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## Work begins on water authority: Orr plan could save \$70M annually

By [Kirk Pinho](#)



The spigot has been opened for a new regional authority to take over the **Detroit Water and Sewerage Department**.

Emergency Manager Kevyn Orr and his consulting team [on Friday released a restructuring report](#) detailing, among other ideas, plans for a new **Metropolitan Area Water and Sewer Authority**. Once a deal is struck regarding regional governance and financial terms, the authority would issue new bonds with lower interest rates to save money for the city.

The information on the authority was presented as part of a meeting with city creditors, insurers to creditors and labor unions.

Orr estimated in his [financial and operations report](#), presented to the state **Department of Treasury** in May, that DWSD restructuring could save \$50 million to \$70 million annually.

On Friday, Orr reiterated that the water department was a top priority and provided more details on the proposed authority.

The DWSD, which serves nearly 1,100 square miles and communities in eight Southeast Michigan counties, has about \$5.8 billion in debt. The city would either permit the new authority, MAWSA, to operate the DWSD through a concession agreement or via a lease of water department assets.

MAWSA would be able to issue new bonds on Series A and Series B debt, using liens on net revenue generated by authority assets as collateral, according to Orr's restructuring plan. The authority could hold property, collect water and sewer taxes, contract and take on debt in its own name.

A MAWSA lease agreement for the department assets would be for no more than 40 years and would be extended as new MAWSA bonds are issued. MAWSA would pay a monthly payment in lieu of taxes to the city, or a monthly lease fee. Specific terms are not yet known.

Orr spokesman Bill Nowling said in an interview Friday that only preliminary meetings have been held with Wayne, Oakland and Macomb counties. It's not known whether the other five counties with communities using the system's services would be included.

Transactions of the DWSD, removed from federal oversight by U.S. District Judge Sean Cox in March, would have to be approved by the city -- effectively, Orr -- and the participating communities, according to Orr's restructuring proposal.

Suburban officials said Friday the plan seems to make sense on the surface, but details will need to be negotiated.

"We are going to look at all the numbers they have to make sure the numbers add up," said Oakland County Water Resources Commissioner Jim Nash. "The issue over the years is that we couldn't get good numbers from them. We are very satisfied with the new management there. I think things are coming together well, and I feel really good about how it's going to end up looking."

Oakland County Executive L. Brooks Patterson said that while he was pleased that the DWSD pension and benefit costs wouldn't be borne by suburban customers, he doesn't like the proposed composition of the MAWSA board.

Orr's restructuring plan calls for the MAWSA board to be governed and operated by a seven-member board of commissioners. More than half of the representation on that board would come from the city of Detroit.

The council could appoint a customer advocate annually for Detroit retail customers.

Patterson said he believes the authority should have more suburban representation and have to approve everything unanimously.

"We'd want to study the proposal," said June West, director of communications for Wayne County Executive Robert Ficano. "We've looked at similar proposals before, and as always, the devil is in the details."

West added that, conceptually, Ficano has been supportive of similar proposals to regionalize the DWSD.

Macomb County Executive Mark Hackel said, "It's better to look to see if it's in our best interest to create a regional authority.

"I don't want it to go into the private sector, and I don't want to see our rates go up."

Under the plan, DWSD employees could become employees of MAWSA, but their pensions and health care benefits would be subject to the same modifications adopted under Orr's restructuring plan and would remain Detroit's responsibility to pay.

Besides debt relief, a restructuring of the water department is important because of an upcoming series of capital improvements that must be paid for; Orr's latest report outlines about \$1.2 billion in capital improvements in the next four years. Financing those improvements has been hampered in part by the DWSD's inability to receive lower interest rates because of its affiliation with Detroit, Orr's proposal says.

"Putting that system in the hands of somebody that can make the necessary improvements and maintain the system and generate some cash for the city is a good thing," said Patrick O'Keefe, CEO of Bloomfield Hills-based turnaround consulting firm **O'Keefe LLC**.

But Tia Lebherz, Michigan organizer for the **Food & Water Watch** in Detroit, said the proposed authority is a "clear path to privatization" and is a bad idea.

"This is something that needs to be kept in public control," she said. "With something like the water department, the cost of providing water and sanitation services to people, the bottom line needs to be services and not profit."

Orr, who called the city's finances "beyond dire" on Friday, said he expects to know within 30 days whether he will have to take the city through a Chapter 9 municipal bankruptcy. For more coverage of the restructuring plan, see [www.craindetroit.com/orr](http://www.craindetroit.com/orr).

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