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## **WSJ: Judge Orders Detroit Into Mediation Over Regional Water Authority.**

### **Bankrupt City Ordered to Reach Agreement with Surrounding Suburbs**

DETROIT—A federal judge Thursday ordered this bankrupt city into mediation with its suburbs to reach an agreement on a new regional water authority to oversee water and sewer services currently provided by the city. Months of direct talks between the city of Detroit and the surrounding Wayne, Oakland and Macomb counties has failed to produce an agreement on a new authority. But U.S. Bankruptcy Judge Steven Rhodes said a regional authority could still be in the best interest of the city and its suburbs.

“I also have a sense that this bankruptcy offers a unique opportunity for the creation of that regional authority,” Judge Rhodes said. “If we do not take advantage of that unique opportunity, the opportunity in all likelihood will be lost forever.”

Direct talks broke down last month and the city started [seeking proposals](#) from private companies to run and potentially buy the regional water and sewer system. It is unclear whether the city will continue the privatization process as the closed-door mediations begin.

The move to regionalize one of the nation’s largest water systems comes as Detroit considers unloading assets to complete its debt-cutting plan, which creditors are expected to vote on later this spring.

After a year in office, Detroit Emergency Manager Kevyn Orr had said an outright sale of Detroit’s water department, which serves nearly 40% of Michigan’s population, is unlikely. He prefers a plan that calls for leasing the water system to a new regional authority, which he estimates would bring the city \$47 million a year for 40 years. The money could help boost financial recovery for the city’s creditors and plans by the city for reinvestment in municipal services.

But suburban leaders so far have balked at their potential share of costs for system improvements and unpaid water bills. It is still possible the city-owned system could continue to be run as a municipal department from Detroit.

The Detroit Water and Sewerage Department provides about 600 million gallons of water a day to Detroit and 127 suburban communities in seven counties. It has nearly \$1 billion in annual revenue.

By

MATTHEW DOLAN

April 17, 2014 10:29 a.m. ET

**Write to** Matthew Dolan at [matthew.dolan@wsj.com](mailto:matthew.dolan@wsj.com)

