



Legislation Text

File #: 2023-055, Version: 1

Resolution Regarding Approval of FY 2024 Schedule of Service Charges

Agenda of: February 22, 2023

Item No.: **2023-055**

Amount: N/A

TO: The Honorable
Board of Directors
Great Lakes Water Authority

FROM: Suzanne R. Coffey P.E.
Chief Executive Officer
Great Lakes Water Authority

DATE: February 22, 2023

RE: Resolution Regarding Approval of FY 2024 Schedule of Service Charges

MOTION

Upon recommendation of Nicolette Bateson, Chief Financial Officer/Treasurer, the Board of Directors (Board) of the Great Lakes Water Authority, **approves the following actions, which require a supermajority affirmative vote of at least five (5) members of the Board, and the attached Resolution 2023-055** with an effective date of July 1, 2023:

- 1) FY 2024 wholesale water service schedule of charges;
- 2) FY 2024 wholesale sewer service schedule of charges;
- 3) FY 2024 City of Detroit allocated wholesale water revenue requirement of \$25,537,200, which is the net of \$46,237,200 gross revenue requirement less the Ownership Equity Credit of \$20,700,000 pursuant to the terms of the Water and Sewer Services Agreement (WSSA);
- 4) FY 2024 City of Detroit allocated wholesale sewer revenue requirement of \$196,569,600 which is the net of \$202,085,600 gross revenue requirement less the Ownership Equity Credit of \$5,516,000 in accordance with the WSSA;
- 5) FY 2024 City of Detroit allocated indirect water revenue requirement of \$48,222,000, in accordance with the Regional Water Supply System Lease;
- 6) FY 2024 City of Detroit allocated indirect sewer revenue requirement of \$35,265,100, in

accordance with the Regional Sewage Disposal System Lease;

- 8) authorizes the Chief Executive Officer to take such other action as may be necessary to accomplish the intent of this vote.

BACKGROUND

Pursuant to the water system and sewer system leases signed between the Great Lakes Water Authority (GLWA/Authority) and the City of Detroit, the GLWA began operations of the regional water supply and sewage disposal system on January 1, 2016. Consistent with the terms of those leases, the Authority shall, for each fiscal year fix and approve rates and charges to its customers in an amount that is expected to produce revenues sufficient to satisfy the Authority revenue requirement. The attached, proposed schedule of charges meets that requirement.

Leading up to this charge recommendation, staff presented the proposed FY 2024 and 2025 Biennial Budget and five-year financial plan for FY 2024 through 2028 and an analysis of proposed water and sewer system charges at its January 25, 2023 Board meeting. A Public Hearing was opened for the FY 2024 Water Service Charges and Sewer Service Charges on February 22, 2023.

JUSTIFICATION

Great Lakes Water Authority ("GLWA") management and its consultant, The Foster Group, developed a Schedule of Water Service Charges and Sewer Service Charges for FY 2024 including the City of Detroit Revenue Requirement for the water and sewer systems. These charges support the proposed FY 2024 water system revenue requirements budget and the proposed FY 2024 sewer system revenue requirements, respectively. The FY 2024 water and sewer revenue requirements reflect GLWA's commitment to work within the four percent revenue requirement budget limitation outlined in the September 9, 2014 Memorandum of Understanding that resulted in the establishment of the Great Lakes Water Authority. The proposed wholesale customer charges and revenue requirements for the City of Detroit are the result of significant customer engagement in the charge setting process to evaluate the appropriate allocation of revenue requirements.

Proposed FY 2024 Water Charges

The proposed FY 2024 water service charges reflect a proposed FY 2024 Water budget increase of 4.0 percent along with increased investment earnings and increased estimated sales volumes. **Therefore, the average water system charges increase will be 2.75 percent.**

Proposed FY 2024 Sewer Charges

The proposed FY 2024 sewer service charges reflect a proposed FY 2024 Sewer budget increase of 4.0 percent along with the increased investment earnings and increased estimated industrial charges. **Therefore, the average sewer system charges increase will be 2.75 percent.**

A Notice of Public Hearing was published in the Detroit Legal News on January 30, 2023. That

notice, along with related supporting materials throughout the budget and charges development process, is available online at www.glwater.org/financials.

BUDGET IMPACT

The recommended FY 2024 Schedule of Water Service Charges and Sewer Service Charges as presented produces the necessary revenues to fund the FY 2024 Water System and Sewer System Budget.

Coordination with DWSD's Budget - Under the terms of the lease agreements and related financial commitments, key inputs are required from DWSD. An analysis of the DWSD budget inputs and related reconciliation based upon some of the changes above is reflected in the attached schedules.

COMMITTEE REVIEW

The Audit Committee has reviewed the FY 2024 financial plan, including charge setting matters, at its meetings on December 16, 2022 and February 13, 2023. On February 13, 2023, the Audit Committee unanimously recommended that the Board of Directors adopts the resolution related to the FY 2024 and FY 2025 Biennial Budget and related FY 2024 Schedule of Charges as presented on February 13, 2023, subject to public comment at the public hearing to be held on February 22, 2023.

SHARED SERVICES IMPACT

This item does not impact the Shared Services Agreement between the GLWA and the City of Detroit.