

Great Lakes Water Authority

Resolution 2022-071

Resolution Adopting the Biennial FY 2023 & FY 2024 Budget

By Board Member: Brian Baker

WHEREAS The Great Lakes Water Authority (“GLWA” or the “Authority”) assumed the operation of the regional water and sewer systems on January 1, 2016 (the “Effective Date”) pursuant to Water System and Sewer System Lease Agreements between the GLWA and the City of Detroit dated June 12, 2015; and

WHEREAS In accordance with the by-laws of the GLWA, the Board shall adopt a two-year (Biennial) operating budget for the Regional Water and Sewer Systems; and

WHEREAS The Authority, through the terms of the Leases, committed to an annual increase in revenue requirement budget of no more than 4% though the fiscal year ending June 30, 2025; and

WHEREAS The GLWA Board is now adopting its seventh fiscal year budget demonstrating its ability to achieve and excel in meeting that commitment with a Regional Water System annual revenue requirement budget increase of 3.5% which equates to an average 3.5% increase in revenues from Water Service Charges and a Regional Sewer System annual revenue requirements budget increase of 1.3% which equates to an average 1.2% increase in revenues from Sewer Service Charges; and

WHEREAS The budgeted expenses for each such Fiscal Year shall equal the sum of the projected expenses and revenue requirements for the Regional Water System and the Regional Sewer System for each such Fiscal Year; and

WHEREAS The budgeted annual revenue requirements for the Regional Water System for FY 2023 is \$356,071,600 and for FY 2024 is \$368,534,100 as shown on “Schedule 1A – Water System Revenue Requirements” of the budget document; and

WHEREAS The budgeted annual revenue requirements for the Regional Sewer System for FY 2023 is \$481,372,100 and for FY 2024 is \$493,406,400 as shown on “Schedule 1B – Sewer System Revenue Requirements” of the budget document; and

WHEREAS The operations and maintenance budget for the Regional Water System for FY 2023 is \$144,847,700 and for FY 2024 is \$148,707,300 as shown on “Schedule 1A – Water System Revenue Requirements” of the budget document; and

WHEREAS The operations and maintenance budget for the Regional Sewer System for FY 2023 is \$184,052,600 and for FY 2024 is \$189,357,800 as shown on Schedule 1B – Sewer System Revenue Requirements” of the budget document; and

WHEREAS The amounts necessary to pay the principal of and interest on all Water System bonds and to restore any reserves therefore established in the Master Bond Ordinance is \$193,201,600 for FY 2023 and \$204,286,200 for FY 2024 as shown on “Schedule 4 - Debt Service Coverage Calculations Consistent with the Master Bond Ordinance” of the budget document; and

WHEREAS The amounts necessary to pay the principal of and interest on all Sewer System bonds and to restore any reserves therefore established in the Master Bond Ordinance is \$237,603,800 for FY 2023 and \$252,905,800 for FY 2024 as shown on “Schedule 4 - Debt Service Coverage Calculations Consistent with the Master Bond Ordinance” of the budget document; and

WHEREAS The amounts necessary to fund the annual water system capital expenditures of \$15,452,600 in FY 2023 and \$13,403,600 in FY 2024 for capital outlay in accordance with the 5A – Water Capital Financing Plan: Water Improvement and Extension Fund budget; and

WHEREAS The amounts necessary to fund the annual water system capital expenditures of \$155,501,000 in FY 2023 and \$180,349,000 in FY 2024 for the capital improvement plan in accordance with the Schedule 5A – Water Capital Financing Plan: Water Construction Fund budget with those capital amounts reflecting an 80% Capital Spending Ratio applied to FY 2023 and FY 2024 as shown in the proposed FY 2023 through FY 2027 Capital Improvement Plan; and

WHEREAS The amounts necessary to fund the annual sewer system capital expenditures of \$18,447,100 in FY 2023 and \$11,610,500 in FY 2024 for the capital outlay in accordance with the 5B – Sewer Capital Financing Plan: Sewer Improvement and Extension Fund budget; and

WHEREAS The amounts necessary to fund the annual sewer system capital expenditures of \$94,449,000 in FY 2023 and \$121,735,000 in FY 2024 for the capital improvement plan in accordance with Schedule 5B – Sewer Capital Financing Plan: Sewer Construction Fund budget with those capital amounts reflecting a 75% Capital Spending Ratio applied to FY 2023 and FY 2024 as shown in the proposed FY 2023 through FY 2027 Capital Improvement Plan; and

WHEREAS The GLWA Audit Committee began review of the budget and five-year financial plan document developed for FY 2023 through FY 2027 at its meeting on December 17, 2021; with updates at its meeting on January 21, 2022, and February 11, 2022; and

WHEREAS The GLWA Board conducted a public hearing on the proposed budget in accordance with the provisions of Public Act No. 43 of the Acts of the State Legislature of 1963 (“Budget Hearings of Local Governments”); and

WHEREAS A notice for the public hearing on the proposed budget scheduled for February 23, 2022 at 2:00 p.m. either in person or via a telephonic Zoom meeting was published in The Detroit Legal News announcing a public hearing on the budget in addition to posting the notice and proposed budget on glwater.org/financials; and

WHEREAS An affirmative vote of 5 Board Members is necessary for the adoption of this Resolution,

NOW THEREFORE BE IT:

RESOLVED That the GLWA Board conducted a public hearing on February 23, 2022 to receive public comment regarding the proposed budget for the Fiscal Years 2023 and 2024; and be it further

RESOLVED That the GLWA Board approves the budget for Fiscal Years 2023 and 2024; and be it finally

RESOLVED That the Interim Chief Executive Officer, and the Chief Financial Officer/Treasurer are authorized to take such other action as may be necessary to accomplish the intent of this resolution.

Note: Amounts highlighted in yellow in the following tables are presented in the Biennial Budget Authorizing Resolution.

Schedule 1A – Water System Revenue Requirements Biennial Budget

	Current Year		Biennial Budget					
	FY 2022 Adopted Budget	FY 2022 Amended Budget	FY 2023 Department Requested	FY 2023 Dollar Variance	FY 2023 Percent Variance	FY 2024 Department Requested	FY 2024 Dollar Variance	FY 2024 Percent Variance
Water System Revenue Requirements								
Revenues								
Revenues from Charges	\$342,808,200	\$340,408,200	\$354,947,900	\$ 12,139,700	3.5%	\$366,527,400	\$ 11,579,500	3.3%
Other Operating Revenue	175,000	175,000	175,000	-	0.0%	175,000	-	0.0%
Non-Operating Revenue	1,047,300	1,547,300	948,700	(98,600)	-9.4%	1,831,700	883,000	93.1%
Total Revenues	344,030,500	342,130,500	356,071,600	12,041,100	3.5%	368,534,100	12,462,500	3.5%
Revenue Requirements								
Operations & Maintenance (O&M) Expense	\$143,933,800	\$143,933,800	\$144,847,700	\$ 913,900	0.6%	\$148,707,300	\$ 3,859,600	2.7%
General Retirement System Legacy Pension	6,048,000	6,048,000	6,048,000	-	0.0%	-	(6,048,000)	-100.0%
Debt Service	135,481,000	135,121,000	150,337,100	14,856,100	11.0%	159,237,000	8,899,900	5.9%
General Retirement System Accelerated Pension	6,268,300	6,268,300	6,268,300	-	0.0%	3,647,500	(2,620,800)	-41.8%
Water Residential Assistance Program Contribution	1,705,500	1,705,500	1,770,500	65,000	3.8%	1,842,700	72,200	4.1%
Regional System Lease	22,500,000	22,500,000	22,500,000	-	0.0%	22,500,000	-	0.0%
Improvement & Extension Fund Transfer Pending	28,093,900	26,553,900	24,300,000	(3,793,900)	-13.5%	32,599,600	8,299,600	34.2%
Annual Water System Revenue Requirements	\$344,030,500	\$342,130,500	\$356,071,600	\$ 12,041,100	3.5%	\$368,534,100	\$ 12,462,500	3.5%

Note: Amounts highlighted in yellow in the following tables are presented in the Biennial Budget Authorizing Resolution.

Schedule 1B – Sewer System Revenue Requirements Biennial Budget

	Current Year		Biennial Budget					
	FY 2022 Adopted Budget	FY 2022 Amended Budget	FY 2023 Department Requested	FY 2023 Dollar Variance	FY 2023 Percent Variance	FY 2024 Department Requested	FY 2024 Dollar Variance	FY 2024 Percent Variance
Sewer System Revenue Requirements								
Revenues								
Revenues from Charges	\$474,005,900	\$471,005,900	\$479,816,500	\$ 5,810,600	1.2%	\$490,695,900	\$ 10,879,400	2.3%
Other Operating Revenue	400,000	400,000	400,000	-	0.0%	400,000	-	0.0%
Non-Operating Revenue	1,023,300	1,523,300	1,155,600	132,300	12.9%	2,310,500	1,154,900	99.9%
Total Revenues	475,429,200	472,929,200	481,372,100	5,942,900	1.3%	493,406,400	12,034,300	2.5%
Revenue Requirements								
Operations & Maintenance (O&M) Expense	\$181,299,800	\$181,299,800	\$184,052,600	\$ 2,752,800	1.5%	\$189,357,800	\$ 5,305,200	2.9%
General Retirement System Legacy Pension	10,824,000	10,824,000	10,824,000	-	0.0%	-	(10,824,000)	-100.0%
Debt Service	207,209,500	204,984,500	205,638,100	(1,571,400)	-0.8%	220,662,100	15,024,000	7.3%
General Retirement System Accelerated Pension	11,620,700	11,620,700	11,620,700	-	0.0%	6,930,300	(4,690,400)	-40.4%
Water Residential Assistance Program Contribution	2,358,300	2,358,300	2,394,200	35,900	1.5%	2,467,000	72,800	3.0%
Regional System Lease	27,500,000	27,500,000	27,500,000	-	0.0%	27,500,000	-	0.0%
Improvement & Extension Fund Transfer Pending	34,616,900	34,341,900	39,342,500	4,725,600	13.7%	46,489,200	7,146,700	18.2%
Annual Sewer System Revenue Requirements	\$475,429,200	\$472,929,200	\$481,372,100	\$ 5,942,900	1.3%	\$493,406,400	\$ 12,034,300	2.5%

Schedule 1C – Combined Water and Sewer System Revenue Requirements Biennial Budget

	Current Year		Biennial Budget					
	FY 2022 Adopted Budget	FY 2022 Amended Budget	FY 2023 Department Requested	FY 2023 Dollar Variance	FY 2023 Percent Variance	FY 2024 Department Requested	FY 2024 Dollar Variance	FY 2024 Percent Variance
Combined System Revenue Requirements								
Revenues								
Revenues from Charges	\$816,814,100	\$811,414,100	\$834,764,400	\$ 17,950,300	2.2%	\$857,223,300	\$ 22,458,900	2.7%
Other Operating Revenue	575,000	575,000	575,000	-	0.0%	575,000	-	0.0%
Non-Operating Revenue	2,070,600	3,070,600	2,104,300	33,700	1.6%	4,142,200	2,037,900	96.8%
Total Revenues	819,459,700	815,059,700	837,443,700	17,984,000	2.2%	861,940,500	24,496,800	2.9%
Revenue Requirements								
Operations & Maintenance (O&M) Expense	\$325,233,600	\$325,233,600	\$328,900,300	\$ 3,666,700	1.1%	\$338,065,100	\$ 9,164,800	2.8%
General Retirement System Legacy Pension	16,872,000	16,872,000	16,872,000	-	0.0%	-	(16,872,000)	-100.0%
Debt Service	342,690,500	340,105,500	355,975,200	13,284,700	3.9%	379,899,100	23,923,900	6.7%
General Retirement System Accelerated Pension	17,889,000	17,889,000	17,889,000	-	0.0%	10,577,800	(7,311,200)	-40.9%
Water Residential Assistance Program Contribution	4,063,800	4,063,800	4,164,700	100,900	2.5%	4,309,700	145,000	3.5%
Regional System Lease	50,000,000	50,000,000	50,000,000	-	0.0%	50,000,000	-	0.0%
Improvement & Extension Fund Transfer Pending	62,710,800	60,895,800	63,642,500	931,700	1.5%	79,088,800	15,446,300	24.3%
Annual Revenue Requirements	\$819,459,700	\$815,059,700	\$837,443,700	\$ 17,984,000	2.2%	\$861,940,500	\$ 24,496,800	2.9%

There is no Schedule 3 for purposes of the Budget Resolution.

Note: Amounts highlighted in yellow in the following tables are presented in the Biennial Budget Authorizing Resolution.

Schedule 4 – Debt Service Coverage Calculations Consistent with the Master Bond Ordinance

Debt Service Coverage Calculation Flow of Funds Basis	FY 2023 Combined			FY 2024 Combined		
	FY 2023 Water Fund	FY 2023 Sewer Fund	(Informational Only)	FY 2024 Water Fund	FY 2024 Sewer Fund	(Informational Only)
Revenues						
1 Regional System Wholesale Revenues	\$ 354,947,900	\$ 479,816,500	\$ 834,764,400	\$ 366,527,400	\$ 490,695,900	\$ 857,223,300
2 Local System Revenues	70,104,100	96,467,800	166,571,900	70,435,100	95,338,300	165,773,400
3 Miscellaneous Revenue (Local System)	3,900,000	7,640,000	11,540,000	3,980,000	7,790,000	11,770,000
4 Non-Operating Revenue (Regional System)	1,123,700	1,555,600	2,679,300	2,006,700	2,710,500	4,717,200
5 Total Revenues	\$ 430,075,700	\$ 585,479,900	\$ 1,015,555,600	\$ 442,949,200	\$ 596,534,700	\$ 1,039,483,900
Revenue Requirements						
Operations & Maintenance Expense						
6 Regional System Wholesale Expenses	\$ 144,847,700	\$ 184,052,600	\$ 328,900,300	\$ 148,707,300	\$ 189,357,800	\$ 338,065,100
7 Local System Expenses	30,490,000	63,390,000	93,880,000	31,100,000	64,660,000	95,760,000
8 GRS Pension allocable to Regional System	6,048,000	10,824,000	16,872,000	0	0	0
9 GRS Pension allocable to Local System	4,272,000	2,856,000	7,128,000	0	0	0
10 Total Operations & Maintenance Expense	185,657,700	261,122,600	446,780,300	179,807,300	254,017,800	433,825,100
11 Net Revenues after Operations & Maintenance Expense	\$ 244,418,000	\$ 324,357,300	\$ 568,775,300	\$ 263,141,900	\$ 342,516,900	\$ 605,658,800
Debt Service by Lien						
12 Senior Lien Bonds	135,939,700	149,780,900	285,720,600	140,130,000	150,299,000	290,429,000
13 Second Lien Bonds	47,200,100	36,738,500	83,938,600	48,108,100	49,387,700	97,495,800
14 SRF Junior Lien Bonds	10,061,800	51,084,400	61,146,200	16,048,100	53,219,100	69,267,200
15 Total Debt Service	\$ 193,201,600	\$ 237,603,800	\$ 430,805,400	\$ 204,286,200	\$ 252,905,800	\$ 457,192,000
Debt Service Coverage						
16 Senior Lien Bonds (11)/(12)	1.80	2.17		1.88	2.28	
17 Second Lien Bonds (11)/[(12)+(13)]	1.33	1.74		1.40	1.72	
18 SRF Junior Lien Bonds (11)/(15)	1.27	1.37		1.29	1.35	

**Rows highlighted in light grey in the above table are designed to align with the Local System information provided from Detroit Water & Sewerage Department (DWSD) as of January 19, 2022.

Note: Amounts highlighted in yellow in the following tables are presented in the Biennial Budget Authorizing Resolution.

Schedule 5A – Water Capital Financing Plan

Water Improvement & Extension (I&E) Fund

Water Improvement & Extension Fund Inflows & Outflows	Current Year	Biennial Budget	
	FY 2022 Estimated	FY 2023 Department Requested	FY 2024 Department Requested
Water Improvement & Extension Fund			
Water System Revenue Transfers In	\$ 26,553,900	\$ 24,300,000	\$ 32,599,600
Receipt of DWSD Shortfall Loan Interest	-	-	-
Capital Outlay	(17,006,600)	(15,452,600)	(13,403,600)
Transfer to Construction Fund	(106,836,800)	(28,735,400)	(18,221,400)
Increase (Decrease) in I&E Reserves	\$ (97,289,500)	\$ (19,888,000)	\$ 974,600
Beginning Year Net Position	207,475,000	110,185,500	90,297,500
Projected Ending Net Position	\$110,185,500	\$ 90,297,500	\$ 91,272,100

Water Construction Fund

Water Construction Fund Inflows & Outflows	Current Year	Biennial Budget	
	FY 2022 Estimated	FY 2023 Department Requested	FY 2024 Department Requested
Water Construction Fund			
Bond Proceeds	\$175,750,000	\$ -	\$ -
Bond Fund Earnings on Investments	67,500	128,800	365,900
Grant Revenues (SRF Loans)	36,527,000	54,992,000	59,446,000
Transfers from I&E Fund	106,836,800	28,735,400	18,221,400
Project Expenditures (a)	(143,368,000)	(155,501,000)	(180,349,000)
Increase (Decrease) in Construction Funds	\$175,813,300	\$ (71,644,800)	\$ (102,315,700)
Beginning Year Net Position	12,438,000	188,251,300	116,606,500
Projected Ending Net Position	\$188,251,300	\$116,606,500	\$ 14,290,800
(a) Capital Improvement Plan	\$ 179,210,000	\$ 194,376,000	\$ 225,436,000
(a) Capital Spend Rate Adjustment	(35,842,000)	(38,875,000)	(45,087,000)
(a) Total CIP Expenditures	\$ 143,368,000	\$ 155,501,000	\$ 180,349,000

Note: Amounts highlighted in yellow in the following tables are presented in the Biennial Budget Authorizing Resolution.

Schedule 5B – Sewer Capital Financing Plan

Sewer Improvement & Extension (I&E) Fund

	Current Year	Biennial Budget	
	FY 2022	FY 2023	FY 2024
Sewer Improvement & Extension Fund Inflows & Outflows	Estimated	Department Requested	Department Requested
Sewer Improvement & Extension Fund			
Sewer System Revenue Transfers In	\$ 34,341,900	\$ 39,342,500	\$ 46,489,200
Receipt of DWSD Shortfall Loan Interest	406,400	-	-
Capital Outlay	(15,965,100)	(18,447,100)	(11,610,500)
Transfer to Construction Fund	(47,953,800)	(26,444,900)	(32,173,500)
Increase (Decrease) in I&E Reserves	\$ (29,170,600)	\$ (5,549,500)	\$ 2,705,200
Beginning Year Net Position	122,385,000	93,214,400	87,664,900
Projected Ending Net Position	\$ 93,214,400	\$ 87,664,900	\$ 90,370,100

Sewer Construction Fund

	Current Year	Biennial Budget	
	FY 2022	FY 2023	FY 2024
Sewer Construction Fund Inflows & Outflows	Estimated	Department Requested	Department Requested
Sewer Construction Fund			
Bond Proceeds	\$137,750,000	\$ -	\$ -
Bond Fund Earnings on Investments	96,000	86,200	277,600
Grant Revenues (SRF Loans)	14,149,000	18,720,000	10,247,000
Transfers from I&E Fund	47,953,800	26,444,900	32,173,500
Project Expenditures (a)	(79,538,000)	(94,449,000)	(121,735,000)
Increase (Decrease) in Construction Funds	\$120,410,800	\$ (49,197,900)	\$ (79,036,900)
Beginning Year Net Position	11,473,000	131,883,800	82,685,900
Projected Ending Net Position	\$131,883,800	\$ 82,685,900	\$ 3,649,000
(a) Capital Improvement Plan	\$ 106,050,000	\$ 125,932,000	\$ 162,313,000
(a) Capital Spend Rate Adjustment	(26,512,000)	(31,483,000)	(40,578,000)
(a) Total CIP Expenditures	\$ 79,538,000	\$ 94,449,000	\$ 121,735,000