

EXHIBIT 1

EXHIBIT 1

**ARTICLE IV
MEANS FOR IMPLEMENTATION OF THE PLAN**

A. DWSD.

1. Rates and Revenues.

DWSD will maintain Fiscal Year 2015 rate setting protocols for a minimum of five years, subject to certain changes necessary to stabilize water and sewer revenues. Rates will be determined by the Board of Water Commissioners. The City may seek to implement a rate stability program for City residents, which program may, among other things, (a) provide a source of funds to mitigate against rate increases, (b) enhance affordability and (c) provide a buffer against delinquent payments.

2. DWSD CBAs.

Collective bargaining agreements with respect to current DWSD employees that are in effect and not expired as of the Effective Date will be assumed by the City.

3. The New DWSD Bonds and New Existing Rate DWSD Bonds.

DWSD shall, as necessary: (a) execute the New DWSD Bond Documents, issue the New DWSD Bonds substantially on the terms set forth on Exhibit I.A.235, and distribute the New DWSD Bonds as set forth in the Plan; and (b) execute the New Existing Rate DWSD Bond Documents, issue the New Existing Rate DWSD Bonds substantially on the terms set forth on Exhibit I.A.237, and distribute the New Existing Rate DWSD Bonds as set forth in the Plan.

4. Potential DWSD Authority Transaction.

As a result of mediation or otherwise, it is possible that the City may enter into a DWSD Authority Transaction that includes the formation of the DWSD Authority to conduct many or all of the operations currently conducted by DWSD. Any such transaction would be subject to the approval of incorporating units and numerous other conditions. The timing of any such transaction, if it occurs at all, is not known. If any such transaction could occur, unless waived by the City in its sole discretion, the City will enter into such transaction only if Macomb County, Oakland County and Wayne County, and each of their municipal affiliates or related public corporations, withdraw with prejudice or shall have withdrawn with prejudice their objections to the Confirmation of the Plan. Any DWSD Authority Transaction shall be on terms that are consistent with all other provisions of the Plan, applicable law and orders of the Bankruptcy Court. The City shall not enter into any binding agreement with respect to or consummate any DWSD Authority Transaction prior to the Effective Date without first obtaining an order of the Bankruptcy Court approving and authorizing such DWSD Authority Transaction.

All terms and conditions in respect of any DWSD Authority Transaction set forth in (a) any Bond Document or (b) any transaction document in respect of such a DWSD Authority Transaction shall in any case include: (i) no material modifications to the source of payment and security for any DWSD Bonds, New DWSD Bonds, New Existing Rate DWSD Bonds or 2014 Revenue and Revenue Refinancing Bonds; (ii) an opinion of tax counsel that such transfer shall have no material adverse effect on the tax exempt status of the interest on the DWSD Bonds, New DWSD Bonds, New Existing Rate DWSD Bonds or 2014 Revenue and Revenue Refinancing Bonds; (iii) that the City could issue at least \$1 of additional new money DWSD Bonds in compliance with the additional bonds test set forth in the applicable Bond Documents; and (iv) ratings confirmation of any rating agency then rating the DWSD Bonds, New DWSD Bonds, New Existing Rate DWSD Bonds and 2014 Revenue and Revenue Refinancing Bonds.

B. The New B Notes and New LTGO Bonds.

On the Effective Date, the City shall (a) execute the New B Notes Documents, issue the New B Notes, substantially on the terms set forth on Exhibit I.A.232, and distribute the New B Notes as set forth in the Plan;

EXHIBIT 2

EXHIBIT 2

CDG Consulting Group

Customer Drive Growth Through Analytics and Innovation

June 3, 2013

Ms. Nicolette Bateson, CPA, MPA
Chief Financial Officer
Detroit Water and Sewer Department
Finance Division
735 Randolph St.
Detroit, MI 48226

Re: Credit/Collections Strategy Proposal

Dear Ms. Bateson:

Thank you for taking the time to speak with me on Wednesday. It was helpful to understand the history as well as some of the steps you plan to take to improve the financial performance and stability of DWSD.

Based on this and review of some other data we have developed our proposal to address how to improve collections effectiveness and net cash flows. This project will focus on DWSD's residential customer base which represents the vast majority of customers.

Project Background

DWSD is undergoing dramatic changes, perhaps more dramatic than Detroit itself. Its board and senior management are all relatively new. As a result of enhanced management focus DWSD was recently freed from federal oversight. Staff levels are falling to less than one-third of their previous levels following an organization review by EMA. These changes should improve overall efficiency and control costs.

Changes across Detroit have contributed to DWSD's financial issues. As a result of the recession the population in the city fell. Write-offs spiked at \$42 million in fiscal 2010 before falling to \$3.5, \$3.1 and \$12 million in fiscal 2011-3, respectively. A 3-year lien process with the County Treasurer's office slows write-offs and recoveries.

Billing issues have also hurt revenues. A systems change caused sewer charges to go unbilled for roughly one-third of customers for about 6 years. Bills sent with the cumulative charges likely contributed to recent customer service and collection volumes. Outstanding balances approximate \$115 million. Over 80% of this is more than 60 days past due.

One challenge DWSD has is that it knows very little about its customers. Most accounts are billed to "resident" rather than a person. This leads to many open questions from underwriting at initial account setup to collections and recoveries. How are initial deposit amounts set? How does DWSD know whether a customer has an outstanding balance from a prior address? How are accounts prioritized in collections? And once a customer moves away how does DWSD pursue collections?

The lack of customer data also makes it difficult to share data with other entities including credit bureaus. No data is reported to bureaus eliminating its value for collections. Landlords can file paperwork transferring any DWSD liability to renters.

Policies and procedures related to credit and collections have remained largely unchanged for many years. However, Detroit has experienced dramatic employment and demographic changes. The recession exacerbated these trends, contributing to Detroit's financial challenges.

Billing and collection systems also have not kept pace. DWSD is evaluating its systems. The collections strategy project will contribute to the evaluation.

CDG Approach

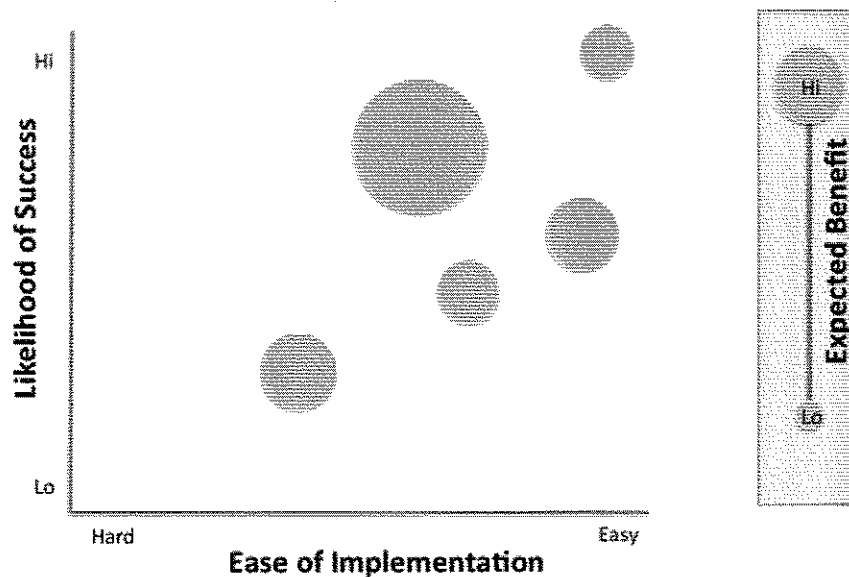
DWSD has many opportunities to improve its operations and reduce losses. In this project we will combine a detailed customer profile with a thorough review of operations to develop a prioritized and sequenced list of recommendations to improve DWSD collections and cash flows.

The project will begin with detailed interviews of each functional area impacting credit and collections including all related systems. These conversations will address current policies and practices, historical performance, planned changes, organization, collection strategies, MIS, data generated and used in operations, and system capabilities and shortcomings. We also will review customer communications (e.g., collection letters and call scripts) content and timing along with collection strategies. This will include pre- and post-charge-off efforts.

We will request detailed customer/account data documenting usage, payments, delinquency and losses. From this data we will build a delinquency profile to start to understand the magnitude of delinquency and help understand where opportunities might exist. Detailed data will be needed to measure the role that certain policies (e.g., reage) play in performance.

We will combine the results of these two project prongs to develop and prioritize recommendations. Drawing on our experience and the results of our data review we will estimate the likely impact of each recommendation. Quantifying the value of each change is critical to accurate prioritization. The data analysis will determine the expected impact on delinquency, losses, and related expenses.

In addition we will determine how to prioritize the recommendations based on two other criteria. We will gauge the degree of difficulty in implementing each recommendation. This will be based on discussions with DWSD staff and our own experience. Also, we will estimate the likelihood of success. Some initiatives are near certainties. However, others will be more problematic. For example, if a recommendation is dependent on obtaining accurate data on a timely basis we will need to assess the probability of doing this successfully.



Based on forecasted losses of \$12 million in the current fiscal year, we believe it is likely that this project's recommendations will save \$6 million in net losses and expenses annually once implemented.

The Importance of Data Analysis

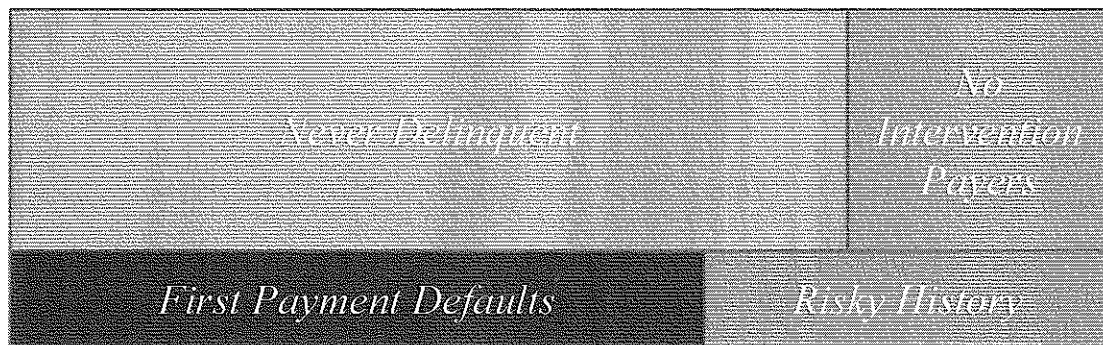
Despite the lack of customer data, performing detailed analysis of account performance is crucial to this project. It will provide insights into the scope of the delinquency issues both in terms of dollars and the number of accounts. It also will help us supplement existing MIS.

This work will contribute to answering several important questions for the project including:

Who Are Our Customers and Who Is Delinquent?

Understanding basic customer performance data is essential to controlling losses. How pervasive is delinquency across the customer base?

Project Approach: Review and analyze account/customer data to identify common payment patterns. Chances are that the majority of customers have never been delinquent.



Sizing each group based on payment behavior and perceived risk will help guide recommended strategies. It's very possible that a significant portion of delinquency and losses relate to customers who never made a payment (first payment defaults). An appropriate response to address this risk would include credit checks and deposit requirements. If we find that many customers who enter delinquency never make a payment we will need to evaluate contact strategies and success rates. This data can also be used to build delinquency and loss forecasting models.

Do We Have the Information Needed to Manage Delinquent Accounts?

Accurate and timely information is necessary to understand past performance and forecast future results. Older systems and limited data likely mean that MIS is insufficient to meet the changing dynamics at DWSD.

Project Approach: We will evaluate the current set of MIS on payments and delinquencies to identify gaps in knowledge. We will also assess loss forecasting approaches and accuracy.

What Steps Can We Take In The Near- and Long-Term to Reduce Risk and Loss Exposure?

DWSD has already made dramatic changes to its organization. However, changes have not extended to customer level data required to assess risk.

Project Approach: The project scope will extend from new account setup through collections and recovery. As part of this we will identify methods to

reduce usage/terminate service at high-risk addresses. This largely will be driven by leveraging data that may or may not be part of DWSD operations. Examples might include:

- Using returned mail to trigger review (e.g., drive by “visit”; Google Street View)
- Determining occupied/abandoned properties using city and county records of abandoned properties (including tax delinquencies)
- Sharing usage and payment data with other utilities as permitted (perhaps simply through review of credit bureau data)

We will also assess how we can leverage publicly available data to determine the resident/customer and gauge their risk. Ultimately DWSD needs to rank order risk and act accordingly in collections and with accelerated termination of service. Some customers likely have defaulted at multiple addresses. Assessing past addresses for each applicant for new service and linking that data to past defaults could mitigate future losses and boost recoveries.

Do Collection Policies Support Customer Payment Efforts?

The range of payment options available to customers can make it easy or difficult to keep accounts current. A significant number of delinquent customers may be unbanked leaving them few ways to pay conveniently.

Project Approach: We will review payment options and locations to measure their use. If possible we will analyze the link between delinquency and the use of each payment option. We will combine payment location data with analysis of the location of delinquent accounts.

At the same time once accounts fall delinquent it is important to have policies that support reestablishment of regular payment patterns. This includes reage of delinquent accounts and the establishment of workout and settlement programs.

Project Approach: We will review current policies and how they are applied. As part of the data analysis we will see if we can determine what contribution current policies make and *revised policies could make* to improved cash collections.

What Changes Should We Make to Data Gathering Practices?

DWSD currently has little customer-specific data. This complicates both the initial underwriting (deposit collection policies) of new customers and subsequent collection efforts.

Project Approach: We will assess what data is currently captured and available for analysis. We will also review DWSD’s analytic capabilities in terms of both tools and staff. Tools should include an analytic database and software to easily access and analyze the data. The analytic database

should be structured to capture time series data to measure account performance over various periods depending on the needs of the analysis.

Deliverables

The main product from this project will be a detailed strategy document that will list proposed changes in policies, practices, systems, and tools identified throughout the project.

The project list will be prioritized based on the projected impact, ease of implementation, and likelihood of successful implementation. These estimates will be based on our experience with similar projects, an assessment of DWSD's capabilities, and discussions with DWSD regarding where the projects might fit given competing projects and available staff.

Each recommendation will include a description, estimate of expected benefits, critical challenges, and high-level implementation steps. This will allow DWSD to make informed decisions on which steps to pursue given competing priorities.

CDG Experience

I will personally be responsible for this project. I have extensive experience, both direct and as a consultant, with credit and collection policies and practices. Specifically I was responsible for credit policy, credit initiation, customer management, collections and recoveries, decision support (analytics), and IT for one of the largest credit card issuers in the country.

Because of the breadth of experience the review will be broad-based and include credit and collections policies and procedures along with data and analytics. The ability to rank order risk effectively and apply appropriate strategies throughout the customer lifecycle are critical to success. Having the tools is the first step. Applying them effectively delivers the value. Our experience will help ensure that you realize the value of each of the recommendations.

Project Timing and Fees

We will begin this project based on DWSD's needs and as early as the latter half of June. We would begin with interviews of key staff and the data request. The total elapsed time for the project will be approximately 2 months.

The professional fees for the strategic review are projected at \$50-60,000. We estimate that this project will require 20-25 workdays. Many of these days will be onsite at DWSD in discussion with your staff. We will, of course, endeavor to minimize the time spent on the project. The biggest unknown relates to data analysis, specifically the number of data sources, how dirty the data is, and how easy it will be to join the data together. Out-of-pocket expenses, largely travel related, will be billed as incurred.

* * * * *

We are excited by this project and the opportunity to work with you and DWSD. I feel confident that we will be able to help DWSD improve the effectiveness of its collection operations and reduce losses. We look forward to helping you as you restructure operations and management of DWSD. If our proposal is acceptable to you please sign below and return a copy to me. Please contact me at your convenience to discuss any questions you have and how best to proceed. I look forward to speaking with you.

Very truly yours,



Jeffrey Fread
President

Proposal Accepted By:

Signature

Name

Title

Date

EXHIBIT 3

EXHIBIT 3

Executed

DAVE BING, MAYOR

CITY OF DETROIT

WATER AND SEWERAGE DEPARTMENT

WATER SUPPLY SYSTEM

CONTRACT NO.

DWS-894

CONTRACT DOCUMENTS

FOR

WATER SHUT-OFF/TURN-ON PROJECT

BOARD OF WATER COMMISSIONERS

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James F. Thrower, Vice-Chairperson
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Operations and Public Affairs Group

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Director

Gary Watkins
Commercial Operations Manager

Darryl Latimer
Deputy Director

Miriam Dixon
Contracts and Grants Manager

JUNE 2013

BULLETIN NO. 1
CITY OF DETROIT
DETROIT WATER AND SEWERAGE DEPARTMENT
DWSD CONTRACT NO. DWS-894
WATER SHUT-OFF/TURN-ON PROJECT

March 12, 2013

This Bulletin No. 1 is hereby made part of the Contract Documents for the above named project and shall be taken into consideration by any and all bidders submitting bids on this project. All bidders must acknowledge receipt of this Bulletin No. 1 in Section 00300-1, Article 2, The Bidder's Representations, Paragraph 2.1 of the Bid Form.

RESPONSE TO BIDDERS' QUESTIONS:

(Please note that all bidders questions are responded to in **BOLD** and **ITALIC** text)

Homrich Wrecking, Inc. – March 5, 2013

Question 1: On the Bid Form there is a line item for "Water status re-check for illegal usage". Can you explain what this is?

Response: *Some customers who are shut off for non-payment will illegal turn their water back on. DWSD will assign work orders to the contractor to return to some addresses and confirm that the water is still off (Re-check). If the water is found on the contractor shall turn the water back off and provide the information to DWSD. DWSD will place additional penalty fees on the customer account.*

The contractor will be paid for the "Re-check" jobs based on the contract pricing.

Weiss Construction Co., LLC – March 6, 2013

Question 1: There is a Provisional Allowance Item for the purchase of Stop Box Repair Items which list Curb valves. Mr. Johnson also mentioned replacing curb stop valves in his pre Bid Meeting Presentation. I don't see a unit price Bid Item that includes installing or replacing curb stop valve. Note this would typically require shutting down the water main that feeds the entire city block. Please clarify: Who is shutting down the main and doing any customer notifications associated with that

shut down if needed and how the contractor will be compensated for excavating the site and prepping for the work if DWSD can't get a shut down.

Response: *DWSD has added a pricing item for "Curb Stop Valve" (See Attached Revised Bid Schedule). The bidder's price for this new item will include the cost of excavation down to the service and installing up to 2 feet of new service line material.*

DWSD Maintenance & Repair Division will be responsible for coordinating and shutting the service line off at the water-main. DWSD will notify the customer of this activity.

Question 2: Will the contractor be reimbursed for the soft copper tubing & brass fitting that may be needed to reconnect water services?

Response: *Yes. However, not as a separate item. Include these costs with the new pricing item for "Curb Stop Valve".*

Weiss Construction Co., LLC – March 7, 2013

Question 1: In light of the recent Emergency Manager situation dictated by the State of Michigan for the City of Detroit, does DWSD have the necessary financing in place to pay for this project?

Response: *Yes. DWSD has the funds for this project. This is a budgeted project.*

Imperial Construction Company – March 11, 2013

Question 1: Will service box locations be on work order?

Response: *Yes.*

Question 2: Is replacement of the curb valve part of the "shut-off/dig-up/cut service line"?

Response: *No. A new pricing item has been added to address the cost for replacing the curb valve when needed (See Attached Revised Bid Schedule).*

Question 3: Are adapters on either side of the valve included in the "stop box repair items"?

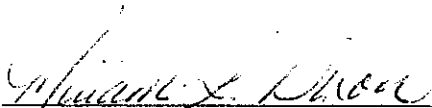
Response: *No. The pricing for the adapters are now covered under a new pricing item for "Curb Stop Valve" (See Attached Revised Bid Schedule).*

Question 4: Please clarify what "water status re-check" item consist of?

Response: *Please refer to Response No. 1 on Page 1 of this bulletin.*

Question 5: Where can we find the current prevailing wage info?

Response: *Please go to www.michigan.gov and type in "Prevailing Wage Rates" in the SEARCH box to find the current prevailing wage information.*



Miriam L. Dixon
Contracts and Grants Manager

Attachment

GENERAL DESCRIPTION OF WORK AND PROJECT

The Project: Water Shutoff/Turn-On Project

The Work:

A. DWSD has a backlog of approximately 70,000 shut-offs. During the Term of this Agreement, Contractor will provide a sufficient number of water shut-off crews to assist DWSD in its goal of eliminating its backlog of approximately 70,000 shut-off/turn-on requirements. Crews will have appropriate transportation, tools and communication devices. Crews shall be issued Work Orders daily via wireless electronic device to show the shut-offs to be completed each day. The Contractor shall process all completed Work Orders electronically by the end of each day. Work may be performed anywhere in the City of Detroit. This is a non-exclusive engagement and Contractor agrees that DWSD shall not be obligated in any way relative to the number of crews to be used, the number of accounts assigned to Contractor to be shut off, or the duration of the work.

B. DWSD shall issue at least 2-3 days of scheduled work to the contractor in advance. This will allow the contractor to work semi-independent of DWSD's network. DWSD will adjust the advanced work schedule when needed.

C. Upon request, the Contractor shall provide a Data Entry Technician to work in DWSD's Commercial Operations office developing any new Work Order forms specific to water shut-off work, using the department's billing system, EnQuesta. DWSD will provide the training for any DWSD specific systems that the technician is required to operate, such as Service-Link. Training does not include other general office systems, such as Microsoft Office.

The Data Entry Technician will be supervised by DWSD and work the same hours as the DWSD office staff. The Data Entry Technician must have a high school diploma and 1 year clerical and/or company computer application usage experience.

The Contractor's Data Technicians may be assigned other data tasks related to the work. The Data Entry Technician shall be used only in the event that DWSD is unable to provide appropriate support.

D. DWSD uses Service-Link™, a software product of West Coast Labour System Corp., to process Work Orders. The Contractor shall be responsible for the cost of all electronic hardware and general software it needs to process Work Orders through Service-Link™. The specific Service-Link software will be provided by DWSD and installed by the contractor on each field device provided by the Contractor. The contractor shall contact West Coast at (604) 982-0600 or info@service-link.us to develop the most cost-effective field solution to process DWSD Work Orders via Service-Link™. DWSD shall provide training on processing the work orders. The Contractor will be required to maintain all electronic devices during the term of the contract. Electronic hardware devices will remain the property of the Contractor upon completion of the work.

DWSD currently uses the built-in wireless EVDO cards for the field laptops. DWSD is currently using AT&T's wireless service. The contractor can choose any wireless provider of

their choice. The contractor will need a small range of IP addresses assigned to them from the wireless provider.

The contractor shall supply DWSD with the range of IP addresses assigned from the wireless provider. The range of IP addresses will be configured in DWSD's firewall by DWSD. The contractor must supply DWSD with a written implementation plan, in advance and must be approved prior to implementation. DWSD will coordinate with the contractor's I.T. staff if any additional work is required beyond DWSD's control.

- E. The Contractor shall provide dedicated vehicles, trailer-mounted air compressors, metal detector(s), a cell phone or other means of communicating with Commercial Operations during the work day, and appropriate hand tools for each crew. Tools appropriate for locating, exposing and operating up to 2-inch valves are required.

DWSD will provide curb box lock devices and the keys therefor, as well as the keys necessary for the operation of residential and commercial curb boxes (each type of key referred to herein collectively, "Key(s)"). All Keys provided under this Contract are configured with an identifier unique to this Contract. Keys shall be used by Contractor, its employees and agents solely for authorized DWSD work and shall not be duplicated by Contractor, its employees or agents. Violation of the preceding sentence shall be considered a material breach of this Contract and Contractor shall bear full responsibility therefor. Any employee or agent of Contractor found or suspected of duplicating any Key shall be immediately removed from all work related to this Contract. Contractor shall notify DWSD in writing within twenty-four (24) hours if a Key is lost or damaged. Should additional Keys be required for the efficient progress of the work, Contractor shall provide DWSD two (2) weeks advance written notice thereof. Contractor shall be responsible for returning all Keys and any unused curb box lock devices in good working order, subject to normal wear and tear, within three (3) calendar days of completion of the work under this Contract.

- F. Ideally the Contractor field crews will work from their own site. Their wireless devices (laptop, etc.) will have their work orders uploaded each day by DWSD. They would come to DWSD-CSF occasionally for training and meetings. If this process is not feasible for DWSD, then the Contractor crews will drive their work vehicle to DWSD-CSF each day to pick up and drop off their Lap-top computer for work order uploading, processing and any additional work assignments.
- G. The Contractor shut-off crews basic job will be to shutoff and/or restore water service to residential customer accounts. This will sometimes include digging up to a six (6) foot hole to realign any shifted shutoff boxes.
- H. The basic work order process for the contractor will be; (1) Receive batch of work orders approximately twice per week, (2) Perform the listed tasks on each work order, (3) Enter notes and close the work order. The work order completion will update DWSD's Service-Link system within a few minutes of completion. Crew time to process a work order should take approximately 1 minute or less.
- I. The Contractor shall provide excavator crews and equipment to assist shutoff crews when needed. A typical job will consist of digging six (6) feet down into a residential yard to fix the shutoff control box and turn the water on/off. In addition the crew might also be assigned

work to disconnect/cut the residential service line at the shutoff valve to eliminate repeat illegal water usage by the customer.

- J. The contractor shall coordinate any required Miss-Dig activities to complete their work. DWSD will not penalize the contractor for any Miss-Dig delays.
- K. The contractor will perform digging in the customer's yard, however if the stop-box is located in the customer's driveway or side-walk, and require a dig up, the contractor shall return these jobs to DWSD for completion of the work.
- L. The Contractor shall do as little damage as possible to the customer's yard during water shutoffs, stop box realignment, and/or excavation work, and will provide yard restoration when needed.
- M. After excavation, the Contractor can re-use the site material as long as the ground is restored to a level condition. The contractor shall provide additional dirt if needed to level the ground area.

The contractor will be responsible for putting the ground area back to its general condition. This includes a level ground area and any clean up and prep work for lawn restoration, if needed. The contractor will notify DWSD of any sites that require re-seeding of the lawn and DWSD will complete that part of the restoration.

- N. If the Contractor finds that the stop box needs repair or replacement but the stop box is encased by ornamental rocks, decorative yard work, tree trunks, bushes, etc., the job can be returned to DWSD for an assessment. DWSD will inspect the site and determine if the customer has to remove the material or if DWSD plans to remove it at the customer's expense.
- O. Contractor vehicles must display DWSD and Contractor logos and must be capable of secure storage for any equipment assigned by DWSD. All Contractor vehicles shall at all times display DWSD-approved identification on both sides of the vehicle, sized a minimum of three (3) square feet. The Contractor shall provide its field employees assigned to the work with uniforms similar to DWSD's. DWSD will provide photo identification cards.
- P. The Contractor shall recruit, screen and hire employees for the work with DWSD approval. Employee turnover is expected. The Contractor shall maintain sufficient crews to achieve DWSD's goal of eliminating its backlog of 70,000 shut-offs within the 24 month project. The Contractor shall perform background checks and drug tests in accordance with DWSD standards for each prospective crew member, and submit the results to DWSD at least 48 hours in advance of the start date DWSD sets for the new individual. Each crew member shall serve at the sole discretion of DWSD and each crew member's assignment to the Work is subject to termination with or without cause and with or without replacement by another crew member.

- Q. Shut-off crews will work under the supervision and direction of the Contractor. DWSD will; (i) train the Contractor on the shut-off process, customer communication and use of any DWSD furnished equipment; (ii) issue work orders daily, schedule and track crew assignments and customer appointments and notify customers; and (iv) investigate and resolve customer claims and billing disputes. The Contractor shall; (i) supervise its crews; (ii) repair the customers' stop-box, service line or plumbing if damaged by the contractor's crew; (iii) repair customer lawn if damaged by the contractor's crew; (iv) investigate customer claims against crew activity and report all claims to DWSD within 24 hours.
- R. The contractor shall be responsible for quality control of all the field work completed by its crews. DWSD will perform field audits to verify that water shut-offs are completed properly.
- S. DWSD payments to the Contractor will be based on the fees for each type of shutoff or turn-on. The Contractor shall provide pricing for (i) shutoff and turn-on of residential water, including cleaning out the stop-box if necessary; (ii) shutoff and turn-on of residential water, including digging up and repairing/replacing the stop-box; (iii) shutoff and turn-on of residential water, including digging up the stopbox and cutting the service line. DWSD will only pay for the completed jobs. Quantities for each type of shutoff and turn-on are an estimate for bidding purposes only. Billing rates are all-inclusive. DWSD will not accept any charges for costs other than those billing rates included in the contract.
- T. DWSD shall provide to the contractor with stop-boxes, lids, and curb-stop valves when they are required to complete a job. The contractor must provide written documentation for each job that requires this material.
- U. DWSD shall conduct Contractor crew field training on locating shutoff valves.. General field training, safety training, and use of tools shall be the responsibility of the Contractor.

Crew Requirements:

A. The Contractor's water shut-off crews shall:

1. Be employed and paid directly by the Contractor but work under the direction of DWSD's Commercial Operations, work harmoniously with Commercial Operations' staff, and avoid disrupting DWSD's operations.
2. Not be deployed in the field until they have been adequately trained by DWSD. DWSD shall perform approximately two (2) days of field training and two (2) days of work order training at DWSD's Central Services Facility, 6425 Huber, Detroit, MI. Any future crews can be trained by either DWSD or the Contractor, DWSD will decide.

Field training is optional for the contractor, if needed. DWSD will not reimburse the contractor for field training or office training on locating stop-boxes.

DWSD will reimburse up four (4) contractor staff for work order training at DWSD's site to learn the Service-Link software work order process. The contractor will be responsible for training the remaining field staff.

3. General work days shall be Monday – Saturday, with similar work hours as DWSD staff. Specific work hours shall be agreed upon at the beginning of the contract. The Contractor shall take the same holidays as DWSD. DWSD will not be responsible for paying crews on a holiday or official off day for DWSD.

Non-working days will be Sundays and scheduled holidays. Additionally, the day before the following holidays will be considered non-working days: New Year's Eve, Good Friday, Memorial Day, Independence Day, Labor Day, Veteran's Day, Thanksgiving and Christmas Eve.

4. Keep themselves available to Commercial Operations by cell phone at all times during the work day for changes in work assignments.
5. Accurately and thoroughly document the work performed on each assigned Work Order. At the end of each shift, the crew shall return its work orders indicating which were completed and which, if any, were not. Assist DWSD in entering data into EnQuestra and in resolving any data discrepancies whenever requested.
6. Conduct all customer contact in a courteous and professional manner, and enter a customer's premises only after that customer grants access, and then only if an adult is present.
7. Use every precaution when working with service lines, valves and meters. Take the necessary measures to prevent damage to existing pipes and appurtenances, existing curb stops, and the customer's premises. Advise Commercial Operations immediately in the event the crew damages a customer's property.

8. Inform Commercial Operations at least 24 hours in advance of scheduled off work periods, and promptly inform Commercial Operations in case of an emergency. Crews not complying with this requirement may be terminated by DWSD.
 9. Comply with all DWSD security policies, and when instructed by Commercial Operations, obtain a DWSD Security Section identification card.
 10. Be attired in uniforms similar to DWSD's. Crews no longer employed by the Contractor shall return to the Contractor their identification material upon termination of employment, and the Contractor shall return to Commercial Operations their DWSD issued identification cards and any DWSD issued tools.
 11. Prominently display at all times a Contractor-issued photo identification badge in addition to the DWSD-issued identification. The Contractor-issued badge shall include the Contractor's company name, the employee's name, and a photograph of the employee. Photo size on the Contractor-issued badge must at least equal the size on DWSD's badge.
 12. Permit or cause no situation that creates a hazard to public safety or becomes a public nuisance.
 13. Safely store, account for, and be responsible for the security of all DWSD-furnished equipment including, without limitation, Keys and curb box lock devices.
 14. Work in an efficient and productive manner. DWSD's goal is that each crew turn off/on service at no fewer than twenty-five (25) addresses per eight-hour work day.
- B. Neither the Contractor nor its employees shall solicit or accept any business from DWSD's customers, including tenants. Recommendation of a particular plumber or company and/or the performance of work outside the scope of this task are prohibited.

All contractor employees are required to pass a drug test. Before any employee can start work for DWSD, the contractor shall provide written documentation of a passed drug test.

C. Crew Qualifications and Recruitment Requirements:

1. Each crew member must at minimum: (i) possess basic mechanical skills and pass criminal background, substance abuse, and driving record checks; (ii) currently hold and maintain while working under this contract a valid Michigan driver's license; (iii) be of legal age and meet requirements for legal employment; (iv) be of sound health and mental condition; (v) be able to read and speak the English language fluently; (vi) have basic computer operator skills and be able to input work tasks into the computer work order correctly.
2. DWSD will not accept a Contractor employee who has been previously dismissed by DWSD due to misconduct or for other cause, regardless of the nature of the misconduct or cause.
3. DWSD reserves its right to reject Contractor employees based on background check results, or to remove a crew member at any time after hiring if doing so is in DWSD's best interest. Contractor shall promptly remove those individuals, as directed by DWSD, with minimum inconvenience to DWSD's operations. Any

crew member rejected or removed by DWSD for reasons other than lack of work shall not be recommended at a later time by the Contractor.

Key Dates:

Final Completion: 730 Calendar Days from the date when the Contract Time commences to run.

EXHIBIT 4

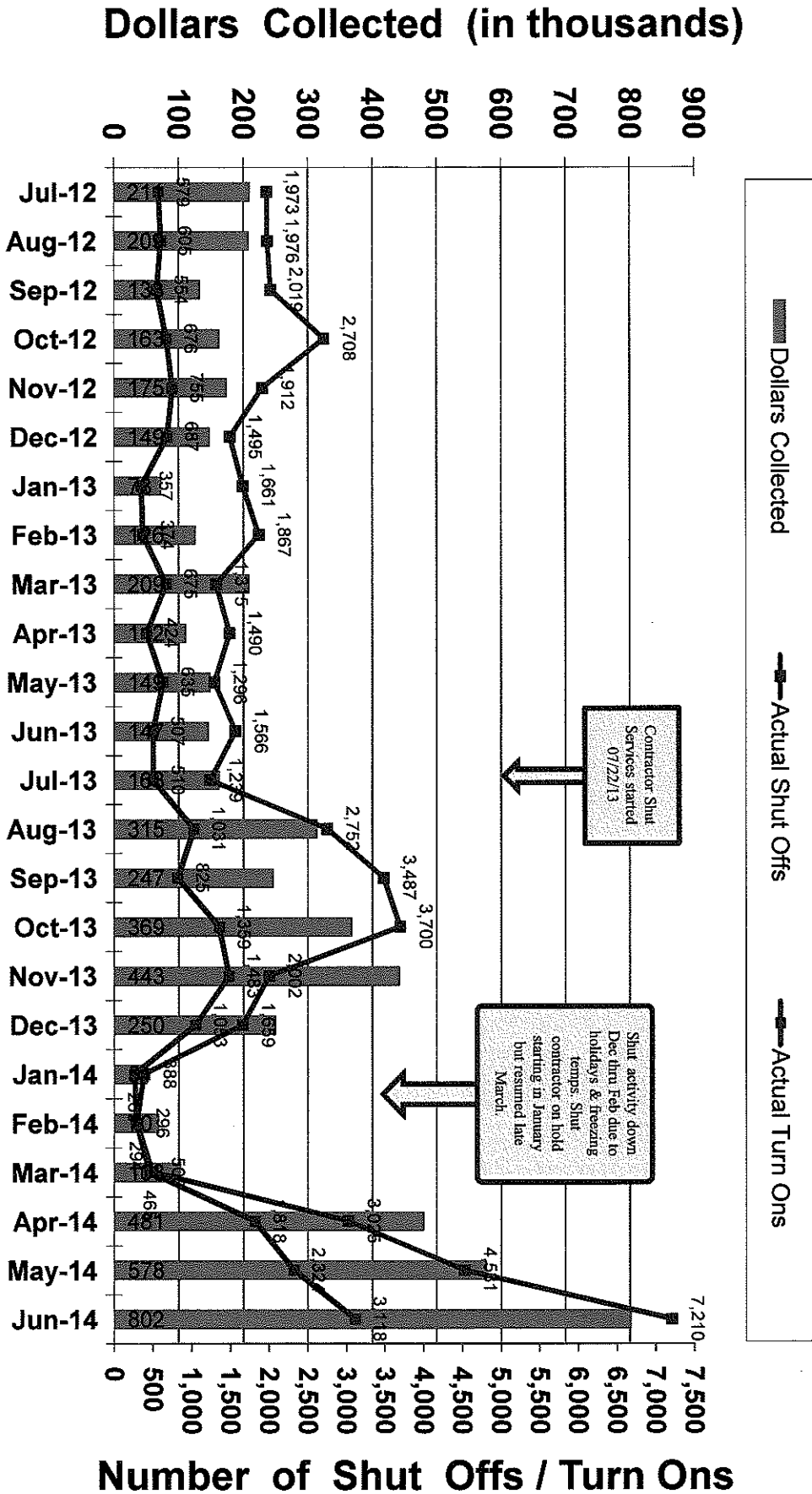
EXHIBIT 4



Customer Service KEY PERFORMANCE INDICATORS



AMOUNTS COLLECTED --- ACTUAL SHUT OFFS / TURN ONS



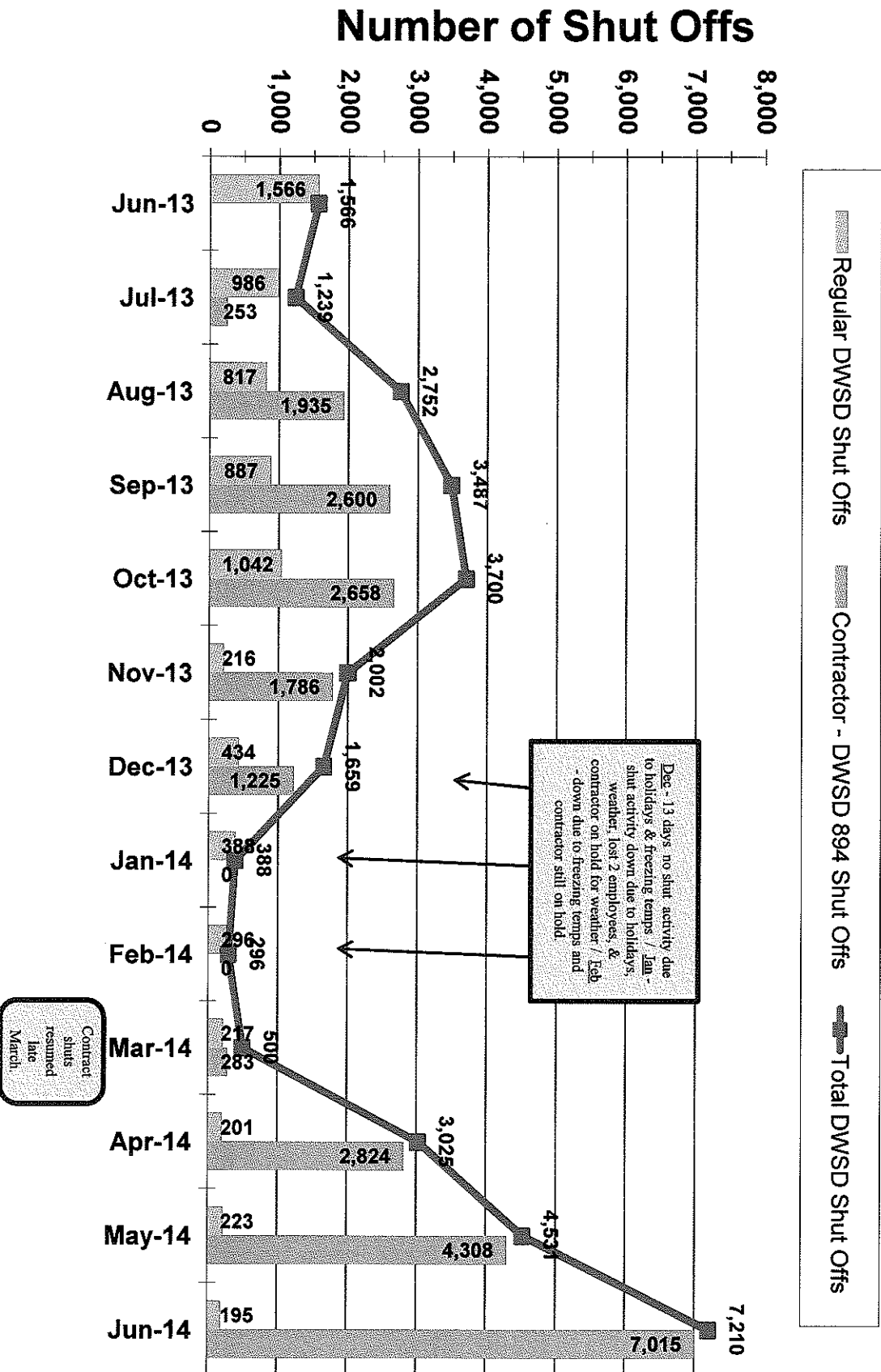


Customer Service

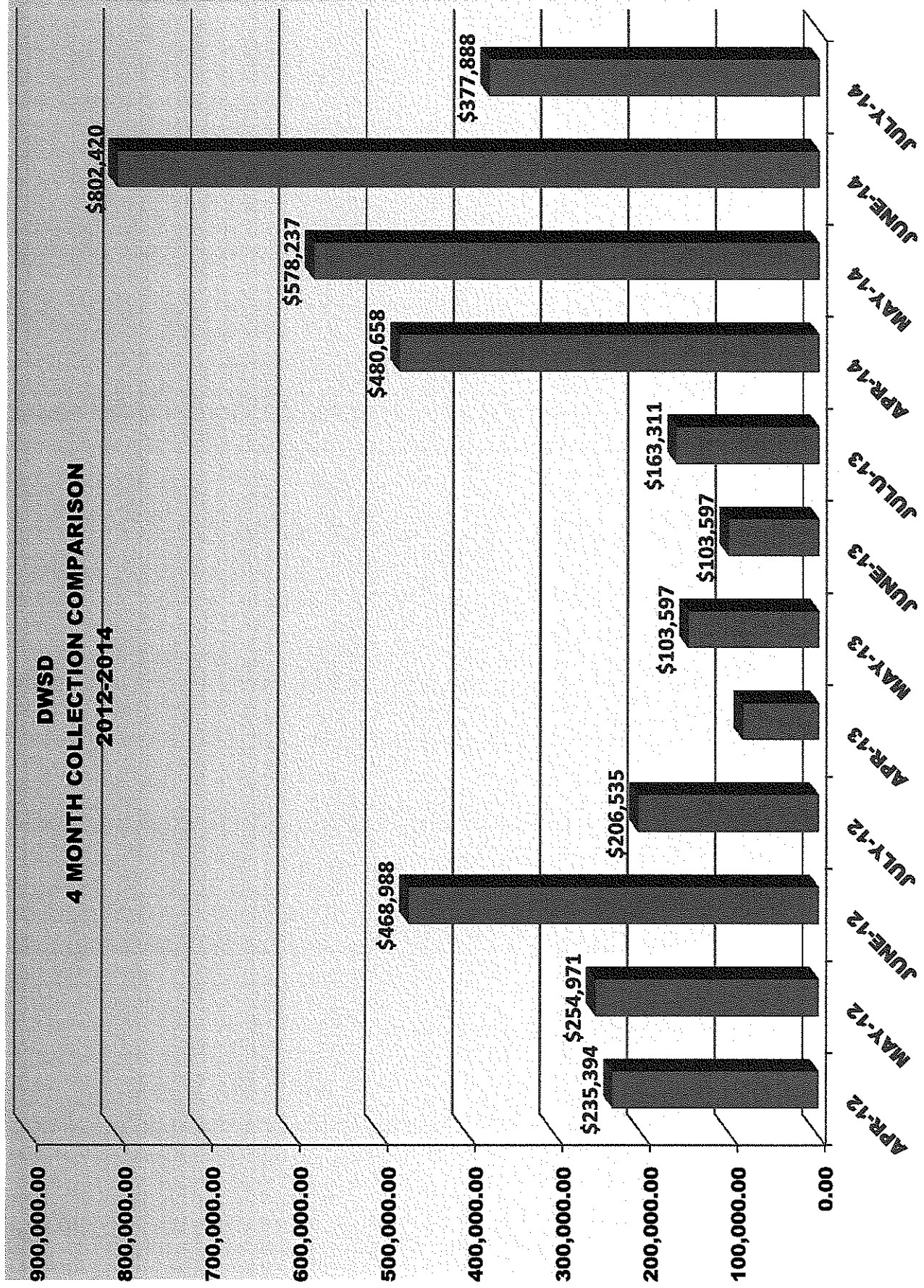
KEY PERFORMANCE INDICATORS



DWSD SHUT OFFS VS. DWSD 894 SHUT OFFS



**DWSD
4 MONTH COLLECTION COMPARISON
2012-2014**



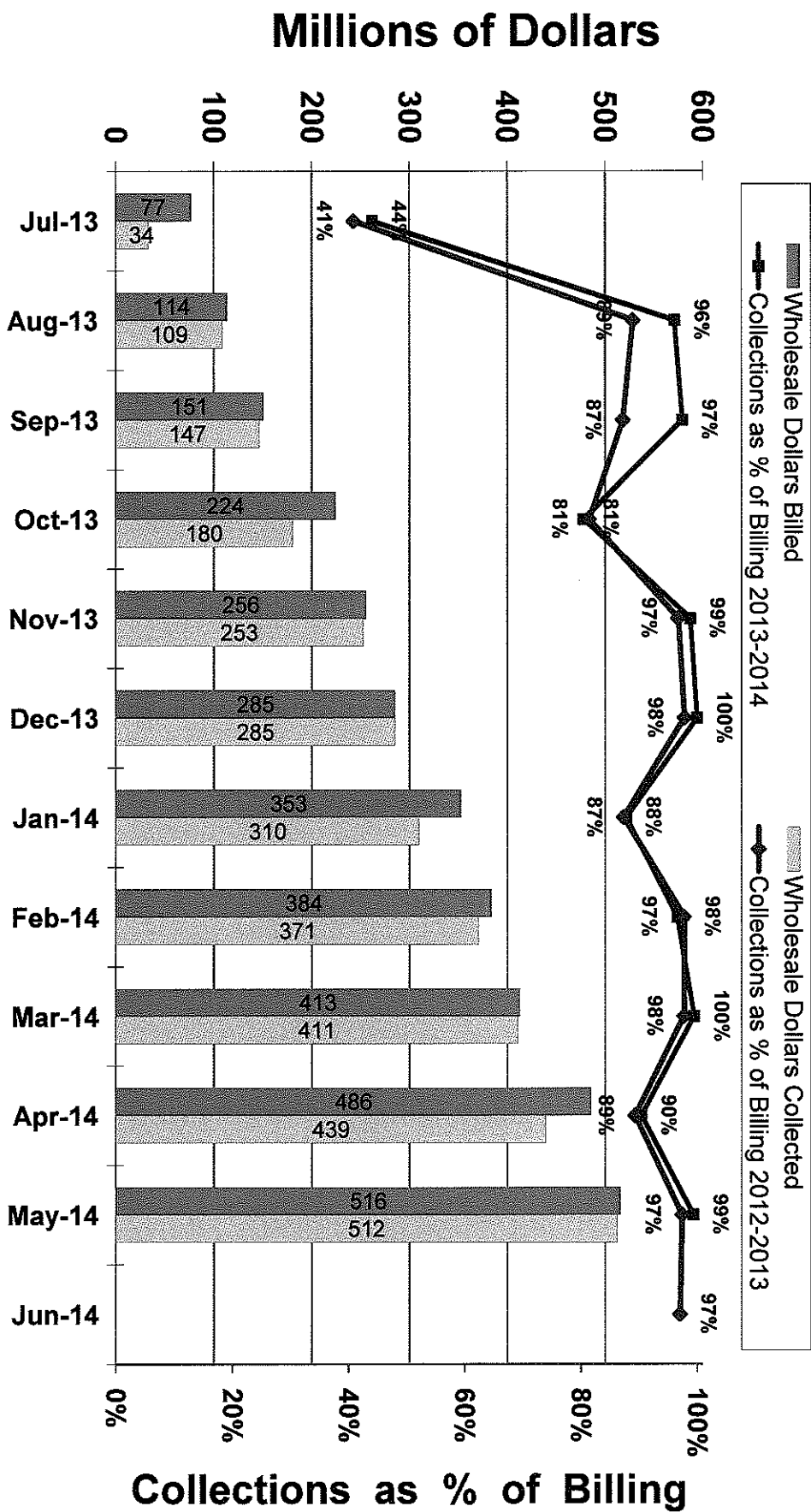


Customer Service

KEY PERFORMANCE INDICATORS



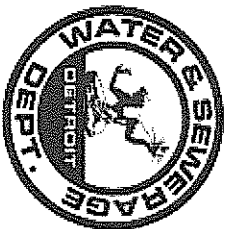
WHOLESALE W&S DOLLARS BILLED VS. DOLLARS COLLECTED - CUMULATIVE



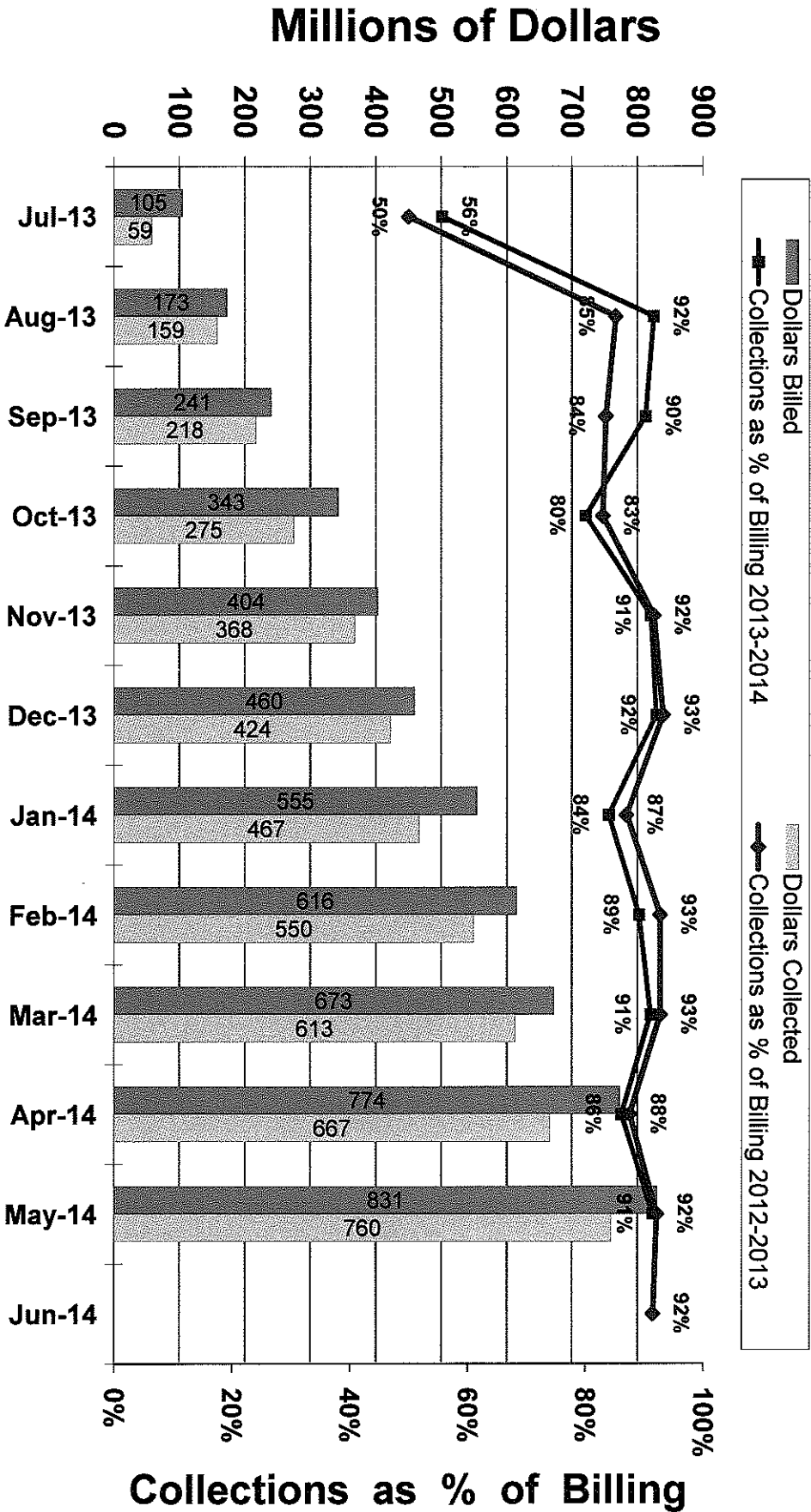


Customer Service

KEY PERFORMANCE INDICATORS



TOTAL W&S DOLLARS BILLED VS. DOLLARS COLLECTED - CUMULATIVE

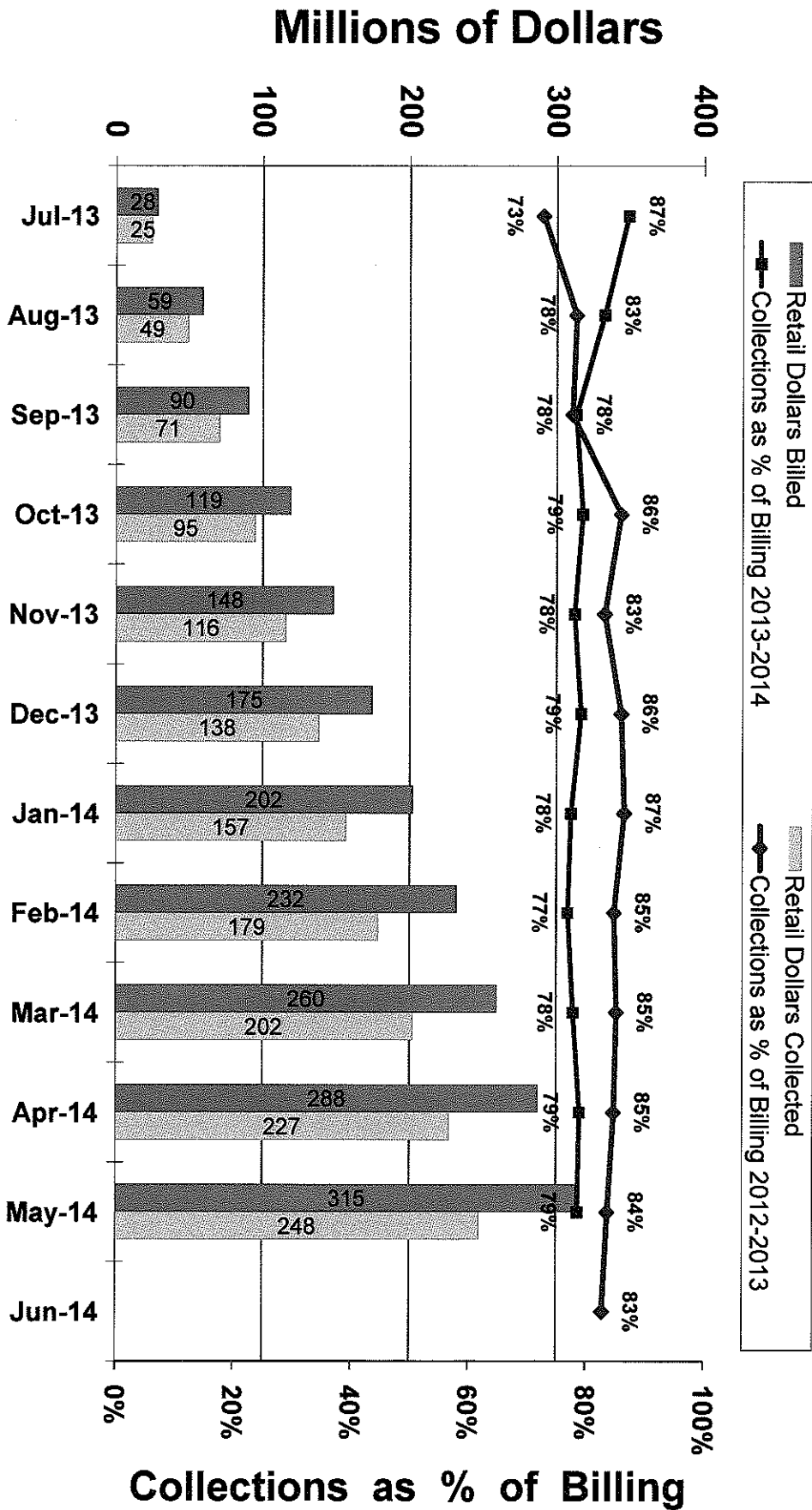




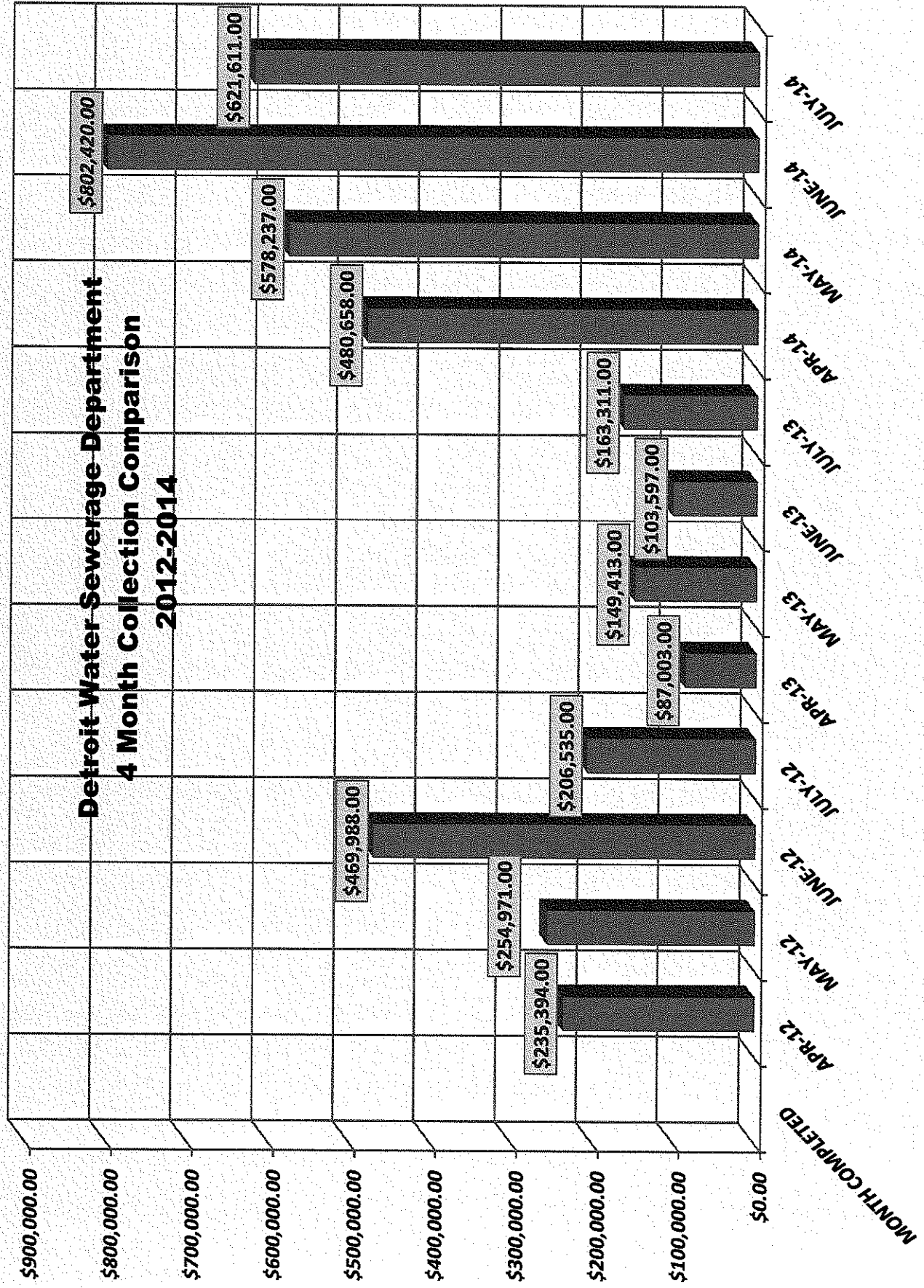
Customer Service KEY PERFORMANCE INDICATORS



RETAIL W&S DOLLARS BILLED VS. DOLLARS COLLECTED - CUMULATIVE



Detroit Water Sewerage Department 4 Month Collection Comparison 2012-2014



*PLEASE NOTE THE MONTH OF JUNE 2014 WAS A THREE (3) YEAR RECORD FOR COLLECTIONS.

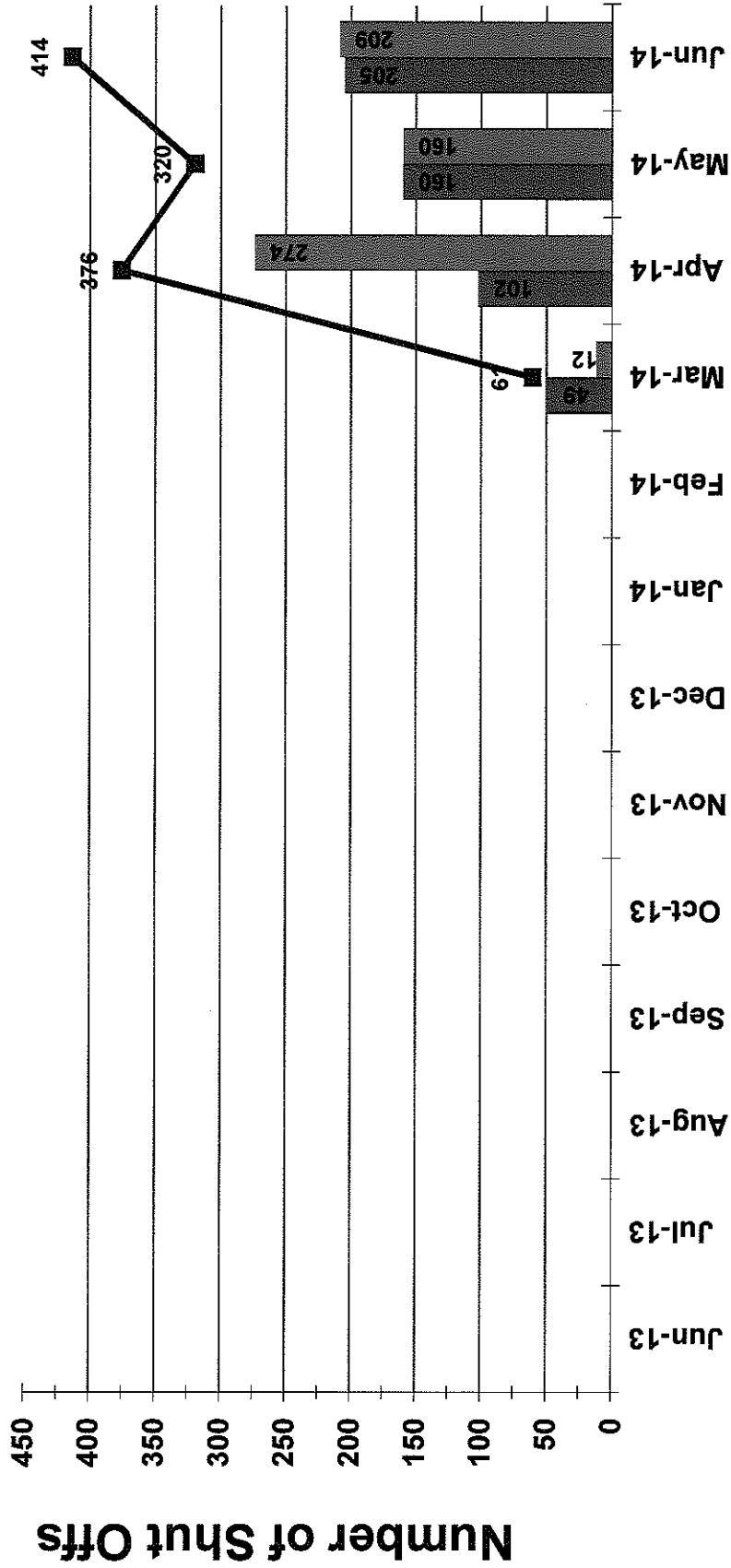
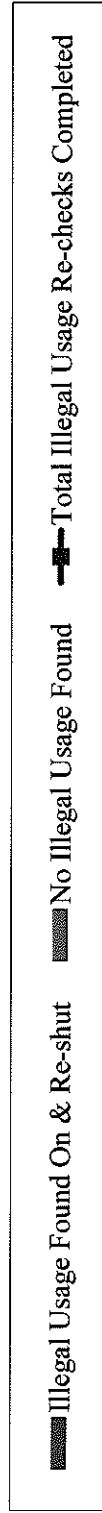


Customer Service



KEY PERFORMANCE INDICATORS

ILLEGAL USAGE SHUTS



Illegal usage shuts performed by only Field Operations crew in March & by Field Operations & contractor starting in April.

DWSD
SHUTOFFS COMPLETED
Three Month Compariosn 2012-2014

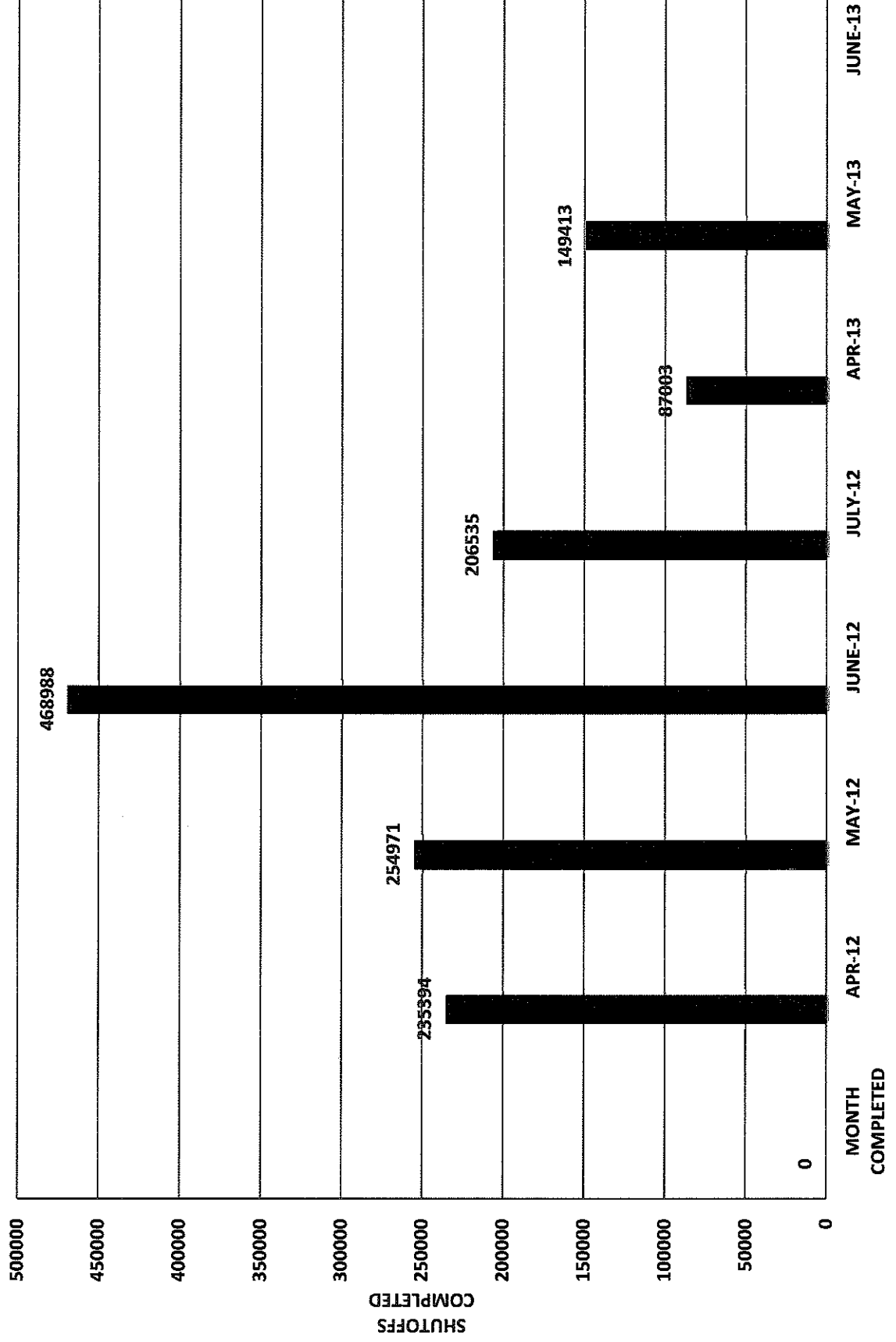


EXHIBIT 5

EXHIBIT 5

1. Amount of Water sold?

I have information for FY 2005-06 and 2013-14. Hope this will do.

Retail (City of Detroit) water sales in FY 2005-06 was 4,947 million cubic feet; for FY 2013-14 was 3,443 million cubic feet.

2. Amount of money in THAW and DRWAP?

To-date, THAW has approved 191 customers. The amount of money in DRWAP is: 1.1 million.

However, those funds are anticipated to be committed. We are still in the enrollment process for the referrals that we have received. Once that process is complete, we can then let you know if there are any funds remaining. We are not accepting any additional referrals at this time.

WAVE funds have been exhausted.

3. Total number of residential shut-offs since March 1, 2014

19,471

4. Total number of commercial/industrial shut-offs since March 1, 2014

1,573 processed. 497 unable to shut for various reasons, and 919 voided due to shut canceled and/or payments prior to shutting. 157 shut for nonpayment.

5. · Total number of residential customers who have had service restored after being shut-off since March 1 2014.

14,012

6. · Total number of commercial/industrial customers who have had service restored after being shut-off since March 1 2014

157

7. Total amount of delinquent residential accounts still owed to DWSD.

See attached.

8. Total amount of delinquent commercial/industrial accounts still owed to DWSD

See attached.

9. Are there "suburban" customers who are also delinquent? If so, what is the total of how much they owe?

Total Amount "Suburban" Delinquent is \$23,663,559.02 as of 8/4/14.

Listed are amounts delinquent in each Suburban Group:

1. Suburban Pollutant Surcharge delinquent - \$1,275,670.4 (\$1,083,642.61 is over 24 months delinquent & has been referred to General Council)(1 account has a payment plan)
2. Suburban Water delinquent - \$1,838,218.32 (Inkster, Melvindale & Highland Park)
Melvindale & Inkster has a payment plan however Melvindale just requested a meeting with General Council because they are unable to make the payments
3. Suburban Sewer delinquent - \$19,366,743.00 (Melvindale & Highland Park)
4. Suburban IWC delinquent - \$1,182,927.30 (Melvindale & Highland Park)

Detroit Water and Sewerage Department

Retail Delinquency Report by Sales Class

Water and Sewer Combined

60 Days Past Due

Accounts Billed between July 1, 2014 and July 31, 2014

Sales Class	Sales Class Description	Total Number of Accounts	Total Balance	Total Number of Accounts Past Due	Total Past Due	Average Amount Past Due
1	City Residential	174,143	60,045,193.17	74,406	42,151,485.42	566.51
2	Suburban Residential	205	106,011.93	81	92,064.49	1,136.60
3	City Commercial	17,965	29,715,674.68	9,912	21,511,954.23	2,170.29
4	Suburban Commercial	16	56,223.72	5	54,218.40	10,843.68
5	City Industrial	1,579	9,813,610.43	855	5,477,066.80	6,405.93
6	Suburban Industrial	14	1,256,032.12	8	488,651.51	61,081.44
7	City Municipal	532	13,024,146.94	51	10,471,826.32	205,329.93
9	City Schools	608	6,612,519.41	89	4,474,655.87	50,277.03
11	City Housing	552	200,049.49	25	104,165.63	4,166.63
13	Firelines Industrial	129	687,083.56	40	448,461.04	11,211.53
15	City Firelines Commercial	1,452	3,200,398.43	336	1,424,102.54	4,238.40
21	City Commercial IWC	4	4,084.48	2	3,475.30	1,737.65
Overall - Total		197,199	124,721,028.36	85,810	86,702,127.55	
Balances as of August 4, 2014						
						10:07:57 AM

Note: "Active Installment" balances are included. DWSD accounts are included in City Municipal Sales Class category.

EXHIBIT 6

EXHIBIT 6

Affordability Project Reconciliation

	Description	Fund	Object	JE doc#	Ref	Transactions	Cash Affordability in Bank 5501- 101520-132100	Monthly Transfer to Cash Affordability (101520)	Affordability Donations Liability (235130)
JULY 2013									
	6/30/2013 Beginning balance, 6-30-13						\$ 936,934.69		\$ (936,934.69)
	7/1/2013 June 2013 receipts (deposited in July)	5501		397163		\$ 2,743.34	\$ 939,678.03	\$ 2,743.34	\$ (2,743.34)
	7/31/2013 July 2013 receipts	5501		397163		\$ 19,210.86	\$ 958,888.89	\$ 19,210.86	\$ (19,210.86)
	7/31/2013 Donation adjustment (DR AR & CR AP)	5501		387888		\$ 0.50	\$ 958,889.39	\$ 0.50	\$ (0.50)
	7/31/2013 Customer credits (donations applied to customer accounts)	5502		387888	*	\$ (16.08)	\$ 958,873.31	\$ (16.08)	\$ 16.08
							\$ 21,938.62		\$ (958,873.31)
*New revenue & expense accounts in 5501									
7.31.13	Balance per Bank & Tracker						\$ 936,934.69		
	Timing Difference - July activity transferred in August						\$ 21,938.62		
	Adjusted Bank Balance						<u>\$ 958,873.31</u>		
7.31.13	GL - Book Balance - Affordability Cash - 5501-000000-000000-101520-000000-132100-000000						\$ 936,934.69	Agreed to GL 3.31.14	
	Timing Difference - July activity - funds transferred in August						\$ 21,938.62		
	Adjusted GL Balance						<u>\$ 958,873.31</u>		
7.31.13	GL Balance - Affordability Donation Payable - 5501-000000-000000-235130-000000-235130-000000						\$ (958,873.31)	Agreed to GL 3.31.14	
AUGUST 2013									
	8/1/2013 Beginning Balance						\$ 936,934.69	\$ 21,938.62	
	8/22/2013 money transferred to bank -Affordability Fund	5501		397164		\$ (21,938.12)	\$ 914,996.57	\$ (21,938.12)	
	8/31/2013 August receipts	5501		397164		\$ 18,249.82	\$ 933,246.39	\$ 18,249.82	\$ (18,249.82)
	8/31/2013 Donation adjustment	5501		389350		\$ (1.00)	\$ 933,245.39	\$ (1.00)	
	8/31/2013 customer credits (donations applied to customer accounts)	5502		389350	*	\$ (67.64)	\$ 933,177.75	\$ (67.64)	\$ 67.64
	8/31/2013 customer credits-sewer (donations applied to customer accounts)	5402		389353	*	\$ (854.88)	\$ 932,322.87	\$ (854.88)	\$ 854.88
							\$ 17,326.80		\$ (976,200.61)
*New revenue & expense accounts in 5501									
8.31.13	Balance per Bank & Tracker						\$ 958,872.81		
	Timing Difference - July activity to be transferred in April 2014						\$ 0.50		
	Timing Difference - August activity transferred in Sept 2013						\$ 17,326.30		
	Timing Difference - August adjustment - to be transferred in April 2014						\$ 1.00		
	Adjusted Bank Balance						<u>\$ 976,200.61</u>		

New Accounts 2013-14

Affordability-
Revenue -
Donations 5501-
416010-000000-
471904-04826-
471904-00000 675110-W5790

\$ - \$ -

\$ (16.08) \$ 16.08
\$ (16.08) \$ 16.08 Agreed to GL 3.31.14

\$ (67.64) \$ 67.64
\$ (854.88) \$ 854.88
\$ (938.60) \$ 938.60 854.88

DRWAP Account Balance as on June 30, 2011

DRWAP Account Balance on December 31, 2010	\$2,399,247.00
Donations Received January thru June 2011	\$286,769.65
Credits given to Water Customers A/Cs Jan.11 thru June 2011	(\$55,443.92)
Credits given to Sewage Customers A/Cs Jan.11 thru June 2011	(\$633,206.46)
Balance as on June 30, 2011	\$1,997,366.27

Bank Reconciliation

Bank Balance as on June 30, 2011	\$2,080,222.00
Cash to be Moved back from DRWAP A/C to DWSD	(\$82,856.00)
Bank Balance as on June 30, 2011 Should be	\$1,997,366.00

Action by Commercial Division and A/R Section of Accounting Division to confirm that Entries Listed in Column B,C,D and E have been made to respective Accounts upto May-11

Month	Donations	Customer Credits (WTR)	Customer Debits (WTR)	Donations Payment	Customer Credits (SEW)	Grand Total
	(A)	(B)	(C)	(D)	(E)	
January-11	\$57,812.26	(\$20,176.06)	\$11,154.88	(\$1,409.00)	(\$71,348.36)	(\$23,966.28)
February-11	\$70,928.07	(\$18,760.46)	\$12,046.59	(\$721.00)	(\$54,624.97)	\$8,868.23
February-11					(\$129.60)	(\$129.60)
March-11	\$64,163.55	(\$11,799.49)	\$1,218.27	(\$40.92)	(\$39,734.50)	\$13,806.91
March-11					(\$12,431.60)	(\$12,431.60)
April-11	\$34,993.54	(\$15,642.49)	(\$390.67)	(\$79.00)	(\$164,971.75)	(\$146,090.37)
April-11			9.95		(\$19,429.60)	(\$19,419.65)
May-11	\$31,597.91	(\$15,940.49)	\$13,180.09	(\$0.50)	(\$148,170.09)	(\$119,333.08)
May-11			(\$27.02)		(\$20,302.60)	(\$20,329.62)
June-11	\$29,524.74	(\$14,560.40)	\$4,270.40		(\$82,401.79)	(\$63,167.05)
June-11			(\$27.02)		(\$19,661.60)	(\$19,688.62)
Total	\$289,020.07	(\$96,879.39)	\$41,435.47	(\$2,250.42)	(\$633,206.46)	(\$401,880.73)
Adjustments	(\$2,250.42)	\$41,435.47	(\$41,435.47)	\$2,250.42		
Totals	\$286,769.65	(\$55,443.92)	\$0.00	\$0.00	(\$633,206.46)	(\$401,880.73)

DRWAP Account Balance as on June 30, 2012

DRWAP Account Balance on May 31, 2012	\$1,235,728.32
Donations Received in June 2012	\$21,721.26
Credits given to Water Customers A/Cs in June 2012	(\$9,690.57)
Credits given to Sewage Customers A/Cs in June 2012	(\$45,858.49)
Balance as on June 30, 2012	\$1,201,900.52

Bank Reconciliation

Bank Balance as on June 30, 2012	\$1,235,728.32
Cash to be Moved back from DRWAP A/C to DWSD	(\$33,827.80)
Bank Balance as on June 30, 2012 Should be	\$1,201,900.52

Action by Commercial Division and A/R Section of Accounting Division to confirm that Entries Listed in Column B,C,D and E have been made to respective Accounts upto June-12

Month	Donations	Customer Credits (WTR)	Customer Debits (WTR)	Donations Payment	Customer Credits (SEW)	Grand Total
	(A)	(B)	(C)	(D)	(E)	
July-11	\$27,040.42	(\$12,771.40)	\$1,036.83	(\$0.50)	(\$52,146.13)	(\$36,840.78)
July-11			(\$28.68)		(\$18,313.60)	(\$18,342.28)
August-11	\$30,208.44	(\$11,799.40)	\$2,229.00	(\$0.50)	(\$76,349.33)	(\$55,711.79)
August-11			(\$24.76)		(\$17,354.60)	(\$17,379.36)
September-11	\$23,989.45	(\$11,611.00)	\$3,114.00	(\$1.00)	(\$39,120.09)	(\$23,628.64)
September-11			(\$14.57)		(\$17,321.00)	(\$17,335.57)
October-11	\$28,207.19	(\$11,601.00)	\$7,265.00		(\$78,261.76)	(\$54,390.57)
October-11			(\$14.57)		(\$17,326.00)	(\$17,340.57)
November-11	\$26,224.52	(\$11,448.00)	\$4,752.46		(\$73,037.93)	(\$53,508.95)
November-11			(\$4.57)		(\$17,560.00)	(\$17,564.57)
December-11	\$25,837.20	(\$11,116.00)	\$1,483.00		(\$53,023.37)	(\$36,819.17)
December-11			(\$4.57)		(\$17,313.00)	(\$17,317.57)
January-12	\$25,185.69	(\$11,255.00)	\$1,690.00		(\$47,029.08)	(\$31,408.39)
January-12			(\$2.76)		(\$17,677.00)	(\$17,679.76)
February-12	\$23,613.19	(\$10,793.00)	\$3,833.00		(\$69,260.13)	(\$52,606.94)
February-12			(\$4.57)		(\$17,040.00)	(\$17,044.57)
March-12	\$26,524.45	(\$11,208.00)	\$1,923.00		(\$46,616.66)	(\$29,377.21)
March-12			(\$0.95)		(\$17,248.00)	(\$17,248.95)
April-12	\$21,172.14	(\$10,449.00)	\$43.00		(\$111,168.16)	(\$100,402.02)
April-12			(\$2.76)		(\$16,019.00)	(\$16,021.76)
May-12	\$23,383.98	(\$11,341.00)	\$2,325.75		(\$110,676.42)	(\$96,307.69)
May-12			\$5.43		(\$17,366.00)	(\$17,360.57)
June-12	\$21,721.26	(\$11,278.00)	\$1,582.00		(\$27,566.49)	(\$15,541.23)
June-12			\$5.43		(\$18,292.00)	(\$18,286.57)
Total	\$303,107.93	(\$136,670.80)	\$31,185.14	(\$2.00)	(\$993,085.75)	(\$795,465.48)
Adjustments	(\$2.00)	\$31,185.14	(\$31,185.14)	\$2.00	\$0.00	0
Totals	\$303,105.93	(\$105,485.66)	\$0.00	\$0.00	(\$993,085.75)	(\$795,465.48)

City of Detroit

OFFICE OF THE AUDITOR GENERAL

COLEMAN A. YOUNG MUNICIPAL CENTER

2 WOODWARD AVENUE, SUITE 208

DETROIT, MICHIGAN 48226

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WWW.CI.DETROIT.MI.US

LOREN E. MONROE, CPA
AUDITOR GENERAL

MEMORANDUM

DATE: November 18, 2010

TO: Honorable City Council

FROM: Loren E. Monroe, CPA *Loren E. Monroe*
Auditor General

RE: Detroit Residential Water Assistance Program (DRWAP)

CC: Mayor Dave Bing
Norman L. White, Chief Financial Officer
Shenetta Coleman, Department of Human Services (DHS) Director
Darryl A. Latimer, Detroit Water & Sewerage Department (DWSD)
Deputy Director

This memorandum serves to provide your Honorable Body with a report on the DRWAP. Your Honorable Body requested a report on the following aspects of the DRWAP program, the Water Access Volunteer Effort (WAVE) Program, the DWSD Donor Program, and the DWSD interest bearing late fee account. Below is a brief description of each of these areas along with a conclusion.

- The DRWAP program housed at DHS
 - The DRWAP program is a program to provide assistance for Detroit residents whose water bills have become delinquent. The program has been administered by DHS since September 2008. The Office of the Auditor General's (OAG) review of the program found inconsistencies in the administration of the program which are detailed later in this memorandum under Issues and Concerns.
- The WAVE Program
 - The WAVE Program was created in January 2003 as a Michigan non-profit 501 (c) 3 corporation. Its purpose was to provide assistance to low-income Detroit families by ensuring uninterrupted and safe access to drinking water. The WAVE Program received the funds from the DWSD Donor Program until the DRWAP program began receiving the funds in September 2008. DWSD has continued to provide \$100,000 in annual funding to WAVE. In total

WAVE has received \$1.5 million from DWSD. According to State of Michigan records this non-profit was dissolved by the state in October 2009. Representatives from the organization state that it is still functioning. The OAG was unable to confirm if WAVE received any funds from DWSD in 2010.

- The DWSD Donor Program
 - The DWSD Donor Program allows Detroit residents to voluntarily donate fifty cents every month when the bill is paid. Initially the Donor Program funds went to the WAVE program. In September 2008 all Donor program funds began going to fund the DRWAP program. At this point these funds are the only funding source for the DRWAP program.
- The DWSD interest bearing late fee account
 - DWSD informed the OAG that the initial funding for DRWAP came from non-rate revenue. This non-rate revenue does include interest earnings on investments and miscellaneous non-rate revenue. Representatives from DWSD stated that DRWAP was never to be funded solely from an interest bearing late fee account. The funding was lowered to \$2.5 million from the original amount of \$5.0 million by City Council as part of an agreement to lower the rate increase for Detroit customers from 9.4% to 7.4%. The initial \$2.5 million is the only funding that has been provided by the City of Detroit. As of December 25, 2009 there were 2,047 customers enrolled in DRWAP. The total funds required to meet the program commitments for these customers was \$3,430,383.37 and total funds available to meet the commitments were \$3,614,759 leaving \$184,375.63.

Additional background information on DRWAP, greater detail on the information provided above and additional issues and concerns are included in the remainder of this memorandum.

Background

DRWAP was established in August 2007. Discussions regarding the establishment of the program had begun as early as 2005. A Memorandum of Understanding (MOU) between DWSD and DHS provided that the program was to assist low-income residents of the City of Detroit related to the supply of drinking water. The program began in September 2007 and was to continue until June 2008 with initial funding of \$2.5 million.

DHS assumed responsibility for intake and qualification of applicants at the Department's four intake centers which are located throughout the City of Detroit, case management, energy education, tracking and maintaining files for program participants and reporting and evaluation. DWSD assumed responsibility for

reporting the program funding level, providing customer payment and history information, sharing outreach responsibilities, notifying DHS of participants' termination of service, scheduling monthly bill payments and reconnection services of customers upon enrollment in the program.

The original proposal for funding DRWAP for fiscal year 2007-2008 was \$5.0 million, which was comprised of interest on investment earnings and miscellaneous non-operating revenue. During hearings on proposed DWSD rate increases, DWSD proposed lowering the funding to \$2.5 million in order to lower the rate increase for Detroit customers from 9.4% to 7.4%. The lower rates were approved by City Council. DRWAP was never to be funded by an interest bearing late fee account.

An additional \$2.5 million in funding for DRWAP was included in DWSD's budget request for fiscal year 2008-2009. This amount was not included in the approved budget. In September 2008, DWSD began directing all funds received from the voluntary contribution program of Detroit customers to DRWAP. The proposed budget for fiscal year 2009-2010 did not contain any funding for DRWAP.

	Fiscal Year Ended June 30		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
DRWAP Funding – Sewerage	\$1,250,000	\$1,250,000	\$0
DRWAP Funding – Water	<u>1,250,000</u>	<u>1,250,000</u>	<u>\$0</u>
Total DRWAP Funding	<u>\$2,500,000</u>	<u>\$2,500,000</u>	<u>\$0</u>

According to information prepared by DWSD, there were 2,047 customers enrolled DRWAP at December 25, 2009. The total funds required to meet the program commitments for these customers was \$3,430,383.37 and total funds available to meet the commitments were \$3,614,759 leaving \$184,375.63 available for funding future applicants.

Issues and Concerns

During the course of the audit the OAG found deficiencies in the implementation and operation of the DRWAP program.

The Memorandum of Understanding governing the program expired on June 30, 2008. The MOU was not extended, nor was a new MOU executed. This has left the program without a governing document and the DWSD and DHS have continued to operate the program using the expired document.

DWSD did not properly execute its portion of the DRWAP program. The following includes areas of implementation in which DWSD failed to meet its obligations:

- DWSD did not provide the required data to DHS by the dates specified by the MOU and the associated Exhibit-A.
- DWSD did not post payments timely to the clients' account once the customer was approved for DRWAP.
- DWSD continued to bill accounts for the DRWAP donation even after the customer was enrolled as a recipient of the program.
- For seven of the ten accounts tested the customer continued to be billed for the \$0.50 per month donation for twelve months without making a payment toward the donation portion of the bill.

An escrow account was established by DWSD for the funds set aside for DRWAP, including the initial funding and the customer donations. DWSD did not properly manage the Water Affordability Project Escrow Account.

- Donations collected for the DRWAP program were not transferred to the escrow account for seven months of the two years examined.
- Donations collected for the DRWAP program were posted to a liability account established specifically for the donations. As of December 31, 2009, no entries had been made to account for the transfer of a portion of the funds from the liability account to the Escrow Account.
- DWSD did not reconcile the donations collected and posted to the liability account. The total amounts of credits applied to the accounts of customers participating in DRWAP are not reconciled to the escrow account or to the DWSD operations account. Donations received, credits applied and transfers to and from the escrow account are not reconciled to DRMS.

DWSD did not properly credit payments to DRWAP customer accounts.

- Ten accounts of customers enrolled in DRWAP were reviewed. All ten accounts had inconsistencies and were not properly handled. Six of the DRWAP customers owed money back to DWSD because the DWSD billing system erroneously provided credits to the customers even after the customers had defaulted from the program. Four of the ten DRWAP customers were owed money for the DRWAP program even though the enrollment had ended.
- An additional five accounts were reviewed and showed that the initial payment applied by DWSD did not match the calculation made by the DHS staff for all five accounts.

DHS did not properly meet its DRWAP responsibilities. Exhibit-A of the MOU, delineates the following for DHS responsibilities: intake and assessments including eligibility determination, affordability determination, case management and customer recertification, energy education, tracking, reporting and evaluation.

The OAG tested 23 DRWAP applications from the various intake locations and found the following:

- Eleven, or 48% of them were not completed in their entirety.
- Six or 26% had insufficient information to determine or verify the total household income.
- Nineteen or 83% consisted of clients being billed for donations over a twelve-month period, which was figured into their monthly payment amount for DRWAP.
- Ten or 43% did not have a residential utility shut off or shut off pending notice.
- Two or 9% did not have copies of recent utility bills in their file.
- Twelve or 52% reflected the incorrect monthly payment.
- Two or 9% did not have a copy of the rental agreement or mortgage document.
- Six or 26% had monthly payments that were not feasible based on insufficient monthly incomes.
- Two or 9% did not have a copy of the twelve-month water consumption history report.
- One or 4% did not include a copy of resident's social security card.
- Seven or 30% did not include a copy of the authorization to release form in the file.
- One or 4% was not a single-family residence.
- One or 4% had an address that did not match the utility bill.

The OAG also found that:

- DHS included the billed but unpaid voluntary water donations in the calculation of the applicants' average monthly bill, which was used to determine the applicants' required monthly payment amount under DRWAP.
- DHS did not provide the customers with written notice of the date the first payment was due under DRWAP.
- DHS did not advise applicants that if they defaulted on their DRWAP payment obligations they would be responsible for the entire account balance and the original DRWAP credit amounts could be reversed from the account.
- DHS did not require all applicants to attend the Energy Education Workshop as specified in the DRWAP guidelines.
- DHS did not notify customers enrolled in DRWAP of the recertification requirements prior to the expiration of the initial twelve-month participation in the program.

- The DHS employee who oversees the intake process did not submit account information to DWSD for processing on a daily basis.
- The DHS Community Service Commission never completed an annual evaluation of the program for 2008, 2009 and 2010.
- DHS has not billed DWSD for administrative costs associated with administering the DRWAP program. Because DHS is not billing DWSD, DHS is using other funding to pay for work associated with DRWAP. DHS is 99 percent grant funded and therefore DHS is using grant funds for other projects to administer DRWAP.

Sufficient policies and procedures were lacking from the associated Exhibit-A and the MOU to adequately control the program. There is no guidance for how to handle defaults and recertification. The lack of appropriate policies has allowed for customers enrolled to default and then re-enroll and ensure themselves of receiving multiple initial payments.

Recommendations

The OAG recommends that:

- DWSD and DHS convene the appropriate people from both departments to evaluate the program and determine which aspects of the program work and which do not.
- A new MOU be written and executed that clearly delineates the responsibilities of each department.
- DWSD and DHS develop appropriate policies and procedures to adequately govern all aspects of the program from application to default to recertification.
- DWSD and DHS each appoint one person from the department to oversee the department's responsibilities and to act as a liaison with the other department.
- DHS requires all intake centers and intake workers to use standardized documentation and guidelines when processing applications.
- DHS bills DWSD for administrative work and ensure that any expenses for employee time are either not charged to grant funds or are an allowable expense under the specific grant charged.
- DWSD should assign the appropriate level of staff to the program to allow for the DRWAP accounts to be handled in a timely manner.
- DWSD works to automate the processing of DRWAP payments to expedite and streamline the process.
- DWSD reconciles the donations due to DWSD operations to reimburse for the DRWAP credits and the associated bank accounts be reconciled to a control account on a monthly basis.

- DWSD transfers the collected donated funds to the escrow account monthly.
- DWSD transfer the appropriate funds from the escrow account to the operating account to cover the cost of the program on a monthly basis.

EXHIBIT 7

EXHIBIT 7

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In Re:]
]
CITY OF DETROIT, MICHIGAN]
]
Debtor.]
]

Chapter 9
Case No. 13-53846
Hon. STEVEN W. RHODES

MAURIKIA LYDA, JOHN SMITH,]
NICOLE HILL, ROSALYN WALKER,]
ANNETTE PARHAM, JANICE WARD,]
SYLVIA TAYLOR, SCOTT EUBANK,]
JOANN JACKSON, TAMMIKA R.]
WILLIAMS, individually and behalf of]
all other similarly situated, and]
MICHIGAN WELFARE RIGHTS]
ORGANIZATION, PEOPLES WATER]
BOARD, NATIONAL ACTION]
NETWORK-MICHIGAN CHAPTER,]
and MORATORIUM NOW!,]
Plaintiffs,]
]

Adv. Pro. 14-04732
Hon. STEVEN W. RHODES

v.]
CITY OF DETROIT, a Municipal]
Corporation, through the Detroit]
Water and Sewerage Department, its]
Agent,]
]
Defendant.]
]

DECLARATION OF KATE LEVY

Kate Levy declares pursuant to 28 U.S.C. § 1746:

1. On August 23, 2014 Defendant Detroit Water and Sewerage Department held a Customer Payment Fair at Cobo Hall. I arrived at approximately 10:30 a.m. The Detroit Water and Sewerage Department Moratorium on Shutoffs was scheduled to end on August 28, 2014.
2. During the August 26, 2014 "Fair", hundreds of customers attended. Customers

waited in lines for at least 90 minutes before being placed in a huge room where we were able to sit down. The lines ran the length of Cobo Hall; children, elderly, people in wheelchairs, people sitting in portable chairs; some standing quietly in line.

3. When the Detroit Water and Sewerage Department customers reached the entrance to the main hall, where the "Fair itself" was held, each person had to be electronically wanded; had to empty their purse and had to go through a metal detector. I saw two children, approximate ages, five (5) and seven (7) wanded.

4. After going through the metal detector, each person or family was then sent to another line where they received a number.

5. After receiving a number the person or family was directed to the very center of the room where a group of chairs was located. The room was huge. Once a person or family sat down a person was called on the megaphone.

6. By 12:30 p.m. customer service agents had only called about 300 of the 1,200 or more people there. Greg Eno, a spokesperson for Detroit Water and Sewerage Department advised me that he was surprised that "people had no idea" they had to pay 10% down and many came without any money. I later looked at DWSD promotional materials for the fair and found no evidence that individuals had been informed of the requirement to put 10% of their total bill down in order to enter into a payment plan. Those with no money were told they could enter payment plans but within two weeks if the 10% was not paid, their water service would be shut off. Greg Eno did not know if the "Fair" would cause a delay in water service being reconnected.

7. By the end of the "Fair" only Detroit Water and Sewerage Department customers had been serviced. Others were given vouchers to go to a Detroit Water and Sewerage Department Customer Service Center prior to Thursday, August 29th, or face shutoff of their water.

8. On August 26, 2014, I personally visited Defendant Detroit Water and Sewerage Department's Westside Payment Center at approximately 10:30 a.m. in the morning.

9. When I arrived at the Westside Payment Center, because the Center was so full, there were several rows of chairs in the middle of the side street that runs next to the Payment Center. Approximately 100 people were outside. It was like a Secretary of State's Office on the sidewalk. There were several Detroit uniform police officers out on the sidewalk.

10. Addresses were called on a megaphone, one by one. I heard an address every five (5) minutes.

11. By noon on August 26, 2014, many Detroit Water and Sewerage Department customers who had been there since 8:30 a.m. that day, had not been serviced. Other customers reported they could not get online or through on the phones.

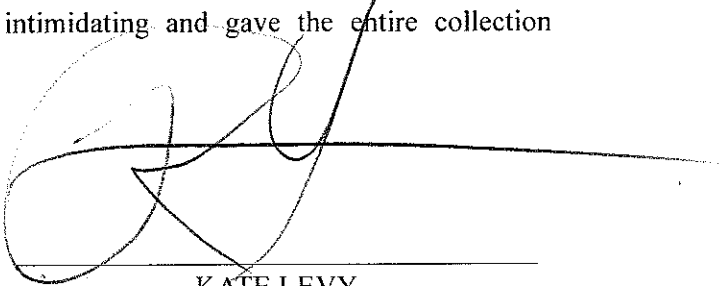
12. The weather temperature outside grew hotter and hotter, and the sun began to affect some of the customers physically. At some point at approximately 11:00 a.m., a police officer came over the megaphone, told everyone to calm down, as many customers seemed disturbed by the dehumanizing manner in which they were treated.

13. While I was there, one of the Detroit Water and Sewerage Department customers advised me that her water had been cut off for the first time the week of August 20, 2014, during a time that Detroit Water and Sewerage Department had declared a moratorium.

14. From what I saw at the Westside Payment Center, even after the Saturday Payment Fair, there was not enough Detroit Water and Sewerage Department staff or administrative capacity to provide adequate services to its Detroit Water and Sewerage Department customers.

15. The Detroit police presence was intimidating and gave the entire collection process a "policed" atmosphere.

Executed on: August 29, 2014



KATE LEVY