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## **Executive Summary**

### **City of Detroit Detroit Water and Sewerage Department Sewage Disposal System Revenue Bonds, Series 2015**

#### **Participation in the State of Michigan – State Revolving Fund Program**

#### **Background on the Detroit Water and Sewerage Department:**

The Detroit Water and Sewerage Department (“DWSD”) is a department of the City of Detroit which is established under the City Charter. DWSD operates both a water supply system and a sewage disposal system (the “Systems”), and provides services to the residents of Detroit and to a substantial area outside the City. DWSD is governed by a seven-member board known as the Board of Water Commissioners (“BOWC”), which meets monthly.

During the pendency of the Detroit’s bankruptcy, the City, DWSD and the Counties of Macomb, Oakland and Wayne engaged in extensive negotiations regarding the potential formation of a regional authority, which would absorb several functions of DWSD. On October 10, 2014, the City and the Counties formally approved the formation of the Great Lakes Water Authority (“GLWA”), and the Authority was later formally incorporated.

The GLWA held its first official board meeting on December 12, 2014. The board is comprised of six members: two from the City of Detroit, and one each from Wayne, Oakland and Macomb counties, and one representing the State of Michigan. The Memorandum of Understanding to form the GLWA contemplates a lease by the City of the Systems to GLWA, and assumption by GLWA of all bonded indebtedness of the City related to the Systems, provided that the City is expected to retain control of the City retail system (“DWSD-R”). It is anticipated that the System lease will be executed by mid-May, 2015.

GLWA, the City, DWSD and the Counties are actively negotiating all aspects of the contemplated regionalization, targeting an effective date of July 1, 2015. Additional information on the GLWA is available on its website: <http://glwater.org/>.

## Financial Review Commission (FRC) Action Item:

*DWSD is requesting that the FRC approve the issuance of up to \$200M in bonds to implement a State Revolving Fund (SRF) program to fund necessary capital improvement projects. Issuance of these bonds was approved by the Michigan Department of Treasury on August 19, 2014, and by the BOWC on November 19, 2014. More detail on this request is below:*

DWSD is regulated in part by a National Pollutant Discharge Elimination System (“NPDES”) permit program and related Administrative Consent Order (“ACO”), with oversight by the Michigan Department of Environmental Quality (“DEQ”). The current ACO requires DWSD to implement sewer system corrective measures to provide reliable capacity needed to process and dispose of biosolids, and mandates a timetable for completing the required remedial measures.

A major component of DWSD’s sewer system Capital Improvement Plan is a “biosolids dryer facility” project, which will allow DWSD to take their current aging incinerator facilities off-line, and simultaneously improve solids handling operations and maintenance expense by over \$15 million annually. This biosolids dryer facility is expected to be the largest of its kind in North America, and is also a major component of DWSD’s plan to maintain regulatory compliance with new federal air pollution control regulations, which become effective in March of 2016. Construction of the biosolids dryer facility and related incinerator improvements is underway, and the contractor is currently seven months ahead of schedule.

DWSD finances capital improvement projects through the issuance of sewer revenue bonds, which are payable solely from applicable sewer revenues, and not from general funds of the City of Detroit. The City does *not* pledge its full faith and credit to DWSD bonds, and DWSD Funds are maintained separately from the City’s General Fund under Section 7-1203 of the Detroit City Charter.

The State of Michigan, through the Michigan Finance Authority and DEQ, has implemented a State Revolving Fund (“SRF”) program, which allows for the financing of qualifying projects at below-market interest rates. In September 2014, DWSD issued \$123 million in revenue bonds for general sewer capital improvements and **\$27.4 million** in revenue bonds for SRF- ineligible costs of the biosolids dryer project, at an interest rate of **5.0%**. In October 2014, DWSD obtained preliminary approval from DEQ for participation of up to **\$81 million** in revenue bonds during FY 2014-2015 for eligible costs of the biosolids dryer project and **\$33.03 million** for eligible costs of related incinerator improvements; both at **2.5%**, affording significant savings to DWSD and its customers. A portion of the project also qualifies for principal forgiveness through the Environmental Protection Agency Green Project Reserve.

**CITY OF DETROIT CONTRACT SUBMISSION TO FINANCIAL REVIEW COMMISSION**

**THE FOLLOWING CONTRACTS ARE BEING SENT TO THE FRC FOR REVIEW AND APPROVAL PURSUANT TO  
SECTION 6, SUBSECTION 6 OF THE MICHIGAN FINANCIAL REVIEW COMMISSION ACT  
CONTRACTS GREATER THAN \$750,000.00  
FOR SPECIAL SESSION ON FEBRUARY 12, 2015**

Prepared By: Boysie Jackson, Chief Procurement Officer - 2/6/2015

	<b>Department</b>	<b>Contract Number</b>	<b>Description</b>	<b>Competitively Bid</b>	<b>Lowest Bid</b>	<b>City Council Approval Date</b>	<b>Office of the Chief Financial Officer Approval Date</b>	<b>Comments</b>
1	Health and Wellness	2902650	<p>100% State Funding – To Provide Women Infant and Children (WIC) Nutrition Services. This Includes Program Activities, Operations, Registration, Certifications, Reporting Activities and to Implement and Assure Program Operations and Delivery of Services – Contractor: <b>Moms and Babes Too</b>, Location: 5716 West Michigan Avenue, Detroit, MI 48210 – Contract Period: January 1, 2015 through September 30, 2015 – Contract Amount: \$1,815,996.00</p> <p><b>WIC Locations:</b> Northwest Clinic; Family Place (Woodward); Northwest (McNichols); West Warren and Kercheval Locations</p>	Yes	<p>Contract Selection was based on several Bid Criteria and not lowest cost. The company with the highest ranking and scoring wins the award. This includes:</p> <ul style="list-style-type: none"> <li>• Experience</li> <li>• Staffing</li> <li>• Financial Integrity</li> <li>• Cost per Client</li> </ul>	<p>Pending approval of City Council. Anticipated on Tuesday 2/10/15. Due to inclement weather on 2/2/15, Council was unable to consider the contract until 2/9 and 2/10.</p>	<p>Plan for 2/10/15 after City Council Approval</p>	<p>The Department has been operating without a contract since January 1, 2015 with Vendors selected from a Competitive bid process because they did not want to stop providing food services to thousands of Women and Children in Detroit. These Vendors have not been paid as of this date.</p> <p>WIC is among a menu of services that were contracted out (under the previous administration with State input) to the Institute of Population Health without formal competitive bidding. The State later determined that these services needed to be competitively bid when the IPH contract ended. This determination came late and there was some confusion about whether the IPH contract was going to be extended in whole or in part or not at all. The initial bidding process was impacted by that confusion, so a rebid was required.</p>
2	Health and Wellness	2903113	<p>100% State Funding – To Provide Women Infant and Children (WIC) Nutrition Services. This Includes Program Activities, Operations, Registration, Certifications, Reporting Activities and to Implement and Assure Program Operations and Delivery of Services – Contractor: <b>Arab American and Chaldean Council (ACC) Center</b>, Location: 363 West Big Beaver Road, Suite 300, Troy, MI 48084 – Contract Period: January 1, 2015 through September 30, 2015 – Contract Amount: \$1,051,409.00</p> <p><b>WIC Locations:</b> Lappin and Harper Locations</p>	Yes				