



PUBLIC HEARING
Proposed FY 2024 & FY 2025 Biennial Budget
and Proposed FY 2024 Charges

February 22, 2023 | Board of Director's Meeting

Financial Plan Schedule – Key Dates

Charges Rollout Meetings with Member Partners - Complete

- **10/19/2022** - Capital Improvement Programs
- **11/16/2022** - Preliminary Units of Service
- **1/12/2023** – Preliminary Proposed FY 2024 & 2025 Biennial Budget & Ten-Year Financial Plan and Preliminary FY 2024 Charges
- **1/19/2023** – Comprehensive Follow Up Review Session

Board & Audit Committee Review

- **11/17/2022** – Board Meeting – Briefing on Budget & Charges
- **12/16/2022** – Audit Committee – Proposed Budget & Charges
- **1/25/2023** – Board Meeting – Review of Proposed Budget & Charges
- **2/13/2023** – Audit Committee – Continued Review

Next Steps

- ➔ • **2/22/2023** – GLWA Public Hearing
- **7/1/2023** – Effective Date for Budget & Charges

Executive Summary of FY 2024 & FY 2025 Budget and FY 2024 Charge Proposals



Four Key Takeaways

1. **Budget:** Overriding theme is trade-offs due to unprecedented economic times in all areas of spending – chemicals, utilities, labor, and capital projects – while advancing resiliency.
2. **Charges:** The System-Wide Charges Revenue increase is 2.75 percent for both Water and Sewer – well below the rate of inflation of 6.5%*.
3. **Bad Debt Recovery:** Highland Park Bad Debt Expense is NOT included in the FY 2024 Charges.
4. **CAP:** For Water System Member Partners, the FY 2024 Charges reflect the every-four-year “reset” in shares based on Contract Alignment Process (CAP) outcomes while promoting long-term stability.

*As of December 13, 2022 Bureau of Labor Statistics, released January 13, 2023

Proposed Charge Adjustment Well Below Inflation

The System-Wide Charges Revenue Increase is 2.75% for both Water and Sewer – Well Below the Rate of Inflation of 6.5%.

- a) Memorandum of Understanding (MOU) which established GLWA included a fundamental requirement to limit annual budget increases to no more than four percent (the 4% Promise) for each of the first 10 years of the Authority's operation.
- b) As challenging as that commitment has been to maintain, particularly this year with historic operational cost increases and inflationary pressures on capital programming, we remain steadfast in the 4% Promise.
- c) Fortunately, increased investment earnings reduce the pressure on FY 2024 charges to keep the system-wide charges increase to 2.75%, despite the need for a 4% revenue requirement budget increase.

GLWA Average System Charge Adjustments History

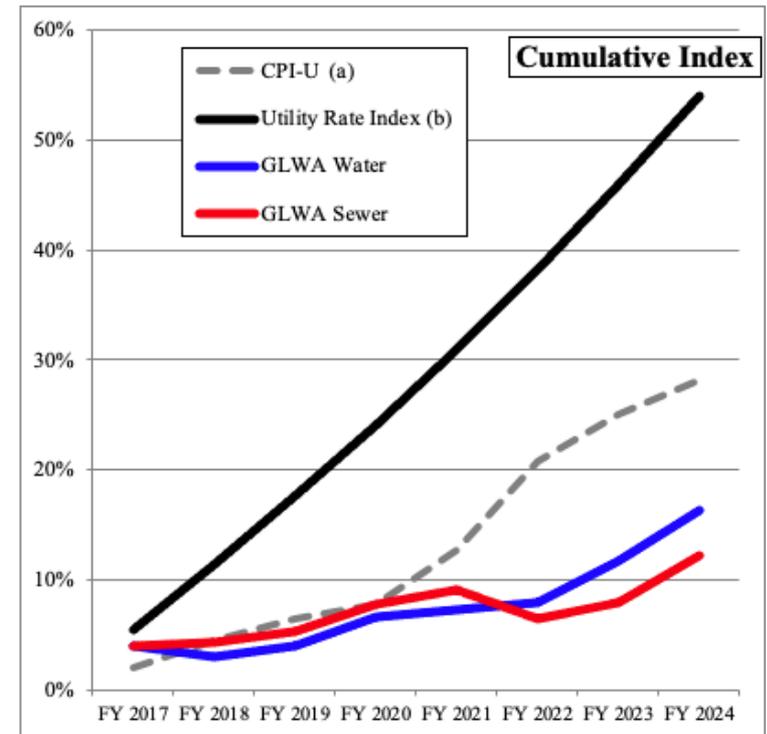
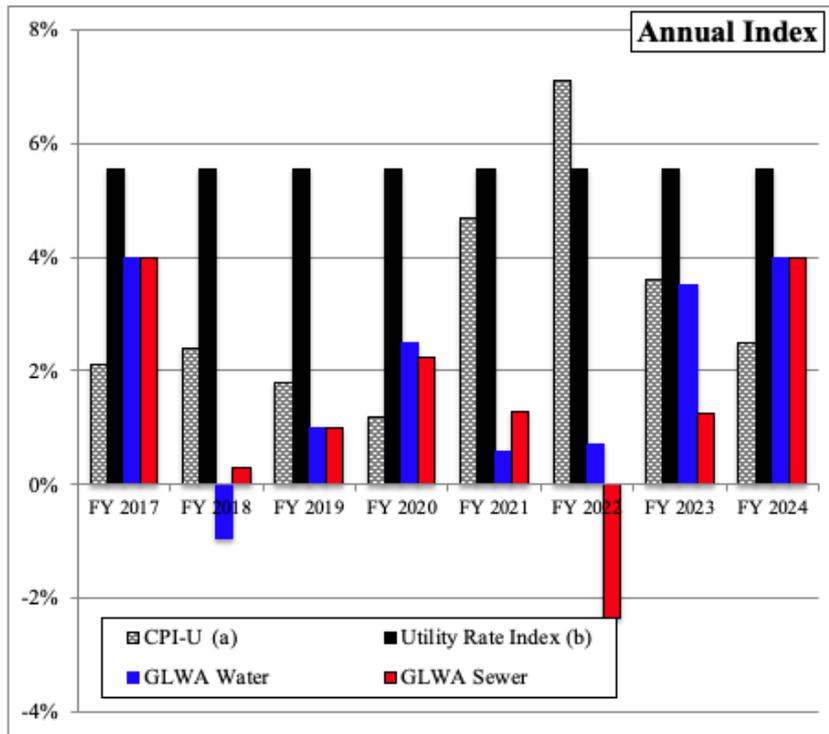
⊕ Average System Charge Adjustments

Year	Water	Sewer
2018	1.8%	-0.7%
2019	1.8%	0.1%
2020	0.6%	0.8%
2021	3.2%	2.0%
2022	1.5%	-0.6%
2023	3.7%	2.4%
2024	2.75%	2.75%
7-Year Average	2.2%	0.9%

GLWA BUDGET Adjustments Compared to Utility Indices

Annual	Annual Index								Average Annual
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	
CPI-U (a)	2.1%	2.4%	1.8%	1.2%	4.7%	7.1%	3.6%	2.5%	3.2%
Utility Rate Index (b)	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%
GLWA Water	4.0%	-0.9%	1.0%	2.5%	0.6%	0.7%	3.5%	4.0%	1.9%
GLWA Sewer	4.0%	0.3%	1.0%	2.2%	1.3%	-2.3%	1.3%	4.0%	1.5%
GLWA Overall	4.0%	-0.2%	1.0%	2.3%	1.0%	-1.1%	2.2%	4.0%	1.7%

Cumulative Index	Cumulative Index							
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
CPI-U (a)	2.1%	4.6%	6.4%	7.7%	12.8%	20.8%	25.1%	28.3%
Utility Rate Index (b)	5.6%	11.4%	17.6%	24.1%	31.0%	38.3%	46.0%	54.1%
GLWA Water	4.0%	3.0%	4.1%	6.7%	7.3%	8.0%	11.8%	16.3%
GLWA Sewer	4.0%	4.3%	5.4%	7.7%	9.1%	6.5%	7.9%	12.2%
GLWA Overall	4.0%	3.8%	4.8%	7.3%	8.3%	7.2%	9.5%	13.9%



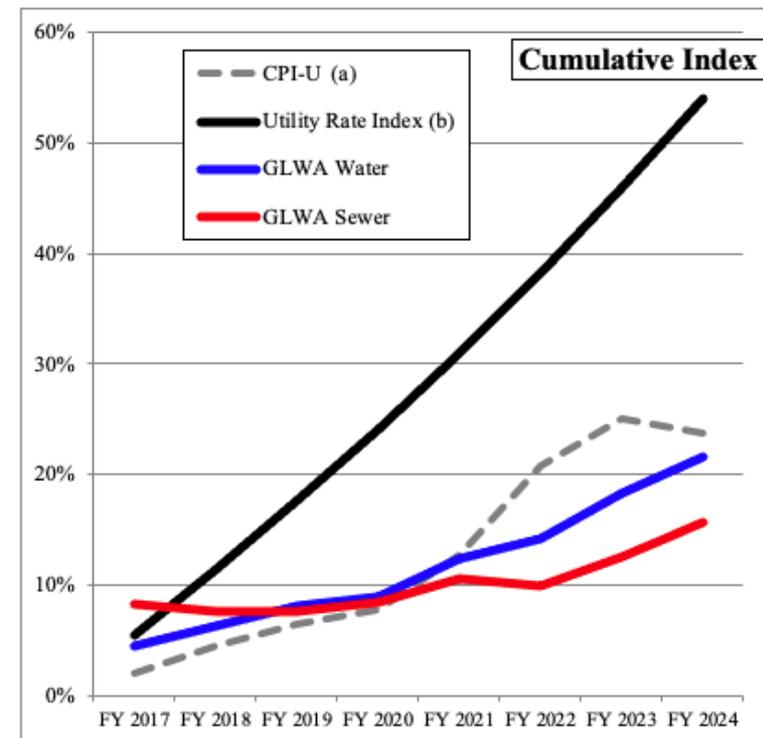
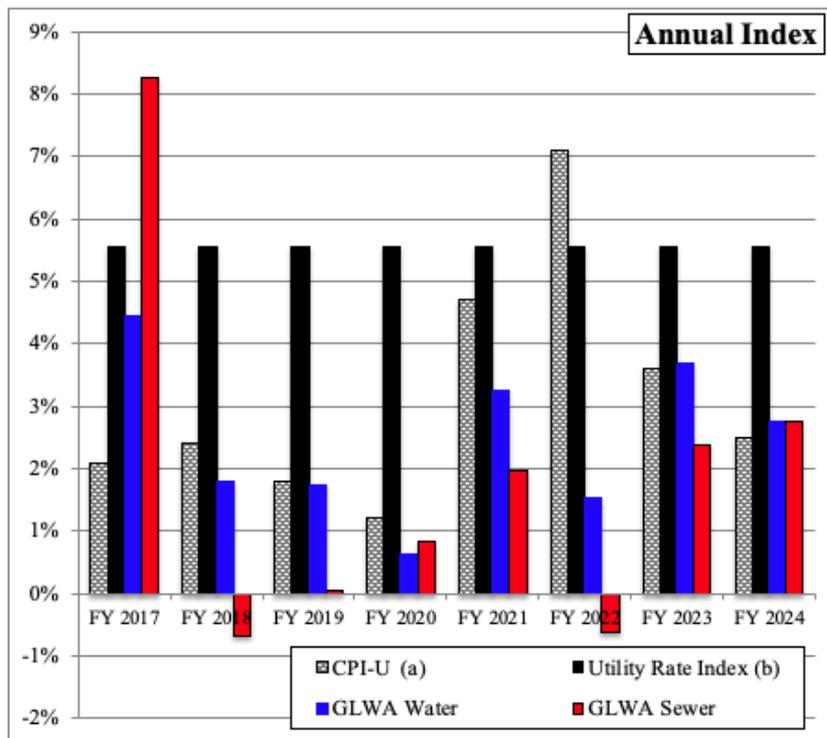
(a) Source: Bureau of Labor Statistics, FY 2022 - FY 2024 estimated based on EOTF Report

(b) Source: Black & Veatch 50 Largest Cities Rate Survey - 2021 - average 2001-2020

GLWA CHARGE Adjustments Compared to Utility Indices

Annual	Annual Index								Average Annual
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	
CPI-U (a)	2.1%	2.4%	1.8%	1.2%	4.7%	7.1%	3.6%	2.5%	3.2%
Utility Rate Index (b)	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%
GLWA Water	4.5%	1.8%	1.8%	0.6%	3.2%	1.5%	3.7%	2.75%	2.5%
GLWA Sewer	8.3%	-0.7%	0.1%	0.8%	2.0%	-0.6%	2.4%	2.75%	1.9%
GLWA Overall	6.7%	0.3%	0.7%	0.7%	2.5%	0.3%	2.9%	2.8%	2.1%

Annual	Cumulative Index							
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
CPI-U (a)	2.1%	4.6%	6.4%	7.7%	12.8%	20.8%	25.1%	23.8%
Utility Rate Index (b)	5.6%	11.4%	17.6%	24.1%	31.0%	38.3%	46.0%	54.1%
GLWA Water	4.5%	6.3%	8.2%	8.9%	12.4%	14.1%	18.3%	21.6%
GLWA Sewer	8.3%	7.5%	7.6%	8.5%	10.6%	9.9%	12.6%	15.6%
GLWA Overall	6.7%	7.0%	7.8%	8.6%	11.3%	11.6%	14.9%	18.0%



(a) Source: Bureau of Labor Statistics, FY 2022 - FY 2024 estimated based on EOTF Report

(b) Source: Black & Veatch 50 Largest Cities Rate Survey - 2021 - average 2001-2020

Highland Park Bad Debt Expense is NOT Included in the FY 2024 Charges.

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- a) The city of Highland Park has been making partial payments on their sewer system charges.
- b) Though the matters have not been settled and we are still in confidential mediation, we believe that the progress being made warrants an optimistic pause as we move closer to a permanent resolution for both the water and sewer systems.

Water System Contract Alignment Process (CAP) “Reset” Year; Sewer System Stable

Water System

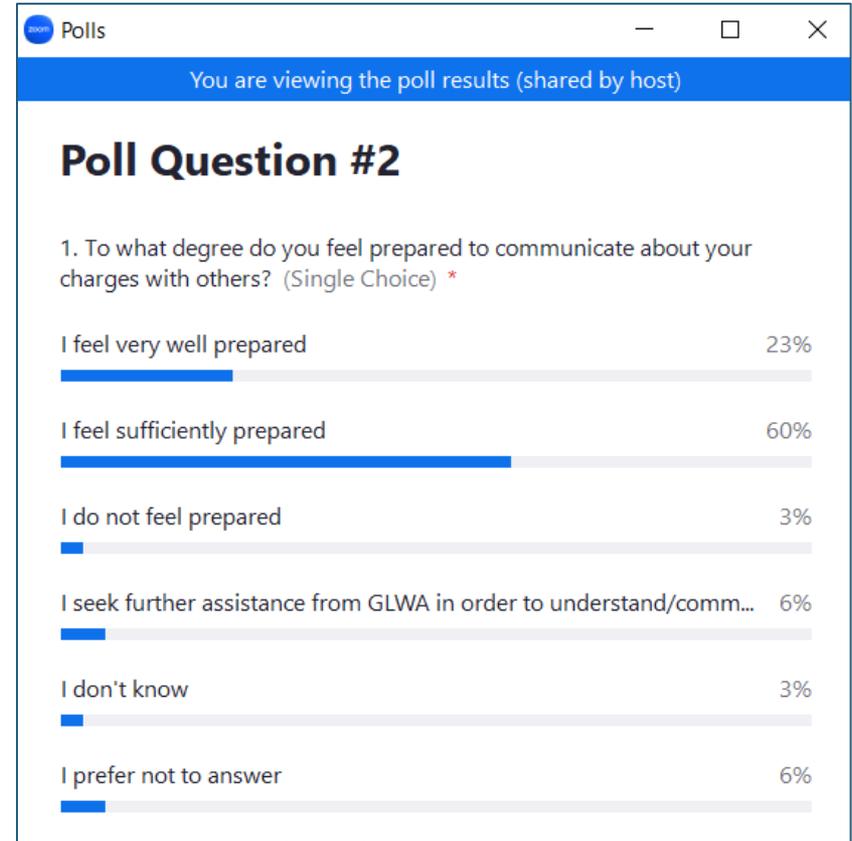
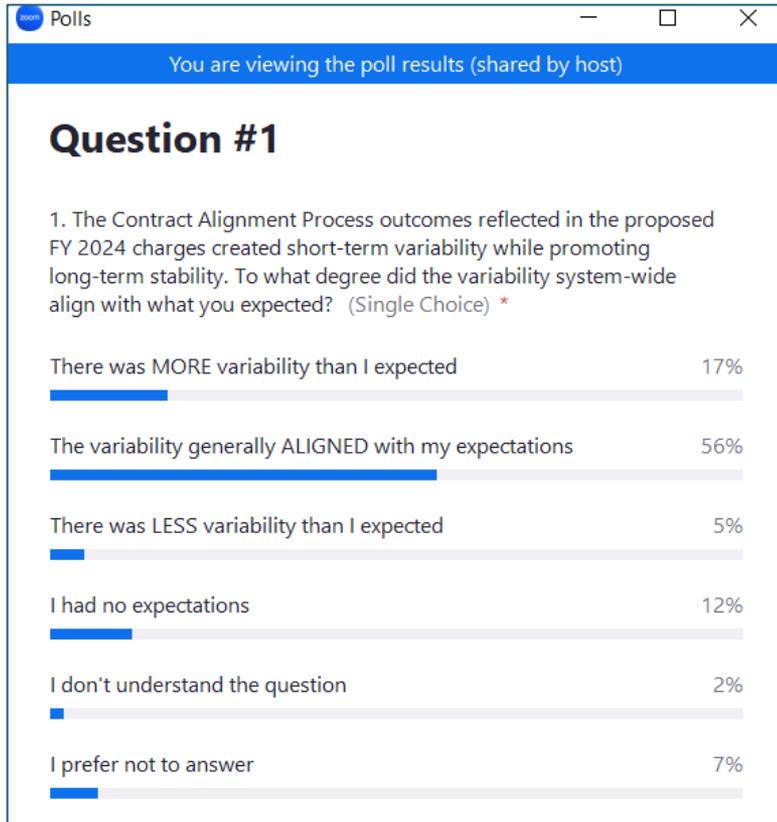
- a) In 2022, for the first time, **over 80** Water System Member Partners renegotiated contract demands.
- b) CAP is a four-year cycle for resetting (aligning) Member Partner water demands, including annual volumes and during peak periods, based on a consistent period of data and relevant factors across all Member Partners.
- c) Realignment causes shifts among Water System Member Partners every four years, as cost of service allocations are “reset”.
- d) The benefit of stability for three years offsets the variability in one year – stability in past three years has been beneficial for Member Partners’ budgeting and rate setting.

Sewer System

- a) Sewer SHARES in place for another year – simple, uniform adjustment across all Member Partners.

Charges Rollout #4 – January 19, 2023

– Member Partner Feedback



Audit Committee Meetings –
Budget Draft 1: December 16, 2022
Budget Draft 2: February 13, 2023



Dynamic & Economically Challenging Times Continue: Updates to the Financial Plan – Draft 2 Updates

(Note: no impact the proposed charges for FY 2024)

1. Debt Service
 - a) Debt service for the sewer system *increased* due to assumed interest rate on variable rate bonds moving from 2.6% to 4.0%, creating a \$3.35 million increase compared to the original budget. This also impacts FY 2025 as well as upcoming FY 2023 budget amendments.
 - b) Debt service decreased for both systems to reflect new information regarding activity on SRF loans.
 - c) In total, net changes from debt service for FY 2024 – water system decrease of \$340,900 and sewer system increase of \$3.3 million.
 - d) Revisions to debt service were offset by adjusting Improvement & Extension (I&E) Fund contribution.
2. The Draft 2 Capital Improvement Plan for FY 2024 thru FY 2028 increased spending pressure on FY 2024 and FY 2025 of the proposed budget due to the increased pace of delivery and cost of the capital program.
 - a) After intensive review of the CIP and the financial and economic outlook, the long-term financial plan was updated and is presented today which aligns both financial and capital plans.
 - b) The Draft 2 CIP was presented to the Board Capital Planning Committee on January 18, 2023 and is recommended by the Committee for approval by the Board of Directors.
 - c) These changes do not impact the overall FY 2024 revenue requirement but do modify the forecast starting in FY 2025.
3. Contribution to the sewer Improvement & Extension (I&E) Fund decreased a corresponding amount to address the variable rate increase in debt service.
4. Additional inputs from the Detroit Water & Sewerage Department (DWSD) were obtained that are critical to calculating debt service coverage and updating the consolidated budget schedules.

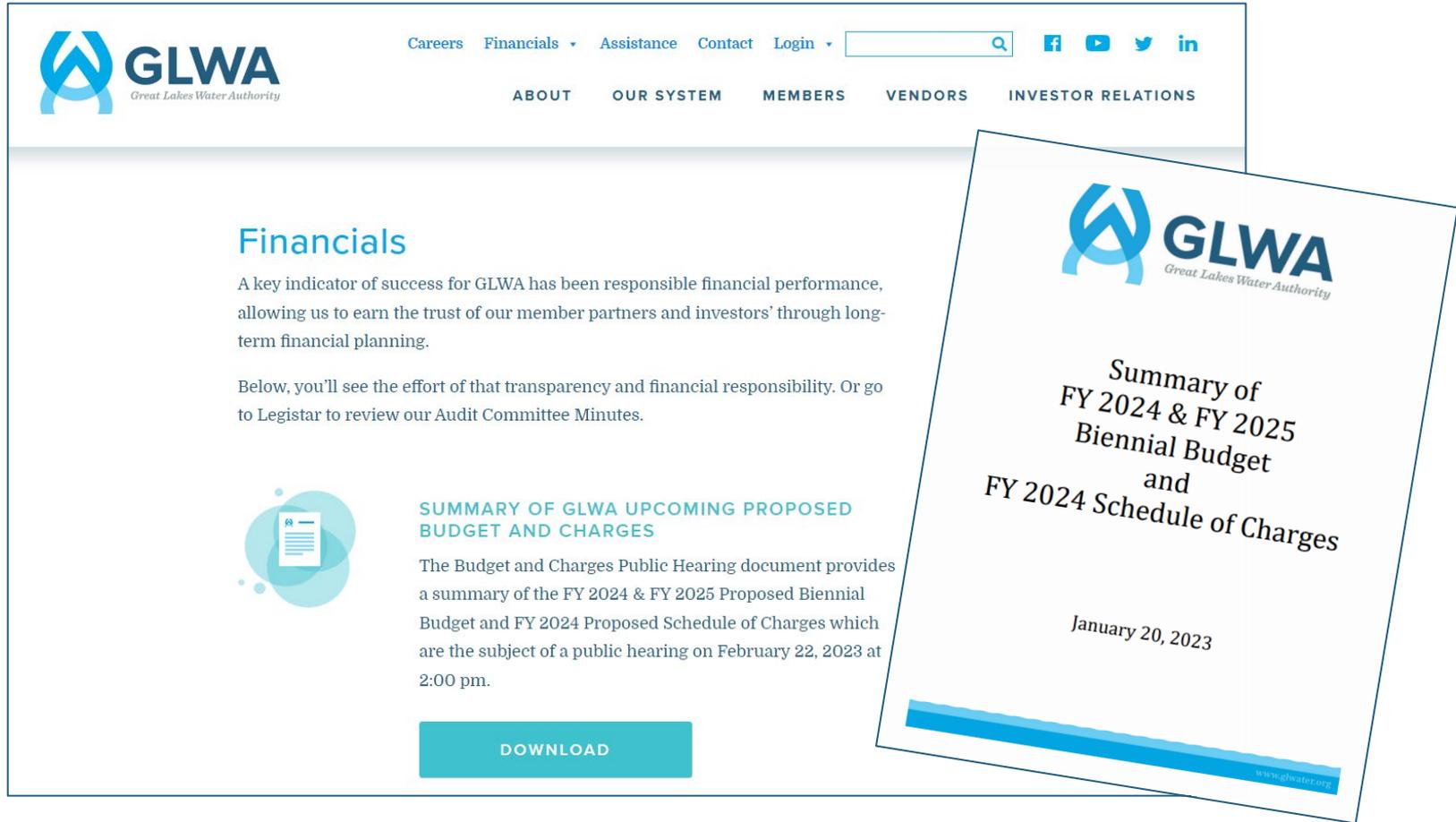
Water Biennial BUDGET Highlights: Comprehensive Revenue Requirements – Updated for CIP Draft 2 and Debt Service

	FY 2023 Adopted Budget	FY 2023 Estimated Budget	FY 2024 Department Requested	FY 2024 Dollar Variance	FY 2024 Percent Variance	FY 2025 Department Requested	FY 2025 Dollar Variance	FY 2025 Percent Variance
Water System Revenue Requirements								
Revenues								
Revenues from Charges	\$354,947,900	\$353,690,600	\$366,077,800	\$ 11,129,900	3.1%	\$377,752,600	\$ 11,674,800	3.2%
Other Revenues	175,000	175,000	175,000	-	0.0%	175,000	-	0.0%
Investment Earnings	948,700	7,901,200	4,061,700	3,113,000	328.1%	7,199,500	3,137,800	77.3%
Total Revenues	356,071,600	361,766,800	\$370,314,500	\$ 14,242,900	4.0%	\$385,127,100	\$ 14,812,600	4.0%
Revenue Requirements								
Operations & Maintenance (O&M) Expense	\$144,847,700	\$144,847,700	\$152,906,400	\$ 8,058,700	5.6%	\$162,810,600	\$ 9,904,200	6.5%
General Retirement System Legacy Pension	6,048,000	6,048,000	-	(6,048,000)	-100.0%	-	-	0.0%
Debt Service	150,337,100	150,171,200	159,482,800	9,145,700	6.1%	175,154,900	15,672,100	9.8%
General Retirement System Accelerated Pension	6,268,300	6,268,300	3,395,500	(2,872,800)	-45.8%	4,173,300	777,800	22.9%
Water Residential Assistance Program Contribution	1,770,500	1,770,500	1,851,600	81,100	4.6%	1,925,600	74,000	4.0%
Regional System Lease	22,500,000	22,500,000	22,500,000	-	0.0%	22,500,000	-	0.0%
Receiving Fund Working Capital Requirement	-	-	-	-	0.0%	7,900,000	7,900,000	0.0%
Improvement & Extension Fund Transfer Pending	24,300,000	30,161,100	30,178,200	5,878,200	24.2%	10,662,700	(19,515,500)	-64.7%
Annual Water System Revenue Requirements	\$356,071,600	\$361,766,800	\$370,314,500	\$ 14,242,900	4.0%	\$385,127,100	\$ 14,812,600	4.0%
<i>Change in Annual Revenue Requirement</i>				14,242,900	4.00%		14,812,600	4.0%
<i>Change Attributable to Non-Charge Revenue (FY 2024 increase in investment earnings)</i>				(3,113,000)	-0.87%		(3,137,800)	-0.9%
<i>Change Attributable to Sales Revenue (FY 2024 attributable to increased projected Water Sales)</i>				(1,312,600)	-0.37%		-	0.0%
Charge Adjustment (Based on Revenue Requirement Increase of 4.0%) (rounded)				9,817,300	2.75%		11,674,800	3.2%

Sewer Biennial BUDGET Highlights: Comprehensive Revenue Requirements – Updated for CIP Draft 2 and Debt Service

	FY 2023 Adopted Budget	FY 2023 Estimated Budget	FY 2024 Department Requested	FY 2024 Dollar Variance	FY 2024 Percent Variance	FY 2025 Department Requested	FY 2025 Dollar Variance	FY 2025 Percent Variance
Sewer System Revenue Requirements								
Revenues								
Revenues from Charges	\$479,816,500	\$477,420,200	\$493,169,700	\$ 13,353,200	2.8%	\$510,633,800	\$ 17,464,100	3.5%
Other Revenues	400,000	400,000	400,000	-	0.0%	400,000	-	0.0%
Investment Earnings	1,155,600	10,915,000	7,057,300	5,901,700	510.7%	9,618,300	2,561,000	36.3%
Total Revenues	\$481,372,100	\$488,735,200	\$500,627,000	\$ 19,254,900	4.0%	\$520,652,100	\$ 20,025,100	4.0%
Revenue Requirements								
Operations & Maintenance (O&M) Expense	\$184,052,600	\$194,822,500	\$205,643,700	\$ 21,591,100	11.7%	\$216,220,400	\$ 10,576,700	5.1%
General Retirement System Legacy Pension	10,824,000	10,824,000	-	(10,824,000)	-100.0%	-	-	0.0%
Debt Service	205,638,100	210,621,400	228,328,300	22,690,200	11.0%	230,354,100	2,025,800	0.9%
General Retirement System Accelerated Pension	11,620,700	11,620,700	6,479,300	(5,141,400)	-44.2%	8,228,800	1,749,500	27.0%
Water Residential Assistance Program Contribution	2,394,200	2,394,200	2,503,100	108,900	4.5%	2,603,300	100,200	4.0%
Regional System Lease	27,500,000	27,500,000	27,500,000	-	0.0%	27,500,000	-	0.0%
Receiving Fund Working Capital Requirement	-	-	-	-	0.0%	-	-	0.0%
Improvement & Extension Fund Transfer Pending	39,342,500	30,952,400	30,172,600	(9,169,900)	-23.3%	35,745,500	5,572,900	18.5%
Annual Sewer System Revenue Requirements	\$481,372,100	\$488,735,200	\$500,627,000	\$ 19,254,900	4.0%	\$520,652,100	\$ 20,025,100	4.0%
<i>Change in Annual Revenue Requirement</i>				19,254,900	4.01%		20,025,100	4.1%
<i>Change Attributable to Non-Charge Revenue (FY 2024 increase in investment earnings)</i>				(5,901,700)	-1.23%		(2,561,000)	-0.5%
<i>Change Attributable to Sales Revenue (FY 2024 attributable to increased projected industrial charges)</i>				(160,200)	-0.03%		-	0.0%
Charge Adjustment (Based on Revenue Requirement Increase of 4.0%)				13,193,000	2.75%		17,464,100	3.5%

Budget & Charges - www.glwater.org/financials/



The image shows a screenshot of the GLWA website's Financials page. The page features the GLWA logo and navigation menu at the top. The main content area is titled "Financials" and includes a paragraph about responsible financial performance, a link to "SUMMARY OF GLWA UPCOMING PROPOSED BUDGET AND CHARGES", and a "DOWNLOAD" button. A document cover is overlaid on the right side of the page, featuring the GLWA logo and the title "Summary of FY 2024 & FY 2025 Biennial Budget and FY 2024 Schedule of Charges" dated January 20, 2023.

GLWA
Great Lakes Water Authority

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ABOUT OUR SYSTEM MEMBERS VENDORS INVESTOR RELATIONS

Financials

A key indicator of success for GLWA has been responsible financial performance, allowing us to earn the trust of our member partners and investors' through long-term financial planning.

Below, you'll see the effort of that transparency and financial responsibility. Or go to Legistar to review our Audit Committee Minutes.

SUMMARY OF GLWA UPCOMING PROPOSED BUDGET AND CHARGES

The Budget and Charges Public Hearing document provides a summary of the FY 2024 & FY 2025 Proposed Biennial Budget and FY 2024 Proposed Schedule of Charges which are the subject of a public hearing on February 22, 2023 at 2:00 pm.

DOWNLOAD

GLWA
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Summary of
FY 2024 & FY 2025
Biennial Budget
and
FY 2024 Schedule of Charges

January 20, 2023

www.glwater.org