

A dynamic splash of clear blue water against a white background, with various droplets and streams of water captured in motion. The water is the primary visual element, filling most of the frame.

Audit Committee Briefing: Feasibility Report Forecasts for Series 2022 Bonds

July 25, 2022



TFG
THE FOSTER GROUP

Overview / Agenda

- Modifications to FY 2023 Budget Assumptions
- Long-Term Financial Plan Assumptions
- Executive Summary Forecast Observations

Modifications to FY 2023 Budget

- Forecast uses FY 2023 Modified Budget as “Springboard” for future projections
- Representation of FY 2023 in the forecast differs from FY 2023 Approved Budget
 - ✓ *Analysis in the forecasts is designed to align with proposed 1st Quarter Amendments for FY 2023 Budget*
 - ✓ *See slides 4 and 5 for more info*

Modifications to FY 2023 Budget

- Modifications to treatment of Highland Park in FY 2023 Charges
- Impact of new economic conditions on:
 - ✓ *Operating Expense Requirements;*
 - ✓ *Expected Investment Earnings;*
 - ✓ *Expected Interest Requirements on Bonds;*
 - ✓ *CIP Levels and Financing Requirements*
- Strategic Bond Structuring

Assumed Modifications to FY 2023 Budget - \$ *millions*

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Remove HP Bad Debt Recovery from Charges	(1.26)	(5.42)	(6.67)
Include Highland Park Payments per Order	NA	3.02	3.02
Recognize Increased Investment Earnings	<u>6.38</u>	<u>7.77</u>	<u>14.15</u>
Total Revenue Impacts	5.12	5.38	10.49
Recognize Increased Operating Expenses	NA	10.77	10.77
Changes in Debt Service Assumptions (a)	0.72	3.36	4.08
WRAP Contribution Adjustment	(0.06)	(0.27)	(0.33)
Adjustment to I&E Contribution	<u>4.46</u>	<u>(8.48)</u>	<u>(4.02)</u>
Total Revenue Requirement Impacts	5.12	5.38	10.49
 <i>(a) Capital Financing Plan Changes</i>			
Change Capital Spend Rate to 100% *	83.96	72.06	156.02
Series 2022 Bond Sale Size	40.00	80.00	120.00

** Figures reflect combined total of FY 2023 & FY 2024
Strategic Bond Structuring offsets higher interest rate*

Long-Term Financial Plan Assumptions

- “Top Line” Revenue Requirement Increases of 4% annually starting in FY 2024
 - ✓ *Prior forecasts used 3.0% for Water and 2.5% for Sewer*
- Annual O&M increases of 3% starting in FY 2024
 - ✓ *Prior forecasts used 2.0%*
- Strategic application of SRF eligible projects
 - ✓ *Forecast does not contemplate availability of any (beyond SRF) subsidized funding for Regional System CIP*
- Biennial issuance of revenue bonds in “odd number” FYs (2025, 2027, 2029, 2031)

Executive Summary Forecast Observations

- Sewer Forecast continues to produce more favorable metrics than Water
 - ✓ *Primarily due to the scale of the CIPs relative to the overall Revenue of the Systems*
 - ✓ *Ratio of Average Annual CIP to Annual Revenue:*
 - Water = 55%
 - Sewer = 32%
 - ✓ *Sewer forecast indicates possibility of all “pay go” CIP Funding starting in FY 2030*
- DWSD Local System Forecast provides at least 1.0 x Local System Debt Service Coverage in all years in forecast

Executive Summary Forecast Observations

GLWA Financial Plan Summary (\$ millions)

Executive Summary Metrics

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>Total</u>
<u>Water Supply System</u>											
Charge Adjustment		2.1%	4.0%	4.0%	4.0%	4.1%	4.1%	4.1%	4.1%	4.1%	
Projected Revenue	361.2	369.0	383.8	399.1	415.1	431.7	449.0	466.9	485.6	505.0	
Projected Expenses	144.8	149.2	153.7	158.3	163.0	166.3	169.6	173.0	176.5	180.0	
Net Revenues	216.3	219.8	230.1	240.8	252.1	265.4	279.3	293.9	309.1	325.0	
Contribution to I&E	28.8	31.5	32.3	32.7	28.6	33.7	34.0	37.0	40.3	49.7	
Projected Cash Balance	243.5	243.4	244.2	243.5	243.1	243.4	243.4	244.0	244.0	243.5	
Capital Improvements *	209.8	238.8	232.0	184.3	158.5	228.4	228.5	179.3	176.4	153.5	1,989.6
New Bond Sales **	225.0	0.0	215.0	0.0	325.0	0.0	350.0	0.0	260.0	0.0	1,375.0
SRF Loan Proceeds **	126.8	110.2	57.8	47.7	0.0	0.0	0.0	0.0	0.0	0.0	342.6
Reg Syst Debt Svc Covg **	1.39	1.37	1.36	1.34	1.29	1.31	1.29	1.29	1.29	1.32	
Total Debt Svc Covg ***	1.32	1.32	1.31	1.29	1.26	1.27	1.25	1.24	1.24	1.26	
<u>Sewage Disposal System</u>											
Charge Adjustment		2.9%	4.1%	4.0%	4.0%	4.1%	4.1%	4.0%	4.0%	3.9%	
Projected Revenue	486.7	500.6	520.7	541.5	563.1	585.7	609.1	633.5	658.8	685.1	
Projected Expenses	194.8	200.7	206.7	212.9	219.3	223.7	228.1	232.7	237.3	242.1	
Net Revenues	291.9	300.0	314.0	328.6	343.9	362.0	381.0	400.8	421.4	443.0	
Contribution to I&E	30.9	40.7	59.3	68.6	70.7	75.8	94.8	120.0	143.3	164.6	
Projected Cash Balance	271.7	271.8	271.6	271.8	271.1	271.7	271.9	322.3	342.1	423.9	
Capital Improvements *	144.4	144.4	173.9	192.6	166.4	141.6	181.1	161.0	121.7	123.5	1,550.5
New Bond Sales **	225.0	0.0	115.0	0.0	225.0	0.0	0.0	0.0	0.0	0.0	565.0
SRF Loan Proceeds **	36.6	63.0	73.6	25.9	0.0	0.0	0.0	0.0	0.0	0.0	199.1
Debt Service Coverage **	1.35	1.35	1.45	1.48	1.46	1.46	1.53	1.65	1.76	1.84	
Total Debt Svc Covg ***	1.30	1.32	1.41	1.43	1.44	1.43	1.49	1.58	1.67	1.74	

* Includes Budgeted Capital Outlay

** Regional System contribution only

*** Consolidated Regional System and Local System



GLWA

Great Lakes Water Authority

