,467
Other liabilities	3,743,223	-	-	3,743,223
<b>Total Current Liabilities</b>	<b>187,539,534</b>	<b>3,437,153</b>	<b>39,752,681</b>	<b>230,729,368</b>
Noncurrent Liabilities				
Revenue bonds and loans	2,592,206,224	-	-	2,592,206,224
Raw water rights obligation	89,552,155	-	-	89,552,155
BC Note obligation	16,124,188	-	-	16,124,188
Regional system lease	394,167,195	-	-	394,167,195
Other liabilities	3,713,668	-	-	3,713,668
Net pension liability	22,645,805	-	-	22,645,805
<b>Total Noncurrent Liabilities</b>	<b>3,118,409,235</b>	<b>-</b>	<b>-</b>	<b>3,118,409,235</b>
<b>Total Liabilities</b>	<b>3,305,948,769</b>	<b>3,437,153</b>	<b>39,752,681</b>	<b>3,349,138,603</b>
<b>Deferred Inflows of Resources</b>				
Deferred gain on refunding	44,182,654	-	-	44,182,654
Deferred amounts for swap terminations	56,712	-	-	56,712
<b>Total Deferred Inflows of Resources</b>	<b>44,239,366</b>	<b>-</b>	<b>-</b>	<b>44,239,366</b>
<b>Net Position (Deficit)</b>				
Net investment in capital assets	(305,166,196)	-	106,775,449	(198,390,747)
Restricted for debt service	56,139,482	-	-	56,139,482
Restricted for payment assistance program	2,289,905	-	-	2,289,905
Unrestricted	(120,649,495)	136,751,201	-	16,101,706
<b>TOTAL NET POSITION</b>	<b>\$ (367,386,304)</b>	<b>\$ 136,751,201</b>	<b>\$ 106,775,449</b>	<b>\$ (123,859,654)</b>

The accompanying notes to the supplementary information are an integral part of this schedule.

**GREAT LAKES WATER AUTHORITY WATER FUND**

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - WATER FUND  
For the Year Ended June 30, 2023

	Water Operations Fund	Water Improvement and Extension Fund	Water Construction Fund	Total Water Fund
<b>Operating Revenues</b>				
Wholesale customer charges	\$ 340,593,806	\$ -	\$ -	\$ 340,593,806
Local system charges	22,834,300	-	-	22,834,300
Other revenues	350,991	-	-	350,991
<b>Total Operating Revenues</b>	<b>363,779,097</b>	<b>-</b>	<b>-</b>	<b>363,779,097</b>
<b>Operating Expenses</b>				
Operating expenses before depreciation and amortization				
Personnel	48,855,342	-	-	48,855,342
Contractual services	51,025,400	1,791,787	-	52,817,187
Utilities	33,436,545	-	-	33,436,545
Chemicals	12,689,666	-	-	12,689,666
Supplies and other expenses	11,926,150	-	-	11,926,150
Capital program allocation	(1,172,302)	-	-	(1,172,302)
Intergovernmental reimbursements	(2,785,190)	(600,350)	-	(3,385,540)
<b>Total operating expenses before depreciation and amortization</b>	<b>153,975,611</b>	<b>1,191,437</b>	<b>-</b>	<b>155,167,048</b>
Depreciation	126,485,762	-	-	126,485,762
Amortization of intangible assets	3,566,664	-	-	3,566,664
<b>Total Operating Expenses</b>	<b>284,028,037</b>	<b>1,191,437</b>	<b>-</b>	<b>285,219,474</b>
<b>Operating Income (Loss)</b>	<b>79,751,060</b>	<b>(1,191,437)</b>	<b>-</b>	<b>78,559,623</b>
<b>Nonoperating Revenues (Expenses)</b>				
Earnings on investments	7,326,654	3,218,195	6,179,636	16,724,485
Interest on obligations receivable	24,662,083	-	-	24,662,083
Interest expense	(131,161,860)	-	-	(131,161,860)
Amortization of debt related items and cost of issuance	14,577,852	-	-	14,577,852
Legacy pension recovery	7,443,572	-	-	7,443,572
Water Residential Assistance Program	(5,023,436)	-	-	(5,023,436)
Other	526,317	72	-	526,389
Discontinued capital projects	(20,902,626)	-	-	(20,902,626)
Capital outlay	199,617,587	(6,405,255)	(193,212,332)	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>97,066,143</b>	<b>(3,186,988)</b>	<b>(187,032,696)</b>	<b>(93,153,541)</b>
<b>Income (Loss) Before Transfers</b>	<b>176,817,203</b>	<b>(4,378,425)</b>	<b>(187,032,696)</b>	<b>(14,593,918)</b>
<b>Transfer in</b>	<b>8,210,635</b>	<b>47,166,122</b>	<b>316,152,254</b>	<b>371,529,011</b>
<b>Transfer out</b>	<b>(340,278,651)</b>	<b>(4,292,361)</b>	<b>(26,957,999)</b>	<b>(371,529,011)</b>
<b>Change in Net Position</b>	<b>(155,250,813)</b>	<b>38,495,336</b>	<b>102,161,559</b>	<b>(14,593,918)</b>
NET POSITION (DEFICIT), Beginning of Year	(212,135,491)	98,255,865	4,613,890	(109,265,736)
<b>NET POSITION (DEFICIT), END OF YEAR</b>	<b>\$ (367,386,304)</b>	<b>\$ 136,751,201</b>	<b>\$ 106,775,449</b>	<b>\$ (123,859,654)</b>

Note: Transfers in (out) are used for recording financial activity related to borrowing proceeds and MBO requirements.

The accompanying notes to the supplementary information are an integral part of this schedule.

**GREAT LAKES WATER AUTHORITY WATER FUND**

SCHEDULE OF INTERFUND RECEIVABLES AND PAYABLES

For the Year Ended June 30, 2023

Interfund balances result from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur and when the payment between funds are made. Interfund balances for the year ended June 30, 2023 consisted of the following:

	Sewage Disposal Fund due to Water Fund			
	Sewer Operations Fund	Sewer Improvement and Extension Fund	Sewer Construction Fund	Total
Water Operations Fund	\$ -	\$ -	\$ -	\$ -
Water Improvement and Extension Fund	-	1,001,087	-	1,001,087
Water Construction Fund	-	31,667	-	31,667
<b>TOTALS</b>	<b>\$ -</b>	<b>\$ 1,032,754</b>	<b>\$ -</b>	<b>\$ 1,032,754</b>

	Water Fund due to Sewage Disposal Fund			
	Water Operations Fund	Water Improvement and Extension Fund	Water Construction Fund	Total
Sewer Operations	\$ -	\$ -	\$ -	\$ -
Sewer Improvement and Extension	46,996	-	-	46,996
Sewer Construction Fund	180,000	-	1,987,718	2,167,718
<b>TOTALS</b>	<b>\$ 226,996</b>	<b>\$ -</b>	<b>\$ 1,987,718</b>	<b>\$ 2,214,714</b>

The accompanying notes to the supplementary information are an integral part of this schedule.

**GREAT LAKES WATER AUTHORITY WATER FUND**

SCHEDULE OF OPERATING EXPENSES FOR WATER OPERATIONS FUND - BUDGET TO ACTUAL  
For the Year Ended June 30, 2023

	Original Budget	Amended Budget	Administrative and Centralized Services Reclassification	Final Amended Budget	Actual	Variance Over (Under) Amended Budget	Percent Over (Under) Amended Budget
<b>Operating Expenses</b>							
Personnel	\$ 82,081,400	\$ 77,939,000	\$ (27,254,800)	\$ 50,684,200	\$ 48,855,342	\$ (1,828,858)	-3.61%
Contractual services	80,285,600	81,232,500	(32,718,700)	48,513,800	51,025,400	2,511,600	5.18%
Utilities	27,233,900	33,304,400	(173,600)	33,130,800	33,436,545	305,745	0.92%
Chemicals	6,721,100	12,189,500	-	12,189,500	12,689,666	500,166	4.10%
Supplies and other expenses	20,419,200	20,888,300	(7,705,800)	13,182,500	11,926,150	(1,256,350)	-9.53%
Capital program allocation	(2,946,700)	(1,161,200)	-	(1,161,200)	(1,172,302)	(11,102)	0.96%
Intergovernmental reimbursements	(2,476,400)	(1,042,300)	-	(1,042,300)	(2,785,190)	(1,742,890)	167.22%
Centralized services allocation	(53,238,900)	(49,748,300)	49,748,300	-	-	-	0.00%
Administrative services allocation	(17,616,200)	(18,025,800)	18,025,800	-	-	-	0.00%
Unallocated reserve	4,384,700	1,171,600	(273,400)	898,200	-	(898,200)	-100.00%
Total operating expenses before depreciation and amortization financial reporting basis	144,847,700	156,747,700	(352,200)	156,395,500	153,975,611	(2,419,889)	
SBITA [1]	-	-	352,200	352,200	352,159	(41)	0.00%
<b>TOTAL OPERATING EXPENSES BUDGET BASIS</b>	<u>\$ 144,847,700</u>	<u>\$ 156,747,700</u>	<u>\$ -</u>	<u>\$ 156,747,700</u>	<u>\$ 154,327,770</u>	<u>\$ (2,419,930)</u>	-1.54%

[1] The subscription based information technology arrangements (SBITA) costs are an expense for budget purposes. These costs are capitalized under GASB 96 for financial reporting purposes. See Note 2 in the Notes to Supplementary Information.

Note: Centralized and administrative services allocations have been applied to the expense categories above for presentation of the amended budget to the actual amounts.

The accompanying notes to the supplementary information are an integral part of this schedule.



## GREAT LAKES WATER AUTHORITY WATER FUND

### SCHEDULE OF REVENUE REQUIREMENTS BUDGET TO ACTUAL - WATER OPERATIONS For the Year Ended June 30, 2023

The Great Lakes Water Authority Board adopts a budget using a revenue requirements method for its operating funds that aligns with water and wastewater revenue charges. This method applies an accrual basis of accounting for revenues and operating expenses in addition to a cash basis of accounting for other commitments, such as debt service, Detroit General Retirement closed pension commitment, lease payment, reserves and certain other payments. The schedule below presents the Board adopted budget, adjusted for amendments, for comparison with actual revenues, expenses, and other payments. Overall, Water Operations experienced a positive variance of approximately \$0.6 million.

	Adopted Budget	Amended Budget	Actual	Variance Over (Under) Amended Budget
<b>Revenues</b>				
Revenue from charges				
Suburban wholesale customers [1]	\$ 331,962,000	\$ 333,856,300	\$ 334,141,233	\$ 284,933
Local system charges	<u>22,985,900</u>	<u>22,834,300</u>	<u>22,834,300</u>	-
Total revenue from charges	<u>354,947,900</u>	<u>356,690,600</u>	<u>356,975,533</u>	<u>284,933</u>
Other revenue [2]	175,000	995,000	1,378,706	383,706
Investment earnings [3]				
Restricted			3,660,022	
Unrestricted			<u>5,501,592</u>	
Total Investment earnings	<u>948,700</u>	<u>9,670,200</u>	<u>9,161,614</u>	<u>(508,586)</u>
<b>Total Revenues</b>	<b><u>\$ 356,071,600</u></b>	<b><u>\$ 367,355,800</u></b>	<b><u>\$ 367,515,853</u></b>	<b><u>\$ 160,053</u></b>
<b>Revenue Requirements</b>				
Operations and maintenance [4]	144,847,700	156,747,700	154,327,770	(2,419,930)
General Retirement System legacy pension	6,048,000	6,048,000	6,048,000	-
Debt service	150,337,100	150,055,300	150,055,300	-
General Retirement System accelerated pension	6,268,300	6,268,300	6,268,300	-
Water Residential Assistance Program contribution	1,770,500	1,770,500	1,770,500	-
Extraordinary Repair & Replacement Reserve Fund	-	200,000	2,200,000	2,000,000
Regional system lease	22,500,000	22,500,000	22,500,000	-
Transfer to the Improvement & Extension Fund	<u>24,300,000</u>	<u>23,766,000</u>	<u>23,766,000</u>	-
<b>Total Revenue Requirements</b>	<b><u>\$ 356,071,600</u></b>	<b><u>\$ 367,355,800</u></b>	<b><u>\$ 366,935,870</u></b>	<b><u>\$ (419,930)</u></b>
<b>Revenue Requirement Variance</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 579,983</u></b>	<b><u>\$ 579,983</u></b>

[1] Revenue from Charges - Suburban Wholesale Customers presented in this schedule differs from those presented on the Statement of Revenues, Expenses and Changes in Net Position due to \$6,452,573 of revenue which was credited for the KWA debt service which is a non-cash transaction that is the payment obligation on the raw water rights.

[2] Other Revenue includes other operating revenues and other nonoperating revenues for the Water Operations Fund. Numbers will not match combining schedules as other nonoperating is net of income and expenses.

[3] Investment earnings excludes earnings on bond proceeds in the Construction Fund. As required by the Master Bond Ordinance, investment earnings on bond proceeds will remain in the Construction Fund.

[4] See the Schedule of Operating Expenses for Water Operations Fund - Budget to Actual. Operations and maintenance expenses in this schedule are based on activities relating only to the Water Operations Fund.

The accompanying notes to the supplementary information are an integral part of this schedule.

## GREAT LAKES WATER AUTHORITY WATER FUND

### SCHEDULE OF REVENUE REQUIREMENTS TO STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION CROSSWALK For the Year Ended June 30, 2023

The Great Lakes Water Authority establishes a Revenue Requirements budget for the purpose of establishing charges for services which follows a modified cash basis of accounting. Conversely, the annual financial report is prepared in accordance with Generally Accepted Accounting Principles for enterprise funds of a local government. Because the budget and the financial report are prepared using different bases of accounting, a crosswalk is prepared to reconcile fiscal year financial performance from the budget basis of accounting to the financial statement basis of accounting. Key areas of reconciliation include the following:

- Defined Benefit Pension related to the City of Detroit General Employees Retirement System. Annual contributions are an expense for the budget basis while the accrual basis financial report reflects the current year payment as a deferred outflow.
- Debt Service, BC Note obligation and Regional system lease (principal and interest) are an expense for the budget basis while the accrual basis financial report treats interest as an expense and principal payments as a reduction of a liability.
- WRAP funds are expensed for budget purposes when they are set aside. For financial reporting purposes they are expensed when the service delivery partners provide statements of expenditures.
- Contributions to the Extraordinary Repair & Replacement Fund and Regional System Improvement & Extension Fund are an expense for the budget basis while the accrual basis financial report treats this activity as an increase in assets.
- Payments for the warehouse lease and subscription based information technology arrangements (SBITA) are expensed for budget purposes. For financial reporting purposes the warehouse lease is recorded under GASB 87 and payments are treated as a reduction in the lease liability and interest expense (which is a nonoperating expense). The SBITA payments are recorded under GASB 96 and are treated as a prepaid subscription asset as the software is currently in the implemented phase.
- Depreciation and amortization are not a components of the budget basis while the accrual basis financial report treats these as an expense.

<b>Revenue Requirement Variance from Schedule of Revenue Requirements</b>	\$ 579,983
<b>Budgetary adjustments to financial reporting basis</b>	
Pension delayed accounting election adjustments:	
Current year pension payments recorded as deferral	10,810,800
Prior year pension deferral accounted for in current year	7,443,572
Administrative fee prepaid adjustment	406,143
Debt service	64,622,809
BC Note obligation	203,942
Regional system lease	5,706,506
Water Residential Assistance Program (WRAP)	(3,252,936)
Extraordinary Repair & Replacement Fund transfers	2,200,000
Improvement & Extension Fund transfers	23,766,000
GASB 87 & GASB 96 adjustments	352,159
<b>Nonbudgeted financial reporting adjustments</b>	
Depreciation and amortization	(130,052,426)
Amortization - debt related	14,577,852
Improvement & Extension Fund operating expenses	(1,191,437)
Investment earnings on bond funds in Construction Fund	6,060,710
Investment earnings unrealized gain (loss)	1,502,165
Discontinued capital projects	(20,902,626)
Raw water rights obligation	2,850,335
Other nonoperating income (expenses)	<u>(277,469)</u>
<b>Change in Net Position per Statement of Revenues, Expenses and Changes in Net Position</b>	<b><u>\$ (14,593,918)</u></b>

The accompanying notes to the supplementary information are an integral part of this schedule.

**GREAT LAKES WATER AUTHORITY WATER FUND**

WATER IMPROVEMENT AND EXTENSION FUND - BUDGET TO ACTUAL  
For the Year Ended June 30, 2023

The Great Lakes Water Authority Board adopts a budget for the uses of the Improvement & Extension Funds. The schedule below presents the Board adopted budget, adjusted for amendments, for comparison with actual activity in the Water I&E Fund. The Water I&E Fund experienced an increase of \$38.5 million in net position and a negative budget variance of approximately \$0.9 million.

	<u>Adopted Budget</u>	<u>Amended Budget</u>	<u>Actual [4]</u>	<u>Variance Over (Under) Amended Budget</u>
<b>Inflows</b>				
Transfers in from Water Operations Fund				
Revenue transfers	\$ 24,300,000	\$ 23,766,000	\$ 23,766,000	\$ -
Transfers in from Water Construction Fund				
Working capital adjustment [1]	-	23,039,700	23,039,725	25
Investment earnings [2]	-	2,768,700	1,942,739	(825,961)
<b>Total Inflows</b>	<u>24,300,000</u>	<u>49,574,400</u>	<u>48,748,464</u>	<u>(825,936)</u>
<b>Outflows</b>				
Capital spending other (net operating expenses)	-	3,503,400	1,191,437	(2,311,963)
Capital outlay	15,452,600	5,570,100	6,405,255	835,155
Transfers out to Water Operations Fund				
GASB 96 expenditures [3]	-	-	1,930,471	1,930,471
Investment earnings [2]	-	2,768,700	2,361,890	(406,810)
Transfer out to Water Construction Fund				
Revenue financed capital	28,735,400	-	-	-
<b>Total Outflows</b>	<u>44,188,000</u>	<u>11,842,200</u>	<u>11,889,053</u>	<u>46,853</u>
<b>Net Increase (Decrease) - Budget Basis</b>	<u>\$ (19,888,000)</u>	<u>\$ 37,732,200</u>	36,859,411	<u>\$ (872,789)</u>
Non-budgeted inflows (outflows)				
Unrealized net increase in fair value of investments			1,275,456	
Other			72	
Other transfers in			360,397	
<b>Combining Schedule Water Improvement and Extension Fund Change in Net Position [4]</b>			<u>\$ 38,495,336</u>	

- [1] The I&E Fund provided working capital and funding of capital expenditures in prior years through revenue financed capital transfers to the Construction Fund. The remaining working capital funds were returned to the I&E Fund during the year.
- [2] As required by the Master Bond Ordinance, investment earnings on I&E funds are transferred to the receiving fund on a monthly basis.
- [3] The subscription based information technology arrangements (SBITA) costs are an expense for budget purposes. These costs are capitalized under GASB 96 for financial reporting purposes, therefore they are shown as a transfer out to the Water Operations Fund for this analysis. See Note 2 in the Notes to Supplementary Information.
- [4] See the Combining Schedule of Revenues, Expenses and Changes in Net Position - Water Fund. Information in this schedule is based on activity in the Water Improvement and Extension Fund.

The accompanying notes to the supplementary information are an integral part of this schedule.

## GREAT LAKES WATER AUTHORITY WATER FUND

### WATER CONSTRUCTION FUND - BUDGET TO ACTUAL

For the Year Ended June 30, 2023

The Great Lakes Water Authority Board adopts a budget for the use of the Construction Funds. The schedule below presents the Board adopted budget, adjusted for amendments, for comparison with actual activity in the Water Construction Fund. The Water Construction Fund had an increase of \$102.2 million in net position and a positive budget variance of approximately \$8.4 million.

	Adopted Budget	Amended Budget	Actual [4]	Variance Over (Under) Amended Budget
<b>Inflows</b>				
Transfers from Water Improvement & Extension Fund				
Revenue financed capital	\$ 28,735,400	\$ -	\$ -	\$ -
Transfers in from Water Operations Fund				
Bond proceeds	-	225,000,000	228,878,775	3,878,775
State revolving loans	54,992,000	95,000,000	87,088,198	(7,911,802)
Proceeds sale of asset [1]	-	185,300	185,281	(19)
Investment earnings [2]	128,800	4,565,800	6,179,231	1,613,431
<b>Total Inflows</b>	<b>83,856,200</b>	<b>324,751,100</b>	<b>322,331,485</b>	<b>(2,419,615)</b>
<b>Outflows</b>				
Capital projects	155,501,000	207,962,000	193,212,332	(14,749,668)
Transfers out to Water Operations Fund				
Investment earnings [2]	-	-	89,627	89,627
Bond cost of issuance	-	-	3,828,647	3,828,647
Transfers out to Water Improvement & Extension Fund				
Working capital adjustment [3]	-	23,039,700	23,039,725	25
<b>Total Outflows</b>	<b>155,501,000</b>	<b>231,001,700</b>	<b>220,170,331</b>	<b>(10,831,369)</b>
<b>Net Increase (Decrease) - Budget Basis</b>	<b>\$ -</b>	<b>\$ 23,039,700</b>	<b>102,161,154</b>	<b>\$ 8,411,754</b>
Non-budgeted inflows (outflows)				
Unrealized net increase in fair value of investments			405	
<b>Combining Schedule Water Construction Fund Change in Net Position [4]</b>			<b>\$ 102,161,559</b>	

[1] Proceeds from the sale of an asset that was purchased using bond funds.

[2] As required by the Master Bond Ordinance investment earnings on I&E funds are transferred to the receiving fund on a monthly basis. Any earnings on bond proceeds will remain in the Construction Fund.

[3] The I&E Fund provided working capital and funding of capital expenditures in prior years through revenue financed capital transfers to the Construction Fund. The remaining working capital funds were returned to the I&E Fund during the year.

[4] See the Combining Schedule of Revenues, Expenses and Changes in Net Position - Water Fund. Information in this schedule is based on activity in the Water Construction Fund.

The accompanying notes to the supplementary information are an integral part of this schedule.

**GREAT LAKES WATER AUTHORITY WATER FUND**

SCHEDULE OF DAYS CASH - LIQUIDITY  
For the Fiscal Years Ended June

	2023	2022	2021	2020	2019	2018	2017	2016*
Cash and investments - Unrestricted	\$ 243,707,322	\$ 238,690,879	\$ 353,308,385	\$ 394,440,814	\$ 347,204,928	\$ 317,089,746	\$ 267,335,558	\$ 167,292,572
Operating Expense								
Operating expense	\$ 285,219,474	\$ 264,578,659	\$ 250,476,297	\$ 263,282,730	\$ 263,959,730	\$ 254,602,752	\$ 245,868,861	\$ 120,841,204
Less: depreciation	(126,485,762)	(123,196,027)	(123,271,541)	(127,183,228)	(140,571,120)	(143,991,815)	(144,137,912)	(71,295,545)
Less: amortization of intangible asset	(3,566,664)	(3,566,664)	(3,566,664)	(3,566,664)	(3,566,664)	(2,080,554)	-	-
Net Operating Expense	\$ 155,167,048	\$ 137,815,968	\$ 123,638,092	\$ 132,532,838	\$ 119,821,946	\$ 108,530,383	\$ 101,730,949	\$ 49,545,659
Operating Expense per Day (365 days)	\$ 425,115	\$ 377,578	\$ 338,734	\$ 363,104	\$ 328,279	\$ 297,344	\$ 278,715	\$ 273,733
Number of days cash	573	632	1,043	1,086	1,058	1,066	959	611

\* GLWA assumed operations on January 1, 2016. Data for 2016 includes six months of operation under GLWA. Operating expense per day for 2016 is computed using 181 days (six months of operations).

The accompanying notes to the supplementary information are an integral part of this schedule.

# GREAT LAKES WATER AUTHORITY WATER FUND

## NOTES TO SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2023

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### **Note 1 – Combining Fund Schedules**

The Combining Fund Schedules presented combined the three funds the Authority maintains in the Water Fund. The following describes the three funds and the purpose of each fund.

***Water Operations Fund*** – All water revenues are credited to this fund. All expenses for the operations and maintenance of the water system are paid from this fund. This fund aligns with the operations and maintenance (O&M) expense revenue requirement for establishing service charges.

***Water Improvement & Extension Fund (I&E)*** – Amounts that are budgeted in the water revenue requirement to reduce debt financing are transferred to this fund as well as any other water funds that management has determined are available for this use. This fund is used for water system capital outlays and capital improvements. Expenditures under the operating expenses category are expenditures incurred for the betterment of the system, which may lead to capital expenditures but are not necessarily applicable to any current capital improvement.

***Water Construction Fund*** – This fund is used for the proceeds of water debt obligations and investment earnings thereon. I&E funds may also be transferred to this fund when bond proceeds have been exhausted. Funds are used to pay for water system capital improvements in accordance with the debt obligations.

### **Note 2 – Budget to Actual Schedules**

#### ***Schedule of Operating Expenses – Budget to Actual***

The schedule of operating expenses for the water system operations provides the detail of the major expense categories of the operations budget compared to the actual results. The schedule includes the actual operating expenses before depreciation and amortization for the Water Operations Fund reported in the Combining Schedule of Revenues, Expenses and Changes in Net position for the Water Fund. The subscription based information technology arrangements (SBITA) payments line represents the payments made for the SBITA's which is included in the budget as a contractual service. For financial reporting purposes these costs have been treated as a prepaid subscription asset as the software is not in service as of June 30, 2023.

#### ***Schedule of Revenue Requirement – Budget to Actual***

The revenue requirements are the basis for GLWA's budget and calculating Member Partner service charges. The revenue requirements are presented to align with the Master Bond Ordinance flow of funds categories. The budget basis reflects revenues and operations and maintenance expenses on an accrual basis adjusted for GASB 96 as described in the note above. The budget also includes the cash payments for debt service, legacy pension obligations, water residential assistance program and regional system lease related activities.

The revenue requirement basis is foundational to GLWA's daily operations and long-term financial planning. The budget is adopted by the GLWA Board of Directors by resolution. The Board's action establishes the total operations and maintenance budget, total debt service requirements and total capital expenditures for the I&E Fund and Construction Fund for the Regional Water System. The legal level of budgetary control is at this level. Administratively, the budget may be modified within these categories. Modifications to the budget beyond those established levels would be presented to the Audit Committee, and subsequently to the Board.

# GREAT LAKES WATER AUTHORITY WATER FUND

## NOTES TO SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2023

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### **Note 2 – Budget to Actual Schedules (cont.)**

Investment earnings for the budget basis includes the stated interest rate received, amortization of the market discount or premium, and realized gains and losses (calculated for budget purposes as the difference between the selling price and the amortized cost basis). This will vary from the investment earnings reported in the financial statements. The main difference is the budget basis does not include unrealized gains and losses (calculated for budget purposes as the difference between the market value and the amortized cost basis).

### **Note 3 – Schedule of Revenue Requirement to Statement of Revenues, Expenses and Changes in Net Position Crosswalk**

The Great Lakes Water Authority establishes a revenue requirement budget for the purposes of establishing charges, which follows a modified cash basis of accounting. The financial report is prepared in accordance with Generally Accepted Accounting Principles for enterprise funds of a local government. The crosswalk provides a reconciliation between the different basis of accounting used for the budget and the financial report.

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## STATISTICAL SECTION

The objective of the statistical section is to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements and required supplementary information to understand and assess the Authority's economic condition.

The statistical section is divided into five sections as follows:

- Financial Trends
- Revenue Capacity
- Debt Capacity
- Demographic and Economic Information
- Operating Information

**Sources:** Unless otherwise noted, information presented in the statistical schedules is compiled from GLWA's Annual Comprehensive Financial Reports, the prior financial reports of DWSD or other internal information systems



## **FINANCIAL TRENDS**

Financial trends information is intended to show how the Authority's financial position has changed over time.

## GREAT LAKES WATER AUTHORITY WATER FUND

## SCHEDULE OF NET POSITION - WATER FUND

	Fiscal Year							
	2023	2022	2021	2020	2019	2018	2017	2016
<b>Assets</b>								
Current Assets								
Cash and cash equivalents	\$ 222,625,550	\$ 147,191,020	\$ 162,766,427	\$ 88,786,996	\$ 148,643,793	\$ 310,085,221	\$ 266,483,138	\$ 155,712,891
Restricted cash and cash equivalents	127,679,570	49,069,747	65,677,030	39,304,453	68,564,311	51,097,342	60,753,268	53,028,844
Restricted cash for the benefit of DWSD	17,474,699	11,371,285	3,144,400	1,544,529	2,690,397	8,418,827	288,378	10,430
Investments	21,081,772	91,499,859	190,541,958	305,653,818	198,561,135	7,004,525	852,420	11,579,681
Restricted investments	9,975,144	30,711,544	2,932,400	30,900,352	1,468,148	1,234,954	1,169,187	27,818,000
Receivables								
Billed	55,359,908	54,169,640	48,694,817	38,769,605	38,336,701	38,272,740	36,459,563	37,629,170
Unbilled	33,527,694	30,349,758	30,066,884	31,032,237	26,144,348	29,229,709	29,539,433	32,307,945
Other	286,079	295,791	85,494	214,997	916,074	5,850	1,300	21,899,046
Allowance for doubtful accounts	(16,225,907)	(13,917,234)	(11,562,519)	(8,634,075)	(7,455,747)	(6,221,815)	(4,941,777)	(25,040,612)
Due from other governments	5,785,565	11,246,188	11,889,748	20,343,238	30,063,571	23,588,754	21,327,713	41,486,157
Due from other funds	1,032,754	2,328,086	2,786,344	2,134,191	2,876,954	330,293	-	-
Contractual obligation receivable	20,608,286	18,126,021	16,558,716	15,620,163	14,328,368	13,560,086	12,076,942	6,851,584
Prepaid items and other assets	10,795,086	8,701,487	7,601,239	6,458,613	5,647,661	3,265,972	2,437,047	2,183,690
Inventories	-	-	794,521	636,621	386,612	-	-	-
Total Current Assets	<u>510,006,200</u>	<u>441,143,192</u>	<u>531,977,459</u>	<u>572,765,738</u>	<u>531,172,326</u>	<u>479,872,458</u>	<u>426,446,612</u>	<u>365,466,826</u>
Noncurrent Assets								
Restricted cash and cash equivalents	96,480,165	2,773,291	2,519,127	20,491,397	32,154,262	18,261,706	177,939,494	5,460,942
Restricted investments	22,002,166	9,506,991	8,651,762	10,770,585	77,075,423	150,436,225	20,530,374	42,841,345
Contractual obligation receivable	544,820,801	549,493,189	552,093,376	554,942,283	468,481,719	477,039,443	483,604,380	466,317,666
Prepaid lease	11,250,000	11,250,000	11,250,000	11,250,000	11,250,000	11,250,000	11,250,000	-
Capital assets								
Nondepreciable/nonamortizable	670,557,112	567,414,021	498,010,970	418,996,654	467,830,218	434,684,895	452,185,674	415,558,090
Depreciated/amortized, net	1,330,639,811	1,384,312,298	1,418,773,460	1,487,915,510	1,492,118,136	1,604,038,058	1,587,291,603	1,728,054,410
Prepaid insurance on debt	5,995,322	6,649,782	7,304,243	7,958,703	8,754,897	13,002,376	14,112,324	20,831,496
Total Noncurrent Assets	<u>2,681,745,377</u>	<u>2,531,399,572</u>	<u>2,498,602,938</u>	<u>2,512,325,132</u>	<u>2,557,664,655</u>	<u>2,708,712,703</u>	<u>2,746,913,849</u>	<u>2,679,063,949</u>
Total Assets	<u>3,191,751,577</u>	<u>2,972,542,764</u>	<u>3,030,580,397</u>	<u>3,085,090,870</u>	<u>3,088,836,981</u>	<u>3,188,585,161</u>	<u>3,173,360,461</u>	<u>3,044,530,775</u>
Deferred Outflows of Resources								
Deferred charge on refunding	39,316,288	41,997,055	44,677,823	47,358,590	82,508,971	94,431,823	99,294,499	116,511,949
Deferred pension amounts	17,107,308	10,810,800	22,112,642	15,292,494	11,369,496	18,645,719	21,491,506	13,620,562
Total Deferred Outflows of Resources	<u>56,423,596</u>	<u>52,807,855</u>	<u>66,790,465</u>	<u>62,651,084</u>	<u>93,878,467</u>	<u>113,077,542</u>	<u>120,786,005</u>	<u>130,132,511</u>

	Fiscal Year							
	2023	2022	2021	2020	2019	2018	2017	2016
<b>Liabilities</b>								
<b>Current Liabilities</b>								
Accounts and contracts payable	\$ 60,207,304	\$ 56,890,771	\$ 53,039,330	\$ 43,231,679	\$ 36,657,714	\$ 33,754,534	\$ 36,751,842	\$ 49,474,527
Accrued salaries, wages and benefits	1,757,758	1,046,674	4,892,033	5,321,864	4,284,220	4,734,956	3,190,038	2,887,280
Accrued liabilities	25,111,216	15,261,427	6,958,556	5,357,056	6,481,670	12,679,692	1,353,816	875,796
Due to other governments	3,124,058	17,610,601	15,693,993	18,282,254	15,963,934	11,935,868	25,393,813	13,668,890
Due to other funds	2,214,714	-	162,368	-	12,568	3,447,927	-	65,971
Interest payable	41,789,634	36,398,995	36,621,768	30,887,915	40,325,682	39,322,324	39,329,322	37,226,125
Current portion of:								
Revenue bonds and loans	62,332,082	40,091,255	32,500,450	33,058,615	29,244,447	20,569,843	23,393,905	35,650,167
Raw water rights obligation	2,963,619	2,845,282	2,734,246	2,624,820	2,520,996	2,999,458	-	-
BC Note obligation	214,151	203,954	194,242	184,992	176,183	167,794	159,803	152,193
Regional system lease	5,928,467	5,686,745	5,454,878	5,232,465	5,019,121	4,814,476	4,618,174	4,429,876
Other liabilities	3,743,223	3,378,083	3,123,843	5,331,161	4,938,308	4,635,565	2,182,888	6,675,228
<b>Total Current Liabilities</b>	<b>209,386,226</b>	<b>179,413,787</b>	<b>161,375,707</b>	<b>149,512,821</b>	<b>145,624,843</b>	<b>139,062,437</b>	<b>136,373,601</b>	<b>151,106,053</b>
<b>Noncurrent Liabilities</b>								
Revenue bonds and loans	2,592,206,224	2,359,238,286	2,407,391,624	2,459,730,737	2,467,177,447	2,545,529,255	2,606,465,431	2,488,824,632
Raw water rights obligation	89,552,155	92,515,774	95,361,056	98,095,302	100,720,123	103,241,118	-	-
BC Note obligation	16,124,188	16,338,339	16,542,293	16,736,534	16,921,526	17,097,709	17,265,503	17,425,306
Regional system lease	394,167,195	400,095,662	405,782,406	411,237,284	416,469,750	421,488,871	426,303,346	430,921,520
Other liabilities	3,713,668	4,132,979	4,138,780	4,840,615	4,979,604	4,933,977	5,170,201	9,784,562
Net pension liability	22,645,805	23,379,480	51,728,179	47,643,374	47,310,460	64,151,352	69,569,044	61,021,079
<b>Total Noncurrent Liabilities</b>	<b>3,118,409,235</b>	<b>2,895,700,520</b>	<b>2,980,944,338</b>	<b>3,038,283,846</b>	<b>3,053,578,910</b>	<b>3,156,442,282</b>	<b>3,124,773,525</b>	<b>3,007,977,099</b>
<b>Total Liabilities</b>	<b>3,327,795,461</b>	<b>3,075,114,307</b>	<b>3,142,320,045</b>	<b>3,187,796,667</b>	<b>3,199,203,753</b>	<b>3,295,504,719</b>	<b>3,261,147,126</b>	<b>3,159,083,152</b>
<b>Deferred Inflows of Resources</b>								
Deferred gain on refunding	44,182,654	48,216,421	52,250,187	56,283,953	60,317,719	59,252,431	62,822,646	-
Deferred amounts for swap terminations	56,712	61,438	66,164	70,890	75,616	80,342	85,068	4,134,908
Deferred pension amounts	-	11,224,189	-	-	-	7,260,572	6,565,776	15,536,821
<b>Total Deferred Inflows of Resources</b>	<b>44,239,366</b>	<b>59,502,048</b>	<b>52,316,351</b>	<b>56,354,843</b>	<b>60,393,335</b>	<b>66,593,345</b>	<b>69,473,490</b>	<b>19,671,729</b>
<b>Net Position (Deficit)</b>								
Net investment in capital assets	(198,390,747)	(109,163,683)	(191,352,010)	(237,858,820)	(166,485,092)	(84,133,546)	(2,321,309)	90,778,518
Restricted for debt service	56,139,482	31,660,045	23,688,943	19,479,656	29,731,576	23,239,368	26,194,280	69,797,836
Restricted for payment assistance program	2,289,905	5,272,708	4,614,294	3,754,368	3,369,875	2,462,214	2,218,373	1,451,598
Unrestricted	16,101,706	(37,034,806)	65,783,239	118,215,240	56,502,001	(2,003,397)	(62,565,494)	(166,119,547)
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>\$ (123,859,654)</b>	<b>\$ (109,265,736)</b>	<b>\$ (97,265,534)</b>	<b>\$ (96,409,556)</b>	<b>\$ (76,881,640)</b>	<b>\$ (60,435,361)</b>	<b>\$ (36,474,150)</b>	<b>\$ (4,091,595)</b>

GLWA began operations on January 1, 2016. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

**GREAT LAKES WATER AUTHORITY WATER FUND**  
CHANGES IN NET POSITION - WATER FUND

	Fiscal Year							
	2023	2022	2021	2020	2019	2018	2017	2016*
<b>Operating Revenues</b>								
Wholesale customer charges	\$ 340,593,806	\$ 323,026,213	\$ 322,423,768	\$ 312,701,777	\$ 311,399,136	\$ 323,117,344	\$ 331,115,131	\$ 160,777,169
Local system charges	22,834,300	21,697,300	21,925,500	21,295,500	20,181,400	15,130,600	15,490,300	6,833,500
Bad debt recovery	-	-	-	-	-	-	5,107,125	-
Other revenues	350,991	234,462	265,822	256,300	21,340	64,200	37,388	54,863
<b>Total Operating Revenues</b>	<b>363,779,097</b>	<b>344,957,975</b>	<b>344,615,090</b>	<b>334,253,577</b>	<b>331,601,876</b>	<b>338,312,144</b>	<b>351,749,944</b>	<b>167,665,532</b>
<b>Operating Expenses</b>								
Personnel	48,855,342	44,892,622	43,889,495	43,946,225	42,085,546	41,845,295	38,261,393	8,301,022
Contractual services	52,817,187	50,683,897	40,410,811	46,097,405	43,083,078	35,794,549	34,257,419	3,304,113
Utilities	33,436,545	28,725,292	28,828,226	27,719,754	26,247,858	26,871,081	28,469,603	12,368,557
Chemicals	12,689,666	7,788,784	6,028,141	5,569,437	5,088,827	4,804,768	5,340,753	2,444,543
Supplies and other expenses	11,926,150	9,157,367	9,158,990	12,034,192	11,797,279	9,543,615	7,982,562	1,440,644
Capital adjustment	-	-	-	26,780	-	-	-	-
Capital program allocation	(1,172,302)	(1,618,459)	(2,123,060)	(2,164,003)	(2,054,913)	(713,779)	(977,762)	-
Intergovernmental reimbursements	(3,385,540)	(1,813,535)	(2,554,511)	(696,952)	(6,425,729)	(9,615,146)	(11,603,019)	-
Centralized services	-	-	-	-	-	-	-	18,494,851
Administrative services	-	-	-	-	-	-	-	3,191,929
Depreciation	126,485,762	123,196,027	123,271,541	127,183,228	140,571,120	143,991,815	144,137,912	71,295,545
Amortization of intangible asset	3,566,664	3,566,664	3,566,664	3,566,664	3,566,664	2,080,554	-	-
<b>Total Operating Expenses</b>	<b>285,219,474</b>	<b>264,578,659</b>	<b>250,476,297</b>	<b>263,282,730</b>	<b>263,959,730</b>	<b>254,602,752</b>	<b>245,868,861</b>	<b>120,841,204</b>
<b>Operating Income</b>	<b>78,559,623</b>	<b>80,379,316</b>	<b>94,138,793</b>	<b>70,970,847</b>	<b>67,642,146</b>	<b>83,709,392</b>	<b>105,881,083</b>	<b>46,824,328</b>
<b>Nonoperating Revenues (Expenses)</b>								
Earnings (loss) on investments	16,724,485	(2,361,396)	768,918	13,744,774	14,754,401	6,129,530	1,832,918	392,031
Interest on obligations receivable	24,662,083	25,107,207	25,474,904	22,945,866	22,921,380	23,351,220	25,269,750	12,231,250
Interest expense	(131,161,860)	(125,086,379)	(128,257,367)	(133,537,621)	(136,704,033)	(139,343,204)	(132,434,945)	(65,958,095)
Amortization of debt related items and COI	14,577,852	15,610,434	15,988,278	14,258,569	10,771,937	13,837,585	2,403,018	2,418,891
Legacy pension recovery (expense)	7,443,572	(4,988,132)	(8,075,457)	(7,220,716)	6,014,441	(8,933,691)	(2,516,776)	-
Water Residential Assistance Program	(5,023,436)	(1,049,908)	(593,206)	(1,393,179)	(855,455)	(1,506,554)	(884,327)	-
Other	526,389	388,656	(300,841)	703,544	(991,096)	(1,205,489)	878,305	-
Discontinued capital projects	(20,902,626)	-	-	-	-	-	-	-
<b>Total Nonoperating Expenses</b>	<b>(93,153,541)</b>	<b>(92,379,518)</b>	<b>(94,994,771)</b>	<b>(90,498,763)</b>	<b>(84,088,425)</b>	<b>(107,670,603)</b>	<b>(105,452,057)</b>	<b>(50,915,923)</b>
<b>Income (loss) before special item</b>	<b>(14,593,918)</b>	<b>(12,000,202)</b>	<b>(855,978)</b>	<b>(19,527,916)</b>	<b>(16,446,279)</b>	<b>(23,961,211)</b>	<b>429,026</b>	<b>(4,091,595)</b>
<b>Special Item - MOU with DWSD</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(32,811,581)</b>	<b>-</b>
<b>Change in Net Position</b>	<b>(14,593,918)</b>	<b>(12,000,202)</b>	<b>(855,978)</b>	<b>(19,527,916)</b>	<b>(16,446,279)</b>	<b>(23,961,211)</b>	<b>(32,382,555)</b>	<b>(4,091,595)</b>
NET POSITION (DEFICIT), Beginning of Year	(109,265,736)	(97,265,534)	(96,409,556)	(76,881,640)	(60,435,361)	(36,474,150)	(4,091,595)	-
<b>NET POSITION (DEFICIT), END OF YEAR</b>	<b>\$ (123,859,654)</b>	<b>\$ (109,265,736)</b>	<b>\$ (97,265,534)</b>	<b>\$ (96,409,556)</b>	<b>\$ (76,881,640)</b>	<b>\$ (60,435,361)</b>	<b>\$ (36,474,150)</b>	<b>\$ (4,091,595)</b>

\* GLWA began operations on January 1, 2016. The data for FY 2016 relates to six months of activity through June 30, 2016.

This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

## **REVENUE CAPACITY**

Revenue capacity information is intended to show the factors affecting the Authority's ability to generate its own-source revenue.

**GREAT LAKES WATER AUTHORITY WATER FUND**

CHARGE ADJUSTMENTS  
As Originally Adopted by the Board of Directors

	Fiscal Year								
	2024	2023	2022	2021	2020	2019	2018	2017	2016 [5]
Budgeted revenue requirement [1]	\$ 370,314,500	\$ 356,071,600	\$ 344,030,500	\$ 341,642,000	\$ 339,664,200	\$ 331,400,500	\$ 328,119,300	\$ 331,213,200	\$ 318,474,200
Percent change in budgeted revenue requirement	4.0%	3.5%	0.7%	0.6%	2.5%	1.0%	-0.9%	4.0%	4.0%
Average annual charge adjustment [2]									
Total regional system	2.75%	3.7%	1.5%	3.2%	0.6%	1.8%	1.8%	4.5%	n/a [6]
Suburban wholesale	2.1%	3.5%	1.9%	3.1%	0.3%	0.2%	2.0%	3.4%	11.3%
Local system charge [3]	6.2%	3.0%	-2.0%	3.0%	2.7%	14.1%	-1.0%	11.6%	n/a [6]
Number of wholesale water customers [4]	87	87	87	87	87	87	87	88	85

[1] This is the revenue requirements in the original adopted budget for the fiscal year which is used in the calculation of charges. The revenue requirement represents the funding requirements which are defined in the Master Bond Ordinance.

[2] Average annual charge adjustment percentages is the required charge adjustment required when calculating revenue with the prior year existing charges, usage projections and any other specific individual contract requirements. For the sewage disposal system, this also includes the bad debt adjustment.

[3] Represents the annual change in the local system charges to the Detroit customer class before the annual credit of \$20.7 million for water. Does not include any lookback charges in the percentage increase/decrease calculation. Does not include any Detroit local system operating costs or charges included in the Detroit retail rate. Also does not include any impact of Detroit's use of the regional system lease payment to finance allocated debt service obligations.

[4] Does not include the City of Detroit. The water system includes one emergency basis contract.

[5] GLWA began operations on January 1, 2016. Amounts in this column are based on annual budget of Detroit Water and Sewage Department for FY 2016 which was the basis for the revenue requirement for the six months of operations of GLWA.

[6] Due to the establishment of the Authority and DWSD as separate entities during FY 2016, this information is not applicable.

Source: Great Lakes Water Authority Financial Services Area and the Foster Group

This schedule is being built prospectively. Ultimately, 10 years of data will be presented.



**GREAT LAKES WATER AUTHORITY WATER FUND**  
**WATER FUND OPERATING REVENUES/ LARGEST WATER CUSTOMERS**

	Fiscal Year							
	2023	2022	2021	2020	2019	2018	2017	2016*
<b>Operating Revenues</b>								
Suburban wholesale charges [1]	\$ 340,593,806	\$ 323,026,213	\$ 322,423,768	\$ 312,701,777	\$ 311,399,136	\$ 323,117,344	\$ 331,115,131	\$ 160,777,169
Local system charges	22,834,300	21,697,300	21,925,500	21,295,500	20,181,400	15,130,600	15,490,300	6,833,500
Bad debt recovery	-	-	-	-	-	-	5,107,125	-
Other revenue	350,991	234,462	265,822	256,300	21,340	64,200	37,388	54,863
<b>Total Operating Revenues</b>	<b>\$ 363,779,097</b>	<b>\$ 344,957,975</b>	<b>\$ 344,615,090</b>	<b>\$ 334,253,577</b>	<b>\$ 331,601,876</b>	<b>\$ 338,312,144</b>	<b>\$ 351,749,944</b>	<b>\$ 167,665,532</b>
Suburban wholesale charges % of total operating revenue	93.63%	93.64%	93.56%	93.55%	93.91%	95.51%	94.13%	95.89%
Local system charges % of total operating revenue	6.28%	6.29%	6.36%	6.37%	6.09%	4.47%	4.40%	4.08%
<b>Ten Largest Suburban Wholesale Member Partners</b>								
Southeast Oakland County Water Authority	\$ 25,534,464	\$ 24,035,255	\$ 23,722,602	\$ 23,089,967	\$ 23,311,743	\$ 23,118,160	\$ 22,434,129	\$ 11,160,701
North Oakland County Water Authority	24,485,805	22,798,372	22,667,931	22,293,795	23,464,096	23,365,866	22,913,261	11,105,152
Sterling Heights	16,661,863	16,235,356	16,375,729	15,242,912	14,644,368	15,571,146	15,480,008	7,155,303
Shelby Township	16,043,316	14,885,135	15,690,553	14,482,451	13,719,053	13,554,398	13,462,808	6,114,243
Troy	14,538,261	13,811,983	14,324,990	13,607,770	13,700,093	13,842,135	13,939,815	6,058,667
Macomb Township	14,279,105	13,065,395	13,388,385	12,870,377	11,063,225	11,167,739	10,945,117	-
Livonia	12,383,989	11,860,410	11,806,151	11,553,730	14,001,058	13,669,376	13,483,657	6,223,290
West Bloomfield Township	11,824,605	11,229,363	11,010,166	-	10,733,617	-	-	-
Canton Township	11,802,563	-	10,919,607	10,491,407	-	13,334,615	13,872,584	6,032,404
Ypsilanti Community Utilities Authority	11,464,455	11,059,703	-	10,450,861	-	11,038,134	-	-
Warren	-	10,940,909	-	-	10,648,162	-	-	-
Flint [2]	-	-	10,980,526	10,325,345	11,604,504	12,235,483	13,256,330	6,738,009
Genesee County Drain Commission [3]	-	-	-	-	-	-	18,493,530	8,593,304
Novi	-	-	-	-	-	-	-	5,595,031
<b>Total Revenue Ten Largest Suburban Wholesale Member Partners</b>	<b>\$ 159,018,426</b>	<b>\$ 149,921,881</b>	<b>\$ 150,886,640</b>	<b>\$ 144,408,615</b>	<b>\$ 146,889,919</b>	<b>\$ 150,897,052</b>	<b>\$ 158,281,239</b>	<b>\$ 74,776,104</b>
Ten largest suburban wholesale member partners % of total operating revenues	43.71%	43.46%	43.78%	43.20%	44.30%	44.60%	45.00%	44.60%

[1] Net of bad debt expense.

[2] Represents billed revenues prior to the credit to Flint for its proportional share of KWA debt service.

[3] Genesee County Drain Commission changed service providers in December 2017 and has contracted GLWA for as needed emergency water service.

\* GLWA began operations on January 1, 2016. The data for 2016 is for the six months of activity through June 30, 2016.

This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

**GREAT LAKES WATER AUTHORITY WATER FUND**  
**WATER SYSTEM SERVICE CHARGES\***

Community Name	Fixed Monthly Charge	Commodity \$/Mcf	Community Name	Fixed Monthly Charge	Commodity \$/Mcf
Allen Park	\$ 136,800	\$ 7.52	Mayfield Township	\$ 2,200	\$ 34.12
Almont, Village of	13,000	10.84	Melvindale	35,000	6.66
Ash Township	45,100	8.56	New Haven, Village of	20,300	8.83
Belleville	17,900	9.41	North Oakland County Water Authority	1,192,200	10.89
Berlin Township	39,900	11.75	Northville, City	41,900	10.77
Brownstown Township	195,700	11.49	Northville Township	306,100	17.72
Bruce Township	18,700	56.29	Novi	490,900	13.42
Canton Township	563,000	12.52	Oak Park	75,300	6.35
Center Line	25,600	6.38	Oakland County Drain Commission	4,400	3.64
Chesterfield Township	233,100	10.56	Plymouth, City	59,000	10.59
Clinton Township	409,600	8.21	Plymouth Township	240,700	11.96
Commerce Township	195,300	14.96	Redford Township	171,300	8.64
Dearborn	548,800	7.46	River Rouge	37,000	7.81
Dearborn Heights	199,200	8.08	Riverview	48,100	8.02
Eastpointe	84,600	6.49	Rockwood	15,000	12.33
Ecorse	78,400	4.94	Romeo	14,100	18.33
Farmington	54,700	9.79	Romulus	233,200	8.34
Farmington Hills	478,200	10.95	Roseville	145,500	6.24
Ferndale	56,400	6.27	Royal Oak Township	10,500	8.14
Flat Rock	69,600	10.65	Shelby Township	781,200	15.14
Flint (1)	577,300	9.84	Southeastern Oakland County Water Authority	1,242,900	8.08
Fraser	65,900	9.06	South Rockwood	6,200	10.74
Garden City	89,600	9.16	Southgate	118,700	8.49
Gibraltar	18,100	8.83	St. Clair County-Burtchville Township	18,800	17.95
Grosse Ile Township	59,500	12.49	St. Clair County-Greenwood Energy Center	71,400	22.78
Grosse Pointe Park	72,800	10.60	St. Clair Shores	168,200	6.92
Grosse Pointe Shores	35,100	14.65	Sterling Heights	836,700	11.32
Grosse Pointe Woods	68,700	7.91	Sumpter Township	37,100	9.80
Hamtramck	43,500	5.58	Sylvan Lake	12,700	15.92
Harper Woods	43,600	7.38	Taylor	250,800	7.75
Harrison Township	88,100	7.38	Trenton	91,600	8.47
Hazel Park	39,900	6.36	Troy	738,900	12.71
Highland Park	62,900	4.76	Utica	30,100	10.44
Huron Township	80,800	10.43	Van Buren Township	191,100	11.28
Imlay City	79,900	13.82	Walled Lake	43,000	11.51
Imlay Township	800	45.33	Warren	558,100	7.22
Inkster	69,300	5.47	Washington Township	127,400	12.46
Keego Harbor	16,300	12.99	Wayne	174,700	13.26
Lapeer	83,600	12.64	West Bloomfield Township	567,600	17.03
Lenox Township	15,700	8.99	Westland	335,100	8.32
Lincoln Park	126,300	6.11	Wixom	134,800	14.32
Livonia	620,700	10.54	Woodhaven	90,900	12.57
Macomb Township	682,100	17.01	Ypsilanti Community Utilities Authority	563,400	9.34
Madison Heights	100,400	7.64			

Annual Detroit Wholesale Revenue Requirement \$22,834,300

\* Water charges went into effect July 1, 2022. Amounts reflect the amended charges approved by the GLWA Board of Director's on June 2, 2022.

(1) Net fixed monthly charge will include \$554,300 monthly credits for KWA debt service

## **DEBT CAPACITY**

Debt capacity information is intended to show the Authority's debt burden and its ability to issue additional debt.

## GREAT LAKES WATER AUTHORITY WATER FUND

### RATIOS OF OUTSTANDING DEBT BY TYPE

	Fiscal Year							
	2023	2022	2021	2020	2019	2018	2017	2016
Revenue bonds [1]	\$ 2,447,181,498	\$ 2,289,900,079	\$ 2,368,632,473	\$ 2,453,471,088	\$ 2,466,561,092	\$ 2,540,663,196	\$ 2,612,607,101	\$ 2,507,091,038
State revolving loans	207,356,808	109,429,462	71,259,601	39,318,264	29,860,802	25,435,902	17,252,235	17,383,761
Raw water rights obligation	92,515,774	95,361,056	98,095,302	100,720,122	103,241,119	106,240,576	-	-
BC Note obligation	16,338,339	16,542,293	16,736,535	16,921,526	17,097,709	17,265,503	17,425,306	17,577,499
<b>Total Water Fund</b>	<b>\$ 2,763,392,419</b>	<b>\$ 2,511,232,890</b>	<b>\$ 2,554,723,911</b>	<b>\$ 2,610,431,000</b>	<b>\$ 2,616,760,722</b>	<b>\$ 2,689,605,177</b>	<b>\$ 2,647,284,642</b>	<b>\$ 2,542,052,298</b>
Total taxable value [2]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total population served [3]:								
Water	3,800,000	3,800,000	3,800,000	3,800,000	3,800,000	3,800,000	3,800,000	3,800,000
Total debt per capita:								
Water	\$ 727	\$ 661	\$ 672	\$ 687	\$ 689	\$ 708	\$ 697	\$ 669
Per capita income [4]	\$ 66,285	\$ 62,274	\$ 60,965	\$ 57,755	\$ 53,428	\$ 51,823	\$ 49,809	\$ 48,605
Total debt as a percentage of income:								
Water	1.10%	1.06%	1.10%	1.19%	1.29%	1.37%	1.40%	1.38%

[1] Amounts are reported net of premiums and discounts.

[2] GLWA is not authorized to levy property taxes; therefore, presentation of taxable values and the ratio of total debt to taxable value is not applicable.

[3] Source: Estimated based on data from Southeast Michigan Council of Governments (SEMCOG).

[4] Source: FRED Economic Data, St. Louis Fed and Michigan State University Center for Economic Analysis. (Prior year amounts have been updated to match current data from FRED)

Further details regarding the Authority's debt can be found in the notes to the financial statements.

GLWA began operations on January 1, 2016. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

## GREAT LAKES WATER AUTHORITY WATER FUND

DEBT BY LIEN  
As of June 30, 2023

	Original Principal Amount [1]	Outstanding as of June 30, 2023
<b>Water Supply System Revenue Bonds</b>		
Senior Lien Bonds		
Water Supply System Revenue Senior Lien Bonds, Series 2003A	\$ 234,805,000	\$ 100,000
Water Supply System Revenue Senior Lien Bonds, Series 2005B	194,900,000	100,000
Water Supply System Revenue Senior Lien Bonds, Series 2006A	280,000,000	100,000
Water Supply System Revenue Refunding Senior Lien Bonds, Series 2014D-1	206,540,000	44,190,000
Water Supply System Revenue Refunding Senior Lien Bonds, Series 2014D-2	188,455,000	182,480,000
Water Supply System Revenue Refunding Senior Lien Bonds, Series 2014D-4	307,645,000	209,360,000
Water Supply System Revenue Refunding Senior Lien Bonds, Series 2015D-1	89,430,000	69,275,000
Water Supply System Revenue Senior Lien Bonds, Series 2016A	88,000,000	87,990,000
Water Supply System Revenue Refunding Senior Lien Bonds, Series 2016C	443,930,000	439,065,000
Water Supply System Revenue Senior Lien Bonds, Series 2020A	42,445,000	42,445,000
Water Supply System Revenue Refunding Senior Lien Bonds, Series 2020C	377,515,000	375,645,000
Water Supply System Revenue Senior Lien Bonds, Series 2022A	137,470,000	137,470,000
Total Senior Lien Bonds	2,591,135,000	1,588,220,000
Second Lien Bonds		
Water Supply System Revenue Second Lien Bonds, Series 2003B	172,945,000	100,000
Water Supply System Revenue Second Lien Bonds, Series 2006B	120,000,000	100,000
Water Supply System Revenue Refunding Second Lien Bonds, Series 2014D-6	65,425,000	45,820,000
Water Supply System Revenue Refunding Second Lien Bonds, Series 2015D-2	37,235,000	37,235,000
Water Supply System Revenue Second Lien Bonds, Series 2016B	163,830,000	163,820,000
Water Supply System Revenue Refunding Second Lien Bonds, Series 2016D	222,045,000	222,045,000
Water Supply System Revenue Refunding Second Lien Bonds, Series 2018A	155,595,000	109,040,000
Water Supply System Revenue Second Lien Bonds, Series 2020B	43,135,000	43,135,000
Water Supply System Revenue Second Lien Bonds, Series 2022B	69,745,000	69,745,000
Total Second Lien Bonds	1,049,955,000	691,040,000
SRF Junior Lien Bonds		
Water Supply System Revenue Bonds, Series 2005 SRF-1	13,805,164	3,130,164
Water Supply System Revenue Bonds, Series 2005 SRF-2	8,891,730	1,976,730
Water Supply System Revenue Bonds, Series 2006 SRF-1	5,180,926	1,165,926
Water Supply System Revenue Bonds, Series 2008 SRF-1	2,590,941	650,941
Water Supply System Revenue Bonds, Series 2016 SRF-1	8,273,168	7,258,168
Water Supply System Revenue Bonds, Series 2016 SRF-2	3,393,543	2,968,543
Water Supply System Revenue Bonds, Series 2017 SRF-1	5,807,931	5,192,931
Water Supply System Revenue Bonds, Series 2019 SRF-1	8,330,000	7,635,000
Water Supply System Revenue Bonds, Series 2019 SRF-2	29,950,000	27,824,226
Water Supply System Revenue Bonds, Series 2019 SRF-3	11,788,056	7,447,932
Water Supply System Revenue Bonds, Series 2020 SRF-1	20,538,700	19,514,960
Water Supply System Revenue Bonds, Series 2020 SRF-2	9,000,000	6,940,958
Water Supply System Revenue Bonds, Series 2020 SRF-3	8,960,000	7,909,220
Water Supply System Revenue Bonds, Series 2020 SRF-4	12,153,050	8,832,593
Water Supply System Revenue Bonds, Series 2021 SRF-1	11,940,000	4,209,249
Water Supply System Revenue Bonds, Series 2021 SRF-2	104,725,000	50,945,907
Water Supply System Revenue Bonds, Series 2021 SRF-3	11,528,950	9,678,360
Water Supply System Revenue Bonds, Series 2022 SRF-2	34,075,000	34,075,000
Total SRF Junior Lien Bonds	310,932,159	207,356,808
<b>TOTAL WATER SUPPLY SYSTEM REVENUE BONDS</b>	<b>\$ 3,952,022,159</b>	<b>\$ 2,486,616,808</b>

[1] Reflects original amount issued by predecessor entity, DWSD, for bonds issued prior to January 1, 2016.

## GREAT LAKES WATER AUTHORITY WATER FUND

### SCHEDULE OF DEBT SERVICE REQUIREMENTS As of June 30, 2023

Fiscal Year Ending [1]	Senior Lien Bonds (\$000)			Second Lien Bonds (\$000)			Junior Lien Bonds (\$000)			All Bonds (\$000)
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Total Debt Service
2024 [2]	\$27,280	\$60,003	\$87,283	\$12,970	\$31,622	\$44,592	\$6,985	\$4,099	\$11,084	\$142,960
2025	64,210	70,597	134,807	18,380	32,915	51,295	12,454	3,889	16,343	202,445
2026	67,320	67,666	134,986	19,475	31,969	51,444	12,710	3,642	16,352	202,781
2027	70,355	64,412	134,767	20,450	30,970	51,420	12,953	3,390	16,343	202,530
2028	73,835	61,037	134,872	21,475	29,922	51,397	11,560	3,150	14,710	200,980
2029	77,435	57,531	134,966	22,795	28,816	51,611	11,801	2,924	14,725	201,301
2030	81,190	53,692	134,882	23,930	27,647	51,577	11,885	2,694	14,579	201,039
2031	85,115	49,648	134,763	27,935	26,351	54,286	12,130	2,462	14,592	203,640
2032	89,285	45,390	134,675	29,330	24,919	54,249	12,334	2,225	14,559	203,483
2033	93,635	40,916	134,551	30,800	23,559	54,359	12,045	1,989	14,034	202,943
2034	87,550	36,435	123,985	42,720	22,065	64,785	12,265	1,753	14,018	202,788
2035	95,855	31,870	127,725	40,530	20,186	60,716	10,731	1,529	12,260	200,701
2036	123,660	26,400	150,060	15,270	18,791	34,061	7,390	1,351	8,741	192,862
2037	20,540	22,903	43,443	124,865	15,287	140,152	7,530	1,203	8,733	192,328
2038	61,925	21,175	83,100	6,120	12,012	18,132	7,690	1,052	8,742	109,974
2039	66,240	18,654	84,894	4,755	11,740	16,495	7,835	898	8,733	110,122
2040	71,880	16,125	88,005	1,765	11,577	13,342	7,526	745	8,271	109,618
2041	74,550	13,410	87,960	1,850	11,487	13,337	7,339	595	7,934	109,230
2042	76,020	10,613	86,633	1,945	11,392	13,337	5,344	457	5,801	105,771
2043	27,200	8,509	35,709	31,665	10,551	42,216	4,355	351	4,706	82,631
2044	25,300	7,177	32,477	36,395	8,846	45,241	2,048	266	2,314	80,032
2045	26,575	5,863	32,438	38,225	6,972	45,197	1,980	223	2,203	79,838
2046	27,920	4,483	32,403	40,140	5,005	45,145	2,030	179	2,209	79,757
2047	29,340	3,033	32,373	42,155	2,938	45,093	1,598	135	1,732	79,199
2048	10,525	2,017	12,542	6,450	1,714	8,164	1,617	99	1,716	22,422
2049	7,720	1,545	9,265	6,860	1,366	8,226	1,098	63	1,161	18,651
2050	8,115	1,136	9,251	7,215	993	8,208	865	42	907	18,366
2051	5,585	780	6,365	4,600	675	5,275	880	25	905	12,545
2052	5,875	479	6,354	4,855	415	5,270	380	8	388	12,012
2053	6,185	162	6,347	5,120	141	5,261	-	-	-	11,608
<b>Total</b>	<b>\$1,588,220</b>	<b>\$803,660</b>	<b>\$2,391,880</b>	<b>\$691,040</b>	<b>\$462,844</b>	<b>\$1,153,884</b>	<b>\$207,357</b>	<b>\$41,435</b>	<b>\$248,792</b>	<b>\$3,794,557</b>

[1] Reflects fiscal period in which actual payments are due.

[2] For bonds issued through the Michigan Finance Authority (MFA) in 2014 and 2015, the Authority is required to make payment on these obligations to the MFA depository account five business days prior to the actual due date of the bond principal and interest payments. Therefore, the payments for the principal and interest due on July 1, 2023 are not included in the debt service requirement amounts above as they were paid on June 26, 2023.

Schedule may not foot due to rounding

## GREAT LAKES WATER AUTHORITY WATER FUND

### DEBT CREDIT RATING HISTORY As of June 30, 2023

Debt Type	Fiscal Year							
	2023	2022	2021	2020	2019	2018	2017	2016
Standards & Poor's								
Senior Lien	AA-	AA-	AA-	AA-	AA-	A-	A-	A-
Second Lien	A+	A+	A+	A+	A+	BBB+	BBB+	BBB+
Junior Lien	A+	A+	A+	A+	A+	N/A	N/A	N/A
Moody's								
Senior Lien	A1	A1	A1	A1	A2	A3	A3	Baa1
Second Lien	A2	A2	A2	A2	A3	Baa1	Baa1	Baa2
Fitch								
Senior Lien	A+	A+	A+	A+	A	A	A	BBB
Second Lien	A	A	A	A	A-	A-	A-	BBB-

GLWA began operations on January 1, 2016. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

**GREAT LAKES WATER AUTHORITY WATER FUND**

## CALCULATION OF DEBT SERVICE COVERAGE - OVERVIEW

As of June 30, 2023

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The Authority has pledged Net Revenues of the water and sewage disposal systems to secure the repayment of the principal and interest of the revenue bonds and State of Michigan revolving fund loans. Revenues are defined in the Master Bond Ordinance (MBO) and are in accordance with State of Michigan Public Act 94, the Revenue Bond Act of 1933, as all monies collected, directly or indirectly, by GLWA, or by the DWSD as agent for GLWA for the local system under the water and sewer services agreement. Net Revenues are defined in the MBO as all Revenues except for those transferred to the Operations and Maintenance Fund.

Debt service coverage ratios are presented using both (a) the GAAP methodology which calculates pledged revenue on an accrual basis and (b) the Rate Covenant methodology which calculates pledged revenue on a cash basis.

The MBO establishes that rates and charges be set such that they are expected to produce debt service coverage that is not less than the Required Coverage. Required Coverage is defined as debt service coverage levels of 1.20 for senior lien bonds, 1.10 for second lien bonds and 1.00 for any junior lien bonds, other than second lien bonds. Debt service coverage ratios are inclusive of all revenue bonds and state revolving loans held on behalf of both GLWA and DWSD.



**GREAT LAKES WATER AUTHORITY WATER FUND**  
DEBT SERVICE COVERAGE - GAAP BASIS - WATER SYSTEM

	Fiscal Year							
	2023	2022 [8]	2021	2020	2019	2018	2017	2016 [1]
GLWA Revenues								
Wholesale customer charges	\$ 340,593,806	\$ 323,026,213	\$ 322,423,768	\$ 312,701,777	\$ 311,399,136	\$ 323,117,344	\$ 336,222,256	\$ 160,777,169
KWA debt service credits	(6,452,573)	(6,496,428)	(6,652,253)	(6,652,348)	(6,979,503)	(3,176,073)	-	-
DWSD Local System charges	22,834,300	21,697,300	21,925,500	21,295,500	20,181,400	15,130,600	15,490,300	6,833,500
Other revenue	1,378,706	775,537	267,562	1,912,636	21,340	64,200	37,388	54,863
Earnings on investments [2]	9,161,614	1,945,613	4,195,305	9,115,115	11,818,203	4,489,397	1,348,898	520,891
Total GLWA Revenues	<u>367,515,853</u>	<u>340,948,235</u>	<u>342,159,882</u>	<u>338,372,680</u>	<u>336,440,576</u>	<u>339,625,468</u>	<u>353,098,842</u>	<u>168,186,423</u>
DWSD Local System Revenues [7]								
Local System revenues [3]	107,558,342	83,591,720	67,464,986	73,817,339	69,777,041	83,983,786	69,680,402	183,279,645
Other Revenue	1,749,998	2,349,445	1,958,151	7,289,468	1,013,276	1,635,430	5,265,229	2,074,095
Total DWSD Local System Revenues	<u>109,308,340</u>	<u>85,941,165</u>	<u>69,423,137</u>	<u>81,106,807</u>	<u>70,790,317</u>	<u>85,619,216</u>	<u>74,945,631</u>	<u>185,353,740</u>
Total Revenue	<u>476,824,193</u>	<u>426,889,400</u>	<u>411,583,019</u>	<u>419,479,487</u>	<u>407,230,893</u>	<u>425,244,684</u>	<u>428,044,473</u>	<u>353,540,163</u>
Operating Costs								
GLWA operating expenses	155,167,048	137,815,968	123,638,092	132,532,838	119,821,946	108,530,383	101,730,949	49,545,659
GASB 96 expenditures [4]	2,282,630	413,924	-	-	-	-	-	-
O&M transfers:								
DWSD Local System operations	42,581,600	29,989,000	35,833,900	34,662,400	35,484,300	35,059,704	33,596,400	22,444,800
Legacy Pension Regional System [5]	6,048,000	6,048,000	6,048,000	6,048,000	6,048,000	6,048,000	6,048,000	3,024,000
Legacy Pension DWSD Local System [5]	4,272,000	4,272,000	4,272,000	4,272,000	4,272,000	4,272,000	4,272,000	2,136,000
Total Operating Costs	<u>210,351,278</u>	<u>178,538,892</u>	<u>169,791,992</u>	<u>177,515,238</u>	<u>165,626,246</u>	<u>153,910,087</u>	<u>145,647,349</u>	<u>77,150,459</u>
Pledged Revenue	<u>\$ 266,472,915</u>	<u>\$ 248,350,508</u>	<u>\$ 241,791,027</u>	<u>\$ 241,964,249</u>	<u>\$ 241,604,647</u>	<u>\$ 271,334,597</u>	<u>\$ 282,397,124</u>	<u>\$ 276,389,704</u>
Principal and interest funding requirement [6]:								
Senior lien bonds	\$ 133,773,102	\$ 124,309,692	\$ 123,798,304	\$ 122,318,928	\$ 119,230,820	\$ 127,687,420	\$ 134,234,660	\$ 128,177,999
Second lien bonds	50,117,190	46,840,350	51,731,158	47,849,350	46,214,385	42,852,813	38,990,023	41,178,843
Total senior and second lien bonds	183,890,292	171,150,042	175,529,462	170,168,278	165,445,205	170,540,233	173,224,683	169,356,842
Junior lien bonds	8,910,595	5,439,273	3,684,917	2,700,795	2,521,249	2,009,658	1,785,328	1,781,683
Total All Bonds	<u>\$ 192,800,887</u>	<u>\$ 176,589,315</u>	<u>\$ 179,214,379</u>	<u>\$ 172,869,073</u>	<u>\$ 167,966,454</u>	<u>\$ 172,549,891</u>	<u>\$ 175,010,011</u>	<u>\$ 171,138,525</u>
GAAP Basis Debt Service Coverage								
Senior lien bonds	1.99	2.00	1.95	1.98	2.03	2.12	2.10	2.16
Senior and second lien bonds	1.45	1.45	1.38	1.42	1.46	1.59	1.63	1.63
All bonds, including SRF junior lien	1.38	1.41	1.35	1.40	1.44	1.57	1.61	1.62

[1] GLWA started operations on January 1, 2016. Includes 6 months under operations of DWSD and 6 months under the operations of GLWA under the Master Bond Ordinances in effect during the respective time periods.

[2] Excludes investment earnings on bond proceeds in construction fund.

[3] Local Service Revenue reported net of bad debt expense.

[4] Amounts recorded under GASB 96 for financial reporting purposes are treated as operating expenditures for budget purposes and the debt service coverage calculation.

[5] The legacy pension obligations reflects only the Legacy Pension Obligation as defined in Section 504(c) of the Water Master Bond Ordinance.

[6] Calculated on a debt set aside basis consistent with rate covenant basis for rate determination purposes.

[7] At the time of the issuance of the GLWA financial report, DWSD's audited financial report had not been released. Amounts used were provided by DWSD's management of the preliminary financial results for the year ended June 30, 2023.

[8] DWSD local system revenues for 2022 were based on DWSD preliminary financial results. Amounts have been updated to actual.

This schedule is being built prospectively; ultimately, 10 years of data will be presented.

**GREAT LAKES WATER AUTHORITY WATER FUND**  
**DEBT SERVICE COVERAGE - RATE COVENANT BASIS - WATER SYSTEM**

	Fiscal Year							
	2023	2022	2021	2020	2019	2018	2017	2016 [1]
<b>GLWA Receipts</b>								
Wholesale System receipts	\$ 332,337,913	\$ 313,964,381	\$ 310,032,178	\$ 303,568,071	\$ 308,690,722	\$ 319,728,881	\$ 336,362,250	
DWSD Local System charges	22,834,300	21,697,300	21,925,500	21,295,500	20,181,400	15,130,600	15,490,300	
Investment Earnings	8,163,261	2,456,013	4,684,353	7,742,625	7,722,112	3,592,524	579,546	
<b>Total GLWA Receipts</b>	<b>363,335,474</b>	<b>338,117,694</b>	<b>336,642,031</b>	<b>332,606,196</b>	<b>336,594,234</b>	<b>338,452,005</b>	<b>352,432,096</b>	
DWSD Local System Receipts	98,010,223	80,267,663	80,141,924	75,590,223	79,686,819	85,962,882	80,960,806	
<b>Total Receipts</b>	<b>461,345,697</b>	<b>418,385,357</b>	<b>416,783,955</b>	<b>408,196,419</b>	<b>416,281,053</b>	<b>424,414,887</b>	<b>433,392,902</b>	
<b>Operation and Maintenance Transfers</b>								
GLWA Regional System operations [2]	156,747,700	143,933,800	124,167,627	126,188,192	116,356,994	114,426,522	105,431,843	
DWSD Local System operations	42,581,600	29,989,000	35,833,900	34,662,400	35,484,300	35,059,704	33,596,400	
Legacy Pension Regional System [3]	6,048,000	6,048,000	6,048,000	6,048,000	6,048,000	6,048,000	6,048,000	
Legacy Pension DWSD Local System [3]	4,272,000	4,272,000	4,272,000	4,272,000	4,272,000	4,272,000	4,272,000	
<b>Total Operations and Maintenance Transfers</b>	<b>209,649,300</b>	<b>184,242,800</b>	<b>170,321,527</b>	<b>171,170,592</b>	<b>162,161,294</b>	<b>159,806,226</b>	<b>149,348,243</b>	
<b>Pledged Revenue</b>	<b>\$ 251,696,397</b>	<b>\$ 234,142,557</b>	<b>\$ 246,462,428</b>	<b>\$ 237,025,827</b>	<b>\$ 254,119,759</b>	<b>\$ 264,608,661</b>	<b>\$ 284,044,659</b>	
<b>Principal and interest funding requirement [4]:</b>								
Senior lien bonds	\$ 133,773,102	\$ 124,309,692	\$ 123,798,304	\$ 122,318,928	\$ 119,230,820	\$ 127,687,420	\$ 134,234,660	
Second lien bonds	50,117,190	46,840,350	51,731,158	47,849,350	46,214,385	42,852,813	38,990,023	
<b>Total senior and second lien bonds</b>	<b>183,890,292</b>	<b>171,150,042</b>	<b>175,529,462</b>	<b>170,168,278</b>	<b>165,445,205</b>	<b>170,540,233</b>	<b>173,224,683</b>	
Junior lien bonds	8,910,595	5,439,273	3,684,917	2,700,795	2,521,249	2,009,658	1,785,328	
<b>Total All Bonds</b>	<b>\$ 192,800,887</b>	<b>\$ 176,589,315</b>	<b>\$ 179,214,379</b>	<b>\$ 172,869,073</b>	<b>\$ 167,966,454</b>	<b>\$ 172,549,891</b>	<b>\$ 175,010,011</b>	
<b>Rate Covenant Basis Debt Service Coverage</b>								
Senior lien bonds	1.88	1.88	1.99	1.94	2.13	2.07	2.12	
Senior and second lien bonds	1.37	1.37	1.40	1.39	1.54	1.55	1.64	
All bonds, including SRF junior lien	1.31	1.33	1.38	1.37	1.51	1.53	1.62	

[1] GLWA started operations on January 1, 2016. Due to the bifurcation from DWSD the Rate Covenant Basis cannot be computed for 2016.

[2] For years prior to 2022 a different methodology was used. A calculation was performed to determine the cash basis disbursements from the operations fund.

[3] The legacy pension obligations reflects only the Legacy Pension Obligation as defined in Section 504 (c) of the Water Master Bond Ordinance.

[4] Calculated on a debt set aside basis consistent with rate covenant basis for rate determination purposes.

This schedule is being built prospectively; ultimately, 10 years of data will be presented.

## **DEMOGRAPHIC AND ECONOMIC INFORMATION**

Demographic and economic information is intended to show the socioeconomic environment within which the Authority operates.

## GREAT LAKES WATER AUTHORITY WATER FUND

### SERVICE AREA DEMOGRAPHICS

Last Ten Years

Year	Population (1)	Unemployment (2)	Per Capita Income (3)	Total Debt Service (5)	Debt Per Capita	Debt Service as a Percentage of Income
2023	3,800,000	3.7%	\$ 66,285 (4)	\$ 192,800,887	\$ 50.74	0.08%
2022	3,800,000	3.8%	62,274 (4)	176,589,315	46.47	0.07%
2021	3,800,000	6.2%	60,965	179,214,379	47.16	0.08%
2020	3,800,000	11.5%	57,755	172,869,073	45.49	0.08%
2019	3,800,000	4.3%	53,428	167,966,454	44.20	0.08%
2018	3,800,000	4.3%	51,823	172,549,891	45.41	0.09%
2017	3,800,000	4.6%	49,809	175,010,011	46.06	0.09%
2016 *	3,800,000	5.3%	48,605	171,138,525	45.04	0.09%
2015 *	3,800,000	5.9%	47,473	178,923,900	47.09	0.10%
2014 *	3,800,000	8.1%	44,884	182,464,900	48.02	0.11%

(1) Source: Estimated based on data from Southeast Michigan Council of Governments (SEMCOG).

(2) Source: Bureau of Labor Statistics Detroit-Warren-Dearborn MSA Annual Average (For 2023 the June rate was used). The Detroit-Warren-Dearborn Metropolitan Statistical Area (MSA) is comprised of six counties: Wayne, Oakland, Macomb, Livingston, Lapeer and St. Clair. This represents the majority of the service area customers.

(3) Source: FRED Economic Data, St. Louis Fed (Prior year amounts have been updated to match current information from FRED)

(4) Source: Michigan State University Center for Economic Analysis

(5) Debt service is based on set aside debt service requirements for the fiscal year which includes the subsequent year July 1st debt payment.

\* GLWA assumed operations on January 1, 2016. The information in this table from 2014-2015 is based on operations under the City of Detroit Water and Sewerage Department (DWSD). Data for 2016 includes six months of operation under DWSD and six months of operation under GLWA.

**GREAT LAKES WATER AUTHORITY WATER FUND****LARGEST EMPLOYERS**

Current Year and 9 years prior

Employer	Type of Business	Fiscal Year 2023			Fiscal Year 2014		
		Full- Time Employees	Rank	Percent of Total Employment (b)	Full- Time Employees	Rank	Percent of Total Employment (d)
		(a)			(c)		
Ford Motor Co.	Automobile Manufacturer	47,750	1	2.34%	43,977	1	2.35%
Stellantis NV (Formerly FCA US LLC)	Automobile Manufacturer	42,444	2	2.08%	32,106	2	1.71%
General Motors Co.	Automobile Manufacturer	38,600	3	1.89%	30,570	3	1.63%
University of Michigan	Public University and Health System	35,620	4	1.74%	29,855	4	1.59%
Corewell Health (Formerly BHSH System)	Health Care System	21,674	5	1.06%	n/a	n/a	n/a
U.S. Government	Federal Government	19,953	6	0.98%	18,703	5	1.00%
Henry Ford Health System	Health Care System	17,469	8	0.85%	17,492	6	0.93%
Rocket Companies Inc.	FinTech platform company consisting of personal finance and consumer technology brands	14,109	7	0.69%	11,563	9	0.62%
Trinity Health Michigan	Health Care System	13,186	9	0.65%	14,341	7	0.77%
Ascension Michigan	Health Care System	12,085	10	0.59%	11,337	10	0.61%
Detroit Medical Center	Health Care System	n/a	n/a	n/a	12,268	8	0.65%
Total		<u>262,890</u>		<u>12.87%</u>	<u>222,212</u>		<u>11.86%</u>

- (a) July 2022 Employment data from Largest Southeast Michigan Employers - Ranked by full-time employees in the December 19, 2022 Crain's Detroit Business (most recent available)
- (b) Percentage base on U.S. Bureau of Labor Statistics from July 2022 of 2,043,249 for the Detroit-Warren-Dearborn, MI Metropolitan Statistical Area
- (c) July 2014 Employment data from comparative column in July 2015 listing of Largest Southeast Michigan Employers - Ranked by full-time employees issued by Crain's Detroit Business
- (d) Percentage base on U.S. Bureau of Labor Statistics from July 2014 of 1,873,108 for the Detroit-Warren-Dearborn, MI Metropolitan Statistical Area

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## **OPERATING INFORMATION**

Operating information is intended to show contextual information about the Authority's operations and resources to assist in using financial statement information to understand and assess the Authority's economic condition.

**GREAT LAKES WATER AUTHORITY WATER FUND**

## PRODUCED AND BILLED WATER VOLUMES (Mcf)

Fiscal Year	Water Produced [1]	Water Sales			Estimated Non-Revenue Water	Estimated Non-Revenue Water as % of Production
		Wholesale Billed [2]	Local System Billed [3]	Total Water Billed		
2023	21,159,700	13,803,500	4,342,400	18,145,900	3,013,800	14.2%
2022	19,725,700	13,205,300	4,297,300	17,502,600	2,223,100	11.3%
2021	20,565,800	14,258,300	4,120,000	18,378,300	2,187,500	10.6%
2020	19,989,500	13,578,700	4,161,300	17,740,000	2,249,500	11.3%
2019	20,968,100	13,708,600	4,354,600	18,063,200	2,904,900	13.9%
2018	23,228,600	14,391,800	4,428,200	18,820,000	4,408,600	19.0%
2017	23,915,600	14,824,000	4,465,800	19,289,800	4,625,800	19.3%
2016 *	23,580,700	14,730,400	4,649,100	19,379,500	4,201,200	17.8%

The table for historical water sales and reported total water production presents water volume in thousands of cubic feet ("Mcf") for suburban wholesale customers, for the Retail Water Customers, and for the Regional Water System as a whole, together with total water production and non-revenue water volume. As is common for all large water systems, the Regional Water System experiences a differential between the quantity of water produced by the treatment plants during the fiscal year and the quantity of water billed to customers over the same period, and the difference is referred to as "non-revenue water." Non-revenue water results from a variety of factors such as the range of accuracy of production and retail meters, losses due to leaks or major breaks in the transmission and distribution systems, unmetered water that is used for fire protection, and the accuracy of estimates for unmetered use. The Authority believes that improvements in the accuracy of the reported production figures may reduce the level of non-revenue water. Production at some of the water plants is not metered, but rather is estimated based on pump curves. The data continues to be reviewed, and the Authority has initiated efforts to measure production figures and refine production estimating techniques.

The schedule of charges for each of the wholesale customers consists of a fixed monthly charge and a commodity charge applied to monthly metered water usage. While the overall methodology used to determine charges for each customer is uniform, the service charge schedule for each customer is unique, reflecting the specific volumes, peak demands, and other demographic information in their individual contracts. Charges are designed to recover 60% of the revenue requirement via fixed monthly charges, with the other 40% generated by commodity charges.

[1] Represents, in part, estimated volumes based on pump curves and engineering analysis. GLWA engineering studies in 2017 concluded that the total water production values for calendar year 2016 were over-reported by 5.8%.

[2] Represents metered amounts for all suburban wholesale customers, with the exception of Dearborn which is based on self-reported billed volumes (including local system losses), and Highland Park, which is based on estimated volumes.

[3] The GLWA charges the DWSD local system a flat charge based on average historical usage from DWSD retail billings data adjusted for water loss. These amounts reflect retail water sales as reported by DWSD plus estimated real and apparent losses in the local distribution system based on engineering studies.

\* GLWA assumed operations on January 1, 2016. Data for 2016 includes six months of operation under DWSD and six months of operation under GLWA.

Source: Great Lakes Water Authority Financial Services Area and the Foster Group

This schedule is being built prospectively; ultimately, 10 years of data will be presented



**GREAT LAKES WATER AUTHORITY WATER FUND**  
**ADDITIONAL SUMMARY STATISTICS**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Capital Asset Statistics - Water</b>								
Water Treatment Plants	5	5	5	5	5	5	5	5
Intake Facilities	3	3	3	3	3	3	3	3
Booster Pumping Stations	19	19	19	19	19	19	19	19
Water Storage Reservoirs	32	32	32	32	32	32	32	32
Miles of Transmission Lines	816	816	816	816	816	803	803	803
<b>GLWA Employees</b>								
Water Operations	217	203	211	211	213	205	180	155
Sewage Disposal Operations	289	298	320	344	369	358	342	320
Centralized Services	321	295	298	302	295	276	249	217
Administrative Services	181	152	156	152	147	129	110	90
Total Employees	<u>1,008</u>	<u>948</u>	<u>985</u>	<u>1,009</u>	<u>1,024</u>	<u>968</u>	<u>881</u>	<u>782</u>

GLWA began operations on January 1, 2016. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.



**Financial Services Area**  
735 Randolph, Suite 1608  
Detroit, Michigan 48226

### APPENDIX III DETROIT MSA

The Detroit-Warren-Dearborn Metropolitan Statistical Area (the “Detroit MSA”) is comprised of six counties: Wayne, Oakland, Macomb, Livingston, Lapeer and St. Clair. The Detroit MSA is ranked the 14<sup>th</sup> largest metropolitan statistical area in terms of population in the country.

**Population** The population in the Detroit MSA has been relatively stable over the last approximately 33 years. The following table presents population trends of the Detroit MSA and the United States since 1990.

**Table 1  
Population Trends**

Year	Detroit MSA		U.S.
	Population	% Change	% Change
2023*	4,342,304	(0.98%)	1.02%
2020	4,385,248	2.07%	7.38%
2010	4,296,250	(3.51%)	9.71%
2000	4,452,557	4.80%	13.15%
1990	4,248,699	(5.30%)	9.80%

\*2023 estimate as of July 1, 2023

SOURCE: US. Department of Commerce, Bureau of the Census.

### Employment

The following table sets forth certain information on total employment by industry group for the Detroit MSA and that of the United States. The region has consistently maintained a greater percentage of persons employed in the manufacturing sector than the nation as a whole, reflecting the area’s long history as a center of the automotive industry.

*[Remainder of page intentionally left blank]*

**Table 2**  
**Annual Employment by Place of Work (Non-Agricultural)**

<b>Detroit-Warren-Dearborn MSA</b>										
	<b>2019</b>		<b>2020</b>		<b>2021</b>		<b>2022</b>		<b>2023</b>	
	<b>(000's)</b>	<b>%</b>	<b>(000's)</b>	<b>%</b>	<b>(000's)</b>	<b>%</b>	<b>(000's)</b>	<b>%</b>	<b>(000's)</b>	<b>%</b>
<b>Industry Group:</b>										
Professional and Business Services	394	19.3%	366	19.8%	384	19.9%	400	19.9%	392	19.2%
Trade, Transportation & Utilities	380	18.6%	353	19.1%	369	19.1%	384	19.1%	387	19.0%
Education and Health Services	320	15.6%	293	15.9%	297	15.4%	304	15.1%	317	15.6%
Manufacturing	258	12.6%	224	12.1%	240	12.4%	251	12.5%	253	12.4%
Leisure & Hospitality	201	9.8%	145	7.8%	157	8.1%	179	8.9%	187	9.2%
Government	190	9.3%	181	9.8%	179	9.3%	183	9.1%	187	9.2%
Financial Activities	122	5.9%	123	6.6%	129	6.7%	126	6.3%	125	6.1%
Natural Resources, Mining, & Construction	76	3.7%	73	3.9%	78	4.1%	81	4.0%	84	4.1%
Other Services	76	3.7%	64	3.5%	69	3.6%	74	3.7%	76	3.7%
Information	<u>28</u>	<u>1.4%</u>	<u>26</u>	<u>1.4%</u>	<u>27</u>	<u>1.4%</u>	<u>30</u>	<u>1.5%</u>	<u>31</u>	<u>1.5%</u>
Total	<u>2,044</u>	<u>100.0%</u>	<u>1,847</u>	<u>100.0%</u>	<u>1,929</u>	<u>100.0%</u>	<u>2,011</u>	<u>100.0%</u>	<u>2,039</u>	<u>100.0%</u>
<b>U.S.</b>										
	<b>2019</b>		<b>2020</b>		<b>2021</b>		<b>2022</b>		<b>2023</b>	
	<b>(000's)</b>	<b>%</b>	<b>(000's)</b>	<b>%</b>	<b>(000's)</b>	<b>%</b>	<b>(000's)</b>	<b>%</b>	<b>(000's)</b>	<b>%</b>
<b>Industry Group:</b>										
Professional and Business Services	21,334	14.1%	20,376	14.3%	21,386	14.6%	22,537	14.8%	22,840	14.6%
Trade, Transportation & Utilities	27,662	18.3%	26,624	18.7%	27,653	18.9%	28,632	18.8%	28,847	18.5%
Education and Health Services	24,163	16.0%	23,275	16.4%	23,652	16.2%	24,336	16.0%	25,342	16.2%
Manufacturing	12,817	8.5%	12,167	8.6%	12,354	8.4%	12,812	8.4%	12,940	8.3%
Leisure & Hospitality	16,586	11.0%	13,148	9.2%	14,151	9.7%	15,827	10.4%	16,593	10.6%
Government	22,613	15.0%	21,986	15.5%	21,973	15.0%	22,191	14.5%	22,782	14.6%
Financial Activities	8,754	5.8%	8,704	6.1%	8,806	6.0%	9,062	5.9%	9,197	5.9%
Natural Resources & Mining	727	0.5%	600	0.4%	560	0.4%	605	0.4%	640	0.4%
Construction	7493	5.0%	7257	5.1%	7436	5.1%	7763	5.1%	8018	5.1%
Other Services	5,891	3.9%	5,329	3.7%	5,457	3.7%	5,694	3.7%	5,826	3.7%
Information	<u>2,864</u>	<u>1.9%</u>	<u>2,721</u>	<u>1.9%</u>	<u>2,856</u>	<u>2.0%</u>	<u>3,063</u>	<u>2.0%</u>	<u>3,027</u>	<u>1.9%</u>
Total	<u>150,904</u>	<u>100.0%</u>	<u>142,187</u>	<u>100.0%</u>	<u>146,284</u>	<u>100.0%</u>	<u>152,522</u>	<u>100.0%</u>	<u>156,052</u>	<u>100.0%</u>

NOTE: Totals may not add due to rounding.  
SOURCE: U.S. Department of Labor, Bureau of Labor Statistics.

Unemployment in the Detroit MSA in comparison to the City, the State and the United States is illustrated in the following table:

**Table 3**  
**Civilian Unemployment Rates (Not Seasonally Adjusted), 2015 to 2024**

	<u>Detroit</u>	<u>Detroit MSA</u>	<u>State of Michigan</u>	<u>U.S.</u>
2024*	8.2%	3.9%	4.0%	4.1%
2023	7.5%	3.6%	3.9%	3.6%
2022	8.0%	3.8%	4.2%	3.7%
2021	13.2%	6.1%	5.8%	5.4%
2020	21.4%	11.5%	10.0%	8.1%
2019	8.6%	4.2%	4.1%	3.7%
2018	9.0%	4.3%	4.2%	3.9%
2017	9.5%	4.5%	4.6%	4.4%
2016	10.6%	5.2%	5.0%	4.9%
2015	11.7%	5.8%	5.4%	5.3%

\*Data through January 2024

SOURCE: Michigan Department of Technology, Management and Budget, Labor Market Information. U.S. Department of Labor, Bureau of Labor Statistics.

**Table 4**  
**Annual Employment Growth 2015 – 2024 (January to January)**

	<u>Detroit MSA</u>
2024	3.1%
2023	1.7%
2022	4.6%
2021	-7.1%
2020	-0.3%
2019	2.0%
2018	1.4%
2017	4.0%
2016	3.5%
2015	1.2%

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics.

## Housing Characteristics

The following table shows certain housing characteristics of the Detroit MSA in comparison to the State and the United States.

**Table 5**  
**Housing Characteristics – Fourth Quarter 2023 Statistics**

	<u>Detroit MSA</u>	<u>State of Michigan</u>	<u>United States</u>
Homeownership Rates .....	72.8%	75.9%	65.7%
Rental Vacancy .....	9.0%	7.4%	6.6%
Homeownership Vacancy .....	1.0%	0.8%	0.9%

SOURCE: U.S. Department of Commerce, Bureau of Census.

*[Remainder of page intentionally left blank]*

## **APPENDIX IV DEFINITIONS**

In addition to the terms defined elsewhere in this Official Statement, the following terms shall have the following meanings when used in this Official Statements.

“Accountant” means an independent certified public accountant or a firm of independent certified public accountants having a favorable reputation for skill in performing similar duties to the duties imposed on the Accountant under the Bond Ordinance selected by GLWA Board.

“Act 34” means Public Acts of Michigan, 2001, as amended.

“Additional Bonds” means water supply revenue bonds or water supply revenue refunding bonds of GLWA of equal standing with or subordinate to the DWSD Water Bonds of any Priority of Lien, issued under and in accordance with the Ordinance for the purposes set forth therein.

“Additional Bonds Debt Service Coverage” means, for purposes of issuing Additional Bonds under the Bond Ordinance and for each Priority of Lien, a number equal to Projected Net Revenues in the then current or next succeeding Fiscal Year, or Historical Net Revenues, all as determined by GLWA, divided by Maximum Annual Debt Service for such Priority of Lien and any higher Priority of Lien.

“Applicable Laws” means all laws, rules, regulations, ordinances, permit and license requirements, and orders of courts, governmental officials and agencies of competent jurisdiction with respect to the Leased Water Facilities or which generally relate to the Leased Water Facilities.

“Authority Regional Construction Account” means the account of the Construction Fund for the Regional Water System created pursuant to the Bond Ordinance.

“Authority Regional Improvement and Extension Account” means the account of the Improvement and Extension Fund for the Regional Water System created pursuant to the Bond Ordinance.

“Authority Regional Operation and Maintenance Account” means the account of the Operation and Maintenance Fund created pursuant to the Bond Ordinance.

“Authority Revenue Requirement” means the sum of the projected expenses and revenue requirements for the Regional Water System for each Fiscal Year, including without limitation all of the following: (a) Operation and Maintenance Expenses of the Regional Water System; (b) the amounts necessary to pay the principal of and interest on all Bonds and to restore any reserves therefor established in the Bond Ordinance; (c) the Lease Payment, which shall be a common-to-all charge; (d) the Authority Pension Obligation and the Authority BC Note Obligation; (e) the amount necessary to be deposited to the WRAP Fund, which shall be a common-to-all charge equal to 0.5% of the base budgeted operating Revenues for the Regional Water System for such Fiscal Year; (f) the amounts needed to make the required deposits to the Authority Regional Extraordinary Repair and Replacement Account of the Extraordinary Repair and Replacement Reserve Fund and the Authority Regional Improvement and Extension Account of the Improvement and Extension Fund in the Bond Ordinance; and (g) the amount necessary to satisfy the coverage ratios required by the rate covenant in the Bond Ordinance (collectively, the “Rate Covenant”).

“Authorized Officer” means the Chief Executive Officer, the Chief Financial Officer, or any officer designated by GLWA Board or the designee of any of them.

“Bankruptcy Case” means the City’s Chapter 9 Bankruptcy Case No. 13-53846 in the Bankruptcy Court.

“Bankruptcy Court” means the United States Bankruptcy Court, Eastern District of Michigan, Southern Division.

“Bankruptcy Order” means the Order Pursuant to (I) 11 U.S.C. §§ 105, 364(c), 364(d)(1), 364(e), 902, 904, 921, 922, and 928 (A) Approving Post Petition Financing and (B) Granting Liens and (II) Bankruptcy Rule 9019 Approving Settlement of Confirmation Objections, entered August 25, 2014 in the Bankruptcy Case.

“BC Note Obligation” means, collectively, the debt service on (a) the City of Detroit Financial Recovery Bonds, Series 2014B(1) and Series 2014B(2), dated December 10, 2014, and (b) the City of Detroit Financial Recovery Bonds, Series 2014C, dated December 10, 2014, which bonds were issued to satisfy in whole or in part claims relating to the City’s pension obligation certificates and post-retirement health benefits.

“Bond” or “Bonds” means, regardless of Priority of Lien, any DWSD Water Bond, established and created by the City and outstanding under Ordinance No. 01-05 and any Series of Additional Bonds established and created by GLWA under the Bond Ordinance and issued pursuant to a Series Ordinance, and Reimbursement Obligations and Junior Lien Reimbursement Obligations of any Priority of Lien established and created under Ordinance No. 01-05 or by a Series Ordinance.

“Bond Counsel” means a firm of nationally recognized bond counsel acceptable to GLWA.

“Bond Fund” means, collectively, the Bond Interest and Redemption Funds created pursuant to the Bond Ordinance.

“Bond Interest and Redemption Fund” means each fund for the payment of Debt Service for each Series of Bonds of the same Priority of Lien.

“Bond Ordinance” means Master Bond Ordinance No. 2015-01 adopted by the GLWA Board on October 7, 2015, as from time to time restated, amended or supplemented by Supplemental Ordinances in accordance with the terms and provisions thereof.

“Bond Payment Date” means any of the dates specified in a Series Ordinance for payment of interest, or interest and principal on the Bonds.

“Bond Reserve Account” means collectively, the Senior Lien Bond Reserve Account and the Second Lien Bond Reserve Account Fund created pursuant to the Bond Ordinance.

“Bondholder” or “Holder” or any similar term means any person or party who shall be the registered owner of any Bond.

“Budget Stabilization Fund” means the fund created pursuant to the Bond Ordinance.

“Budget Stabilization Requirement” means with respect to the Local Water System, an amount calculated each Fiscal Year equal to (A) two times a number equal to twenty percent of the average bad debt expense of Retail Water Customers as a class for the two preceding Fiscal Years based on audited financial statements (or unaudited statements if audited statements are not available), which amount shall



be funded from Retail Revenues initially in thirds over three Fiscal Years beginning in Fiscal Year 2016, or (B) such other amount specified by GLWA Board by supermajority (5/6) vote.

“Business Day” means a day other than (i) Saturday, Sunday or a legal holiday, (ii) a day on which the Trustee is authorized or required to remain closed, (iii) a day on which the New York Stock Exchange is closed or (iv) a day on which the Federal Reserve is closed.

“Capital Improvement Program” means the ongoing program of capital improvements for the Leased Water Facilities, as the same may be modified from time to time by GLWA.

“CIPs” means, collectively, the Capital Improvement Program and the Detroit Capital Improvement Program.

“Chief Executive Officer” means the Chief Executive Officer of GLWA.

“Chief Financial Officer” means the Chief Financial Officer of GLWA.

“Common-to-all” means the method or methods for allocating to wholesale customers of the Regional Water System and Retail Water Customers the cost of water service provided by the Regional Water System that benefits both wholesale customers and Retail Water Customers, which allocation is determined on a case by case analysis of the benefits derived from each customer class from such service.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations, rulings and court decisions thereunder, as the context may require.

“Construction Fund” means the fund created pursuant to the Bond Ordinance.

“Credit Entity” means, with respect to a Series of Bonds or a maturity of such Series, a commercial bank, a bond insurance company, any other financial institution or combination of such financial institutions or governmental entity which issues a Credit Facility for such Series of Bonds or maturities but only while such Credit Facility is outstanding or Reimbursement Obligations or Junior Lien Reimbursement Obligations or other amounts are outstanding under any written agreement with a Credit Entity pursuant to which a Credit Facility is issued.

“Credit Facility” means one or more credit facilities with respect to a Series of Bonds or maturity of such Series consisting of an irrevocable and unconditional letter of credit, line of credit, standby bond purchase agreement, municipal bond insurance policy, surety bond, liquidity facility, or other credit enhancement facility or other liquidity facility issued by a Credit Entity as described in the Bond Ordinance to provide monies for the purpose of paying the principal (whether upon tender or upon maturity or redemption) of and the interest on such Series of Bonds, but only while such Credit Facility is outstanding.

“Debt Service” means with respect to Bonds of each Priority of Lien, the amount scheduled to become due and payable annually on all Outstanding Bonds as (i) interest, exclusive of interest capitalized on such Outstanding Bonds and paid from the proceeds of a Series of Bonds or investment earnings on such capitalized interest, plus (ii) principal, plus (iii) Mandatory Redemption Requirements. For purposes of calculating Debt Service:

- (i) All principal payments shall be deemed to be made as and when the same shall become due or upon mandatory redemption;

(ii) Outstanding Variable Rate Bonds shall be deemed to bear interest during any period after the date of calculation at a fixed annual rate equal to the weighted average of the actual rates on such Variable Rate Bonds for each day during the 365 consecutive days (or any lesser period such Variable Rate Bonds have been Outstanding) ending on the last day of the month next preceding the date of calculation, or at the effective fixed annual rate thereon as a result of a Swap Agreement with respect thereto; provided, that such effective fixed annual rate for Variable Rate Bonds subject to a Swap Agreement must be utilized as long as such Swap Agreement is contracted to remain in full force and effect, and provided further, that for purposes of establishing compliance with the requirements of issuing Additional Bonds under the Bond Ordinance, Outstanding Variable Rate Bonds shall be deemed to bear interest as provided for Variable Rate Bonds proposed to be issued in clause (iii) below;

(iii) Variable Rate Bonds proposed to be issued shall be deemed to bear interest at a fixed annual rate equal to the average of the interest rates published in The Bond Buyer Revenue Bond Index during the twelve (12) months preceding the date of issuance of such Variable Rate Bonds, or at the effective fixed annual rate thereon as a result of a Swap Agreement with respect to such Variable Rate Bonds; and provided, that such effective fixed annual rate must be utilized only so long as such Swap Agreement is contracted to remain in full force and effect;

(iv) Any computation of Debt Service shall recognize and give effect to the alternative, rather than the cumulative, nature of obligations on Bonds, including any related Reimbursement Obligations or Junior Lien Reimbursement Obligations to a provider of credit enhancement or a liquidity facility securing payment of such Bonds. The portion of any termination payment constituting regularly scheduled debt service which becomes payable pursuant to the terms of a Swap Agreement shall constitute interest as provided in Act 34.

“Debt Service Installment Requirement” means, as of the first day of the month with respect to each Priority of Lien of Outstanding Bonds, the amounts calculated as described below. For interest payments due on Bonds of such Priority of Lien semiannually, the amount set aside and transferred to the Bond Fund each month for interest on such Bonds shall be 1/6 of the total amount of interest on such Bonds next coming due or such lesser amount as is necessary to assure that the amount set aside in the Bond Fund as of the first day of such month is not less than the product of (a) 1/6 of the amount of interest next due on such Bonds times (b) the number of months elapsed since and including the last interest payment date. For Series of Bonds of such Priority of Lien with more frequent interest payment dates, the amounts set aside each month shall equal one month’s accrued interest on such Bonds as provided in the Series Ordinance for such Bonds. For the month immediately prior to each Bond Payment Date the amount set aside and transferred to the Bond Fund to pay interest shall be reduced by investment earnings in the Bond Fund which are available for such purpose and shall be increased by the amount, if any, necessary so that the amount on deposit is sufficient to pay the interest due on such Bond Payment Date. The amount set aside and transferred to the Bond Fund each month for principal on the Bonds of such Priority of Lien shall be one twelfth of the amount of principal next coming due by maturity or as a Mandatory Redemption Requirement or such lesser amount as is necessary to assure that the amount set aside in the Bond Fund as of the first day of such month is not less than the product of (a) one twelfth of the amount of principal next due on such Bonds times (b) the number of months elapsed since and including the last principal payment date, If there is any deficiency in the amount previously set aside, that deficiency shall be added to the next succeeding month’s requirement. For the month immediately prior to each Bond Payment Date, the amount set aside and transferred to the Bond Fund to pay principal shall be reduced by investment earnings in the Bond Fund which are available for such purpose and shall be increased by the amount, if any, necessary so that the amount on deposit is sufficient to pay the principal due on such Bond Payment Date. For all purposes of the Bond Ordinance and the Bonds of such Priority of Lien, Term Bonds of such Priority of

Lien shall be deemed to come due at the time and in the amounts of the Mandatory Redemption Requirements therefor and the principal amount due on such Term Bonds on the dates of their stated maturities shall be reduced by the Mandatory Redemption Requirements therefor coming due prior to the stated maturities for such Term Bonds. Mandatory Redemption Requirements for Term Bonds may be satisfied by the call of Bonds of such Priority of Lien of the same maturity in principal amount of the Mandatory Redemption Requirement at par and accrued interest or the purchase and surrender to the Trustee of Bonds of the same maturity in the principal amount of the Mandatory Redemption Requirement from monies in the Bond Fund, or purchased with other funds legally available therefor, all as specified in a Series Ordinance.

“Detroit Capital Improvement Program” means the ongoing program of capital improvements for the Detroit Local Water Facilities, as the same may be modified from time to time by the City.

“Detroit Local Construction Account” means the account of the Construction Fund for the Local Water System created pursuant to the Bond Ordinance.

“Detroit Local Improvement and Extension Account” means the account of the Improvement and Extension Fund for the Local Water System created pursuant to the Bond Ordinance.

“Detroit Local Operation and Maintenance Account” means the account of the Operation and Maintenance Fund for the Local Water System created pursuant to the Bond Ordinance.

“Detroit Local Sewer Facilities” means those sewage disposal facilities, other than the Leased Sewer Facilities, that are used to provide sewer service directly to Retail Sewer Customers on the Effective Date, all as more fully described in the Water and Sewer Services Agreement and the Sewer Lease.

“Detroit Local Water Facilities” means those Water System facilities, other than the Leased Water Facilities, that are used to provide water service directly to Retail Water Customers on the Effective Date, including fire hydrants, all as more fully described in the Water and Sewer Services Agreement and the Lease.

“DWSD-R” means the Detroit Water and Sewerage Department, as in existence on and after the Effective Date.

“DWSD Water Bonds” means all bonds and other indebtedness of the City secured by a pledge of and a statutory lien on the Net Revenues of the Water System and Outstanding immediately prior to the Effective Date, as more fully described in Schedule B to the Lease.

“Event of Default” means an Event of Default as such term is defined in the Bond Ordinance.

“Extraordinary Repair and Replacement Maximum Requirement” means, for any Fiscal Year, 15% of the budgeted Operation and Maintenance Expenses of the Regional Water System and the Local Water System for such Fiscal Year, less any amount that is withdrawn in the Fiscal Year from the Extraordinary Repair and Replacement Reserve Fund for paying a major unanticipated repair or replacement to the Regional Water System or the Local Water System pursuant to the Bond Ordinance, but only in the Fiscal Year that such amount is withdrawn.

“Extraordinary Repair and Replacement Minimum Requirement” means, for any Fiscal Year, one twelfth of 3% of the budgeted Operation and Maintenance Expenses of the Regional Water System and the Local Water System for such Fiscal Year plus such amount as is necessary to restore to the Extraordinary Repair and Replacement Reserve Fund any amount credited to the Improvement and Extension Fund.

“Extraordinary Repair and Replacement Reserve Fund” means the fund created pursuant to the Bond Ordinance.

“Fiscal Year” means the fiscal year and operating year of GLWA which begins on July 1 and ends on the following June 30, as it may be modified.

“Government Obligations” means direct obligations of the United States, its agencies, or, or United States government sponsored enterprises or obligations the payment of principal and interest on which is fully and unconditionally guaranteed by the United States, or its agencies.

“GRS” means the General Retirement System of the City.

“GRS Plan” means the frozen defined benefit plan of the GRS in effect on December 10, 2014, the effective date of the Plan of Adjustment.

“Historical Net Revenues” means, for purposes of issuing Additional Bonds under the Bond Ordinance, (a) the Net Revenues of the Water System for either (i) the immediately preceding Fiscal Year for which audited financial statements of GLWA are available, and if not, the audited financial statements of DWSD for such Fiscal Year may be used, or (ii) any audited Fiscal Year ending not more than sixteen months prior to the date of delivery of the Additional Bonds then being issued pursuant to the Bond Ordinance, as determined by GLWA, plus, at the option of GLWA, (b) an amount determined by GLWA in accordance with the Bond Ordinance to equal the effect of any change in the rates, fees and charges of the Regional Water System and the Local Water System authorized at or prior to the date of sale of the Additional Bonds then being issued pursuant to the Bond Ordinance, as if the Water System’s billings during such Fiscal Year had been at the increased rates, plus, at the option of GLWA, (c) an amount determined by GLWA in accordance with the Bond Ordinance to equal one hundred percent of the estimated increase in Net Revenues projected to accrue as a result of (i) the acquisition of the repairs, extensions, enlargements and improvements to the Water System projected to be paid in whole or in part from the proceeds of the Additional Bonds then being issued pursuant to the Bond Ordinance and (ii) any acquisition, extension or connection which was made subsequent to the end of such Fiscal Year. For purposes of determining Historical Net Revenues, if the first Fiscal Year of such determination is comprised of less than 12 months, then Historical Net Revenues for the complete Fiscal Year shall be the combined Net Revenues of (i) DWSD’s partial fiscal year and (ii) GLWA’s partial Fiscal Year and shall be used with adjustments to assure no duplication of Revenues in the calculation.

“Improvement and Extension Fund” means the fund used for improvements, enlargements, extensions or betterment of the Water System, created pursuant to the Bond Ordinance.

“Insurance Consultant” means an independent person or a firm of persons having skill and experience in dealing with the insurance requirements of municipal Water Systems comparable in size and function to the Water System.

“Issuance Costs” means items of expense payable or reimbursable directly or indirectly by or to GLWA and related to the authorization, sale and issuance of Bonds and authorization of the Bond Ordinance, which items of expense shall include, but not be limited to, application fees and expenses, publication costs, printing costs, costs of reproducing documents, filing and recording fees, Bond Counsel, financial and other consultants’ fees, initial Trustee’s fees, costs and expenses, underwriters’ fees and discount, costs of credit ratings, costs of Credit Facilities and charges for execution, transportation and safekeeping of the Bonds and related documents, and other costs, charges and fees in connection with the foregoing.

“Junior Lien Bond Fund” means the fund created pursuant to the Bond Ordinance.

“Junior Lien Bonds” means any Bonds or Series of Bonds, including Second Lien Bonds and SRF Junior Lien Bonds, issued by the City under Ordinance No. 01-05 and Second Lien Bonds, SRF Junior Lien Bonds, Pension Junior Lien Bonds and any Additional Bonds of a Priority of Lien subordinate thereto issued by GLWA under the Bond Ordinance and pursuant to a Series Ordinance and payable from Net Revenues deposited in the Junior Lien Bond Fund after satisfaction of requirements for funding the Senior Lien Bond Fund, and Junior Lien Reimbursement Obligations established and created by a Series Ordinance.

“Junior Lien Reimbursement Obligations” means any obligations to repay a Credit Entity for payments of Debt Service made with respect to a Series of Junior Lien Bonds, as provided in any written agreement between GLWA and a Credit Entity pursuant to which a Credit Facility is issued, which Junior Lien Reimbursement Obligations may be evidenced by Refunding Bonds or Junior Lien Bonds or contractual undertakings with the Credit Entity; provided, that for purposes of determining Debt Service, reimbursement of expenses, fees and other similar contractual undertakings shall not be included.

“Lease” means the Regional Water System Lease dated June 12, 2015, between the City, as lessor, and GLWA, as lessee, of the Leased Water Facilities, as amended from time to time.

“Lease Payment” means the annual payment required to be made by GLWA for the benefit of the City pursuant to the Lease, in consideration for the leasing of the Leased Water Facilities to GLWA and the absolute and irrevocable assignment and transfer to GLWA of the Revenues as provided in the Lease and to be applied by GLWA as provided herein.

“Leased Sewer Facilities” means, collectively, all of the City’s right, title and interest in and to that portion of the real and tangible personal property comprising a part of the Regional Sewer System and owned by the City and providing sewer service to the wholesale customers of the Regional Sewer System and Retail Sewer Customers up to the point of connection to the Detroit Local Sewer Facilities, all as more fully set forth in the Sewer Lease.

“Leased Water Facilities” means, collectively, all of the City’s right, title and interest in and to that portion of the real and tangible personal property comprising a part of the Water System and owned by the City and providing water service to both the wholesale customers of the Regional Water System and Retail Water Customers up to the point of connection to the Detroit Local Water Facilities, including without limitation, the land, buildings, water intakes, pump stations, storage facilities, other structures fixtures (including meters and transmission mains), and improvements and real property interests such as easements, access rights, rights of way, permits and leases, all as more fully set forth in Schedule A attached to the Lease (the “Real Property”), and any and all tangible personal property such as machinery, equipment, pumps, tanks, storage facilities, pipes, pipelines, transmission lines, vehicles, furniture, office equipment and inventory, including without limitation the personal property that is described in Schedule A attached to the Lease (the “Personal Property”). Leased Water Facilities include all improvements and additions to and replacements of the foregoing described Real Property and Personal Property, but do not include the Detroit Local Water Facilities.

“Local Sewer System” means that portion of the Sewer System that provides sewer service directly to Retail Sewer Customers, which on the Effective Date consists of the Detroit Local Sewer Facilities.

“Local Water System” means that portion of the Water System that provides water service directly to the Retail Water Customers, which on the Effective Date consists of the Detroit Local Water Facilities.

“Mandatory Redemption Requirement” means as to each Series of Bonds for any year, the principal amount of Bonds of such Series subject to mandatory sinking fund redemption in such year, as provided in the Series Ordinance or Sale Resolution for such Series of Bonds.

“Maximum Annual Debt Service” means, with respect to any given Priority of Lien, the maximum aggregate Debt Service Installment Requirements in any future Fiscal Year on Outstanding Bonds of such Priority of Lien and any Additional Bonds then being issued in accordance with the Bond Ordinance. If any Additional Bonds (any of such, the “Refunding Bonds”) are to be issued to refund Outstanding Bonds (the “Bonds to be Refunded”), the Debt Service Installment Requirements to be used for determining Maximum Annual Debt Service shall include the Debt Service Installment Requirements with respect to the Refunding Bonds and not the Debt Service Installment Requirements with respect to the Bonds to be Refunded.

“Net Proceeds” means in the event of the destruction or taking of any portion of the Leased Water Facilities or the Detroit Local Water Facilities, the gross proceeds derived by GLWA or the City, as the case may be, from insurance on or condemnation of the Leased Water Facilities or the Detroit Local Water Facilities, respectively, less payment of attorneys’ fees, if any, and other expenses properly incurred in the collection thereof.

“Net Revenues” means for any period of time, all Revenues received during such period of time, except for those Revenues transferred to the Operation and Maintenance Fund.

“Operation and Maintenance Expenses” means the reasonable expenses of administration, operation and maintenance of the Regional Water System or the Local Water System, as the case may be, but shall not include the Required Annual GRS Payment.

“Operation and Maintenance Fund” means the Operation and Maintenance Fund established under the Bond Ordinance. As further provided in the Bond Ordinance, such Fund shall not be part of the Trust Estate held for the benefit of Holders, who shall have no interest in such Fund whatsoever, and any funds on deposit in or credited to such Fund are not and shall not be Pledged Assets.

“Ordinance” means the Bond Ordinance, and shall include the Series Ordinance and Sale Resolution (if any) or Sale Order (if any) of the Chief Executive Officer or other Authorized Officer, for each Series of Bonds.

“Ordinance No. 01-05” means Ordinance No. 01-05 of the City, adopted by the City Council of the City on January 26, 2005, and which amended and restated Ordinance No. 30-02 of the City related to the Water System.

“Outstanding” means, as of any date and unless otherwise provided in a Series Ordinance, all Bonds which have been authenticated and delivered by the Trustee under Ordinance No. 01-05 and the Bond Ordinance (including tendered Bonds which may be owned by GLWA, from time to time, prior to the remarketing thereof), except:

- (i) Bonds (or portions of Bonds) for the payment or redemption of which there shall be held in trust by the Trustee under the Bond Ordinance (whether at or prior to maturity or redemption) (a) monies equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption or (b) Sufficient Government Obligations in such principal amounts, having such maturities and bearing such interest, as together with the monies described in clause (a), if any, shall be sufficient without reinvestment to pay when due the principal amount or Redemption Price, as the case may be, with interest due to the date of maturity

or redemption; provided, that if such Bonds are to be redeemed, notice of such redemption shall have been given as provided in Article III or provisions satisfactory to the Trustee shall have been made for giving of such notice:

(ii) Bonds in lieu of or substitution for which other Bonds shall have been authenticated and delivered pursuant to the Bond Ordinance;

(iii) Bonds deemed to have been paid or defeased as provided under the Bond Ordinance; and

(iv) Bonds subject to a mandatory tender which have not been tendered prior to the related tender date which are deemed to have been redeemed.

“Pension Junior Lien Bonds” means Bonds, if any, issued to pay all or any part of the Required Annual GRS Payment, which may only be issued as Junior Lien Bonds with a Priority of Lien subordinate to SRF Junior Lien Bonds.

“Pension Obligation” means the amounts allocable to the Water System and required to be paid over time by DWSD and as provided in the Lease, GLWA, in respect of (i) the GRS Plan as provided in the Plan of Adjustment and the Bankruptcy Order and (ii) the BC Note Obligation as provided in the Plan of Adjustment.

“Pension Obligation Payment Fund” means the Pension Obligation Payment Fund established under the Bond Ordinance.

“Permitted Investment” means with respect to any particular amounts, an investment permitted by Act 94, including Government Obligations, and subject to such limitations as imposed under the Bond Ordinance or a Series Ordinance for the investment of such amounts.

“Person” means any natural person, firm, partnership, entity or public body.

“Plan of Adjustment” means the Eighth Amended Plan for the Adjustment of Debts of the City of Detroit, in the Bankruptcy Case, as confirmed by order of the Bankruptcy Court entered on November 12, 2014 and effective on December 10, 2014.

“Pledged Assets” means:

(i) Net Revenues;

(ii) the funds and accounts established by or pursuant to the Bond Ordinance except for the Operation and Maintenance Fund, the Construction Fund and the Rebate Fund and any account of any such fund; and

(iii) investments of amounts or any income or gain realized therefrom credited to any fund, account or subaccount that is a Pledged Asset.

“Priority of Lien” means, with respect to any particular Bonds, all other Bonds having a lien on Pledged Assets on parity with such Bonds.

“Projected Net Revenues” means, the Net Revenues of the Water System for any given Fiscal Year, which may include (a) one hundred percent of the estimated increase in Net Revenues projected to result

from approved rate increases and (b) in the case of issuing Additional Bonds, for the purpose of determining the Additional Bonds Debt Service Coverage, one hundred percent of the estimated increase in Net Revenues projected to accrue as a result of the acquisition of the repairs, extensions, enlargements and improvements to the Water System projected to be paid for in whole or in part from the proceeds of the Additional Bonds.

“Prudent Utility Practices” means those practices, methods, techniques, standards and acts engaged in or approved by a significant portion of the regulated water utility industry in the United States or any of the practices, methods, techniques, standards and acts which, in the exercise of reasonable judgment in light of the facts known (or which a qualified and prudent operator could reasonably be expected to have known) at the time a decision is made, would have been expected to accomplish a desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition, in each case related to the operation, maintenance and improvement of similar systems at utility facilities of the same or similar size and type as the Leased Water Facilities.

“Rate Covenant Debt Service Coverage” means, for purposes of the rate covenant in the Bond Ordinance and for each Priority of Lien, a number equal to Projected Net Revenues for the Fiscal Year of calculation divided by the aggregate Debt Service Installment Requirements on Bonds for such Fiscal Year, net of funds on hand representing capitalized interest, all for such Priority of Lien and any higher Priority of Lien.

“Rating Agency” means any nationally recognized rating service then rating any of the Bonds.

“Rebate Fund” means the Rebate Fund created pursuant to the Bond Ordinance.

“Receiving Fund” means the Fund required to be established and maintained by GLWA under the Bond Ordinance to which all Revenues of the Water System are to be credited and applied as provided in the Bond Ordinance.

“Redemption Price” means the principal of any Bond which has been called for redemption, together with any premium thereon.

“Refunding Bonds” means any Additional Bonds issued to refund Outstanding Bonds pursuant to the Bond Ordinance.

“Regional Sewer System” means that portion of the Sewer System that provides sewer service to the wholesale customers thereof and Retail Sewer Customers up to the point of connection to the Local Sewer System, which on the Effective Date consists of the Leased Sewer Facilities.

“Regional Water System” means that portion of the Water System that provides water service to the wholesale customers thereof and Retail Customers up to the point of connection to the Local Water System, which on the Effective Date consists of the Leased Water Facilities.

“Reimbursement Obligations” means any obligations to repay a Credit Entity for payments of Debt Service made with respect to a Series of Senior Lien Bonds as provided in any written agreement between GLWA (as successor to the City or otherwise) and a Credit Entity pursuant to which a Credit Facility is issued, which Reimbursement Obligations may be evidenced by the Senior Lien Bonds of such Series, Refunding Bonds or contractual undertakings with the Credit Entity; provided, that for purposes of determining Debt Service, reimbursement of expenses, fees and other similar contractual undertakings shall not be included.



“Required Annual GRS Payment” means the amount determined as specified in “SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDINANCE – Certain Other Funds – The Pension Obligation Payment Fund” herein.

“Required Coverage” means (a) for Senior Lien Bonds, 1.20, (b) for Second Lien Bonds, 1.10, and (c) for any Junior Lien Bonds other than Second Lien Bonds, 1.00.

“Reserve Requirement” means, except as otherwise provided with respect to a particular Series of Bonds in the applicable Series Ordinance pursuant to the Bond Ordinance, 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 Senior Lien 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. Notwithstanding the foregoing, (i) in the case of Senior Lien Bonds secured by the Senior Lien Bond Reserve Account, upon satisfaction of the conditions set forth in the Bond Ordinance, the Reserve Requirement for all Outstanding Senior Lien Bonds secured by the Senior Lien Bond Reserve Account, regardless of when issued, at the election of the Authority set forth in a written notice to the Trustee, may be reduced or eliminated, and if reduced, the reduced Reserve Requirement in no event to be in excess of the maximum permitted by the Code, and (ii) in the case of Second Lien Bonds secured by the Second Lien Bond Reserve Account, upon the satisfaction of the conditions set forth in the Bond Ordinance, the Reserve Requirement for all Outstanding Second Lien Bonds secured by the Second Lien Bond Reserve Account, regardless of when issued, at the election of the Authority set forth in a written notice to the Trustee, may be reduced or eliminated, and if reduced, the reduced Reserve Requirement in no event to be in excess of the maximum permitted by the Code. (The Authority has exercised its option to reduce the Reserve Requirement for the Senior Lien Bonds and the Second Lien Bonds, respectively, to zero upon issuance of the Series 2024 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS – Bond Reserve Accounts and Reserve Requirements Reduction.”)

“Retail Customers” means, collectively, the Retail Water Customers and the Retail Sewer Customers.

“Retail Revenues” means Revenues collected from Retail Customers.

“Retail Sewer Customers” means those individual customers located within and outside the City that receive sewer service directly from the Detroit Local Sewer Facilities.

“Retail Water Customers” means those individual customers located within and outside the City that receive water service directly from the Detroit Local Water Facilities.

“Revenue Receipts Fund” means the Revenue Receipts Fund created pursuant to the Bond Ordinance and under GLWA’s Regional Water System Master Bond Ordinance and held in trust by the Trustee.

“Revenues” means the revenues, including the Retail Revenues, of GLWA from the Water System, which shall be construed as defined in Section 3 of Act 94, and shall also include:

(i) amounts received from a Swap Provider under a Swap Agreement, including any amounts payable upon termination thereof;

(ii) income earned and gain realized from the investment of amounts in the various funds, accounts and subaccounts established by the Bond Ordinance other than the Construction Fund for any Fiscal Year in which earnings on the Construction Fund are not credited to the Receiving Fund; and

(iii) all monies collected directly or indirectly by GLWA or by the City, as agent of GLWA, under the Water and Sewer Services Agreement, and deposited or to be deposited into the Receiving Fund under the Bond Ordinance.

“Sale Resolution” or “Sale Order” means a resolution or resolutions of GLWA adopted by GLWA Board in accordance with the Bond Ordinance or an Order of the Chief Executive Officer, Chief Financial Officer or other specified Authority official authorizing the sale of a Series of Bonds in accordance with the terms and provisions of the Bond Ordinance and a Series Ordinance.

“Second Lien Bonds” means the DWSD Water Bonds having a second lien on the Net Revenues of the Water System that are being assumed by GLWA and any Additional Bonds of equal Priority of Lien.

“Senior Lien Bonds” means the DWSD Water Bonds having a first and senior lien on the Net Revenues of the Water System that are being assumed by GLWA, and any Additional Bonds of equal Priority of Lien.

“Series” means a Series of Bonds issued and sold pursuant to a Series Ordinance and the Bond Ordinance or Ordinance No. 01-05.

“Series Ordinance” means an ordinance or ordinances, including, if necessary, a Sale Resolution or Sale Order, authorizing the issuance and sale of a Series of Bonds in accordance with the provisions of the Bond Ordinance.

“Sewer Lease” means the Regional Sewage Disposal System Lease, to be effective on the Effective Date, relating to the lease of the Leased Sewer Facilities from the City to GLWA.

“Sewer Lease Payment” means the annual payment required to be made by GLWA for the benefit of the City pursuant to the Sewer Lease in consideration for the leasing of the Leased Sewer Facilities to GLWA as provided therein.

“Sewer System” means, the City’s sewage disposal system as existing immediately prior to the Effective Date, which consists on the Effective Date of the Regional Sewer System and the Local Sewer System as the same may be improved from time to time.

“Shared Services Agreement” means the Shared Services Agreement between the City and GLWA relating to the provision of services by the City to GLWA with respect to the Regional Water System and the Regional Sewer System, and the provision of services by GLWA to the City with respect to the operation and management of the Detroit Local Water Facilities and the Detroit Local Sewer Facilities, as it may be amended and supplemented as provided therein.

“SRF” means the Michigan Drinking Water State Revolving Fund financing program.

“SRF Junior Lien Bonds” means all SRF Junior Lien Bonds being assumed by GLWA and any Additional Bonds of equal Priority of Lien issued for the purpose of providing improvements to the Water System under the SRF and shall be the second Priority of Lien of Junior Lien Bonds.

“State” means the State of Michigan.

“Sufficient Government Obligations” means (a) direct obligations of the United States of America or (b) obligations the principal of and interest on which are fully guaranteed by the United States of America, and which (i) are not redeemable at the option of the issuer and (ii) without reinvestment of the interest, come due at such times and in such amounts as to be fully sufficient to pay the principal or Redemption Price and interest, respectively, as each becomes due on the Bonds.

“Supplemental Ordinance” means a Series Ordinance or other Ordinance supplemental to the Bond Ordinance and authorized pursuant to the Bond Ordinance.

“Surplus Fund” means the fund created pursuant to the Bond Ordinance.

“Swap Agreement” means any interest rate exchange or swap, hedge or other similar agreement or agreements entered into in connection with the issuance of obligations or other evidences of indebtedness or in connection with GLWA’s then Outstanding Senior Lien Bonds or Junior Lien Bonds within the limitations provided by Act 34 or its predecessor statute.

“Swap Provider” means any party with whom GLWA (as successor to the City or otherwise) has or shall enter into a Swap Agreement.

“System Consultant” means any professionally qualified person, firm or corporation nationally recognized in the municipal water supply industry and of favorable reputation for skill and experience in performing the duties of providing consulting services to municipal water systems comparable in size and function to the Water System, including setting of rates and charges for the use of such systems.

“Trustee” means U.S. Bank Trust Company, National Association or any successor independent bank or trust company qualified and appointed pursuant to the Bond Ordinance to act as Trustee hereunder and any company into which the Trustee may be merged or converted or with which it may be consolidated, or any company resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a trust company or bank which is qualified to be a successor Trustee under the Bond Ordinance, or any other bank or trust company at any time substituted in its place pursuant to the Bond Ordinance.

“Variable Rate Bonds” means any Bonds the interest rate on which is not fixed to maturity as of the date of the calculation being performed.

“Water and Sewer Services Agreement” means the Water and Sewer Services Agreement, dated June 12, 2015, between the City and GLWA relating to the provision of water supply service to the Retail Water Customers and sewage disposal service to Retail Sewer Customers, as it may be amended and supplemented as provided therein.

“Water System” means the City’s water supply system as existing immediately prior to the Effective Date, which on the Effective Date consists of the Regional Water System and the Local Water System, as the same may be improved from time to time.

“WRAP Fund” means the Water Residential Assistance Program Fund created pursuant to the Bond Ordinance, which is a fund independently-administered on behalf of GLWA to provide assistance to indigent residential customers throughout the Water System and the Sewer System.

*[Remainder of page intentionally left blank]*

## **APPENDIX V SUMMARY OF THE LEASE**

This summary does not purport to be comprehensive or definitive and is subject to all of the terms of the Lease, to which reference is hereby made and copies of which are available on GLWA's website at [www.glwater.org](http://www.glwater.org) or from the Underwriters prior to the execution and delivery of the Series 2024 Bonds and thereafter may be examined or obtained at the expense of the person requesting the same at the corporate trust office of the Trustee.

### **General**

On June 12, 2015, the City and GLWA executed (i) the Lease pursuant to which the City agreed to lease to GLWA the Leased Water Facilities and (ii) the Sewer Lease pursuant to which the City agreed to lease to GLWA the Leased Sewer Facilities. Complete copies of the Lease and the Sewer Lease are available on GLWA's website at [www.glwater.org](http://www.glwater.org). On June 27, 2018, certain sections of the Lease and the Sewer Lease were clarified under the 2018 MOU. For a summary of the 2018 MOU as it relates to the Lease and the Sewer Lease, see APPENDIX IX - SUMMARY OF 2018 MOU.

Pursuant to the Lease, the City leased the Leased Water Facilities and assigned and transferred its interest in all revenues derived from the sale of water supply services to the wholesale customers and the Retail Water Customers of the Water System to GLWA for the Term. On the Effective Date, the City conveyed to GLWA by lease for the Term all of the City's right, title and interest in and to the Leased Water Facilities in order to enable GLWA to operate the Leased Water Facilities as provided in the Lease. The City continues to own, operate and be responsible for the operation and maintenance of the Detroit Local Water Facilities, which consist of all water supply facilities that provide water supply services directly to the Retail Water Customers, all as more particularly described in the Water and Sewer Services Agreement. See APPENDIX VII—Summary of the Water and Sewer Services Agreement.

### **Term of the Lease**

The term of the Lease (the "Term") commenced on the Effective Date and shall initially terminate on the 40th anniversary of the Effective Date (the "Initial Lease Termination Date"). Upon the issuance of Additional Bonds by GLWA with a maturity date after the Initial Lease Termination Date, the Initial Lease Termination Date shall automatically, and without further action of the parties to the Lease, be amended to coincide with the date on which all of the Bonds have been paid or provision for payment of all such Bonds has been made in accordance with the Bond Ordinance.

### **Assignment and Assumption**

On the Effective Date, GLWA assumed all of the City's obligations under the DWSD Water Bonds, including all of the obligations to make payments of principal of and interest on the DWSD Water Bonds. In acquiring the Leased Water Facilities pursuant to the Lease, commencing on the Effective Date, GLWA also acquired for the Term, and the City absolutely and irrevocably assigned, transferred and conveyed to GLWA, and GLWA purchased and acquired from the City, (i) all of the City's right, title and interest in and to the Revenues, including the Retail Revenues, in existence on the Effective Date, and (ii) all of the City's right, title and interest in and to the Revenues, including Retail Revenues, derived from operation of the Water System on and after the Effective Date and through the end of the Term.

In addition, on the Effective Date, the City assigned and GLWA assumed the City's wholesale contracts related to the Regional Water System, existing DWSD vendor contracts related to the Regional

Water System, the City's rights under the contracts with bond insurers and surety bond providers with respect to the DWSD Water Bonds and all other liabilities and obligations of the City with respect to the Leased Water Facilities. GLWA also agreed to provide continuing disclosure with respect to information within its control relating to GLWA, the Leased Water Facilities and the DWSD Water Bonds that the City would otherwise have had to disclose on an annual basis pursuant to continuing disclosure undertakings entered into by the City with respect to the DWSD Water Bonds.

### **Retirement Obligations**

As further consideration for the acquisition of the Regional Water System pursuant to the Lease, the Authority is required to pay that portion of the Pension Obligation allocable to the Regional Water System (the "Authority Pension Obligation") and that portion of the BC Note Obligation allocable to the Regional Water System (the "Authority BC Note Obligation"). The City agrees that it is liable for and shall be required to pay that portion of the Pension Obligation allocable to the Local Water System (the "City Pension Obligation") and that portion of the BC Note Obligation allocable to the Local Water System (the "City BC Note Obligation"). Amounts due for the Pension Obligation and the BC Note Obligation shall be allocated between the Authority and the City on the basis that such amounts are payable with respect to employees of the Authority and the City, respectively.

### **Rate Setting**

Pursuant to the Lease, the City and GLWA agree that (i) GLWA shall have the exclusive right to establish rates for water service for customers of the Water System, including Retail Water Customers, (ii) GLWA may delegate its rights to establish rates for water service to customers of the Water System to one or more agents, as it deems necessary or convenient, and (iii) directly or through an agent, GLWA shall have the exclusive right to charge and bill to and collect from such customers amounts from water services constituting the Revenues, including the Retail Revenues. Under the Water and Sewer Services Agreement, GLWA has delegated to the City its rights to set and collect rates with respect to Retail Customers of the City.

### **Lease Payments**

Part of the consideration for the Lease will be an allocation of \$22,500,000 per year (the "Lease Payment"), to be funded from a portion of the common-to-all revenue requirements for the Regional Water System. The Lease Payment will be retained by GLWA and applied as provided below. The Lease Payment will flow through the existing flow of funds under the Bond Ordinance, together with other funding requirements, after payment of Operations and Maintenance Expenses. The Lease Payment will not be treated as an Operation and Maintenance Expense and shall be applied solely, at the City's direction and discretion, to the cost of improvements to the Local Water System (payable after debt service and pension liability payments in the flow of funds), the payment of debt service on Bonds associated with such improvements or the City's share of debt service on Bonds associated with common-to-all improvements. Any Additional Bonds issued to finance Regional Water System improvements or Local Water System improvements will be issued by GLWA and will be secured by the Net Revenues.

### **Operation of Leased Water Facilities**

GLWA agrees to operate the Leased Water Facilities for the purpose of furnishing water service to its customers in accordance with Applicable Laws and Prudent Utility Practices, all in a manner so as to provide water service to customers in the same or an improved manner as was provided by DWSD immediately prior to the Effective Date (collectively, the "Performance Standards"). In connection therewith,

GLWA will pay all costs of operating, using, repairing, maintaining, replacing, enlarging, extending, improving, financing and refinancing the Leased Water Facilities, including by way of illustration and not by way of limitation, all capital costs, utility rates and charges, fees and other amounts due under existing contracts, taxes and special assessments, salaries and other employment costs, permits and license fees and rents. GLWA has agreed that it will not cause or permit any waste, damage or injury to the Leased Water Facilities and to keep the Leased Water Facilities in good condition and repair (reasonable wear and tear, obsolescence and damage by act of God, fire or other causes beyond the control of GLWA excepted).

From and after the Effective Date, GLWA is obligated, at its own expense, to keep the Leased Water Facilities insured against any casualty loss and shall also obtain and maintain public liability insurance (covering bodily and personal injury, property damage and contractual liability), automobile liability insurance and worker's compensation insurance for the operation of the Leased Water Facilities and the Regional Water System in commercially reasonable amounts, provided that GLWA is be required to carry a particular type of insurance coverage as set forth in the Lease during any period that such insurance is not available in the insurance market of the United States at commercially reasonable rates. The insurance required of GLWA by the Lease in the amounts, with the coverage and other required features, may be supplied by a fully funded self-insurance program of GLWA or a self-insurance pool in which GLWA is a participant; provided that such self-insurance program or pool will provide the coverage required herein.

### **Destruction or Taking of Leased Water Facilities**

If during the Term, any portion of the Leased Water Facilities is damaged or destroyed by fire or other casualty, GLWA is obligated to repair, restore, rebuild or replace the damaged or destroyed portion of the Leased Water Facilities and complete the same as soon as reasonably possible (subject to the adjustment and receipt of insurance proceeds, if any, and the Bond Ordinance), to at least the condition they were in prior to such damage or destruction, except for obsolescent facilities or changes in design or materials as may then be necessary to achieve the Performance Standards.

In the event of any taking of the Leased Water Facilities or any part thereof in or by condemnation or other eminent domain proceedings pursuant to any Applicable Laws, or by reason of the temporary requisition of the use or occupancy of the Leased Water Facilities or any part thereof by any governmental authority (each a "Taking"), GLWA will promptly notify the City upon receiving notice of such Taking or commencement of proceedings therefor. GLWA will then, if requested by the City, file or defend its claim thereunder and prosecute the same with due diligence to its final disposition. Subject to the terms of the Bond Ordinance, all proceeds or any award or payment in respect of any taking are hereby assigned and shall be paid to GLWA, and GLWA is permitted to take all steps reasonably necessary in its discretion to notify the condemning authority of such assignment. Such award or payment shall be applied to the Leased Water Facilities as necessary to achieve the Performance Standards.

If the Leased Water Facilities or any portion thereof are in whole or in part destroyed or damaged as a result of any cause whatsoever, or a Taking occurs with respect to the Leased Water Facilities or any portion thereof, there shall be no abatement, diminution or reduction in any Lease Payment payable under the Lease.

In the Lease, the City agrees not to commence any proceedings against the Leased Water Facilities that would constitute a Taking of all or any part of the Leased Water Facilities if the effect of such Taking is to render it impracticable for the Leased Water Facilities to furnish water service to GLWA's customers in accordance with the Performance Standards.

## **Improvements to Leased Water Facilities**

During the Term, GLWA is entitled to make such rehabilitation of and replacements and improvements to the Leased Water Facilities as it determines to be necessary in order to keep the Leased Water Facilities in compliance with the Performance Standards. In connection therewith, GLWA, for each Fiscal Year will prepare and approve a Capital Improvement Program, which shall set forth the improvements to the Leased Water Facilities that GLWA proposes to undertake during the next five Fiscal Years.

In addition, during the Term, GLWA will review and revise as necessary the DWSD water master plan. In reviewing the plan, GLWA will use its best efforts to maximize utilization of the capacity in the Regional Water System so that economies of scale may be realized, shall take into account the needs of GLWA's service area in planning and operating the Regional Water System, shall strive to become the provider of choice for southeastern Michigan and shall consider incentives for customers to utilize the Regional Water System for their water supply needs.

## **Adoption of Budget; Rates for Use of Leased Water Facilities**

GLWA is required to adopt a two-year budget for the Regional Water System for the following two Fiscal Years that sets forth budgeted Revenues and expenses for each such Fiscal Year. The budgeted expenses for each such Fiscal Year shall equal the sum of the projected expenses and revenue requirements for the Regional Water System for each such Fiscal Year (collectively, the "Authority Revenue Requirement"), including without limitation all of the following:

- (a) Operation and Maintenance Expenses of the Regional Water System;
- (b) The amounts necessary to pay the principal of and interest on all Bonds and to restore any reserves therefor established in the Bond Ordinance;
- (c) The Lease Payment, which shall be a common-to-all charge;
- (d) The Authority Pension Obligation and the Authority BC Note Obligation;
- (e) The amount necessary to be deposited to the WRAP Fund, which shall be a common-to-all charge equal to 0.5% of the base budgeted operating Revenues for the Regional Water System for such Fiscal Year;
- (f) The amounts needed to make the required deposits to the Authority Regional Extraordinary Repair and Replacement Account of the Extraordinary Repair and Replacement Reserve Fund and the Authority Regional Improvement and Extension Account of the Improvement and Extension Fund in the Bond Ordinance; and
- (g) The amount necessary to satisfy the coverage ratios required by the rate covenant to be included in the Bond Ordinance (collectively, the "Rate Covenant").

GLWA, for each Fiscal Year, shall fix and approve rates and charges to its customers in an amount that is expected to produce Revenues sufficient to satisfy the Authority Revenue Requirement. In connection with the determination by the Authority of the rates and charges applicable to Retail Water Customers in the City for such Fiscal Year, the City shall receive a credit in the amount of \$20,700,000, representing the return on equity to the City for the Water System in recognition of the City's ownership of the Water System and support of the rate structure for the Water System.



As provided in the Lease, through the Fiscal Year ending June 30, 2025, the Water System is assumed to experience annual increases in the Authority Revenue Requirement of not more than 4%; provided however, this limitation shall not be applicable if the Authority Revenue Requirement must increase beyond the 4% assumption in order to satisfy the Rate Covenant or to pay the cost of improvements to the Leased Water Facilities that are required to be made by Applicable Laws.

In the Lease, the City acknowledges that all Revenues received from customers in the City, including Revenues derived exclusively from the Local Water System, are the property of the Authority and will be deposited as received in the Receiving Fund in the Bond Ordinance and applied as provided in the Bond Ordinance, including amounts deposited in the Budget Stabilization Fund. As a result, the City agrees to provide the Authority with a budget for the Local Water System as provided in the Water and Sewer Services Agreement.

### **Sale or Disposition of Leased Water Facilities or Detroit Local Water Facilities**

Subject to the Bond Ordinance, GLWA, following notice to the City, has the right to sell or dispose of any of the Real Property or Personal Property that constitutes part of the Leased Water Facilities if GLWA determines that such Real Property or Personal Property is not or is no longer needed or useful in connection with the operation of the Leased Water Facilities or that such sale or disposition will not impair the operating efficiency of the Leased Water Facilities or reduce the ability of GLWA to satisfy the Rate Covenant as provided in the Bond Ordinance. To the extent necessary to accomplish such a sale of Personal Property, the Lease also constitutes a quit claim transfer by the City of any residual property rights it may have in and to such Personal Property. The City shall cooperate with GLWA in arranging the execution and delivery of a deed for the disposition of any Real Property. The proceeds of any such sale shall be deposited in the Receiving Fund established by the Bond Ordinance.

If the City sells or disposes of any real or personal property that constitutes part of the Detroit Local Water Facilities that was paid for in whole or in part with common-to-all funds, the proceeds of such sale or disposition shall be paid to GLWA in the same proportion that common-to-all funds were used to pay the purchase price, for deposit in the Receiving Fund established by the Bond Ordinance.

In connection with the sale or disposition of any of the Leased Water Facilities or any of the Detroit Local Water Facilities that were paid for in whole or in part with common-to-all funds, the City and GLWA shall cooperate and use their best efforts to sell such property at market value, exchange such property for other property of similar value or sell such property as otherwise agreed to by the parties.

### **Events of Default and Remedies**

Events of Default. Under the Lease, the term “Event of Default” means the occurrence of any one of the following events:

(a) GLWA’s failure to pay any Lease Payment (without setoff, recoupment, or other deduction of any kind) when due.

(b) GLWA’s failure to fully perform and comply with any of the other terms, conditions or provisions of the Lease within ninety (90) days after delivery to GLWA of a written notice from the City specifying such failure.

(c) The City’s failure to fully perform and comply with any of the terms, conditions or provisions of the Lease within ninety (90) days after delivery to the City of a written notice from GLWA specifying such failure.

### Remedies.

(1) If an Event of Default set forth in (a) or (b) above occurs, the City, subject to the dispute resolution procedures described below under “Dispute Resolution” (the “Dispute Resolution Procedures”), shall have all rights and remedies available to the City at law or in equity, including specific performance.

(2) If an Event of Default set forth in (c) above occurs, GLWA, subject to the Dispute Resolution Procedures, shall have all right and remedies available to GLWA at law or in equity, including specific performance.

(3) Notwithstanding anything else to the contrary in the Lease, so long as Bonds are outstanding, neither the City nor GLWA shall have any right to terminate the Lease at any time prior to the end of the Term, whether or not an Event of Default has occurred.

(4) The City’s or GLWA’s failure to insist upon the strict performance of any agreement, term, covenant or condition of the Lease or to exercise any right or remedy for breach of or Event of Default under the Lease shall not constitute a waiver of any such breach or Event of Default. Similarly, the City’s acceptance of full or partial Lease Payments during any such breach by or Event of Default attributable to GLWA shall not constitute a waiver of any such breach or Event of Default. No waiver of any breach or Event of Default shall affect or alter this subsection and every term, covenant, condition and provision of the Lease shall continue in full force and effect with respect to any other then existing or subsequent breach or Event of Default.

(5) Subject to (3) above and the Dispute Resolution Procedures, each right and remedy provided in the Lease shall be cumulative and shall be in addition to every other right or remedy provided for in the Lease or now or later existing at law or in equity either by statute or otherwise. The City’s or GLWA’s exercise of any one or more of its rights or remedies shall not preclude the City’s or GLWA’s simultaneous or later exercise of any or all of its other rights or remedies under the Lease.

### **Dispute Resolution**

#### Disputes; Resolution.

GLWA and the City shall each designate in writing to the other from time to time a representative who shall be authorized to resolve any dispute relating to the subject matter of the Lease in an equitable manner and, unless otherwise expressly provided herein, to exercise the authority of such party to make decisions by mutual agreement.

The City and GLWA each agree (i) to attempt to resolve all disputes arising under the Lease promptly, equitably and in a good faith manner and (ii) to provide each other with reasonable access during normal business hours to any and all non-privileged written records, information and data pertaining to any such dispute.

If any dispute relating to the subject matter of the Lease is not resolved between the City and GLWA within 30 days (or such later date agreed to by the parties) from the date on which a party provides written notice to the other party of such dispute and of the notifying party's position on the disputed matter, then upon written notification by either party to the other party, such dispute shall be settled exclusively and finally by arbitration as described under “Arbitration” below. During the pendency of any dispute and until such dispute is resolved as provided below, the City and GLWA shall continue to operate under the terms of the Lease.

### Arbitration.

Any dispute or claim arising under or relating to the Lease that cannot be resolved between the City and GLWA, including any matter relating to the interpretation or performance of the Lease, shall be submitted to arbitration irrespective of either the magnitude thereof or the amount in dispute.

Each arbitration between the City and GLWA shall be conducted pursuant to the Uniform Arbitration Act, Act No. 371, Public Acts of Michigan, 2012 and before a panel composed of three arbitrators (the "Arbitration Panel"). Each party shall appoint an arbitrator, obtain its appointee's acceptance of such appointment and deliver written notification of such appointment and acceptance to the other party within 15 days after delivery of a notice of arbitration. The two arbitrators appointed by the City and GLWA shall jointly appoint the third (who shall be the chairperson), obtain the acceptance of such appointment and deliver written notification of such appointment within 15 days after their appointment and acceptance.

Any arbitration commenced hereunder shall be completed within 120 days after the appointment of the Arbitration Panel absent agreement of the City and GLWA to the contrary. Further, absent agreement of the City and GLWA or, upon request of one of the parties, an order of the Arbitration Panel to the contrary: (i) all discovery shall be completed within 60 days after the appointment of the Arbitration Panel; (ii) each party shall be limited to a maximum of 5 depositions; (iii) each deposition shall be completed within a maximum period of two consecutive 8-hour days; (iv) each party shall be limited to 2 expert witnesses; and (v) interrogatories shall be limited to a maximum of 50 single issues without sub-parts. The City and GLWA waive any claim to any damages in the nature of punitive, exemplary or statutory damages in excess of compensatory damages or otherwise expressly provided for in the Lease, and the Arbitration Panel is specifically divested of any power to award such damages. The Arbitration Panel shall have the power to award injunctive or other equitable relief. All decisions of the Arbitration Panel shall be pursuant to a majority vote. Any interim or final award shall be rendered by written decision.

If either the City or GLWA fails to appoint its arbitrator within 15 days after delivery of a notice of arbitration, or if the two arbitrators appointed cannot agree upon the third arbitrator within 15 days after appointment of the second arbitrator, then the required arbitrator(s) shall be appointed by the American Arbitration Association or as otherwise agreed by the City and GLWA.

No arbitrator shall be a past or present employee or agent of, or consultant or counsel to, either the City or GLWA or any affiliate of either the City or GLWA.

GLWA and the City shall each bear the out-of-pocket costs and expenses of their respective arbitrator, attorneys and witnesses, and they shall each bear one-half of the out-of-pocket costs and expenses of the chairperson of the Arbitration Panel and all administrative support for the arbitration.

Appeals and Enforcement of Arbitration Awards and Decisions. The City or GLWA may (i) appeal an award or decision issued by the Arbitration Panel and (ii) enforce any awards or decisions of the Arbitration Panel pursuant to the Michigan Uniform Arbitration Act. The remedies described under "Dispute Resolution" shall be the sole and exclusive remedies of the City and GLWA with respect to any claim, dispute or Event of Default under the Lease. The City and GLWA agree not to bring, or cause to be brought, in a court of law any action, proceeding or cause of action whatsoever with respect to any such claim, dispute or Event of Default, other than as necessary to enforce the award or decision of the Arbitration Panel as provided in the Lease.

## **Amendments to Lease**

The Lease may be amended from time to time by agreement of the City and GLWA. But for amendments to Schedule A, Leased Water Facilities, any such amendment shall not be effective unless the amendment is in writing and is executed by the Mayor of the City and the duly authorized officers of GLWA; provided, however, that the Lease shall not be subject to any amendment which would in any manner affect either the security for the Bonds or the prompt payment of the principal of and interest thereon. Amendments to Schedule A shall not be effective unless the amendment is written and executed by DWSD's Director and GLWA's CEO and Chairperson.

*[Remainder of page intentionally left blank]*

## **APPENDIX VI SUMMARY OF THE BOND ORDINANCE**

This summary does not purport to be comprehensive or definitive and is subject to all of the terms of the Bond Ordinance, to which reference is hereby made and copies of which are available on GLWA's website at [www.glwater.org](http://www.glwater.org) or from the Underwriters prior to the execution and delivery of the Series 2024

Bonds and thereafter may be examined or obtained at the expense of the person requesting the same at the corporate trust office of the Trustee. On June 27, 2018, certain sections of the Bond Ordinance were clarified under the 2018 MOU. For a summary of the 2018 MOU as it relates to the Bond Ordinance, see APPENDIX IX - SUMMARY OF 2018 MOU.

### **The Revenue Receipts Fund and the Receiving Fund**

Under the Bond Ordinance, consistent with the sale, assignment and transfer of Revenues contained in the Lease, GLWA and the City, as agent of GLWA under the Water and Sewer Services Agreement, shall deposit or cause to be deposited all Revenues each receives from operation of the Regional Water System and the Local Water System in the GLWA Revenue Receipts Fund established under the Bond Ordinance. GLWA shall allocate monies in the GLWA Revenue Receipts Fund between the Water System and the Sewer System and cause funds related to the Regional Water System and Local Water System to be deposited in the Receiving Fund. The City shall act as an agent of GLWA when collecting the Retail Revenues, and shall hold the Retail Revenues in trust for the exclusive benefit of GLWA until such funds are transferred to the Trustee and deposited in the GLWA Revenue Receipts Fund.

### **Flow of Funds**

Under the Bond Ordinance, in accordance with the requirements of Act 94 and the Lease, GLWA has established certain funds and accounts for the Water System under the Bond Ordinance to be held in trust by the Trustee. The Bond Ordinance permits the establishment of additional funds for additional priorities of GLWA Bonds.

In accordance with the terms of Act 94 and the Bond Ordinance, all Revenues of the Water System shall be deposited with the Trustee and, with the exception of Revenues transferred to the GLWA Regional Operation and Maintenance Account or the Detroit Local Operation and Maintenance Account of the Operation and Maintenance Fund as directed by GLWA as provided in the Bond Ordinance, held in trust pursuant to the terms of the Bond Ordinance. The Lease and the Bond Ordinance provide that, subject to the issuance of Bonds permitted by the Bond Ordinance to satisfy all or a portion of the Pension Obligation, pursuant to the provisions of paragraph 24 of the Bankruptcy Order, DWSD's contribution to the GRS pension plan set forth in the Plan of Adjustment shall be payable as follows: (i) the portion of that contribution equal to \$24 million annually, plus DWSD's share of the annual "defined contribution" payments related to its employees (as such term is used in the Bankruptcy Order), both to be allocated between the Sewer System and the Water System, will be paid by the Trustee as Operation and Maintenance Expenses under priority "First" below, and (ii) the difference between DWSD's annual GRS pension plan contribution provided for in the Plan of Adjustment and \$24 million will be paid by the Trustee out of the Pension Obligation Payment Fund under priority "Fifth" below.

As of the first day of each month (or, in the case of the transfer to the respective Reserve Account, following the annual July 1 valuation of investments in such Reserve Account, pursuant to the Bond Ordinance), amounts credited to the Receiving Fund, including any Lease Payment (which is to be applied to the Fund(s) and Account(s) designated by the City pursuant to the Lease) shall be transferred seriatim into

the following funds and accounts but only within the respective limitations and only if the maximum amount within such limitation has been credited to the preceding fund or account:

First: to the Authority Regional Operation and Maintenance Account and the Detroit Local Operation and Maintenance Account of the Operation and Maintenance Fund, one twelfth of the then current Fiscal Year's Operation and Maintenance Expenses of the Regional Water System and the Local Water System, respectively, as determined by GLWA and certified to the Trustee by an Authorized Officer as sufficient to provide for the payment of the next month's expenses of administration and operation of the Regional Water System and the Local Water System, respectively, and such current expenses for the maintenance thereof as may be necessary to preserve the same in good repair and working order;

Second: to the Senior Lien Bond Debt Service Account, an amount that, when added to all other amounts then on deposit therein, shall equal the Debt Service Installment Requirement for Bonds as of the first day of such month;

Third: following the annual July 1 valuation of investments in the Senior Lien Bond Reserve Account pursuant to the Bond Ordinance, to the Senior Lien Bond Reserve Account, an amount, if any, that when added to all other amounts then on deposit therein shall equal the Reserve Requirement for Senior Lien Bonds;

Fourth: to the Bond Interest and Redemption Fund established for each Priority of Lien of Junior Lien Bonds, beginning with the Second Lien Bonds and continuing in descending order of priority to, and including, each Priority of Lien of Junior Lien Bonds, as follows:

*First:* to the Debt Service Account established for such Priority of Lien, an amount that, when added to amounts then on deposit in such account, shall equal the Debt Service Installment Requirement for Junior Lien Bonds of such Priority of Lien as of the first day of such month; and

*Second:* following the annual July 1 valuation of investments in the Reserve Accounts pursuant to the Bond Ordinance, to the Reserve Account, if any, established for such Priority of Lien, an amount that, when added to amounts then on deposit in such account, shall equal the Reserve Requirement for such Priority of Lien of Junior Lien Bonds;

Fifth: except as provided in the Bond Ordinance with respect to the initial deposit to the Pension Obligation Payment Fund, to the extent Pension Junior Lien Bonds are not issued, to the Pension Obligation Payment Fund an amount that equals one twelfth of the Required Annual GRS Payment and one twelfth of the BC Note Obligation at the written direction of an Authorized Officer to the Trustee;

Sixth: except as provided in the Bond Ordinance with respect to the initial deposit to the Water Residential Assistance Program ("WRAP") Fund, to the WRAP Fund, one twelfth of the amount to be deposited therein for the current Fiscal Year as directed in writing by an Authorized Officer to the Trustee;

Seventh: except as otherwise provided in the Bond Ordinance with respect to the initial deposit to the Budget Stabilization Fund, for each of the Fiscal Years 2016, 2017 and 2018, to the

Budget Stabilization Fund, an amount equal to one twelfth of one-third of the amount necessary to assure that the Budget Stabilization Requirement will be on deposit in the Budget Stabilization Fund within three full Fiscal Years at the written direction of an Authorized Officer to the Trustee and for subsequent Fiscal Years thereafter one twelfth of an amount that when added to amounts then on deposit in the Budget Stabilization Fund shall equal the Budget Stabilization Requirement, at the written direction of an Authorized Officer to the Trustee;

Eighth: to the Extraordinary Repair and Replacement Reserve Fund, the amount of the Extraordinary Repair and Replacement Minimum Requirement to the extent that the balance thereof is less than the Extraordinary Repair and Replacement Maximum Requirement; and

Ninth: at the written direction of an Authorized Officer to the Trustee, to the Authority Improvement and Extension Account and the Detroit Local Improvement and Extension Account of the Improvement and Extension Fund, such amounts as GLWA may deem advisable for the Regional Water System and Local Water System; provided that no amount shall be deposited in either such account for so long as a withdrawal from the Extraordinary Repair and Replacement Reserve Fund remains unpaid.

In any month, funds on deposit in the Receiving Fund in excess of the requirements set forth above may, upon the direction of GLWA, be transferred to the Improvement and Extension Fund (provided that no amount shall be deposited to the Improvement and Extension Fund or credited thereto for so long as a withdrawal from the Extraordinary Repair and Replacement Reserve Fund remains unpaid).

**Any amounts remaining in the Receiving Fund as of the last day of each Fiscal Year shall be applied against future years' Revenue deposit obligations under the Bond Ordinance, unless directed by GLWA within thirty (30) days of completion of the Fiscal Year's audited financial statements to be deposited in the Surplus Fund.**

### **Reserve Accounts and Reserve Requirements**

Pursuant to the Bond Ordinance, amounts in a Reserve Account shall be used solely for the payment of the Debt Service on Bonds of the same Priority of Lien for which such Reserve Account was established, as to which there would otherwise be a Default. The Authority may elect to reduce or eliminate the Reserve Requirement for all Outstanding Senior Lien Bonds secured by the Senior Lien Bond Reserve Account and/or the Reserve Requirement for all Outstanding Second Lien Bonds secured by the Second Lien Bond Reserve Account, and if reduced, the reduced Reserve Requirement shall in no event be in excess of the maximum permitted by the Code, at such time as the Authority shall have provided evidence to the Trustee that the Senior Lien Bonds are rated at least Aa3, AA- or AA- by at least two of Moody's, S&P, and Fitch, respectively, and that neither of such ratings will be reduced solely as a result of the change in the Reserve Requirement for, respectively, such Senior Lien Bonds and/or such Second Lien Bonds. Such election shall be set forth in a written notice to the Trustee and shall be effective on the date of delivery of such notice to the Trustee. Following such election by the Authority, notwithstanding any other provision of the Bond Ordinance, amounts on deposit in the Senior Lien Bond Reserve Account in excess of the Reserve Requirement for the Outstanding Senior Lien Bonds secured by the Senior Lien Bond Reserve Account shall be transferred by the Trustee into the Senior Lien Debt Service Account, the Receiving Fund and/or the Surplus Fund, as directed by the Authority. A separate Reserve Account may be established by the Authority with the Trustee for a Series of Bonds by the Series Ordinance providing for the issuance of such Series of Bonds.

## **Priority of Funds and Accounts**

Pursuant to the Bond Ordinance, if amounts in the Receiving Fund are insufficient to provide for current requirements of the Operation and Maintenance Fund and each Bond Interest and Redemption Fund (including the Reserve Account, if any, therein), then any amounts or securities held in the Surplus Fund, the Improvement and Extension Fund, the Extraordinary Repair and Replacement Reserve Fund, the WRAP Fund, the Budget Stabilization Fund and the Pension Obligation Payment Fund shall be credited or transferred from such Funds in the order listed, first, to the Operation and Maintenance Fund and, second, to the particular Bond Interest and Redemption Fund, to the extent of the insufficiency therein.

If any debt service on Bonds of the same Priority of Lien becomes due (whether on a stated or scheduled date, by reason of call for redemption or otherwise), and there are insufficient amounts for the payment thereof in the Bond Interest and Redemption Fund established for Bonds of such Priority of Lien after applying payments in any Reserve Account established for Bonds of such Priority of Lien, then there shall be applied by the Trustee to such payment amounts in each Bond Interest and Redemption Account established for Series of Bonds of each lower Priority of Lien, beginning with the lowest Priority of Lien and proceeding seriatim in ascending order of Priority of Lien, until such payments are made in full.

## **Operation and Maintenance Fund**

The Operation and Maintenance Fund consists of 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. 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.

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.

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.

### **Certain Other Funds**

#### *The Extraordinary Repair and Replacement Reserve Fund*

Under the Bond Ordinance, amounts in the Extraordinary Repair and Replacement Reserve Fund may be used by GLWA to pay costs of making major unanticipated repairs and replacements to the Regional Water System which individually have cost or are reasonably expected to cost in excess of \$1 million as determined by the GLWA Board. GLWA may withdraw funds from the Extraordinary Repair and Replacement Fund for such purposes at any time and from time to time upon written request to the Trustee therefor.

Amounts in the Extraordinary Repair and Replacement Reserve Fund may also be used by the City to pay costs of making major unanticipated repairs and replacements to the Local Water System which individually have cost or are reasonably expected by the GLWA Board to cost in excess of \$1 million as determined by the GLWA Board based on certifications provided by an authorized officer of the City. The City may withdraw funds from the Extraordinary Repair and Replacement Fund for such purposes at any time and from time to time upon written request to GLWA and the Trustee therefor.

#### *The Pension Obligation Payment Fund*

Under the Bond Ordinance, 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 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, (i) to GRS 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, and (ii) the Water System's allocable share of the BC Note Obligation, as determined by GLWA.

Subject to the flow of funds as provided in the Bond Ordinance, 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 (i) the difference between the Water System's allocable share of the annual allocation of the Pension Obligation contributions required to be paid to GRS as provided in the Plan of Adjustment, and the Water System's allocable share of \$24 million (the "Required Annual GRS Payment") and (ii) the Water System's allocable share of the BC Note Obligation as provided in the Plan of Adjustment, as determined by the Authority.

#### *The WRAP Fund*

Under the Bond Ordinance, the WRAP Fund shall be used to provide assistance to indigent residential customers throughout the Water System and the Sewer System as directed by an Authorized Officer to the Trustee.

#### *The Budget Stabilization Fund*

Under the Bond Ordinance, the Budget Stabilization Fund shall be maintained in the amount of the Budget Stabilization Requirement. Monies in the Budget Stabilization Fund may be applied by GLWA in

its discretion for any lawful purpose of the Water System in the event of shortfalls in the Retail Revenues attributable to unfavorable variances between actual bad debt expenses and budgeted bad debt expenses of Retail Water Customers as a class. At least quarterly, in connection with the preparation of the annual audit for the Local Water System and the Local Sewer System, the Chief Financial Officers of the Authority and the DWSD-R shall determine whether a draw on the Budget Stabilization Fund is necessary in accordance with the requirements and procedures set forth in the Water and Sewer Services Agreement. If so, an Authorized Officer may provide written direction to the Trustee to draw on the Budget Stabilization Fund an amount equal to the amount by which the actual bad debt expenses of the Retail Water Customers as a class exceeds the budgeted bad debt expenses of that class, and deposit such amount into the appropriate fund or account. Amounts on deposit in the Budget Stabilization Fund in excess of the Budget Stabilization Requirement for the following Fiscal Year based on audited financial statements shall be transferred to the Detroit Local Improvement and Extension Account of the Improvement and Extension Fund. The deposit of Retail Revenues in the Budget Stabilization Fund shall be subordinate to payment of Operation and Maintenance Expenses and the payment of principal of and interest on the Bonds.

#### *The Improvement and Extension Fund*

The Improvement and Extension Fund consists of two accounts, the Authority Regional Improvement and Extension Account and the Detroit Local Improvement and Extension Account. Under the Bond Ordinance, amounts in the Authority Improvement and Extension Account and the Detroit Local Improvement and Extension Account of the Improvement and Extension Fund shall be used for improvements, enlargements or extensions to the Regional Water System and the Local Water System, respectively. The Authority may withdraw funds from the Authority Regional Improvement and Extension Account of the Improvement and Extension Fund for the purposes of paying the costs of improvements, enlargements or extensions to the Regional Water System at any time and from time to time upon written request to the Trustee therefor and may withdraw funds from the Extraordinary Repair and Replacement Reserve Fund for such purposes as provided in the second paragraph under “Extraordinary Repair and Replacement Reserve Fund” above. The City may withdraw funds from the Detroit Local Improvement Account of the Improvement and Extension Fund for the purpose of paying the costs of improvements, enlargements or extensions to the Local Water System at any time and from time to time upon written request to the Trustee therefor.

#### *The Surplus Fund; Uses and Replenishments of Deficits in Other Funds*

Under the Bond Ordinance, amounts from time to time on deposit in the Surplus Fund may, at the option of GLWA, be withdrawn upon written request to the Trustee and used for any purposes related to the Water System; provided, however, that, if and whenever there should be any deficit in the Operation and Maintenance Fund or in any Bond Interest and Redemption Fund (excluding any Reserve Account therein), then transfers shall be made by GLWA from the Surplus Fund to such funds in the priority and order described above under “Priority of Funds and Accounts” above to the extent of any such deficit.

#### **Construction Fund**

The Construction Fund consists of two accounts, the Authority Regional Construction Account and the Detroit Local Construction Account. The Construction 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 Construction Fund are not and shall not be Pledged Assets.

Amounts in the Authority Regional Construction Account and the Detroit Local Construction Account of the Construction Fund shall be used to pay the cost of repairs, extensions, enlargements, and improvements to the Regional Water System and the Local Water System, respectively, and any Issuance

Costs. A separate account shall be established at the direction of the Authority within the Construction Fund, entitled "Issuance Costs Account," from which the Custodian shall pay the Issuance Costs related to Outstanding Bonds and any Additional Bonds issued subject to the Bond Ordinance. The Authority and the City each shall have sole and exclusive authority to withdraw funds from the Authority Regional Construction Account and the Detroit Local Construction Account, respectively, for such purposes as they, in their sole discretion, may at any time and from time to time deem necessary or appropriate. No other Person shall have the right or authority to use or withdraw funds from the Construction Fund.

Any unexpended balance remaining in an account of the Construction Fund may in the discretion of the Authority be used for meeting any Reserve Requirement or for further improvements, enlargements and extensions to the Regional Water System or the Local Water System, as the case may be, if, at the time of such expenditure, such use based upon an opinion of Bond Counsel, is permitted by the Bond Ordinance and, in the case of Tax-Exempt Bonds, will not adversely affect the exclusion from gross income for federal income tax purposes of the Series of Bonds, the proceeds of which were deposited in such account. Any remaining balance after such expenditure shall be paid into the Bond Interest and Redemption Fund established for the Series of Bonds of the Priority of Lien giving rise to such balance for the purpose of purchasing Bonds of such Priority of Lien or used for the purpose of calling such Bonds for redemption. The Authority may provide additional or different lawful uses for such unexpended balance or remaining balance by Series Ordinance which shall, nonetheless, be subject to the Authority's relevant tax covenants.

### **Rebate Fund**

The Rebate Fund shall be maintained by the Trustee as a separate depository account. The Rebate Fund is not pledged as security for any Bonds and is established for the sole purpose of paying to the United States the amounts required to be rebated pursuant to Section 103(c)(6) of the Code. Rebate calculations shall be obtained by the Trustee at the written direction of the Authority. Transfers to the Rebate Fund from the Operation and Maintenance Fund may be directed by the Authority to the Trustee in writing. The Authorized Officer shall direct the Trustee to transfer to the Rebate Fund, an amount sufficient to make the amount on deposit in the Rebate Fund equal to 100% of the amount certified by the Authority as the amount required to be rebated to the United States pursuant to Section 103(c)(6) of the Code as of the close of the bond year (as defined in the Code) for the related Series of Bonds. Such amount shall be certified by an Authorized Officer to the Trustee. The Trustee shall make payments to the United States from the Rebate Fund at the written direction of an Authorized Officer to the Trustee, no less frequently than every five years, or as otherwise provided in Section 103(c)(6) of the Code, or in a non-arbitrage and tax compliance certificate related to a Series of Tax-Exempt Bonds, together with all investment earnings thereon as the Authorized Officer shall direct. The Trustee shall retain records of determination of the amounts deposited in the Rebate Fund, the proceeds of any investments of monies in the Rebate Fund and the amounts paid to the United States, until the date six years after the payment in full of the related Series Bonds. If the Rebate Fund is overfunded, as determined at the market value of any investments therein, at the written direction of an Authorized Officer to the Trustee, the Trustee shall withdraw the excess and return such excess to the Receiving Fund.

### **Rate Covenant**

The Bond Ordinance contains a covenant to fix, charge and collect, or cause to be fixed, charged and collected, rates, fees and charges for the use and operation of the Water System. Such rates, fees and charges shall be fixed and revised from time to time as may be expected to be necessary to produce the greater of:

1. The amounts required:

- a. To provide for the payment of Operation and Maintenance Expenses of the Water System; and
  - b. To provide for the payment of all Debt Service Installment Requirements coming due during the Fiscal Year of calculation; and
  - c. To provide for the creation and maintenance of reserves therefor as required by the Bond Ordinance; and
  - d. To provide for the payment of the Lease Payment; and
  - e. To provide for the deposit to the WRAP Fund; and
  - f. To repay any withdrawals from the Extraordinary Repair and Replacement Fund; and
  - g. To provide for such other expenditures and funds for the Water System as the Bond Ordinance may require; and
2. Amounts so that the Rate Covenant Debt Service Coverage shall not be less than the Required Coverage; and
  3. Amounts required by Act 94.

The coverage requirements for determining the Required Coverage under the Bond Ordinance are the following percentages:

	<b>Priority of Lien of Bonds:</b>	<b>Percentage:</b>
Senior Lien Bonds		120%
Second Lien Bonds		110%
SRF Junior Lien Bonds and Pension Junior Lien Bonds		100%

**Additional Bonds**

Under the Bond Ordinance, GLWA may not incur any obligations payable from Pledged Assets except Bonds, and no obligations of GLWA may be secured by a lien on Pledged Assets except as provided in the Bond Ordinance.

*Coverage Requirements*

Under the Bond Ordinance, prior to or concurrently with the issuance of Additional Bonds of any Priority of Lien, GLWA shall calculate a number equal to Projected Net Revenues in the then current or the next succeeding Fiscal Year, or Historical Net Revenues, all as determined by GLWA, divided by Maximum Annual Debt Service for such Priority of Lien and any higher Priority of Lien (the “Additional Bonds Debt Service Coverage”). GLWA may elect to determine Additional Bonds Debt Service Coverage on the basis of Projected Net Revenues or Historical Net Revenues. In determining Projected Net Revenues, GLWA shall engage the services of and be guided by a professionally qualified person, firm or corporation nationally recognized in the municipal water supply industry and of favorable reputation for skill and experience in performing the duties of providing consulting services to municipal water systems comparable in size and function to the Water System, including setting of rates and charges for the use of such systems (a “System Consultant”). In determining Historical Net Revenues, GLWA may engage the services of and

be guided by a System Consultant if it is relying on audited financial statements without augmenting Net Revenues on the basis of changes in rates, fees or charges or repairs, extensions, enlargements, improvements, acquisitions, extensions or connections to the Water System. In determining Historical Net Revenues, GLWA shall engage the services of and be guided by a System Consultant if it is augmenting Net Revenues on such a basis.

#### *General Authority*

Under the Bond Ordinance, GLWA may issue Additional Bonds of any Priority of Lien for repairs, extensions, enlargements, and improvements to the Regional Water System or the Local Water System (including repaying amounts withdrawn from the Extraordinary Repair and Replacement Reserve Fund for the Regional Water System or the Local Water System), and/or refunding all or a part of any outstanding Bonds and paying the costs of issuing such Additional Bonds, including deposits, if any, to be made to any Reserve Account established or to be established for such Additional Bonds or any other Bonds, if, but only if GLWA shall certify that the Additional Bonds Debt Service Coverage for each Priority of Lien (regardless of the Priority of Lien of the Additional Bonds) is not less than the Required Coverage. The determination in a Series Ordinance that the Additional Bonds Debt Service Coverage for each Priority of Lien is not less than the Required Coverage shall be conclusive.

#### *Alternate Test for Refundings*

Under the Bond Ordinance, GLWA may issue Additional Bonds of any Priority of Lien, including a portion of a Series of Additional Bonds, without regard to the above requirements for refunding all or part of Bonds then Outstanding and paying costs of issuing such Additional Bonds, including deposits which may be made to any Reserve Account established or to be established for such Additional Bonds or any other Bonds if, but only if: the aggregate Debt Service Installment Requirements required to be set aside in the Bond Fund in the current Fiscal Year and each Fiscal Year thereafter until maturity on (A) the Additional Bonds and (B) giving effect to the refunding, all outstanding unrefunded Bonds of equal and higher Priority of Lien, is less than the aggregate Debt Service Installment Requirements required to be set aside in the Bond Fund in the current Fiscal Year and each Fiscal Year thereafter until maturity on all equal and higher Priority of Lien Bonds, without giving effect to the refunding.

#### **Events of Default and Remedies**

*Events of Default.* Each of the following events is an “Event of Default” under the Bond Ordinance:

- (a) the Authority shall default in the payment of the principal or Redemption Price of any Bond or Bonds when and as the same shall become due, whether at maturity or upon redemption or otherwise; or
- (b) payment of any installment of interest on any Bond or Bonds shall not be made, when and as the same shall become due.

No default in the payment of the principal of, interest on or Redemption Price of any Junior Lien Bond shall be considered a default for any Senior Lien Bond.

*Remedies.* Upon the happening and continuance of any Event of Default specified above, the Trustee may, or upon the request of the Holders of not less than 20% in principal amount of the Outstanding Bonds shall proceed, in its own name, to protect and enforce its rights and the rights of the Bondholders, by suit, action, or other proceedings, and to protect and enforce the statutory lien on the Net Revenues and enforce and compel the performance of all duties of the officials of the Authority. The Trustee shall on

behalf of the Bondholders be entitled as a matter of right, upon application to a court of competent jurisdiction, to have appointed a receiver of the Authority for the business and property of the Water System, or any part thereof, including all Revenues, issues, income, receipts and profits derived, received or had by the Authority thereof or therefrom, with such power as the Authority may have to operate and maintain such business and property, collect, receive and apply all Revenues, income, receipts and profits arising therefrom, and prescribe fees and other charges in the same way and manner as the Authority might do. The Trustee is entitled to indemnification against fees, costs, expenses and liabilities for its enforcing any of the remedies permitted by the Bond Ordinance on the terms provided therein in connection with its exercise of any of the foregoing remedies.

### **Limitation on Rights of Bondholders**

No individual Bondholders may initiate legal proceedings to enforce rights under the Bond Ordinance unless such Holder shall have given to the Trustee written notice of the Event of Default or breach of duty on account of which such proceeding is to be taken, and unless the Holders of not less than 20% in principal amount of all Bonds then Outstanding have made written request of the Trustee after the right to exercise such right of action has occurred, and have afforded the Trustee a reasonable opportunity either to exercise the powers granted to it under the Bond Ordinance or to institute such proceedings in its name and unless, also, there has been offered to the Trustee reasonable security and indemnity against fees, costs, expenses and liabilities, and the Trustee has refused or neglected to comply with such request within a reasonable time.

### **Application of Revenues and Other Monies After Default**

After an Event of Default, the Trustee shall have a first lien on the Pledged Assets with right of payment for all reasonable fees, charges, costs and expenses made in the performance of the duties of the Trustee and for the cost and expense included in defending any liability, unless such liability is adjudicated to have resulted from the gross negligence or willful misconduct of the Trustee (collectively the "Trustee's Default Fees and Costs"). During the continuance of an Event of Default, the Trustee, except as otherwise provided in the provisions of the Bond Ordinance relating to remedies, shall apply monies, securities, funds and Revenues and the investment income thereon in the Funds and Accounts as follows and in the following order:

- (i) to the payment of the Trustee's Default Fees and Costs and the reasonable fees, charges, costs, expenses and liabilities of the System Consultant selected by the Authority pursuant to the Bond Ordinance;
- (ii) to the payment of the amounts required for reasonable and necessary Operation and Maintenance Expenses; and for the reasonable renewals, repairs and replacements of the Leased Water Facilities necessary to prevent loss of Revenues, as certified to the Trustee by the System Consultant. For this purpose the books of records and accounts of the Authority relating to the Regional Water System shall at all times be subject to the inspection of the System Consultant during the continuance of such Event of Default; and
- (iii) to the payment of the interest and principal or Redemption Price then due on the Senior Lien Bonds or Junior Lien Bonds, as follows:

First: To the payment to the persons entitled thereto of all installments of interest on Senior Lien Bonds (including payments in the nature of interest payable to Swap Providers), then due in order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably,

according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Senior Lien Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

Third: To the payment to the persons entitled thereto of all installments of interest on Junior Lien Bonds, including payments in the nature of interest payable to a Swap Provider under a Swap Agreement, then due in order of Priority of Lien and order of maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and

Fourth: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Junior Lien Bonds which shall have become due, whether at maturity or by call for redemption, in the order of Priority of Lien and order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Junior Lien Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

Fifth: To the payment to any Swap Provider of any termination payment due and payable under a Swap Agreement, and if the amounts available shall not be sufficient to pay in full all termination payments due under the Swap Agreements then to the payment thereof ratably according to the amounts of termination payments due on such date to the persons entitled thereto without any discrimination or preference.

If and whenever all overdue installments of interest on all Senior Lien Bonds and Junior Lien Bonds, together with the reasonable fees, charges, costs, expenses and liabilities of the Trustee and the System Consultant, and all other sums payable by the Authority to the Trustee under the Bond Ordinance, including the principal and Redemption Price of and accrued unpaid interest on the Senior Lien Bonds and Junior Lien Bonds which shall then be payable, shall either be paid by or for the account of the Authority, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Bond Ordinance shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the Authority all monies, securities, funds and Revenues then remaining unexpended in the hands of the Trustee (except monies, securities, funds or Revenues deposited or pledged, or required by the terms of the Bond Ordinance to be deposited or pledged, with the Trustee), and thereupon the Authority and the Trustee shall be restored, respectively to their former positions and rights under the Bond Ordinance, and all Revenues shall thereafter be applied as provided in the provisions of the Bond Ordinance governing the establishment and use of Funds and Accounts. No such payment over to the Authority by the Trustee or resumption of the application of Revenues as so provided shall extend to or affect any subsequent default under the Bond Ordinance or impair any right consequent thereon.

## **Bondholder's Direction of Proceedings**

Anything in the Bond Ordinance to the contrary notwithstanding, following and during the continuation of an Event of Default only, subject to the last sentence of this paragraph, the Holders of not less than 20% in principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee hereunder subject to the right of the Trustee to indemnification for fees, charges, costs, expenses and liabilities prior to exercising any remedy, and provided that such direction shall not be otherwise than in accordance with law or the provisions of the Bond Ordinance, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Holders of Bonds not parties to such direction. If conflicting or inconsistent directions are received from more than one group of such Holders, each satisfying such 20% criterion, the Trustee shall be entitled to rely upon the direction given by the Holders with the largest percentage in aggregate principal amount of Bonds then Outstanding.

## **Responsibilities of Trustee**

Prior to an Event of Default, the Trustee shall have the obligation to perform such express duties and only such express duties as are provided for in the Bond Ordinance, including any Series Ordinance or Supplemental Ordinance, and no implied covenants or obligations shall be read into the Bond Ordinance against the Trustee.

The permissive right of the Trustee to do things enumerated in the Bond Ordinance shall not be construed as a duty, and the Trustee, except for its gross negligence or willful misconduct, shall not be liable for (i) any loss or damage whatsoever arising out of any action or failure to act in connection with its obligations under the Bond Ordinance or for (ii) the exercise of any discretion or power hereunder, or mistake of judgment, or otherwise. The Trustee shall be under no obligation to institute any suit, or to undertake any proceeding under the Bond Ordinance, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts created under the Bond Ordinance or in the enforcement of any rights and powers hereunder, until it shall be indemnified, to the extent permitted by applicable law, to its satisfaction against any and all reasonable costs and expenses, outlays and counsel fees and other anticipated disbursements, and against all liability except to the extent determined by a court of competent jurisdiction to have been caused solely by its own gross negligence or willful misconduct. Nevertheless, the Trustee may begin suit, or appear in and defend suit or do anything else in its judgment proper to be done by it as the Trustee, without indemnity, and in such case the Trustee shall, to the extent not reimbursed by the Authority, reimburse itself from the monies available in the Surplus Fund under the Bond Ordinance for all costs and expenses, outlays and counsel fees and expenses and other reasonable disbursements properly incurred in connection therewith.

The Trustee shall be under no obligation or duty to perform any act under the Bond Ordinance or defend any suit unless indemnified (other than by the Authority) to its reasonable satisfaction for the reimbursement of all fees, costs and expenses to which it may be put and to protect it against all liability, except liability that is adjudicated to have resulted from its own gross negligence or willful misconduct in connection with any action so taken.

Upon the occurrence of an Event of Default and during the continuance of an Event of Default (which has not been cured or waived) the Trustee shall exercise such of the rights and powers vested in it by the Bond Ordinance and shall use the same degree of care and skill in the exercise or use as an ordinarily prudent trustee under a corporate indenture would exercise or use under the circumstances in the conduct of its own affairs.



## **Resignation and Removal of Trustee**

The Trustee may resign by giving written notice to the Authority and mailing notice thereof by first class mail to each registered Bondholder as shown by the registration books held by the Trustee, and such resignation shall take effect upon the day that a successor shall have been appointed as provided under “Appointment of and Transfer to Successor Trustee” below.

The Trustee shall be removed by the Authority at any time on 30 days’ prior written notice if so requested by an instrument or concurrent instruments in writing, filed with the Trustee and the Authority, and signed by the Holders of not less than 51% of the principal amount of the Outstanding Bonds or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the Authority. The Authority may remove the Trustee at any time, except during the existence of any Event of Default, in the sole discretion of the Authority, by filing with the Trustee an instrument to such effect signed by the Treasurer of the Authority. Any such removal of the Trustee shall take effect upon the day that a successor shall have been appointed as provided under “Appointment of and Transfer to Successor Trustee” below.

## **Appointment of and Transfer to Successor Trustee**

If the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, the Authority covenants and agrees that the GLWA Board will thereupon appoint a successor Trustee which shall be a bank or trust company authorized to do business in the State having a capital and surplus aggregating at least \$50,000,000 and which shall accept and agree to perform the trusts imposed upon it by the Bond Ordinance by depositing with the Authority and the predecessor Trustee a written instrument of acceptance. If no successor Trustee is appointed by the GLWA Board within 60 days after the Trustee’s giving of written notice of resignation to the Authority or the Authority’s giving of written notice of removal, any Bondholder or the resigning party may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may, after such notice appoint a successor Trustee in accordance with the requirements of the preceding sentence. The GLWA Board (or the appointing court) shall mail notice of any such appointment made by it by first class mail to each registered Bondholder within 20 days after such appointment.

The Trustee ceasing to act shall, upon receiving payment of all of its uncontested fees, costs and expenses, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under the Bond Ordinance and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth.

## **Discharge of Lien**

### *Discharge of Lien of Pledged Assets*

Upon the defeasance (as described below) of a Series of Senior Lien Bonds or Junior Lien Bonds, and payment of the Trustee’s fees, costs and expenses related thereto, the lien of the Bond Ordinance upon the Pledged Assets with respect to such Series of Senior Lien Bonds or Junior Lien Bonds shall cease, terminate and be void.

Upon the defeasance of all Outstanding Bonds, the lien of the Bond Ordinance upon the Pledged Assets shall cease, terminate and be void and thereupon the Trustee, upon determining that all conditions

precedent to the satisfaction and discharge of the Bond Ordinance have been complied with, and upon payment of the Trustee's fees, costs and expenses hereunder, shall (i) cancel and discharge the Ordinance and the lien on Pledged Assets, (ii) execute and deliver to the Authority such instruments in writing as shall be required to cancel and discharge the Bond Ordinance and the lien on Pledged Assets, (iii) re-convey to the Authority the Pledged Assets, and (iv) assign and deliver to the Authority so much of the Pledged Assets as may be in its possession or subject to its control, except, in the event of a defeasance of a Series of Bonds, monies and Government Obligations held in the related Bond Interest and Redemption Funds, Debt Service Accounts, and Reserve Accounts for the purpose of paying such Series of Bonds; provided, however, such cancellation and discharge of the Bond Ordinance shall not terminate the powers and rights granted to the Trustee with respect to the payment, transfer and exchange of Bonds; and, provided, further, that the rights of the Trustee to indemnity and payment of all reasonable fees and expenses shall survive.

#### *Defeasance of Bonds*

Bonds are "defeased" and a "defeasance" has occurred for purposes of the Bond Ordinance if:

(1) there has been deposited in trust sufficient cash and Sufficient Government Obligations, not callable by the issuer, the principal of and interest on which mature at the time and in the amounts, without the reinvestment thereof, necessary to pay principal of and interest on such Bonds to its maturity, or, if called for redemption, to the date fixed for redemption, together with the amount of the redemption premium, if any, provided, however, that the sufficiency of the deposit to effectuate the defeasance of a Bond shall have been verified by a nationally recognized accounting firm or verification agent; and

(2) if such Bonds are to be redeemed prior to maturity, irrevocable instruments have been given to the Trustee, acting as a transfer agent, to call such Bonds for redemption.

A Series Ordinance may be delivered to the Trustee with respect to a Series of Bonds which may:

(1) provide different means of defeasing such Series of Bonds, and such means may be in addition to or in lieu of the means set forth above;

(2) provide for Permitted Investments for the defeasance of such Bonds, but no such Permitted Investments may thereafter be changed except as provided herein; and

(3) provide for the consequences of such Bonds being defeased.

Except as otherwise provided in a Series Ordinance:

(1) cash or Government Obligations for the defeasance of such Bonds are the Permitted Investments therefor; and

(2) the statutory lien herein granted pursuant to Act 94 shall be terminated with respect to defeased Bonds, the Holders of such defeased Bonds shall have no further rights under the Bond Ordinance except for payment from the deposited funds and registration and replacement of such Bonds, and such Bonds shall no longer be considered to be Outstanding under the Bond Ordinance.

#### **Amendments without Consent**

The Authority may, without the consent of the Bondholders, but with the prior written consent of the Trustee in case the Series Ordinance or Supplemental Ordinance changes any of the Trustee's duties

under the Bond Ordinance, and where required by a Credit Facility, the consent of the related Credit Entity, adopt at any time or from time to time Series Ordinances or Supplemental Ordinances for any one or more of following purposes, and any Series Ordinance or Supplemental Ordinance shall become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by the Authorized Officer:

(1) To provide for the issuance of a Series of Bonds and to prescribe the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed;

(2) To add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Bond Ordinance;

(3) To prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the Authority which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;

(4) To surrender any right, power or privilege reserved to or conferred upon the Authority by terms of the Bond Ordinance;

(5) To confirm as further assurance any security created under and subject to any lien or claim created or to be created by the provisions of the Bond Ordinance;

(6) To modify the provisions of the Bond Ordinance or any previously adopted Series Ordinance to permit compliance with changes in federal tax law which is required to maintain the tax exempt status of the Tax-Exempt Bonds;

(7) With the consent of the Trustee in reliance upon an opinion of Bond Counsel, to cure any ambiguity or defect or inconsistent provision in the Bond Ordinance or to insert such provisions clarifying matters or questions arising under the Bond Ordinance as are necessary or desirable in the event any such modifications are not contrary to or inconsistent with the Bond Ordinance as theretofore in effect;

(8) To comply with the Trust Indenture Act of 1939; or

(9) To amend or supplement the Bond Ordinance in any respect with regard to Bonds of one or more Priorities of Lien so long as such amendment does not materially adversely affect the Holders of Outstanding Bonds.

No Holders of Bonds of a Priority of Lien shall be “materially adversely affected” for the purposes of the Bond Ordinance by the change of any coverage percentage established for Bonds of any other Priority of Lien, and no amendment of or supplement to this Ordinance that provides for or facilitates the issuance of Bonds of any Priority of Lien shall “materially adversely affect” the Holders of Bonds of any other Priority of Lien for the purposes of this Ordinance so long as such amendment does not change any coverage percentage established for such Priority of Lien or is not an amendment that requires the consent of the Holders of such Bonds as described under “Amendments with Consent” below.

Notice of the adoption and delivery of any Supplemental Ordinance or resolution and a copy thereof shall be filed by the Trustee with the Rating Agency at the time of such adoption and delivery.

## **Amendments with Consent**

Exclusive of Supplemental Ordinances under “Amendments without Consent” above, the Holders of at least 51% of the principal amount of Outstanding Bonds affected by the proposed Supplemental Ordinance and when required by of a Credit Facility, the related Credit Entity, shall have the right to consent to and approve the adoption by the Authority of other Supplemental Ordinances; provided, however, that nothing contained in this Article shall permit or be construed as permitting the following actions without the following consents: (i) an extension of the maturity of the principal of, or mandatory redemption date of, or the interest on any Bond, except upon the consent of the Holders of 100% of the principal amount of Bonds being affected thereby, (ii) a reduction in the principal amount of, or the premium or rate of interest on any Bond, except upon the consent of the Holders of 100% of the principal amount of all Bonds being affected thereby, (iii) modification of the privilege or priority of any Senior Lien Bond or Bonds over any other Senior Lien Bonds, except upon the written consent of the Holders of 100% of the principal amount of the Senior Lien Bonds Outstanding or (iv) modification of the privilege or priority of any Junior Lien Bond or Junior Lien Bonds of a Priority of Lien over any other Junior Lien Bonds of a different Priority of Lien, except upon the written consent of the Holders of 100% of the principal amount of Junior Lien Bonds Outstanding. For the purposes of obtaining the foregoing consents, a Credit Entity shall be deemed to be the Holder of Senior Lien Bonds or Junior Lien Bonds pledged by the Authority to the Credit Entity or owned by the Credit Entity or Senior Lien Bonds or Junior Lien Bonds secured by a Credit Facility except to the extent the Credit Entity has not honored a draw on its Credit Facility which draw complies with the requirements of the Credit Facility.

The Trustee shall give written notice of the proposed adoption of a Supplemental Ordinance by mail to the registered addresses of Holders of the Outstanding Bonds and to the Credit Entity. Such notice shall briefly set forth the nature of the proposed Supplemental Ordinance and shall state that copies thereof are on file at the designated trust office of the Trustee for inspection by Holders of Bonds. If, within 60 days or such longer period as shall be prescribed by the Trustee at the written direction of an Authorized Officer following the mailing of such notice, the Holders of not less than the required percent of the principal amount of the Senior Lien Bonds and Junior Lien Bonds Outstanding by instruments filed with the Trustee shall have consented to the adoption thereof and any other prerequisites such as the approval of any Credit Entity having such right, such Supplemental Ordinance may be adopted and the Bond Ordinance shall be deemed to be modified and amended in accordance therewith.

Anything in the Bond Ordinance to the contrary notwithstanding, a Supplemental Ordinance which affects the rights, duties and obligations of the Trustee shall not become effective unless and until the Trustee shall have consented in writing in the case of the Trustee, to the adoption of such Supplemental Ordinance and unless the Authority has first obtained the approval of the State Department of Treasury if such approval is required.

## **APPENDIX VII SUMMARY OF THE WATER AND SEWER SERVICES AGREEMENT**

This summary does not purport to be comprehensive or definitive and is subject to all of the terms of the Water and Sewer Services Agreement, to which reference is hereby made and copies of which are available on GLWA's website at [www.glwater.org](http://www.glwater.org) or from the Underwriters prior to the execution and delivery of the Series 2024 Bonds and thereafter may be examined or obtained at the expense of the person requesting the same at the corporate trust office of the Trustee.

### **General**

The City and the Authority (the "Parties") entered into the Water and Sewer Services Agreement on June 12, 2015. Pursuant to the Water and Sewer Services Agreement, the Authority will provide water to the Detroit Local Water Facilities ("Water Services") and will collect, carry, separate, treat and dispose of both sewage and water runoff from the Detroit Local Sewer Facilities to the Regional Sewer System ("Sewer Services"), all as more fully provided therein. Additionally, the Water and Sewer Services Agreement establishes and defines the scope of the agency relationship between the City and the Authority with respect to the development of rates and the billing, collection and enforcement of charges for the provision of Water Services and Sewer Services to Retail Customers, as described below. On June 27, 2018, certain sections of the Water and Sewer Services Agreement were clarified under the 2018 MOU. For a summary of the 2018 MOU as it relates to the Water and Sewer Services Agreement, see APPENDIX IX - SUMMARY OF 2018 MOU. On July 1, 2020, the First Amendment to the Water and Sewer Services Agreement (the "Amendment") became effective. The Amendment allowed the City to deposit to the WRAP Fund an amount not less than 0.5% but not greater than 1.0% of the base budgeted operating revenues for the Detroit Local Systems. Prior to the Amendment, the City could only contribute an amount equal to 0.5% of the base budgeted operating revenues for the Detroit Local Systems to WRAP.

### **Definitions**

In addition to terms defined elsewhere in this Official Statement, the following terms shall have the following meanings:

"Authority Bonds" means bonds or other evidences of indebtedness assumed by the Authority under the Leases and related Master Bond Ordinance or issued by the Authority under the related Bond Ordinance pursuant to Act 94 and secured by a pledge of and statutory lien upon the Net Revenues (as that term is defined in the related Master Bond Ordinance) of the related System.

"Detroit Local Systems" means, collectively, the Local Water System and the Local Sewer System.

"Green Infrastructure" means an array of products, technologies and practices that use natural systems or engineering systems that mimic natural process by using soils and vegetation to remove storm water from the Sewer System as components of a storm water management system, which systems may include but are not limited to green roofs, porous pavement, rain gardens and vegetated swales.

"Green Infrastructure Program" means implementation of Green Infrastructure to remove storm water from the Sewer System and expenditure of the average annual requirement as required by the Wastewater Treatment NPDES Permit.

“Master Bond Ordinance” means, individually or collectively, as the context requires, the ordinance adopted by the Authority prior to the Effective Date for each System, setting forth the terms and provisions under which Authority Bonds may be assumed or issued.

## **Water Services**

The Authority shall provide Water Services in amounts sufficient to meet the requirements of the Water and Sewer Services Agreement and in compliance with the technical and other requirements as provided in the Water and Sewer Services Agreement. The City agrees to remit payment for all Water Services provided by the Authority at such rates as the Authority may establish, but only from amounts billed to and collected from Retail Customers. The City shall act as agent for the Authority as described below with respect to the development of rates, and billing and collecting and enforcing the collection of fees and charges from Retail Customers for Water Services. The City shall establish rates consistent with Applicable Laws that are reasonably projected to meet the revenue requirement the Authority establishes for Retail Customers as well as other costs of the Local Water System; provided that:

(i) rates established by the Authority shall be reasonable in relation to the costs incurred by the Authority for the supply of water;

(ii) the Authority shall not establish a revenue requirement for Retail Customers for the 2015-2016 Fiscal Year in an amount exceeding the revenue requirement established by DWSD for that period; and

(iii) each year, the Authority shall reflect in the revenue requirement a credit for the Retail Customers located in the City in the amount of \$20,700,000 against the portion of the Authority’s revenue requirements allocated to the City, representing the return on equity to the City for the Water System in recognition of the City’s ownership of the Water System and support of the rate structure for the Water System.

Measurement of City Usage. Annual volume and demands (used interchangeably as Units of Service) of the Local Water System on the Regional Water System will be estimated based on a combination of retail automated meter sales data and estimated sales data for non-automated meter customers, other Prudent Utility Practices measurement techniques, as well as all sources of non-revenue water. To the extent that all or a portion of water sales to the Local Water System becomes measured by master meters, the general approach may be modified.

Authority Usage. Until such time as the Leased Facilities are completely master metered, the Parties shall use the best available data and Prudent Utility Practices to develop Leased Facility annual volumes and maximum flow rates. Water usage by the Authority in the Leased Facilities connected to and receiving water service from the Local Water System shall be accounted for by applying applicable Prudent Utility Practices, including metering where feasible, and where not metered subject to the quarterly review and concurrence by the City and the Authority. Such usage may be excluded from any calculations used to determine the annual purchase volumes, maximum day demands or peak hour demands for Water Services to Retail Customers from the Authority.

Water Treatment Production Metering. The Authority shall complete the metering improvements specified in the Fiscal Year 2016 Water Supply System Capital Improvement Program, Fiscal Years 2016-2020, approved on March 1, 2015 by the Board of Water Commissioners, for the Northeast, Springwells, and Waterworks Park water treatment facilities no later than June 30, 2020. The Authority shall include in a future Authority CIP adequate means of measuring Authority consumption of water at other Regional Water Facilities.

Rate Methodology. The Authority shall adopt, and may amend from time to time, a methodology for ratemaking for the sale of water detailed in the Water and Sewer Services Agreement that complies with Michigan law. The Authority shall provide the City a description of such methodology and any amendment thereto in a form that complies with the provisions of the Water and Sewer Services Agreement and accounts for differences attributable to the Water and Sewer Services Agreement and the Leases. The Authority shall provide the City any update to its methodology within twenty (20) business days of its adoption by the GLWA Board.

Lease Payments. The Authority shall apply any portion of the Lease Payments directed by the City to debt service on Authority Bonds to the water revenue requirement established for the City and incorporate in its budget any portion of the Lease Payments directed by the City to the Detroit Local Account in the Water Improvement and Extension Fund.

Operation of Local Water System. The City shall repair, maintain, improve and operate the Local Water System in compliance with all Applicable Laws and the requirements of governmental and quasi-governmental permits issued with respect to the Local Water System or that are generally applicable to the Local Water System. Except to the extent caused by an act or omission of the Authority, the City shall be solely responsible for any noncompliance by the Local Water System with any of the foregoing, including the correction of the noncompliance and the payment of the costs thereof, and for the payment of any related fines, penalties, costs, losses or damages related thereto.

## **Sewer Services**

The Authority shall provide Sewer Services to the Retail Customers in amounts sufficient and in compliance with other technical requirements as described in the Water and Sewer Services Agreement. The City agrees to remit payment for all Sewer Services provided by the Authority at such rates as the Authority may establish, but only from amounts billed to and collected from Retail Customers. The City shall act and is hereby appointed as agent for the Authority with respect to the development of rates for, and billing and collecting and enforcing the collection of fees and charges from the Retail Customers for Sewer Services. The City shall establish rates consistent with Applicable Laws that are reasonably projected to meet the revenue requirement the Authority establishes for Retail Customers, as well as other costs of the Local Sewer System; provided that:

- (i) rates established by the Authority consistent with the Water and Sewer Services Agreement shall be reasonable in relation to the costs incurred by the Authority for the supply of Sewer Services; and
- (ii) the Authority shall not establish a revenue requirement for the 2015-2016 Fiscal Year in an amount exceeding the amount currently in effect as established by DWSD for that period; and
- (iii) each year, the Authority shall reflect in its rate structure for Sewer Services a credit for Retail Customers in the City in the amount of \$5,516,000 against the portion of the Authority's revenue requirements allocated to the City, representing the return on equity to the City for the Sewer System in recognition of the City's ownership of the Sewer System.

Rate Methodology. The Authority shall adopt, and may amend from time to time, the methodology for ratemaking for the sale of Sewer Services that complies with Applicable Laws. The current methodology utilized by DWSD prior to the Effective Date is identified in the Water and Sewer Services Agreement. The Authority shall provide the City any update to its methodology within twenty (20) business days of its adoption by the GLWA Board.

Lease Payments. The Authority shall apply any portion of the Lease Payments directed by the City to debt service on Authority Bonds to the sewer revenue requirement established for the City and incorporate in its budget any portion of the Lease Payments directed by the City to the Detroit Account in the Sewer Improvement and Extension Fund.

Authority Usage. Sewer Services used by the Authority in the operation of the Leased Facilities connected to and receiving sewer service from the Local Sewer System shall be accounted for by applying applicable Prudent Utility Practices, including metering where applicable, and where not metered subject to the quarterly review and concurrence by the City and the Authority. Such usage shall be excluded from any calculations used to determine the City's cost for Sewer Services to Retail Customers from the Authority.

Operation of Local Sewer System. The City shall repair, maintain, improve and operate the Local Sewer System in compliance with all Applicable Laws and the requirements of governmental and quasi-governmental permits issued with respect to the Local Sewer System or that are generally applicable to the Local Sewer System, including without limitation the provisions of Wastewater Treatment NPDES Permit applicable to the Local Sewer System. Responsibilities for compliance with the Wastewater Treatment NPDES Permit shall be generally allocated as provided in the Water and Sewer Services Agreement. Except to the extent caused by an act or omission of the Authority, the City shall be solely responsible for any noncompliance by the Local Sewer System with any of the foregoing, including the correction of the non-compliance and the payment of the costs thereof, and for the payment of any related fines, penalties, costs, losses or damages related thereto.

Detroit Local System Usage. Until such time as the Detroit Local System is master metered, sewer usage by all Retail Customers connected to and receiving sewer service from the Detroit Local System shall be accounted for by Prudent Utility Practices including metering where applicable, and where not metered subject to the quarterly review and concurrence by the City and the Authority.

### **Notification of Rates and Charges**

As soon as possible in the ratemaking process, the Authority shall provide information on proposed rates and charges and the draft data and information used in the calculation of the proposed rates in a format that will enable the City to assist in the ratemaking process. Not less than one hundred twenty (120) days prior to the effectiveness of any new rates, the Authority shall provide the City with written notice of the proposed rates and the underlying data used to calculate the rates. The Authority shall meet with the City to review the rates and the data.

### **License**

Although the City has retained the right and responsibility to operate the Detroit Local Systems, it hereby grants the Authority the right to use the Detroit Local Systems for the Term of the Water and Sewer Services Agreement (coterminous with the Term of the Lease), in order to provide Water Services and Sewer Services to customers of the Regional Systems including Retail Customers.

### **Deposit of Revenues**

Consistent with the assignment of Revenues contained in the Leases, the Authority and the City shall deposit or cause to be deposited all Revenues each receives or collects from the operation of the Systems into the Revenue Receipts Fund of the Authority or, where feasible, directly into the Receiving



Fund for the related System. From the Revenue Receipts Fund, the Revenue Receipts Trustee, at the direction of the Authority, shall allocate and cause these funds to be deposited into the appropriate Receiving Fund.

As described under “Appointment and Termination of Agency” below, the City shall act as an agent of the Authority when collecting the portion of the Revenues derived from the provision of Water Services and Sewer Services to the Retail Customers, and the City shall hold such Revenues in trust for the exclusive benefit of the Authority until such funds are deposited into the Revenue Receipts Fund.

### **Application of Lease Payments**

In accordance with the Leases, no later than May 1 each year the City shall provide to the Authority a written direction concerning the application of the Lease Payments to be paid by the Authority to the City for the next Fiscal Year (each a “Direction to Apply Lease Payment”). A Direction to Apply Lease Payment shall include direction as to the allocation of the full amount of the Lease Payment for that year, and may also reflect commitment of Lease Payments for future years to the payment of debt service on Authority Bonds, consistent with the Leases. The Direction to Apply Lease Payment shall direct the Authority to allocate and credit to the City identified portions of the Lease Payment for: (i) the payment of principal of and interest on that portion of the Authority Bonds issued to finance the cost of improvements to the Detroit Local Facilities; (ii) the payment of the City’s share of the principal of and interest on Authority Bonds issued to finance the cost of common-to-all improvements to the Leased Facilities; and (iii) the payment of the cost of improvements to and repairs of the Detroit Local Facilities. Upon receipt of the Direction to Apply Lease Payment from the City, the Authority shall ensure that the Lease Payments are allocated to Authority funds and accounts consistent with that direction, and shall honor any direction from the City to release to the City portions of the Lease Payment which are required to be deposited in the Detroit Local System Account in the Authority’s Improvement and Extension Fund to the City to be applied to Detroit Local System improvements. The Authority shall transfer such amounts to the designated Bond Funds and the Detroit Local System Account in the related Improvement and Extension Fund at the times specified in the Master Bond Ordinance.

To the extent any portion of the Lease Payments have not previously been encumbered, the City may amend a Direction to Apply Lease Payment at any time during each Fiscal Year, to pay debt service or to pay the cost of an executed contract for improvements to the Detroit Local Facilities. The City may not amend a Direction to Apply Lease Payment to redirect any portion of a Lease Payment previously committed by the City to pay debt service on outstanding Authority Bonds or an executed contract for improvements to the Detroit Local Facilities.

### **Appointment and Termination of Agency**

The Authority appoints the City as its agent, and the City accepts such appointment as agent, to perform the services and undertake the duties, obligations and administrative functions described in the third sentence of the first paragraph under “Water Services” above, in the third sentence of the first paragraph under “Sewer Services” above, and in the second paragraph under “Deposit of Revenues” above on behalf and for the benefit of the Authority, in accordance with the terms of the Water and Sewer Services Agreement and Applicable Law. This appointment and the City’s acceptance thereof may not be revoked or terminated except in accordance with the express terms described under “Termination of Agency” below. Unless and until this agency relationship between the Authority and the City is revoked or terminated in whole or in part as described below, the City is authorized and empowered by the Authority to execute and deliver, in the name and on behalf of the Authority, any and all instruments, documents or notices necessary or appropriate in performing its role as agent of the Authority under the Water and Sewer Services Agreement. The Authority shall execute and deliver to the City such documents as have been prepared by the

City for execution by the Authority and shall furnish the City with such other documents as may be in the Authority's possession, in each case, as the City may determine to be necessary or appropriate to enable it to carry out and perform its duties, obligations and administrative functions under the Water and Sewer Services Agreement and Applicable Law. Upon the City's written request, the Authority shall furnish the City with any powers of attorney or other documents necessary or appropriate to enable the City to carry out and perform its duties, obligations and administrative functions hereunder. The City may perform its agency duties directly or through one or more third parties, provided that the City shall remain primarily responsible for the performance of such duties.

The City shall act in its capacity as agent for the Authority (and not in its own capacity as principal or otherwise) for the purposes described in the first paragraph under "Water Services" above, in the first paragraph under "Sewer Services" above and under "Deposit of Revenues" above. The Authority may revoke or terminate, in accordance with the procedures described under "Termination of Agency" below, its appointment of the City as agent for the Authority, if the City fails to perform its duties, obligations or administrative functions in accordance with and as described in the first paragraph under "Water Services" above, in the first paragraph under "Sewer Services" above and under the "Deposit of Revenues" above and, to the extent applicable, the Performance Standards and Applicable Law; and in particular by failing to:

- (i) Establish a two-year budget which includes the costs of performing the City's agency responsibilities for the Detroit Local Systems under the Water and Sewer Services Agreement no later than April 23 of each year starting with Fiscal Year 2017;
  - (ii) Establish rates reasonably intended to meet the revenue requirements for the Water Services and Sewer Services for each Fiscal Year that will become effective no later than June 30 of the prior Fiscal Year;
  - (iii) Send bills to Retail Customers at least every other month;
  - (iv) Collect and enforce payment of bills consistent with the Performance Standards;
- and
- (v) Deposit Revenues as described under "Deposit of Revenues" above.

Termination of Agency. In the event the City fails to satisfy any of the requirements described in the immediately preceding paragraph at any time after attempting to resolve concerns as provided under "Dispute Resolution" below, the Authority may, but is not obligated or required to, revoke or terminate the agency of the City with respect to those requirements that the City has failed to carry out and perform (but the agency shall continue with respect to all other requirements), subject to prior compliance by the Authority with the exclusive procedures and remedies provided and described under "Remedies" and "Arbitration" below. If, pursuant to a decision of the Arbitration Panel as described under "Remedies" and "Arbitration" below, the Arbitration Panel determines that the City has failed to satisfy any of the requirements set forth in the immediately preceding paragraph, the Authority may perform each of those requirements that was not satisfied by the City in accordance with the Water and Sewer Services Agreement directly or through another appointed agent. The City may not resign or assign any of its responsibilities as described under this "Appointment and Termination of Agency" without the prior written consent of the Authority.

## **Standard of Performance**

The Authority shall endeavor to perform, or cause to be performed, all Services required under the Water and Sewer Services Agreement in compliance with Prudent Utility Practices, but shall in no event perform the Services at a level of service below the Performance Standards.

## **Cooperation of Parties**

The Parties shall cooperate reasonably with each other in connection with any steps required to be taken as part of their respective obligations under the Water and Sewer Services Agreement, and shall (i) furnish upon request to each other such information and data, including maps, which are reasonably accessible and would not cause the Party providing such information and data to violate the terms of any agreement to which it is subject at the time of the request; (ii) execute and deliver to each other such other documents; and (iii) do such other acts and things, all as the other Party may reasonably request that is necessary or convenient to effectuate the purposes of the Water and Sewer Services Agreement and the transactions contemplated thereby.

The Director of DWSD-R and the Chief Executive Officer of the Authority or their designees shall initially meet weekly or at such other interval as they shall reasonably agree to review data, information and processes relevant to the operation and management of the Systems, including capital improvements, the Authority CIP and the Detroit CIP, maintenance and repairs, and any other issues arising out of the Leases or the Water and Sewer Services Agreement. Such meetings shall include a review of Service delivery and any other issues relevant to the Water and Sewer Services Agreement. The City and the Authority agree to develop plans and protocols for operational coordination, GIS coordination, hydraulic water and sewer modeling, fire hydrant removal coordination and asset identification.

The Parties agree and covenant to coordinate all efforts and undertakings under the Water and Sewer Services Agreement, including the implementation of the Detroit CIP and the Authority CIP, with the goal of maximizing any economies of scale and achieving any other available financial and operational efficiencies from such coordination. The Parties shall develop a long-term plan for the installation of master meters and backflow prevention devices between the Detroit Local Water System and the Regional Water System to be implemented in connection with the implementation of the Detroit CIP, recognizing that the installation of such meters may be implemented over a long period of time. Such plan shall provide for modifications to the Systems as part of replacement projects to facilitate metering implementation.

The City and the Authority shall confer at least annually to develop, coordinate and prioritize a schedule for financing components of the Authority CIP and the City CIP, including grant applications and prioritization of applications for financing through the Michigan Clean Water Revolving Loan Fund or the Drinking Water Revolving Loan Fund.

With respect to each permit issued in the names of both the Authority and the City, the Parties shall identify which Party state regulatory officials should contact regarding questions or enforcement matters and the Parties shall provide such contact information to the issuer of the permit. The Parties shall jointly or separately perform such functions under the Wastewater Treatment NPDES Permit as set forth in the Water and Sewer Services Agreement.

The Parties shall maintain a combined sewer overflow control plan which shall include protocols for the management of City and Authority facilities during wet weather events. The Parties recognize that (i) the City is served by a combined sewer overflow (“CSO”) system and that the rate of flow will vary greatly depending upon the rainfall magnitude and other climatological factors, and (ii) under certain conditions the Regional Sewer System will have insufficient capacity to handle all flow generated by the City.

The Authority will continue to operate the Regional Sewer System in accordance with the current Michigan Department of Environmental Quality (“MDEQ,” now known as the Department of Environment, Great Lakes, and Energy or “EGLE”) approved Wet Weather Operational Plan (the “Operational Plan”) to provide service to the City. In situations where the Operational Plan does not address a particular instance or issue, the Parties agree that the mutual goal of the Parties is to maximize the treatment and disinfection of Flows (as defined in Exhibit B to the Water and Sewer Services Agreement). Review and modification of the Operational Plan may occur periodically as mutually agreed between the Parties, and approved by MDEQ. Such review and/or modification may occur as Sewer System improvements are implemented or adaptive management strategies are found to be effective and formalized. If changes to the Operational Plan are significant and result in increased capacity limits for Authority wholesale customers, an adjustment to the CSO cost allocation or other appropriate cost allocation may be considered.

To the extent the Wastewater Treatment NPDES Permit allows for and requires Green Infrastructure, the City shall be primarily responsible for performing the Green Infrastructure Program required by the Wastewater Treatment NPDES Permit, including achieving the wet weather flow removal goal and annual average expenditure requirement. The City also shall be primarily responsible for performing the elective Green Infrastructure elements of the Wastewater Treatment NPDES Permit. The City’s responsibility shall be limited to projects in the City. Subject to the City’s reasonable approval, the Authority may propose additional Green Infrastructure Projects on properties located in but not owned by the City to the extent the projects are demonstrated to provide cost effective reduction of wet weather flow into sewers. Subject to the Authority’s reasonable approval, the City may apply any wet weather flow removed, and expenditure made, by any additional Green Infrastructure Projects performed by the Authority to meet the flow removal and annual expenditure requirements of the Wastewater Treatment NPDES Permit. In the event the City fails to implement any Green Infrastructure required under the Wastewater Treatment NPDES permit in the timeline provided in such permit, the Authority may implement Green Infrastructure Programs in the City in order to meet the permit requirements. In such event, the Authority shall give the City notice of its intent to implement Green Infrastructure in the City in the following Fiscal Year no later than the end of the each December after the Authority’s review of the report provided to MDEQ in August of each year.

The Authority shall have the right to review and approve the City’s construction plans for meter facilities at new water distribution points to be connected to the Leased Water Facilities, water mains sized twenty-four inches and larger, pump stations, reservoirs, water towers, and any other construction that will cross, or be within close proximity to, or have influence upon the Leased Water Facilities. The Authority’s approval of construction plans shall be timely and shall not be unreasonably withheld.

### **City Budget; Detroit CIP; Application of Lease Payments**

Each year the City shall provide the Authority with: (i) the budget forecast for the Detroit Local Systems as described below; (ii) the budgets for the operation and maintenance and other funding requirements of the Detroit Local Systems (the “Detroit Local System Budgets”) as described below; (iii) the Detroit CIP as described below; and (iv) the Direction to Apply Lease Payment as described under “Application of Lease Payments” above.

Preliminary Budget Forecast. The City agrees to provide the Authority with a preliminary budget forecast for the Detroit Local Systems. The City shall prepare and submit to the Authority on or before January 1 of each year, a preliminary two-year budget forecast for the Detroit Local Systems for the following two Fiscal Years that sets forth projected revenues and expenses for each such Fiscal Year. The preliminary budget forecast shall set forth the City’s assumptions for at least that two-year period with respect to demand for Water Services and Sewer Services and the expected delinquency level for amounts billed to Retail Customers in the City. The preliminary forecast for each such Fiscal Years shall project

revenues necessary to generate the sum of the projected expenses and revenue requirements for the Detroit Local Systems for such Fiscal Years (collectively, the “Local Revenue Requirement”) and the City share of the Authority’s revenue requirement, including without limitation the following:

(i) the amounts reasonably necessary to fund all expenses of administration and operation and the expenses for maintenance as may be necessary to preserve the Detroit Local Systems in good repair and working order;

(ii) the Detroit Local Systems’ share of the common-to-all amounts required to fund the Lease Payments;

(iii) the Detroit Local Systems’ share of debt service on the portion of the Authority Bonds issued to finance capital improvements to the Regional Systems and the Detroit Local Systems not covered by Lease Payments;

(iv) the amounts necessary to fund the Detroit CIP or make deposits to the Detroit Local Improvement and Extension Account of the Improvement and Extension Funds in the applicable Master Bond Ordinance from Retail Revenues, a portion of the Lease Payments or bond proceeds;

(v) the Detroit Local Systems’ share of the (x) common-to-all portion of liability assumed by the Authority on behalf of DWSD as a result of the City’s Plan of Adjustment, including costs of (A) debt service on the B Notes, (B) debt service on the C Notes, and (C) funding for the City’s frozen General Retirement System pension plan, and (y) the portion of such liabilities associated with Detroit Local System employees;

(vi) the amount necessary to be deposited to the WRAP Fund, which shall be not less than 0.5% but not greater than 1.0% of the base budgeted operating revenues for the Detroit Local Systems for such Fiscal Year;

(vii) for each of Fiscal Years 2016, 2017 and 2018, an amount equal to one-third of the Budget Stabilization Requirement; and for subsequent Fiscal Years one-third of the amount necessary to assure that the Budget Stabilization Requirement will be on deposit in the Budget Stabilization Fund within three full Fiscal Years; and

(viii) any other amount that the City may be required to pay to the Authority in order to satisfy its revenue requirement from the Authority for such Fiscal Years. If the Authority issues bonds or other debt to satisfy its portion of liability associated with the City’s frozen General Retirement System pension plan, the City shall include its portion of the debt service thereon in the Detroit Local System Budgets.

The City shall prepare an impact statement with respect to any new, modifications for or other changes in program or activity levels and revenue requirements for the forecast period. The impact statement shall include an explanation of the rationale for the change and the financial impact of the change on current and future budgets. The City and the Authority agree to act in good faith and to meet to review the budget forecast and the assumptions therefore relating to demand for Water Service and Sewer Service and delinquencies and any other significant assumptions. If City and Authority administrators are unable to resolve differences of opinion regarding the assumptions, then the Reconciliation Committee shall meet promptly for the purpose of reaching consensus.

Adopted Budget. No later than March 23 of each year, the City shall develop, adopt and provide the Authority with a copy of the Detroit Local System Budgets for the following two Fiscal Years. The Detroit Local System Budgets shall identify the Local Revenue Requirement for each Local System and shall include for each such Fiscal Year, at a minimum:

(i) the amounts reasonably necessary to fund all expenses of administration and operation and the expenses for maintenance as may be necessary to preserve the Detroit Local Systems in good repair and working order;

(ii) the Detroit Local Systems' share of the common-to-all amounts required to fund the Lease Payments;

(iii) the Detroit Local Systems' share of debt service on the portion of the Authority Bonds issued to finance capital improvements to the Regional Systems and the Detroit Local Systems not covered by Lease Payments;

(iv) the amounts necessary to fund the Detroit CIP or make deposits to the Detroit Local Improvement and Extension Account of the Improvement and Extension Funds in the applicable Master Bond Ordinance from Retail Revenues, a portion of the Lease Payments or bond proceeds;

(v) the Detroit Local Systems' share of the (x) common-to-all portion of liability assumed by the Authority on behalf of DWSD as a result of the City's Plan of Adjustment, including costs of (A) debt service on the B Notes, (B) debt service on the C Notes, and (C) funding for the City's frozen General Retirement System pension plan, and (y) the portion of such liabilities associated with Detroit Local System employees;

(vi) the amount necessary to be deposited to the WRAP Fund, which shall be equal to 1.0% of the base budgeted operating revenues for the Detroit Local Systems for such Fiscal Year;

(vii) for each of Fiscal Years 2016, 2017 and 2018, an amount equal to one-third of the Budget Stabilization Requirement; and for subsequent Fiscal Years one-third of the amount necessary to assure that the Budget Stabilization Requirement will be on deposit in the Budget Stabilization Fund within three full Fiscal Years; and

(viii) any other amount that the City may be required to pay to the Authority in order to satisfy its revenue requirement from the Authority for such Fiscal Years. If the Authority issues bonds or other debt to satisfy its portion of liability associated with the City's frozen General Retirement System pension plan, the City shall include its portion of the debt service thereon in the Detroit Local System Budgets.

Tracking. The City shall, within 45 days following the end of each fiscal quarter of each Fiscal Year, furnish to the Authority a comparison of actual revenues and expenses for such fiscal quarter against the budgeted amounts in each Detroit Local System Budget. If the Authority determines that for such fiscal quarter there is a significant unfavorable variance which is reasonably expected to have a negative effect on the Authority's budget with respect to revenues or any of the following expense categories: (i) compensation (including wages, salaries and fringe benefits), (ii) operation and maintenance expenses and (iii) debt service, then the Reconciliation Committee (consisting of a member of the GLWA Board appointed by the Mayor of the City, or his or her designee, and a member of the Board of Water Commissioners of the City, or his or her designee) shall meet promptly for the purpose of reviewing actions the City proposes to take to address such significant unfavorable variance. Following the meeting of the Reconciliation Committee,

the City agrees to take actions to address any such significant unfavorable variance and to make appropriate adjustments to the related Detroit Local System Budget in the current and succeeding Fiscal Year. Favorable variances may be incorporated into the budget by following the same process. An impact statement shall be prepared for each such action, and the impact of any budget amendments shall be carried through, as appropriate, in budget forecasts for subsequent Fiscal Years. The Authority may draw on the Budget Stabilization Fund an amount equal to the amount by which actual bad debt expense of the Retail Customer class exceeds the budgeted bad debt expense for that class. At least quarterly, and in connection with the preparation of the annual audit for the Local Water System and the Local Sewer System, the chief financial officers of the Authority and DWSD-R shall determine whether a draw on the Budget Stabilization Fund is necessary. In the event the chief financial officers cannot reach agreement on whether a draw is necessary, the Reconciliation Committee shall promptly meet for the purpose of resolving such disagreement. Amounts on deposit in the Budget Stabilization Fund in excess of the Budget Stabilization Requirement for the following Fiscal Year based on audited financial statements shall be transferred to the Detroit Local Improvement and Extension Account of the Improvement and Extension Fund in the applicable Master Bond Ordinance.

Detroit CIP. No later than February 1 of each year, the City shall develop and provide the Authority with a copy of its current Detroit CIP for the Detroit Local Facilities. The Detroit CIP shall include the capital improvements and estimate of the costs therefor which the City plans to undertake in the next Fiscal Year, and projected capital improvement projects and estimates for the five years following. At least three months prior to finalizing each Detroit CIP and any modifications thereto, the City shall provide a copy of the proposed CIP to the Authority solely for the purpose of: (A) coordinating the Detroit CIP and the Authority CIP to maximize economies of scale, minimize service disruptions and to achieve other efficiencies from a coordinated implementation effort, and (B) providing notice to the Authority of any financing requirements of the City for the Detroit Local Facilities to be satisfied from Lease Payments and/or the issuance of Authority Bonds or requests for collaboration on grant applications or other funding opportunities. Upon receipt of the adopted Detroit CIP from the City, consistent with the fourth paragraph under “Cooperation of Parties” above, the Authority shall ensure that its financial planning and budgeting reflect the foregoing requirements.

The City agrees that, in conjunction with the implementation of the Detroit CIP and consistent with the plan developed as described in the third paragraph under “Cooperation of Parties” above, it will install master water meters to measure consumption by the Detroit Local Water System and cross connection controls between the Detroit Local Water System and the Regional Water System.

### **Third Party Disputes**

Each Party hereby agrees to reasonably assist the other Party in the event any disputes arise between any Party and any third party arising out of the operation and maintenance of the Systems. In the event of a dispute between the Authority or the City and any third party, the City and the Authority shall cooperate with each other to resolve and defend such dispute. Any disputes between the City and the Authority arising in connection with third party disputes as described in this paragraph shall be resolved as described under “Dispute Resolution” below.

### **System Operation Costs**

Each year, each Party shall provide to the other Party information and data regarding its actual costs associated with providing Water Services and Sewer Services to its respective wholesale and Retail Customers for the following Fiscal Year to allow the other Party to establish the revenue requirements for the Systems.

## **First Response; Findings**

The City shall be the first responder for unscheduled and/or emergency situations (e.g. main breaks, sinkholes, etc.) which may arise in those portions of the Systems' water transmission and distribution system and wastewater collection system within the City. The City shall promptly respond when necessary and work diligently to stabilize (e.g. notify miss-dig, throttle valves, install traffic control), using Prudent Utility Practices, the affected portion of the Systems, to protect public health and safety and minimize property damage, regardless of responsibility for that portion of the Systems. The City will notify the Authority, in accordance with established protocols, prior to taking actions beyond those necessary to stabilize the affected portion of the Systems. Each Party reserves the right to take over response actions to the extent that the action is related to an asset for which it has operating responsibility.

The Parties shall establish mutually agreeable and coordinated response protocols for unscheduled and/or emergency response situations and include the protocol in the Shared Services Agreement. In all cases where investigation and/or work is to be or has been performed by a Party, the responding staff of that Party is to respond promptly, take necessary actions in accordance with Prudent Utility Practices, standards, exercise due care, document the results of any investigation, and notify the other Party of all findings. Any disputes arising from such unscheduled and/or emergency repairs shall be resolved as described under "Disputes Arising from Physical, Technical and Mechanical Issues" below.

## **Defaults**

Either Party shall be in default under the Water and Sewer Services Agreement if it fails to fully perform and comply with any of the terms, conditions or provisions of the Water and Sewer Services Agreement after it has received thirty (30) days' notice of such default, provided that if such failure cannot be remedied within such thirty (30) day cure period, the defaulting Party shall not be in default if it commits to remedy within the thirty (30) day cure period and diligently pursues the remedy to its completion.

## **Remedies**

Upon default of the Authority, the City may, at its sole option and as its exclusive remedy, pursue any rights and remedies available to such Party at law or in equity under the Water and Sewer Services Agreement as determined in accordance with the dispute resolution procedures described under "Dispute Resolution," "Arbitration" and "Disputes Arising from Physical, Technical and Mechanical Issues" below, including specific performance; provided, that the City may not terminate the Water and Sewer Services Agreement.

Upon default of the City, the Authority may but is not required to: (i) terminate the agency described above under "Appointment and Termination of Agency" and exercise all rights granted to the City thereunder, which includes the power of the Authority to establish rates to be paid by the Retail Customers for the Services and to charge, bill and collect from the Retail Customers amounts due for the Services; and (ii) pursue all rights and remedies available to the Authority described under "Dispute Resolution," "Arbitration" and "Disputes Arising from Physical, Technical and Mechanical Issues" below; provided, that the Authority may not terminate the Water and Sewer Services Agreement and shall continue to provide Water Services and Sewer Services as described under "Water Services" and "Sewer Services" above. The foregoing remedies are the exclusive remedies available upon a default for non-payment by the City.



## **Waiver**

The failure of any Party to insist in any one instance upon strict performance by the other Party of its obligations under the Water and Sewer Services Agreement shall not constitute a waiver or relinquishment of any such obligations as to any other instances. No covenant or condition of the Water and Sewer Services Agreement may be waived by either Party except in a writing signed by that Party, and the forbearance or indulgence of that Party in any regard whatsoever and regardless of the duration of such forbearance or indulgence shall not constitute a waiver of the covenant, condition or obligation until performed or waived in writing, and that Party shall be entitled to invoke any remedy available to that Party under the Water and Sewer Services Agreement despite the forbearance or indulgence.

## **Dispute Resolution**

The Authority and the City shall each designate in writing to the other from time to time a representative who shall be authorized to resolve any dispute relating to the subject matter of the Water and Sewer Services Agreement in an equitable manner and, unless otherwise expressly provided herein, to exercise the authority of such party to make decisions by mutual agreement.

The City and the Authority each agree (i) to attempt to resolve all disputes arising hereunder promptly, equitably and in a good faith manner and (ii) to provide each other with reasonable access during normal business hours to any and all non-privileged written records, information and data pertaining to any such dispute.

If any dispute relating to the subject matter of the Water and Sewer Services Agreement is not resolved between the City and the Authority as described under this “Dispute Resolution” within 30 days from the date on which a party provides written notice to the other party of such dispute and of the notifying party’s position on the disputed matter, then upon written notification by either party to the other party, such dispute shall be settled exclusively and finally by binding arbitration as described under “Arbitration” below.

During the pendency of any dispute and until such dispute is resolved the Parties shall continue to operate under the terms of the Water and Sewer Services Agreement.

## **Arbitration**

It is specifically understood and agreed that any dispute or claim arising under or relating to the Water and Sewer Services Agreement that cannot be resolved between the City and the Authority, other than disputes arising under “Disputes Arising from Physical, Technical and Mechanical Issues” below, including any matter relating to the interpretation or performance of the Water and Sewer Services Agreement, shall be submitted to binding arbitration irrespective of either the magnitude thereof or the amount in dispute.

Each arbitration between the City and the Authority shall be conducted pursuant to the Uniform Arbitration Act, Act No. 371, Public Acts of Michigan, 2012 (“Act 371”).

The arbitration shall be conducted before a panel composed of three arbitrators (the “Arbitration Panel”). Each party shall appoint an arbitrator, obtain its appointee’s acceptance of such appointment and deliver written notification of such appointment and acceptance to the other party within 15 days after delivery of a notice of arbitration. The two arbitrators appointed by the City and the Authority shall jointly appoint the third (who shall be the chairperson), obtain the acceptance of such appointment and deliver written notification of such appointment within 15 days after their appointment and acceptance.

Any arbitration commenced hereunder shall be completed within 120 days after the appointment of the Arbitration Panel absent agreement of the City and the Authority to the contrary. Further, absent agreement of the City and the Authority or, upon request of one of the Parties, an order from the Arbitration Panel to the contrary: (i) all discovery shall be completed within 60 days after the appointment of the Arbitration Panel; (ii) each Party shall be limited to a maximum of 5 depositions; (iii) each deposition shall be completed within a maximum period of two consecutive 8-hour days; (iv) each Party shall be limited to 2 expert witnesses; and (v) interrogatories shall be limited to a maximum of 50 single issues without sub-parts. The City and the Authority waive any claim to any damages in the nature of punitive, exemplary or statutory damages in excess of compensatory damages or otherwise expressly provided for herein, and the Arbitration Panel is specifically divested of any power to award such damages. The Arbitration Panel shall have the power to award injunctive or other equitable relief. All decisions of the Arbitration Panel shall be pursuant to a majority vote. Any interim or final award shall be rendered by written decision.

If either the City or the Authority fails to appoint its arbitrator within 15 days after delivery of a notice of arbitration, or if the two arbitrators appointed cannot agree upon the third arbitrator within 15 days after appointment of the second arbitrator, then the required arbitrator(s) shall be appointed by the American Arbitration Association or as otherwise agreed by the City and the Authority.

No arbitrator shall be a past or present employee or agent of, or consultant or counsel to, either the City or the Authority or any affiliate of either the City or the Authority.

The Authority and the City shall each bear the out-of-pocket costs and expenses of their respective arbitrator, attorneys and witnesses, and they shall each bear one-half of the out-of-pocket costs and expenses of the chairperson of the Arbitration Panel and all administrative support for the arbitration.

### **Disputes Arising from Physical, Technical and Mechanical Issues**

If any disputes arise between the City and the Authority regarding physical, technical or mechanical issues arising under the Water and Sewer Services Agreement (but specifically excluding any claims that may arise under Act 222, Public Acts of Michigan, 2001, as amended), including but not limited to the assignment of responsibility for breaks or failures of water and sewer pipes or other mechanical failures based on the operating control of the respective portion of the facilities, and the Parties do not resolve such dispute within fourteen days, or such other time mutually agreeable to the Parties, after the City or the Authority expresses its disagreement with the position of the other Party to such matters, a committee consisting of one officer (as well as such other employees with expertise in the particular area of dispute) of the Authority and one officer (as well as such other employees with expertise in the particular area of dispute) of the City shall meet and attempt in good faith to resolve such dispute. If such committee is unable to resolve such dispute within fourteen days, or such other time mutually agreeable to the Parties, following their initial meeting, then the Parties shall select a panel of three engineers with experience in the design, construction, or operation and maintenance of a water and sewer utility system in the same manner as the Arbitration Panel is selected as described in the third paragraph under “Arbitration” above (the “Engineer Panel”), and the Engineer Panel shall be designated to consider and decide the issues raised by such dispute unless both Parties determine that further discussions by the committee are merited. The Engineer Panel shall be designated not later than the third day following the expiration of the second fourteen-day or other period described above, such designation to become effective on the third day following such designation. Within ten days after the designation of the Engineer Panel, the Authority and the City shall each submit to the Engineer Panel a notice (a “Technical Position Notice”) setting forth in detail such Party’s position in respect of the issues in dispute. Such notice shall include supporting documentation, if appropriate.

The Engineer Panel shall complete all proceedings and issue its decision with regard to the issues under dispute as promptly as reasonably possible, but in any event not later than ten days after the date on which both Technical Position Notices are submitted, unless the Engineer Panel reasonably determines that additional time is required in order to give adequate consideration to the issues raised. In such case, the Engineer Panel shall state in writing its reasons for believing that additional time is needed and shall specify the additional period required, which period shall not exceed ten days without the City's and the Authority's agreement.

In resolving a dispute under this section, the Engineer Panel shall consider all facts and circumstances the panel deems reasonable given the nature of the dispute.

The Engineer Panel shall choose either the City's position or the Authority's position as set forth in their respective Technical Position Notices or shall choose from each Party's Technical Position Notices the portions that are technically correct. If the Engineer Panel determines that the position set forth in the City's Technical Position Notice is correct, the panel shall so state and shall state the appropriate actions to be taken by the Authority. In such case, the Authority shall promptly take such actions. If the Engineer Panel determines that the position set forth in the Authority's Technical Position Notice is correct, the panel shall so state and shall state the appropriate actions to be taken by the City. In such case, the City shall promptly take such actions. If the Engineer Panel determines that a portion of the City's Technical Position Notice is correct and a portion of the Authority's Technical Position Notice is correct, the panel shall so state and shall state the appropriate actions to be taken by each respective Party. In such case, the respective Party shall promptly take such actions. The Engineer Panel may assign responsibility of the costs of repairs undertaken by a Party to the Party that is responsible for such water and sewer pipes. The decision of the Engineer Panel shall be final and non-appealable; provided that, any such decision may be treated as an arbitration award for purposes of enforcement.

The Authority and the City shall each bear the out-of-pocket costs and expenses of their respective engineer, attorneys and witnesses, and they shall each bear one-half of the out-of-pocket costs and expenses of the chairperson of the Engineer Panel and all administrative support for the arbitration.

### **Appeals of Arbitration Awards and Decisions**

The City or the Authority may appeal an award or decision issued by the Arbitration Panel for the reasons set forth in Section 23 of Act 371 (MCL 691.1703).

### **Enforcement of Arbitration Awards and Decisions**

The City or the Authority may enforce any awards or decisions of the Arbitration Panel or the Engineer Panel as described above pursuant to Section 22 of Act 371 (MCL 691.1702). The provisions of the Water and Sewer Services Agreement as described under "Dispute Resolution," "Arbitration" and "Disputes Arising from Physical, Technical and Mechanical Issues" above shall be the sole and exclusive remedy of the parties with respect to any claim or dispute, other than disputes arising under "Disputes Arising from Physical Technical and Mechanical Issues" described above. The City and the Authority agree not to bring, or cause to be brought, in a court of law any action, proceeding or cause of action whatsoever with respect to any such claim or dispute, other than as necessary to enforce the award or decision of the Arbitration Panel or the Engineer Panel as described in this paragraph.

### **Amendments to Water and Sewer Services Agreement**

The Water and Sewer Services Agreement may be amended only by written agreement executed and approved by both Parties, as applicable. Approval by the GLWA Board shall be by supermajority vote.

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**APPENDIX VIII**  
**SUMMARY OF THE SHARED SERVICES AGREEMENT**

This summary does not purport to be comprehensive or definitive and is subject to all of the terms of the Shared Services Agreement, to which reference is hereby made and copies of which are available on GLWA's website at [www.glwater.org](http://www.glwater.org) or from the Underwriters prior to the execution and delivery of the Series 2024 Bonds and thereafter may be examined or obtained at the expense of the person requesting the same at the corporate trust office of the Trustee. Capitalized terms used in this Appendix and not otherwise defined in this Official Statement shall have the meanings given to such terms in the Shared Services Agreement.

**General**

The City and the Authority entered into the Shared Services Agreement as of December 1, 2015 pursuant to which each party agreed to provide services to the other in connection with the management and operation of the Regional Water System and the Local Water System to avoid duplication of internal administrative and office functions. The Shared Services Agreement became effective on January 1, 2016.

**Service Delivery Schedules**

The City and the Authority have agreed that, to facilitate and enhance the efficiency of the operation of the Regional Systems by the Authority and the operation of the Local Systems by DWSD, and to increase the efficiency of operation of the Systems into the future, minimizing duplication of services and functions by both the Authority and the City, the City shall provide to the Authority the City Services for the periods described on the Service Delivery Schedules attached to the Shared Services Agreement and the Authority shall provide to the City the Authority Services for the periods described on the Service Delivery Schedules, commencing on the Effective Date, subject to periodic modification as to scope and duration as provided under "Modifications and Extensions of Service Delivery Schedules" below. Generally, the Performing Party for a particular Service will be the party that utilizes or requires the Service more than the Subscribing Party, unless such allocation of responsibility would result in a substantial increase in FTEs to the other Party. Each Service Delivery Schedule shall contain, at minimum, the following information:

- a) the Performing Party and the Subscribing Party;
- b) identification of the Service to be provided and how such Service shall be delivered;
- c) the period for which the Service is to be provided;
- d) the Service Cost, which, beginning no later than Fiscal Year 2017-2018, shall include a breakdown, where practicable, of each component of the Service Cost, and the charges therefor;
- e) a statement of any variations of the terms of this Agreement which may be reasonably necessary for the specific Service being performed;
- f) if necessary, a process for determining how such Services will be provided after an initial transition period; and

g) notice and other provisions, including Separation Costs, regarding the termination or modification of the Service under this Agreement.

The Parties may mutually agree to adopt new or modified Service Delivery Schedules as the need or desirability of such Services occurs or changes as described under “Modification or Extension of Service Delivery Schedules” below. The Director of DWSD (the “Director”) and the Chief Executive Officer or their assignees shall maintain and update as necessary a list of primary contacts from each Party for each Service Delivery Schedule. Each Party shall ensure that the appropriate employee or officer of that Party responsible for the provision or subscription of a specific Service is kept informed of the current contact list.

Except as otherwise provided in a Service Delivery Schedule, no Party shall be responsible for paying any Separation Costs.

### **Provision of Services**

The Authority shall perform or cause to be performed the Authority Services as provided in each applicable Service Delivery Schedule. The Authority may perform the Services directly or contract with third parties to perform all or a portion of the Services on its behalf.

The City shall perform, or cause to be performed, the City Services as provided in each applicable Service Delivery Schedule. The City may perform the Services directly or contract with third parties to perform all or a portion of the Services on its behalf. The City Services may be provided on behalf of DWSD by the City’s central administration as an operation and maintenance expense to the extent the central administration has historically provided such services to DWSD.

In the event a Performing Party has contracted with a third party to perform all or a portion of the Services on its behalf, the provisions of this Agreement shall control in the event of a conflict between the provisions of such contract and this Agreement. Additionally, a Subscribing Party shall have the right to consent to the selection of any new third party contractor who will be providing all or a portion of Services on behalf of a Performing Party, which consent shall not be unreasonably withheld.

A Performing Party shall dedicate such resources as are necessary to ensure its officers, employees and contractors promptly respond to reasonable requests of the Subscribing Party in connection with the provision of Services. In the event a Subscribing Party requests information or support pursuant to the Shared Services Agreement or a Service Delivery Schedule to which a representative of the Providing Party fails to respond in a timely manner, the Director and the Chief Executive Officer and the appropriate employees or agents of each Party responsible for responding to the request shall meet within three business days to provide the response or establish a date certain for responding, as appropriate.

### **Modification or Extension of Service Delivery Schedules**

Prior to the development of the DWSD budget for each Fiscal Year pursuant to the Water and Sewer Services Agreement, the Chief Executive Officer and the Director shall meet to discuss and plan for any modifications to the Service Delivery Schedules for the next Fiscal Year and the anticipated need and Service Costs for any “as-needed” Services for the next Fiscal Year based on actual results in prior Fiscal Years. Any proposed modification shall identify or project any Stranded Costs and Transition Costs calculated by applying the Service Cost cost-components. Except as otherwise provided in a Service Delivery Schedule, the expectation is that the effective date and expiration of each Service Delivery Schedule shall be coterminous with the Fiscal Year of the Parties.

The Chief Executive Officer and the Director may approve Service Delivery Schedules to share additional Services if the Service Cost will not exceed \$50,000 in a Fiscal Year, or otherwise with the approval of the GLWA Board and the Board of Water Commissioners. Any existing Service Delivery Schedule may be terminated other than by its terms, modified or extended by: (a) mutual agreement of the Chief Executive Officer and the Director if the Chief Executive Officer and the Director reasonably believe that the modified service arrangement will not result in an increase in the cost of acquiring such Service in excess of the greater of \$50,000 or 10% of the annual Service Cost, including any applicable Separation Costs; or (b) otherwise by approval of the GLWA Board and the Board of Water Commissioners. At least quarterly, the Chief Executive Officer shall provide to the GLWA Board and the Director shall provide to the Board of Water Commissioners a report including any modifications, extensions and terminations of existing Service Delivery Schedules.

### **Compliance with Procurement Policies and Procedures**

The procurement of Services pursuant to the Shared Services Agreement by a Subscribing Party is not subject to the procurement policies and procedures of the Parties. In the event a Subscribing Party requires a Service from a Performing Party hereunder on an “as needed” basis, it may request such Service pursuant to this Agreement and the applicable Service Delivery Schedule according to the procedures agreed to by the Chief Executive Officer and the Director notwithstanding any procurement policies or procedures of the Subscribing Party then in effect.

### **Standard of Performance**

A Performing Party shall endeavor to perform, or cause to be performed, all Services required under the Shared Services Agreement in compliance with Prudent Utility Practices, but shall in no event perform the Services at a level of service below the Performance Standards. The Parties shall endeavor to establish reasonable safeguards and internal controls to ensure the fiscal integrity of the operations and fiscal management of each Party with respect to the Services, including conducting criminal and credit background checks of each employee with access to any cash, information technology systems, or other assets of either Party.

### **Cooperation of Parties**

The Parties shall cooperate reasonably with each other in connection with any steps required to be taken as part of their respective obligations under the Shared Services Agreement, the Lease, the Sewer Lease, the Water and Sewer Services Agreement, permits or any Applicable Laws, including the development of the capital improvement plans of each Party, financial planning and debt management, and shall (i) furnish upon request to each other such information, data and records, including maps, which are reasonably accessible and would not cause a Performing Party to violate the terms of any agreement to which it is subject at the time of the request or which are required to be disclosed pursuant to any agreements or Applicable Laws; (ii) execute and deliver to each other such other documents; (iii) provide such witness testimony, documents, records and other services or information within the possession or control of each Party necessary or desirable for the proper prosecution and/or defense of any current or future litigation affecting either Party, and (iv) do such other acts and things, all as the other Party may reasonably request that is necessary or convenient to effectuate the purposes of this Agreement and the transactions contemplated hereby.

The Director, the City and the Chief Executive Officer or their designees shall initially meet weekly or at such other interval as they shall reasonably agree or as specified in a particular Service Delivery Schedule, to review data, information and processes relevant to the provision of Services and any other issues arising out of this Agreement. Such meetings shall include a review of Service delivery, potential

Invoice Disputes as known, anticipated Service Delivery Schedule requests, including modifications, extensions or potential amendments, and any other issues relevant to this Agreement.

In the event the performance of a Service is going to be assumed by a Subscribing Party, the Parties and their employees shall reasonably cooperate and provide information and training to each other in order to ensure the seamless transfer of knowledge with respect to that Service.

When necessary or desirable, the Parties shall jointly develop operational protocols with respect to specific Services.

The City shall maintain a record and be the repository of all easements and other real property interests acquired by the Authority during the term of the Lease and the Sewer Lease. The Authority shall provide all original documents memorializing such easements and other real property interests to the City. The City shall take all actions necessary to record or otherwise perfect its interest in all easements or other real property interests acquired by it or the Authority during the term of the Lease and the Sewer Lease. The City shall provide the Authority access to and copies of any easements and other real property interests necessary for the performance of its rights and duties under this Agreement, the Lease, the Sewer Lease and the Water and Sewer Services Agreement.

### **Invoices; Payment Terms; Invoice Disputes**

Invoices. The City shall pay the Authority for all Authority Services (including “as-needed” Services) and the Authority shall pay the City for all City Services (including “as-needed” Services), each in equal monthly installments. Such installments received by the Authority shall be deposited into the Authority Regional Operation and Maintenance Account of the Operation and Maintenance Fund established in the master bond ordinances for each of the Systems, and such installments received by the City shall be deposited into the Detroit Local Operation and Maintenance Account of the Operation and Maintenance Fund established in the master bond ordinances for each of the Systems. Each Party shall provide the other Party one monthly invoice itemized by Service Delivery Schedule for Services provided other than for “as needed” Services, which shall be invoiced as described below under “As Needed and Other Hourly Services.”

The Parties shall engage, and share the costs of, a third-party to analyze the actual Service Costs (“Cost Analysis”) of providing the City Services and the Authority Services for each Fiscal Year. If, based on this Cost Analysis: (a) the costs paid by a Subscribing Party were greater than the costs of providing the Services, the Providing Party shall pay an amount equal to such cost variance to the Subscribing Party in the next Fiscal Year or as otherwise agreed to by the Parties; and (b) the costs paid by a Subscribing Party were less than the costs of providing the Services, the Subscribing Party shall pay an amount equal to such cost variance to the Providing Party in the next Fiscal Year or as otherwise agreed to by the Parties. Additionally, Service Costs will not include costs of funding the Pension Obligation (as defined in each of the Leases), but shall be addressed as part of the process of preparing budgets for the Regional Systems and Local Systems as set forth in the Water and Sewer Services Agreement.

Each invoice, whether for Services provided regularly or “as-needed,” shall itemize the costs and charges by Services provided under each Service Delivery Schedule, and shall provide sufficient detail to the Subscribing Party to identify the Services performed and the basis for the charges. A Performing Party may only charge the Service Cost for Services provided. Neither Party may set-off any amount it owes to the other Party on account of any amounts it may be owed by such Party. Contract, material and other applicable Service Costs shall be billed at the contractual rates or third-party charges therefor.



Payment Terms. Payments for Services shall be payable monthly. Unless otherwise specified in a Service Delivery Schedule, payment of each invoice shall be due no later than thirty (30) days after the date of delivery of the Invoice, provided however, that in the event the City has not received its current monthly disbursement of operations and maintenance operating funds from the Authority pursuant to the Water and Sewer Services Agreement, its payment due date shall be five (5) business days after receipt of such funds (the “Payment Terms”).

Invoice Disputes. In the event a Subscribing Party disputes all or a portion of the amount billed under any invoice, it shall notify the Performing Party of such dispute (an “Invoice Dispute”) in writing within twenty (20) days of the date of receipt of the disputed invoice. Invoice Disputes shall be resolved as described under “Dispute Resolution” below.

The Subscribing Party shall pay the undisputed amount of any invoice pursuant to the Payment Terms. If the Invoice Dispute is not resolved by the date the payment on the disputed invoice is due, the Subscribing Party shall deposit the disputed amount into an escrow account to be held for the benefit of the Performing Party until the dispute is resolved.

Reconciliation. The Performing Party shall reasonably calculate the Service Cost required to provide each Service during the next Fiscal Year, and shall notify the Subscribing Party of that Service Cost in sufficient time for the Subscribing Party to ensure the organization’s Fiscal Year budget is sufficient to pay such Service Costs. By December 1 of each year, a Performing Party shall provide to the other Party the Service Costs for each Service it expects to provide in the next Fiscal Year.

In the event a Performing Party incurs extraordinary and unanticipated Service Costs, the Chief Executive Officer and the Director shall meet within ten (10) business days to discuss any reconciliation or adjustments to the amounts paid by the Subscribing Party to ensure the payment of the Service Costs.

“As-needed” and Other Hourly Services. For Services provided on an “as-needed” basis, the Performing Party shall exercise its best efforts to provide invoices within thirty (30) days after the end of each month for such Services performed during the immediately preceding month, with such invoices clearly marked as final if all “as needed” Services have been completed or marked as open if the “as needed” Services are still being performed. “As-needed” Services shall be billed on an hourly unit price basis, which shall be recorded and billed in quarter hour increments, comprising the Service Cost for such Services.

“As-needed” Services and other Services billed on hourly basis shall be recorded and billed in quarter hour increments, comprising the following Service Cost elements: salaries and fringe benefits; provided that, such hourly unit price shall be based on the annualized productive hours for the class of employee being billed. This amount shall be subject to the annual Cost Analysis reconciliation described under “Invoices” above.

## **Defaults**

A Performing Party shall be in default under the Shared Services Agreement if it fails to perform any of the Services required of it thereunder in accordance with the Performance Standards after it has received thirty (30) days’ notice of such default, provided that if such failure cannot be remedied within such thirty (30) day cure period, the Performing Party shall not be in default if it commences to remedy the default within the 30 day cure period and diligently pursues the remedy to its completion pursuant to a mutually agreeable action plan and schedule agreed to by the Director and the Chief Executive Officer or their assignees.

A Subscribing Party shall be in default under the Shared Services Agreement if it does not make the payments required, whether in whole or in part, pursuant to the Payment Terms and after resolution of any invoice dispute as described above.

Either Party shall be in default under the Shared Services Agreement if it fails to fully perform and comply with any of the other terms, conditions or provisions of the Shared Services Agreement not covered by the two immediately preceding paragraphs after it has received thirty (30) days' notice of such default, provided that if such failure cannot be remedied within such thirty (30) day cure period, the defaulting Party shall not be in default if it commits to remedy within the thirty (30) day cure period and diligently pursues the remedy to its completion pursuant to a mutually agreeable action plan and schedule agreed to by the Director and the Chief Executive Officer or their assignees.

### **Remedies**

Upon default by a Performing Party, the Subscribing Party may (i) perform or cause a third party to perform such obligation of the Performing Party upon written notice to the Performing Party, and the Performing Party shall reimburse the non-defaulting Party for all reasonable increased costs incurred in such performance; and (ii) resolve the dispute as described under "Disputes, Resolution" below.

Upon default by a Subscribing Party, the Performing Party may, at its sole option: (i) provide written notice to the Subscribing Party of such default; and (ii) pursue all rights and remedies available to the Performing Party under the Shared Services Agreement.

Upon default of a Party as described in the third paragraph under "Defaults" above, the non-defaulting Party may, at its sole option, pursue any rights and remedies available to such Party under the Shared Services Agreement, including specific performance.

### **Waiver**

The failure of any Party to insist in any one instance upon strict performance by the other Party of its obligations under the Shared Services Agreement shall not constitute a waiver or relinquishment of any such obligations as to any other instances, and the same shall continue in full force and effect. No covenant or condition of the Shared Services Agreement may be waived by either Party except by written consent of that Party, and forbearance or indulgence of that Party in any regard whatsoever and no matter how long shall not constitute a waiver of the covenant or condition until performed or waived in writing, and that Party shall be entitled to invoke any remedy available to that Party under the Shared Services Agreement or by applicable law, despite the forbearance or indulgence.

### **Disputes; Resolution**

The Authority and the City shall each designate in writing to the other from time to time a representative who shall be authorized to resolve any dispute relating to the subject matter of the Shared Services Agreement in an equitable manner and, unless otherwise expressly provided herein, to exercise the authority of such party to make decisions by mutual agreement.

The City and the Authority each agree (i) to attempt to resolve all disputes arising hereunder promptly, equitably and in a good faith manner and (ii) to provide each other with reasonable access during normal business hours to any and all non-privileged written records, information and data pertaining to any such dispute.

If any dispute relating to the subject matter of the Shared Services Agreement is not resolved between the City and the Authority as described under this “Disputes; Resolution” within 30 days from the date on which a party provides written notice to the other party of such dispute and of the notifying party’s position on the disputed matter, then upon written notification by either party to the other party, such dispute shall be settled exclusively and finally by arbitration in accordance with the procedures described under “Arbitration” below.

### **Arbitration**

It is specifically understood and agreed that any dispute or claim arising under or relating to the Shared Services Agreement that cannot be resolved between the City and the Authority, including any matter relating to the interpretation or performance of the Shared Services Agreement, shall be submitted to arbitration irrespective of either the magnitude thereof or the amount in dispute.

Each arbitration between the City and the Authority shall be conducted pursuant to the Uniform Arbitration Act, Act No. 371, Public Acts of Michigan, 2012 (“Act 371”).

The arbitration shall be conducted before a panel composed of three arbitrators (the “Arbitration Panel”). Each party shall appoint an arbitrator, obtain its appointee’s acceptance of such appointment and deliver written notification of such appointment and acceptance to the other party within 15 days after delivery of a notice of arbitration. The two arbitrators appointed by the City and the Authority shall jointly appoint the third (who shall be the chairperson), obtain the acceptance of such appointment and deliver written notification of such appointment within 15 days after their appointment and acceptance.

Any arbitration commenced hereunder shall be completed within 120 days after the appointment of the Arbitration Panel absent agreement of the City and the Authority to the contrary. The City and the Authority waive any claim to any damages in the nature of punitive, exemplary or statutory damages in excess of compensatory damages or otherwise expressly provided for herein, and the Arbitration Panel is specifically divested of any power to award such damages. The Arbitration Panel shall have the power to award injunctive or other equitable relief. All decisions of the Arbitration Panel shall be pursuant to a majority vote. Any interim or final award shall be rendered by written decision.

If either the City or the Authority fails to appoint its arbitrator within 15 days after delivery of a notice of arbitration, or if the two arbitrators appointed cannot agree upon the third arbitrator within 15 days after appointment of the second arbitrator, then the required arbitrator(s) shall be appointed by the American Arbitration Association or as otherwise agreed by the City and the Authority.

No arbitrator shall be a past or present employee or agent of, or consultant or counsel to, either the City or the Authority or any affiliate of either the City or the Authority.

The Authority and the City shall each bear one-half of the out-of-pocket third party costs and expenses of an arbitration, including the arbitrators’ fees.

### **Appeals of Arbitration Awards and Decisions**

The City or the Authority may appeal an award or decision issued by the Arbitration Panel for the reasons set forth in Section 23 of Act 371 (MCL 691.1703).

## **Enforcement of Arbitration Awards and Decisions**

The City or the Authority may enforce any awards or decisions of the Arbitration Panel issued as described under this “Arbitration” pursuant to Section 22 of Act 371 (MCL 691.1702). The provisions described under “Disputes; Resolution” and “Arbitration” above shall be the sole and exclusive remedy of the Parties with respect to any claim or dispute. The City and the Authority agree not to bring, or cause to be brought, in a court of law any action, proceeding or cause of action whatsoever with respect to any such claim or dispute, other than as necessary to enforce the award or decision of the Arbitration Panel as provided above.

## **Term**

The term of the Shared Services Agreement shall run concurrently with the terms of the Leases.

## **Amendments**

The Shared Services Agreement can be amended only by written agreement executed and approved by both Parties, as applicable; provided, that Service Delivery Schedules may be executed, modified, or terminated as described under “Modification or Extension of Service Delivery Schedules” above.

## **Confidential Information**

Each Party acknowledges that it may receive or have access to “Confidential Information,” as that term is defined below (a “Possessing Party”), of the other Party (a “Protected Party”). A Possessing Party shall protect the Protected Party’s Confidential Information with the same degree of care as the Possessing Party uses to avoid unauthorized use, disclosure, publication or dissemination of its own Confidential Information of a similar nature, but in no event, less than a reasonable degree of care. A Possessing Party shall not manipulate, modify, corrupt or otherwise change any of the Confidential Information of the Protected Party. A Possessing Party shall not disclose or otherwise make available the Protected Party’s Confidential Information to any third party without the prior written consent of Protected Party; provided, however, that the Possessing Party may disclose the Confidential Information to its officers and employees who need access to the Confidential Information to perform their obligations to the Protected Party and who are themselves bound by nondisclosure obligations at least as restrictive as those set forth under this “Confidential Information.” Further, the Possessing Party shall comply with all confidentiality-related guidelines, standards and law applicable to the Protected Party. The Possessing Party agrees to immediately notify the Protected Party in the event the Possessing Party becomes aware of any loss or unauthorized disclosure of the Protected Party’s Confidential Information. A Possessing Party shall not utilize any Confidential Information of a Protected Party for its own benefit.

“Confidential Information” means any information related to the business, personnel and operations of the Protected Party obtained by the Possessing Party, and may include but is not limited to information or data related to business affairs, customer billing and usage information, data, manuals, financial and accounting data, data and information concerning contracts, intellectual property, proprietary information and other operational information. Confidential Information shall not include: (A) any information that the Possessing Party can document: (i) was generally available to the public at the time it was received by the Possessing Party, (ii) was known to the Possessing Party, without restriction, at the time of disclosure, or (iii) was independently developed by the Possessing Party without any use of any Confidential Information; and (B) any public records subject to disclosure pursuant to Act 442, Public Acts of Michigan, 1976, as amended.

Upon expiration or termination of the applicable Service Delivery Schedule, the Possessing Party shall promptly return to the Protected Party all Confidential Information of the Protected Party and all copies, or at the Protected Party's option, the Possessing Party shall destroy the Confidential Information.

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## **APPENDIX IX SUMMARY OF 2018 MOU**

This summary does not purport to be comprehensive or definitive and is subject to all of the terms of the 2018 MOU, to which reference is hereby made and copies of which are available on GLWA's website at [www.glwater.org](http://www.glwater.org) or from the Underwriters prior to the execution and delivery of the Series 2024 Bonds and thereafter may be examined or obtained at the expense of the person requesting the same at the corporate trust office of the Trustee.

### **General**

On June 27, 2018, DWSD and GLWA entered into the 2018 MOU to provide for clarification of specific sections of the Leases, the Water and Sewer Services Agreement, Master Bond Ordinance No. 2015-01 adopted by the GLWA Board with respect to the Water System on October 7, 2015, as amended (the "Water Bond Ordinance"), and the Bond Ordinance (the Bond Ordinance together with the Water Bond Ordinance, the "Bond Ordinances"), to make adjustments contemplated by the Leases, the Water and Sewer Services Agreement and the Bond Ordinances, and to address the liquidation of certain liabilities set forth in the Leases. Complete copies of the Leases, the Water and Sewer Services Agreement and the Bond Ordinances are available on GLWA's website at [www.glwater.org](http://www.glwater.org).

### **Adjustments to Cash Held for the Benefit of DWSD**

The 2018 MOU provides that the following book entry credits and charges are effective July 1, 2017, reflecting a net amount of \$74,201,200 to the Cash Held for the Benefit of DWSD as established on GLWA's General Ledger Account:

1. A credit of \$78,434,300 for the assumption by DWSD of the Pre-Effective Date Liabilities, as outlined below, reduced by \$9,000,000 for the reimbursement of certain litigation liabilities previously paid by GLWA, for a net deposit of \$69,434,300.

2. A reduction of the Budget Stabilization Requirement to \$7,500,000, and to reflect this adjustment, GLWA shall apply \$3,433,000 as a credit to DWSD.

3. A credit of \$1,333,900, reflecting the portion of the final annual \$20,000,000 sewer lookback adjustment charged during Fiscal Year 2016, which was attributable to a deposit to DWSD's Sewer System Improvement and Extension ("I&E") Account of the Sewer System I&E Fund. The final sewer bad debt lookback adjustment, as calculated as of June 30, 2017, shall reduce DWSD's Fiscal Year 2019 revenue requirement by \$6,527,200. This adjustment is different than the prior sewer lookback adjustment agreement that is reflected in the first sentence of this paragraph 3. The parties agree that the Budget Stabilization Fund sufficiently accomplishes the intent of mitigating collection risk, obviating the need for any further sewer bad debt lookback.

### **Adjustments to Non-cash Related Book Entries**

Lease Pre-payment. The 2018 MOU provides that the initial term of the Leases began on the Effective Date and ends on December 31, 2055. GLWA's last monthly payment shall be June 1, 2055 and GLWA's \$25,000,000 Lease payment on January 1, 2016 shall be applied to the period of July 1, 2055 through December 31, 2055.

Obligation Payable by DWSD to GLWA for Direct Allocable Share of pre-Effective Date Bonded Indebtedness for the Local Systems. DWSD's agreed upon allocable share of pre-Effective Date bonded indebtedness at June 30, 2017 related to the Local Systems is \$437,280,200 for the Local Water System and \$358,090,600 for the Local Sewer System. This allocation was determined based on an agreed upon share of debt service in Fiscal Year 2016 of \$455,000,000 for the Local Water System and \$370,000,000 for the Local Sewer System and the amounts included in the revenue requirements allocated to the Retail Customers related to the debt service for Fiscal Year 2016 and Fiscal Year 2017. The amortization schedule of DWSD's obligations payable related to pre-Effective Date bonded indebtedness for the Local Systems is set forth in Schedule 3 to the 2018 MOU. This amortization schedule establishes fixed payment terms for these obligations, with an agreed upon interest rate of 4.76% for the Local Water System and 4.33% for the Local Sewer System. This amortization schedule shall not be altered to reflect any refunding of pre-Effective Date bonded indebtedness after calendar year 2017. Debt service on bonds issued Post-Effective Date, other than bonds issued after calendar year 2017 to refund pre-Effective Date bonded indebtedness, shall be allocated based on the use of the proceeds. Consistent with implementation of the amortization schedule, GLWA shall reduce the DWSD Fiscal Year 2018 Revenue Requirement by \$2,177,500.

### **DWSD Retail Customers**

The 2018 MOU provides the following adjustments with respect to pre-Effective Date receivables and Landlord/Tenant Deposits and Affordability Accounts:

1. Pre-Effective Date Receivables. As of July 1, 2017, GLWA shall transfer to DWSD all of GLWA's interests in remaining pre-Effective Date retail accounts receivable and DWSD assumes all liability associated with repayment of delinquent tax advances. Net balances of \$8,816,149 shall be written off from GLWA's books as of July 1, 2017. In addition, GLWA shall transfer the aggregate amount of \$16,293,664 related to the cumulative Wayne County Revolving Fund Loan balance as of June 30, 2017, collected after July 1, 2017, to (i) DWSD's Sewer System Operation and Maintenance ("O&M") Account in the Sewer System O&M Fund in the amount of \$15,044,972 and the related obligations and (ii) DWSD's Water System O&M Account in the Water System O&M Fund in the amount of \$1,248,692 and the related obligations. Other collection activity related to these retail accounts receivable, since July 1, 2017, shall be deposited to the Receiving Fund held under the related Bond Ordinance, distributed in accordance with terms of the related Bond Ordinance and credited to the Cash Held for the Benefit of DWSD Account.

2. Landlord/Tenant Deposits and Affordability Accounts. GLWA shall transfer to DWSD all of GLWA's interests, if any, in the balances in the Landlord/Tenant Deposits and Affordability Accounts (i.e. non-Revenues representing, respectively, deposits required by DWSD for tenants in leased facilities and voluntary charitable contributions by Retail Customers to be used to assist certain other Retail Customers with paying bills for Water Services and Sewer Services) held in the Bond Ordinances in a fiduciary capacity and the related obligations.

### **Cash Transfers to DWSD**

The 2018 MOU provides for the following cash transfers to DWSD Accounts:

1. DWSD Sewer System I&E Account. Proceeds of DWSD Bonds held in the Construction Fund for such DWSD Bonds and available on the Effective Date are allocated consistent with the DWSD agreed upon allocable share of bond debt service related to the Local Systems. In recognition, GLWA shall transfer \$15,174,200 from GLWA's Sewer System I&E Account to DWSD's Sewer System I&E Account.

2. DWSD O&M Account. GLWA shall transfer \$18,622,473 to DWSD, in full satisfaction of GLWA's remaining short and long-term worker's compensation, unemployment, compensated absences



employment and other liabilities included in Schedule 4 to the 2018 MOU. Upon execution of the 2018 MOU, DWSD will notify the City Office of the Chief Financial Officer that DWSD has become solely responsible for these liabilities. Net balances of \$18,622,473 shall be written off from GLWA's books as of July 1, 2017. DWSD shall record a like amount as of July 1, 2017.

### **Extraordinary Repair & Replacement ("ER&R") Reserve Fund Contributions and Clarifications**

The 2018 MOU provides that except for the required restoration of DWSD withdrawals, GLWA shall fund future deposits to the ER&R Reserve Fund from Regional System Revenues as needed to satisfy the ER&R Maximum Requirement, as defined in the related Bond Ordinance and based on the sum of the Regional Systems' and Local Systems' Fiscal Year O&M Budgets. This provision does not require any cash or non-cash adjustments between the parties.

The ER&R Reserve Fund shall be available to both GLWA and DWSD as provided in the Bond Ordinances. To the extent there may be an investment loss if funds are drawn by DWSD, DWSD's Chief Financial Officer shall be advised before any loss is incurred. The entity that uses the funds shall fund investment losses incurred, if any.

DWSD draws not repaid as contemplated by the Bond Ordinances shall be repaid in full, in installments, over a period up to the next three fiscal years, plus a surcharge calculated as provided below, as part of the revenue requirement allocated to and payable by DWSD. The surcharge on the portion of the draw which remains unpaid at June 30 of the Fiscal Year in which the draw was made shall be based on the three-year U.S. Treasury Note Rate, as published in the Wall Street Journal, plus 150 basis points.

Until DWSD's ER&R Reserve Fund withdrawal is repaid, and unless DWSD has other resources available for that purpose or otherwise agreed to by GLWA, DWSD shall apply any available funds in the related DWSD I&E Account for that purpose. GLWA Board approval shall be required for repayment terms in excess of three (3) years. The quarterly Reconciliation Committee meetings shall include a review of the progress in DWSD repaying any ER&R Reserve Fund withdrawal.

### **Reconciliation Committee**

The 2018 MOU provides that the Reconciliation Committee (defined by the Water and Sewer Services Agreement as a DWSD Board Member and GLWA Board Member or their designees) along with GLWA's Chief Executive Officer, DWSD's Director, and their respective Chief Financial Officers and General Counsels shall meet at a minimum quarterly (January, April, July, and October). GLWA's designated Board Member liaison shall not be a Mayoral appointee and shall not be selected by the Mayoral appointees to the GLWA Board. The purpose of the quarterly meetings is to expand the level of communication between the two entities related to financial, operational, legal, capital planning, and other matters and opportunities for improved management and coordination of both entities and foster a positive partnership in the water services sector. The results of those meetings shall be reported back to the respective Boards by the Board liaison.

### **Financial Reporting on the Local Systems**

The 2018 MOU provides that beginning June 1, 2018, DWSD shall transmit to GLWA:

Quarterly Budget to Actual Report for Revenues and Expenses for O&M, I&E, and Construction Bond activities.

Quarterly cash flow forecast for the subsequent two-year time period for O&M, I&E, and Construction Bond activities.

Quarterly reconciliation of the Cash Held by GLWA, as recorded by DWSD, with the Cash Held for the Benefit of DWSD, as provided by GLWA.

Monthly cash receipts presented on a year-over-year basis with variance analysis.

Monthly accounts receivable roll-forward by system, which provides beginning balance, revenues, expenses, write-offs, other adjustments, and reconciling items.

Daily cash receipt reconciliation.

Any other reports as requested by the Reconciliation Committee.

### **Standard Operating Procedures**

The 2018 MOU provides that DWSD and GLWA shall jointly develop standard operating procedures (“SOPs”) for working through and documenting operational interactions. To the extent that SOPs cannot be agreed upon by the DWSD and GLWA team members after review with the GLWA Chief Executive Officer and the DWSD Director, the issue may be brought forward to the Reconciliation Committee.

### **Budget Shortfalls**

The 2018 MOU provides that if DWSD experiences a cumulative negative variance of more than two percent (2%) of the total budget for either Local System (a “Budget Shortfall”) from its budget adopted pursuant to the Water and Sewer Services Agreement based on DWSD’s quarterly reports to GLWA, DWSD, as the agent of GLWA, shall, within thirty (30) days thereafter, schedule a meeting of the Reconciliation Committee to discuss the magnitude and reasons for the shortfall and possible approaches to address the shortfall. Within sixty (60) days after the Reconciliation Committee meets, DWSD, as agent, shall develop a plan to cure the Budget Shortfall and the time period within which the shortfall will be cured, taking into account the reasons for and magnitude of the shortfall. If Revenues, including, but not limited to, adjustments to Local O&M expenditures and the use of subsequent positive receipts, are not available to cure the Budget Shortfall within the same Fiscal Year, DWSD shall reallocate available funds in the related DWSD I&E Account or reallocate any unencumbered Lease Payment to eligible debt service to satisfy the Budget Shortfall.

Budget Shortfalls not cured by the end of the Fiscal Year following the year in which they arise shall be repaid in full, in installments, over a period not to exceed the next three fiscal years, plus a surcharge calculated as provided below, as part of the Revenue Requirement payable by DWSD. The surcharge factor on the portion of the Budget Shortfall which remains unpaid at June 30 of the Fiscal Year following the fiscal year in which the Budget Shortfall arises shall be based on the three-year U.S. Treasury Note Rate, as published in the Wall Street Journal, plus 150 basis points.

Until the Budget Shortfall is repaid, and unless DWSD has other resources available for that purpose or otherwise agreed to by GLWA, DWSD shall apply any available funds in the related DWSD I&E Account for that purpose. GLWA Board approval shall be required for repayment terms in excess of three (3) years. The quarterly Reconciliation Committee meetings shall include a review of the progress in eliminating the Budget Shortfall.

### **Write-offs Related to 2018 MOU Implementation**

The 2018 MOU provides that any write-offs recognized in GLWA’s Financial Statements related to implementing the 2018 MOU shall not directly affect current or future revenue requirements for customer specific cost pools.

## **Water and Sewer Charges to GLWA**

The 2018 MOU includes a provision that GLWA desires a meeting to begin the discussion on the clarification of water supply and sewage disposal services provided by DWSD to the Regional System within thirty (30) days after the execution of the 2018 MOU. The 2018 MOU provides that if this issue is not resolved within ninety (90) days after the meeting, the matter will be brought to the Reconciliation Committee for potential resolution prior to invoking Article 7 - Dispute Resolution of the Water and Sewer Services Agreement.

## **Pre-Effective Date Liabilities**

The 2018 MOU provides and clarifies that DWSD assumes liability for third party litigation, arbitrations and claims arising out of events and/or actions occurring on or before January 1, 2016 and involving the following types of matters (collectively, the “Pre-Effective Date Liabilities”):

- a. Local System ratemaking, collections and enforcement.
- b. Sewer back-ups in the City of Detroit, unless there is admissible evidence of the failure of Leased Sewer Facility or Facilities.
- c. Personal injury matters (more fully described in the 2018 MOU).
- d. Contract matters related to the Local Systems (more fully described in the 2018 MOU).
- e. Environmental matters related to the Local Systems.
- f. City of Detroit Bankruptcy matters, excluding BC Notes and pension liabilities as described in Section 4.3 of the Leases.
- g. Freedom of Information Act and Open Meetings Act matters related to the Local System for which DWSD maintains the records.
- h. In addition to the matters addressed in “Cash Transfers to DWSD – DWSD O&M Account” described above, employment matters for DWSD employees that were not actually offered employment by GLWA, including labor/union and discrimination and harassment.
- i. Any other Pre-Effective Date Liabilities relating to the Local Systems only.

For all Pre-Effective Date Liabilities, DWSD agrees to lead in the defense of the Pre-Effective Date Liabilities and assume all financial or legal exposure for the Pre-Effective Date Liabilities, including any and all unpaid amounts to fund ratemaking litigation settlements. GLWA agrees that the arbitration demands approved by GLWA’s Board related to Pre-Effective Date Liabilities involving third parties shall be withdrawn. GLWA agrees to cooperate in DWSD’s defense of any Pre-Effective Date Liabilities.

The 2018 MOU provides that GLWA shall have no further liability as to the liabilities transferred to and assumed by DWSD under the 2018 MOU, specifically those assigned as described under “Adjustments to Cash Held for the Benefit of DWSD – Consideration for Assumption of Pre-Effective Date Liabilities,” second paragraph of “DWSD Retail Customers,” “Cash Transfers to DWSD – DWSD O&M Account,” and first two paragraphs of “Pre-Effective Date Liabilities.”

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**APPENDIX X**  
**FORM OF CONTINUING DISCLOSURE UNDERTAKING**

This Continuing Disclosure Undertaking (the “Undertaking”) is executed and delivered by the Great Lakes Water Authority (the “Issuer”) and in connection therewith have examined the law and certified copies of the proceedings and other documents relating to the issuance by the Issuer of its Water Supply System Revenue Refunding Senior Lien Bonds, Series 2024A and Water Supply System Revenue Refunding Second Lien Bonds, Series 2024B (collectively, the “Series 2024 Bonds”).

The Series 2024 Bonds have been authorized and are being issued pursuant to the provisions of (i) Act 233 and Act 94, Public Acts of Michigan, 1933, as amended (“Act 94”), (ii) Master Bond Ordinance No. 2015-01 adopted by the Board of Directors of the Issuer on October 7, 2015, as amended (the “Bond Ordinance”), (iii) the Series Ordinance No. 2024-02 adopted by the Board of Directors of the Issuer on April 24, 2024, as amended (the “2024 Series Ordinance”), and (iv) a Sale Order of the Chief Financial Officer and Treasurer of the Issuer dated May 21, 2024 (the “2024 Sale Order,” and, together with the Bond Ordinance and the 2024 Series Ordinance, the “Ordinance”).

**Section 1. Purpose of the Undertaking.** This Undertaking is being executed and delivered by the Issuer for the benefit of the Bondholders. The Issuer acknowledges that the State of Michigan (the “State”) has undertaken no responsibility with respect to any notices or disclosures provided or required under this Undertaking and has no liability to any person, including any Bondholders, with respect to any such notices or disclosures. The Issuer acknowledges that this Undertaking does not address the scope of any application of Rule 10b-5 promulgated by the SEC pursuant to the 1934 Act to the notices of the Listed Events provided or required to be provided by the Issuer pursuant to this Undertaking.

**Section 2. Definitions.** The following capitalized terms shall have the following meanings:

“1934 Act” shall mean the Securities Exchange Act of 1934, as amended.

“Annual Report” shall mean any Annual Report of the Issuer provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Undertaking.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Series 2024 Bonds (including any person holding Series 2024 Bonds through nominees, depositories or other intermediaries).

“Bondholder” shall mean the registered owner of any Series 2024 Bond and any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any of the Series 2024 Bonds (including persons holding Series 2024 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any of the Series 2024 Bonds for federal income tax purposes.

“Disclosure Dissemination Agent” shall mean the Issuer or any successor Disclosure Dissemination Agent appointed in writing by the Issuer and which has filed with the Issuer a written acceptance of such appointment. In order to provide continuing disclosure with respect to the Series 2024 Bonds in accordance with the Rule in connection with the issuance of the Series 2024 Bonds, the Issuer will enter into a Disclosure Dissemination Agent Agreement (“Disclosure Dissemination Agreement”) for the benefit of the Bondholders with Digital Assurance Certification, L.L.C. (“DAC”), under which the Issuer has designated DAC as Disclosure Dissemination Agent.

“EMMA” shall mean the Electronic Municipal Market Access system of the MSRB. As of the date of this Undertaking, the EMMA Internet Web site address is <http://www.emma.msrb.org>.

“Financial Obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as a security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term Financial Obligation does not include municipal securities as to which a final official statement has been otherwise provided to the MSRB under the Rule.

“GAAP” shall mean generally accepted accounting principles, as such principles are prescribed, in part, by the Financial Accounting Standards Board and modified by the Governmental Accounting Standards Board and in effect from time to time.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Undertaking.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the 1934 Act. As of the date of this Undertaking, the address and telephone and telecopy numbers of the MSRB are as follows:

Municipal Securities Rulemaking Board  
1300 “I” Street, N.W. Suite 1000  
Washington, DC 20005  
Tel: (202) 838-1500  
Fax: (202) 898-1500

“Official Statement” shall mean the final Official Statement for the Series 2024 Bonds dated May 21, 2024.

“Participating Underwriter” shall mean any of the original underwriters of the Series 2024 Bonds required to comply with the Rule in connection with the primary offering of the Series 2024 Bonds.

“Rule” shall mean Rule 15c2-12 (17 CFR Part 240, § 240.15c2-12) promulgated by the SEC pursuant to the 1934 Act, as the same may be amended from time to time, together with all interpretive guidance or other official interpretations or explanations thereof that are promulgated by the SEC.

“SEC” shall mean the United States Securities and Exchange Commission.

“Securities Counsel” shall mean legal counsel expert in federal securities law.

“State” shall mean the State of Michigan.

### **Section 3. Provision of Annual Reports.**

(a) Each year, the Issuer shall provide, or shall cause the Disclosure Dissemination Agent to provide, not later than 270 days after the last day of the Issuer’s fiscal year, commencing with the Issuer’s Annual Report for its fiscal year ended June 30, 2024, to the MSRB an Annual Report for the preceding fiscal year which is consistent with the requirements of Section 4 of this Undertaking. Not later than 15 business days (or such lesser number of days as is acceptable to the Disclosure Dissemination Agent) prior to said date, the Issuer

shall provide the Annual Report to the Disclosure Dissemination Agent (if other than the Issuer). Currently, the Issuer's fiscal year commences on July 1. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by specific reference other information as provided in Section 4 of this Undertaking; provided, however, that if the audited financial statements of the Issuer are not available by the deadline for filing the Annual Report, they shall be provided when and if available, and unaudited financial statements in a format similar to the audited financial statements then most recently prepared for the Issuer shall be included in the Annual Report.

(b) If the Issuer is unable to provide to the MSRB an Annual Report of the Issuer by the date required in subsection (a), the Issuer shall file a notice, in a timely fashion, with the MSRB, in substantially the form attached as Exhibit A.

(c) If the Issuer's fiscal year changes, the Issuer shall file written notice of such change with the MSRB, in substantially the form attached as Exhibit B.

(d) Whenever any Annual Report or portion thereof is filed as described above, it shall be attached to a cover sheet in substantially the form attached as Exhibit C.

(e) If the Disclosure Dissemination Agent is other than the Issuer, the Disclosure Dissemination Agent shall file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Undertaking, stating the date it was provided.

(f) In connection with providing the Annual Report, the Disclosure Dissemination Agent (if other than the Issuer) is not obligated or responsible under this Undertaking to determine the sufficiency of the content of the Annual Report for purposes of the Rule or any other state or federal securities law, rule, regulation or administrative order.

**Section 4. Content of Annual Reports.** The Issuer's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Issuer for its fiscal year immediately preceding the due date of the Annual Report.

(b) An update of the financial information and data contained in the tables under the captions: "SERVICE AREA AND CUSTOMERS," "AUTHORITY FINANCIAL OPERATIONS," "THE REGIONAL SEWER SYSTEM," "THE MASTER PLAN AND THE CAPITAL IMPROVEMENT PLAN," (excluding any projections included therein) appearing in the Official Statement.

The Issuer's financial statements shall be audited and prepared in accordance with GAAP with such changes as may be required from time to time in accordance with State law.

Any or all of the items listed above may be included by specific reference to other documents available to the public on the MSRB's Internet Web site or filed with the SEC. The Issuer shall clearly identify each such other document so included by reference.

## **Section 5. Reporting of Significant Events.**

(a) The Issuer covenants to provide, or cause to be provided, notice of the occurrence of any of the following events with respect to the Series 2024 Bonds in a timely manner not in excess of ten (10) business days after the occurrence of the event and in accordance with the Rule:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2024 Bonds, or other material events affecting the tax status of the Series 2024 Bonds;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Series 2024 Bonds, if material;
- (11) Rating changes;
- (12) Tender offers;
- (13) Bankruptcy, insolvency, receivership or similar event of the Issuer;
- (14) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (15) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (16) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation of the obligated person, any of which affect Holders of the Series 2024 Bonds, if material; and



(17) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event described in subsection (a)(2), (7), (8), (10), (14), (15), (16) or (17), the Issuer shall as soon as possible determine if such Listed Event would be material under applicable federal securities laws. The Issuer covenants that its determination of materiality will be made in conformance with federal securities laws.

(c) If the Issuer determines that (i) a Listed Event described in subsection (a)(1), (3), (4), (5), (6), (9), (11), (12) or (13) has occurred or (ii) the occurrence of a Listed Event described in subsection (a)(2), (7), (8), (10), (14), (15), (16) or (17) would be material under applicable federal securities laws, the Issuer shall cause a notice of such occurrence to be filed with the MSRB within ten (10) business days of the occurrence of the Listed Event, together with a cover sheet in substantially the form attached as Exhibit D. In connection with providing a notice of the occurrence of a Listed Event described in subsection (a)(9), the Issuer shall include in the notice explicit disclosure as to whether the Series 2024 Bonds have been escrowed to maturity or escrowed to call, as well as appropriate disclosure of the timing of maturity or call.

(d) In connection with providing a notice of the occurrence of a Listed Event, the Disclosure Dissemination Agent (if other than the Issuer), solely in its capacity as such, is not obligated or responsible under this Undertaking to determine the sufficiency of the content of the notice for purposes of the Rule or any other state or federal securities law, rule, regulation or administrative order.

(e) The Issuer acknowledges that the “rating changes” referred to in subsection (a)(11) above may include, without limitation, any change in any rating on the Series 2024 Bonds or other indebtedness for which the Issuer is liable.

(f) The Issuer acknowledges that it is not required to provide a notice of a Listed Event with respect to credit enhancement when the credit enhancement is added after the primary offering of the Series 2024 Bonds, the Issuer does not apply for or participate in obtaining such credit enhancement, and such credit enhancement is not described in the Official Statement.

#### **Section 6. Mandatory Electronic Filing with EMMA.**

All filings with the MSRB under this Undertaking shall be made by electronically transmitting such filings through the EMMA Dataport at <http://www.emma.msrb.org> as provided by the amendments to the Rule adopted by the SEC in Securities Exchange Act Release No. 59062 on December 5, 2008.

#### **Section 7. Termination of Reporting Obligation.**

(a) The Issuer’s obligations under this Undertaking shall terminate if and when the Issuer’s obligation to pay the principal of and interest on Series 2024 Bonds is assumed in full by some other entity, such entity shall be responsible for compliance with this Undertaking in the same manner as if it were the Issuer, and the Issuer shall have no further responsibility hereunder.

(b) This Undertaking, or any provision hereof, shall be null and void in the event that the Issuer (i) receives an opinion of Securities Counsel, addressed to the Issuer, to the effect that those portions of the Rule, which require such provisions of this Undertaking, do not or no longer apply to the Series 2024 Bonds,

whether because such portions of the Rule are invalid, have been repealed, amended or modified, or are otherwise deemed to be inapplicable to the Series 2024 Bonds, as shall be specified in such opinion, and (ii) files notice to such effect with the MSRB.

**Section 8. Disclosure Dissemination Agent.** The Issuer, from time to time, may appoint or engage a Disclosure Dissemination Agent to assist it in carrying out its obligations under this Undertaking and may discharge any such Disclosure Dissemination Agent, with or without appointing a successor Disclosure Dissemination Agent. Except as otherwise provided in this Undertaking, the Disclosure Dissemination Agent (if other than the Issuer) shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Undertaking.

**Section 9. Amendment; Waiver.**

(a) Notwithstanding any other provision of this Undertaking, this Undertaking may be amended, and any provision of this Undertaking may be waived, provided that the following conditions are satisfied:

(i) if the amendment or waiver relates to the provisions of Section 3(a), (b), (c), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, a change in law or a change in the identity, nature or status of the Issuer, or type of business conducted by the Issuer;

(ii) this Undertaking, as so amended or taking into account such waiver, would, in the opinion of Securities Counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2024 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) the amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders.

(b) In the event of any amendment to, or waiver of a provision of, this Undertaking, the Issuer shall describe such amendment or waiver in the next Annual Report and shall include an explanation of the reason for such amendment or waiver. In particular, if the amendment results in a change to the annual financial information required to be included in the Annual Report pursuant to Section 4 of this Undertaking, the first Annual Report that contains the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of such change in the type of operating data or financial information being provided. Further, if the annual financial information required to be provided in the Annual Report can no longer be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be included in the first Annual Report that does not include such information.

(c) If the amendment results in a change to the accounting principles to be followed in preparing financial statements as set forth in Section 4 of this Undertaking, the Annual Report for the year in which the change is made shall include a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of such differences and the impact of the changes on the presentation of the financial information. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in accounting principles shall be filed by the Issuer or the Disclosure Dissemination Agent (if other than the Issuer) at the written direction of the Issuer with the MSRB.

**Section 10. Additional Information.** Nothing in this Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Undertaking. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Undertaking, the Issuer shall have no obligation under this Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**Section 11. Failure to Comply.** In the event of a failure of the Issuer or the Disclosure Dissemination Agent (if other than the Issuer) to comply with any provision of this Undertaking, any Bondholder or Beneficial Owner may bring an action to obtain specific performance of the obligations of the Issuer or the Disclosure Dissemination Agent (if other than the Issuer) under this Undertaking, but no person or entity shall be entitled to recover monetary damages hereunder under any circumstances, and any failure to comply with the obligations under this Undertaking shall not constitute a default with respect to the Series 2024 Bonds. Notwithstanding the foregoing, if the alleged failure of the Issuer to comply with this Undertaking is the inadequacy of the information disclosed pursuant hereto, then the Bondholders and the Beneficial Owners (on whose behalf a Bondholder has not acted with respect to this alleged failure) of not less than a majority of the aggregate principal amount of the then outstanding Series 2024 Bonds must take the actions described above before the Issuer shall be compelled to perform with respect to the adequacy of such information disclosed pursuant to this Undertaking.

**Section 12. Duties of Disclosure Dissemination Agent.** The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Undertaking.

**Section 13. Beneficiaries.** This Undertaking shall inure solely to the benefit of the Issuer, the Disclosure Dissemination Agent, the Participating Underwriter, the Bondholders and the Beneficial Owners, and shall create no rights in any other person or entity.

**Section 14. Transmission of Information and Notices.** Unless otherwise required by law or this Undertaking, and, in the sole determination of the Issuer or the Disclosure Dissemination Agent, as applicable, subject to technical and economic feasibility, the Issuer or the Disclosure Dissemination Agent, as applicable, shall employ such methods of information and notice transmission as shall be requested or recommended by the herein-designated recipients of such information and notices.

**Section 15. Additional Disclosure Obligations.** The Issuer acknowledges and understands that other State and federal laws, including, without limitation, the Securities Act of 1933, as amended, and Rule 10b-5 promulgated by the SEC pursuant to the 1934 Act, may apply to the Issuer, and that under some circumstances, compliance with this Undertaking, without additional disclosures or other action, may not fully discharge all duties and obligations of the Issuer under such laws.

**Section 16. Governing Law.** This Undertaking shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Undertaking shall be instituted in a court of competent jurisdiction in the State. Notwithstanding the foregoing, to the extent this Undertaking addresses matters of federal securities laws, including the Rule, this Undertaking shall be construed and interpreted in accordance with such federal securities laws and official interpretations thereof.

GREAT LAKES WATER AUTHORITY

Dated: \_\_\_\_\_

By: \_\_\_\_\_  
Chief Executive Officer

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Issuer: Great Lakes Water Authority (the “Issuer”)  
Name of Bond Issue: Water Supply System Revenue Refunding Senior Lien Bonds, Series 2024A and Water Supply System Revenue Refunding Second Lien Bonds, Series 2024B  
Date of Bonds: June 6, 2024

**NOTICE IS HEREBY GIVEN** that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of its Continuing Disclosure Undertaking with respect to such Bonds. The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_.

**GREAT LAKES WATER AUTHORITY**

By: \_\_\_\_\_  
Its \_\_\_\_\_

Dated: \_\_\_\_\_

**EXHIBIT B**

**NOTICE OF CHANGE IN ISSUER'S FISCAL YEAR**

Issuer: Great Lakes Water Authority

Name of Bond Issue: Water Supply System Revenue Refunding Senior Lien Bonds, Series 2024A and Water Supply System Revenue Refunding Second Lien Bonds, Series 2024B

Date of Bonds: June 6, 2024

**NOTICE IS HEREBY GIVEN** that the Issuer's fiscal year has changed. Previously, the Issuer's fiscal year ended on \_\_\_\_\_. It now ends on \_\_\_\_\_.

**GREAT LAKES WATER AUTHORITY**

By: \_\_\_\_\_  
Its \_\_\_\_\_

Dated: \_\_\_\_\_

**EXHIBIT C**

**ANNUAL REPORT COVER SHEET**

This cover sheet and the attached Annual Report or portion thereof should be filed electronically with the Municipal Securities Rulemaking Board through the EMMA Dataport at <http://www.emma.msrb.org> pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(A) and (B).

Issuer: Great Lakes Water Authority

Issuer's Six-Digit CUSIP Number(s): \_\_\_\_\_

or Nine-Digit CUSIP Number(s) to which the attached Annual Report relates: \_\_\_\_\_

Number of pages of the attached Annual Report or portion thereof: \_\_\_\_\_

Name of Bond Issue: \_\_\_\_\_

Date of Bonds: \_\_\_\_\_

I hereby represent that I am authorized by the Issuer or its agent to distribute this information publicly:

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Employer: \_\_\_\_\_

Address: \_\_\_\_\_

City, State, Zip Code: \_\_\_\_\_

Voice Telephone Number: \_\_\_\_\_

## EXHIBIT D

### EVENT NOTICE COVER SHEET

This cover sheet and the attached Event Notice should be filed electronically with the Municipal Securities Rulemaking Board through the EMMA Dataport at <http://www.emma.msrb.org> pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer: Great Lakes Water Authority

Issuer's and/or Other Obligated Person's Six-Digit CUSIP Number(s): \_\_\_\_\_

or Nine-Digit CUSIP Number(s) to which the attached Event Notice relates: \_\_\_\_\_

Number of pages of the attached Event Notice: \_\_\_\_\_

Description of the attached Event Notice (Check One):

- |     |       |  |
|-----|-------|--|
| 1.  | _____ | Principal and interest payment delinquencies   |
| 2.  | _____ | Non-Payment related defaults   |
| 3.  | _____ | Unscheduled draws on debt service reserves reflecting financial difficulties   |
| 4.  | _____ | Unscheduled draws on credit enhancements reflecting financial difficulties   |
| 5.  | _____ | Substitution of credit or liquidity providers, or their failure to perform   |
| 6.  | _____ | Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security  |
| 7.  | _____ | Modifications to rights of securities holders  |
| 8.  | _____ | Bond calls   |
| 9.  | _____ | Defeasances  |
| 10. | _____ | Release, substitution, or sale of property securing repayment of the securities  |
| 11. | _____ | Rating changes   |
| 12. | _____ | Tender offers  |
| 13. | _____ | Bankruptcy, insolvency, receivership or similar event of an obligated person   |
| 14. | _____ | The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of an obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms |
| 15. | _____ | Appointment of a successor or additional trustee, or the change of name of a trustee   |
| 16. | _____ | Failure to provide annual financial information as required  |
| 17. | _____ | Other material event notice (specify) _____  |

I hereby represent that I am authorized by the Issuer or its agent to distribute this information publicly:

Signature: \_\_\_\_\_

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Employer: \_\_\_\_\_

Address: \_\_\_\_\_

City, State, Zip Code: \_\_\_\_\_

Voice Telephone Number: \_\_\_\_\_

**Please format the Event Notice attached to this cover sheet in 10 point type or larger. Contact the MSRB at (202) 838-1500 with questions regarding this form or the dissemination of this notice.**



**APPENDIX XI**  
**FORM OF APPROVING OPINION OF BOND COUNSEL**

Great Lakes Water Authority  
Counties of Macomb, Oakland and Wayne, Michigan

We have acted as bond counsel to the Great Lakes Water Authority, Counties of Macomb, Oakland and Wayne, Michigan (the “Issuer”) and in connection therewith have examined the law and certified copies of the proceedings and other documents relating to the issuance by the Issuer of (i) its \$348,175,000 Water Supply System Revenue Refunding Senior Lien Bonds, Series 2024A (the “Series 2024A Bonds”), and (ii) its \$35,930,000 Water Supply System Revenue Refunding Second Lien Bonds, Series 2024B (the “Series 2024B Bonds,” and together with the Series 2024A Bonds, the “Bonds”). The Bonds are dated June 6, 2024, are payable as to principal and interest as provided in the Bonds and are subject to redemption prior to maturity in the manner, at the times and at the prices specified in the Bonds.

The Bonds are issued pursuant to (i) Act 233, Public Acts of Michigan, 1955, as amended (“Act 233”), (ii) Act 94, Public Acts of Michigan, 1933, as amended (“Act 94”), (iii) Ordinance No. 2015-01 adopted by the Board of Directors of the Issuer on October 7, 2015, as amended (the “Bond Ordinance”), (iv) Ordinance No. 2024-02 adopted by the Board of Directors of the Issuer on April 24, 2024 (the “Series Ordinance”), and (v) a Sale Order of the Chief Financial Officer and Treasurer of the Issuer executed on May 21, 2024 (the “Sale Order,” and together with the Bond Ordinance and the Series Ordinance, the “Ordinance”). Capitalized terms not otherwise defined herein shall have the meaning given such terms in the Ordinance.

As to questions of fact material to our opinion, we have relied upon certified proceedings and other certificates of public officials furnished to us without undertaking to verify the same by an independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Issuer is duly organized and validly existing as a municipal authority and public body corporate under Act 233.
2. The Bond Ordinance and the Series Ordinance have been duly and lawfully adopted by the Issuer and the Sale Order has been duly executed by the Chief Financial Officer and Treasurer of the Issuer, and each of the Bond Ordinance, the Series Ordinance and the Sale Order is in full force and effect and is valid and binding upon the Issuer and enforceable in accordance with its terms.
3. The Bonds have been duly authorized, executed and delivered by the Issuer and are valid and legally binding obligations of the Issuer, secured by and payable solely from the Pledged Assets, which includes a pledge of the Net Revenues of the Water System.
4. Pursuant to Act 94, the Ordinance creates a valid statutory lien on the Pledged Assets as security for payment of the principal of and interest on the Bonds, on a senior lien basis, parity lien basis or junior lien basis with other bonds previously issued, currently being issued and to be issued hereafter, as described in the Bonds.
5. The Bonds and the interest thereon are exempt from taxation by the State of Michigan or by any taxing authority within the State of Michigan, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof.

6. The interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, interest on the Bonds held by an "applicable corporation" (as defined in Section 59(k) of the Code) is included in annual "adjusted financial statement income" for purposes of calculating the alternative minimum tax imposed on an applicable corporation that are subject to the corporate alternative minimum tax under Section 55 of the Code. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

It is understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

## **APPENDIX XII BOOK-ENTRY ONLY SYSTEM**

### **Book-Entry-Only System**

The information in this Appendix “Book-Entry-Only System” has been furnished by The Depository Trust Company (“DTC”). No representation is made by the Authority, the State, the Trustee or the Underwriters as to the completeness or accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof. No attempt has been made by the Authority, the State, the Trustee or the Underwriters to determine whether DTC is or will be financially or otherwise capable of fulfilling its obligations. Neither the Authority, the State nor the Trustee will have any responsibility or obligation to DTC Direct Participants, Indirect Participants (both as defined below) or the persons for which they act as nominees with respect to the Series 2024 Bonds, or for any principal, premium, if any, or interest payment thereof.

DTC will act as securities depository for the Series 2024 Bonds. The Series 2024 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of each Type of the Series 2024 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Series 2024 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2024 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2024 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect

Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Series 2024 Bonds, except in the event that use of the book-entry system for the Series 2024 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2024 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2024 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2024 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2024 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2024 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2024 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Series 2024 Bonds may wish to ascertain that the nominee holding the Series 2024 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2024 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2024 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2024 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2024 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participant's accounts upon DTC's receipt of funds and corresponding detail information from the Authority or Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2024 Bonds at any time by giving reasonable notice to the Authority or Trustee. Under such circumstances, in

the event that a successor securities depository is not obtained, Series 2024 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2024 Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the Authority believes to be reliable, but neither the Authority nor the Underwriters take any responsibility for the accuracy thereof. The Authority and the Underwriters cannot and do not give any assurances that DTC, the Direct and Indirect Participants or others will distribute payments of principal and interest with respect to the Series 2024 Bonds paid to Cede & Co. or another DTC nominee as the Owner, or will distribute any redemption or other notices to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The Authority and the Underwriters are not responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Series 2024 Bonds or an error or delay relating thereto.

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