

Review of Proposed FY 2023 & FY 2024 Biennial Budget and Charges

GLWA Board of Directors

February 23, 2022



Financial Plan Schedule

- **11/9/2021** - Capital Improvement Programs (Rollout #1)
- **11/16/2021** - Preliminary Units of Service (Rollout #2)
- **12/17/2021** – Regular Audit Committee – Budget Session #1 (receives long-term forecast; budget draft; charges strategy)
- **1/6/2022** – Preliminary Proposed FY 2023 Budget and Financial Plan and Preliminary Charges (Rollout #3)
- **1/20/2022** – Follow Up Review Session (Rollout #4)
- **1/21/2022** – Special Audit Committee – Budget Session #2
- **1/26/2022** – Board Briefing - Budget, Charges, Financial Plan
- **2/11/2022** – Special Audit Committee Meeting - Budget Session #3
- • **2/23/2022** – GLWA Public Hearing; Board action follows on or after this date after Public Hearing conducted
- **7/1/2022** – Effective Date for Charges

Executive Summary of FY 2023 & FY 2024 Budget and FY 2023 Charge Proposals



Three Key BUDGET Categories



“BUDGET” = “Revenue Requirement”

1. *Operations & Maintenance Expense*
2. *Capital Program Funding (Past, Present, and Future)*
 - ✓ Debt Service
 - ✓ Deposit to the Improvement and Extension (I&E) Fund
(a/k/a Revenue Financed Capital Improvements or Paygo Capital)
3. *Non-Operating Commitments*
 - ✓ GLWA’s Share of the Closed, Legacy DWSD Pension Liability Pool
 - ✓ Water Residential Assistance Program Deposit
 - ✓ Lease Payment

Note: Master Bond Ordinance defines (*in much greater detail*) how funds received are prioritized among the above categories

Water System

5 
Treatment Plants

 816 miles of
transmission main 


 **3.8 MILLION**
PEOPLE SERVED

 **88** Member Partners
across **112** communities

 Treatment capacity of **1,720**
million gallons per day 

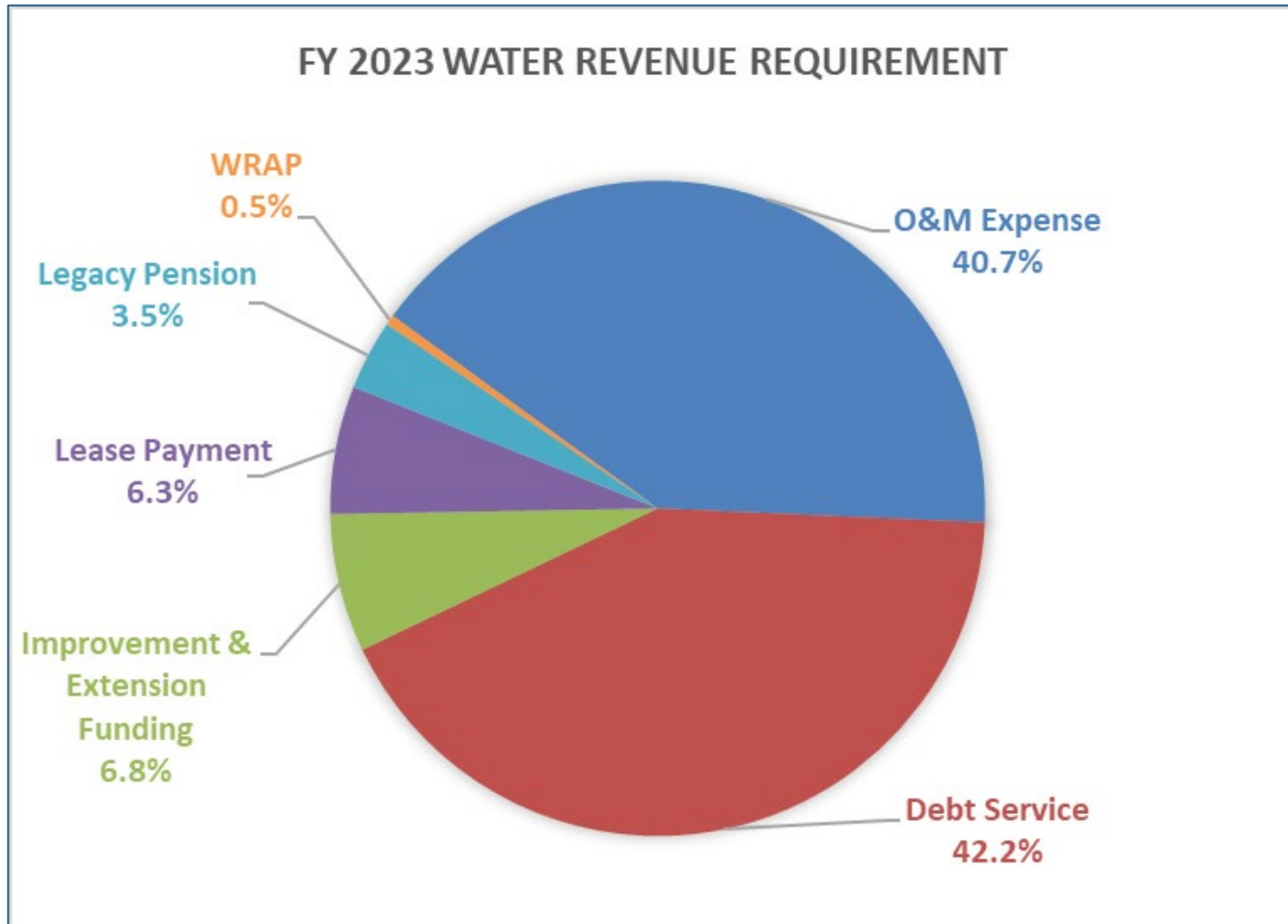
 **3** Water
Intakes 

19 BOOSTER
PUMP STATIONS 

 **1,698 SQ. MILE**
service area

MISSION: *To exceed our member partner's expectations by utilizing best practices in the treatment and transmission of water and wastewater, while promoting health communities and economic growth.*

FY 2023 Proposed Water Revenue Requirement

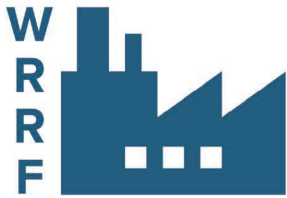


Total Budget
\$356 Million

3.5% Increase
(\$12 Million)
from prior year
driven by 11%
increase in
debt service
category

Nearly 100%
funded by
service
charges

Wastewater System



The largest single-site wastewater treatment facility in the United States



195 miles of trunk sewers & interceptors



2.8 MILLION
PEOPLE SERVED



19 Member Partners
across **79** communities



Treatment capacity of **1,700**
million gallons per day

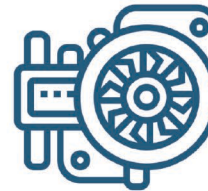


CSOs



Interceptors

9 PUMP
STATIONS

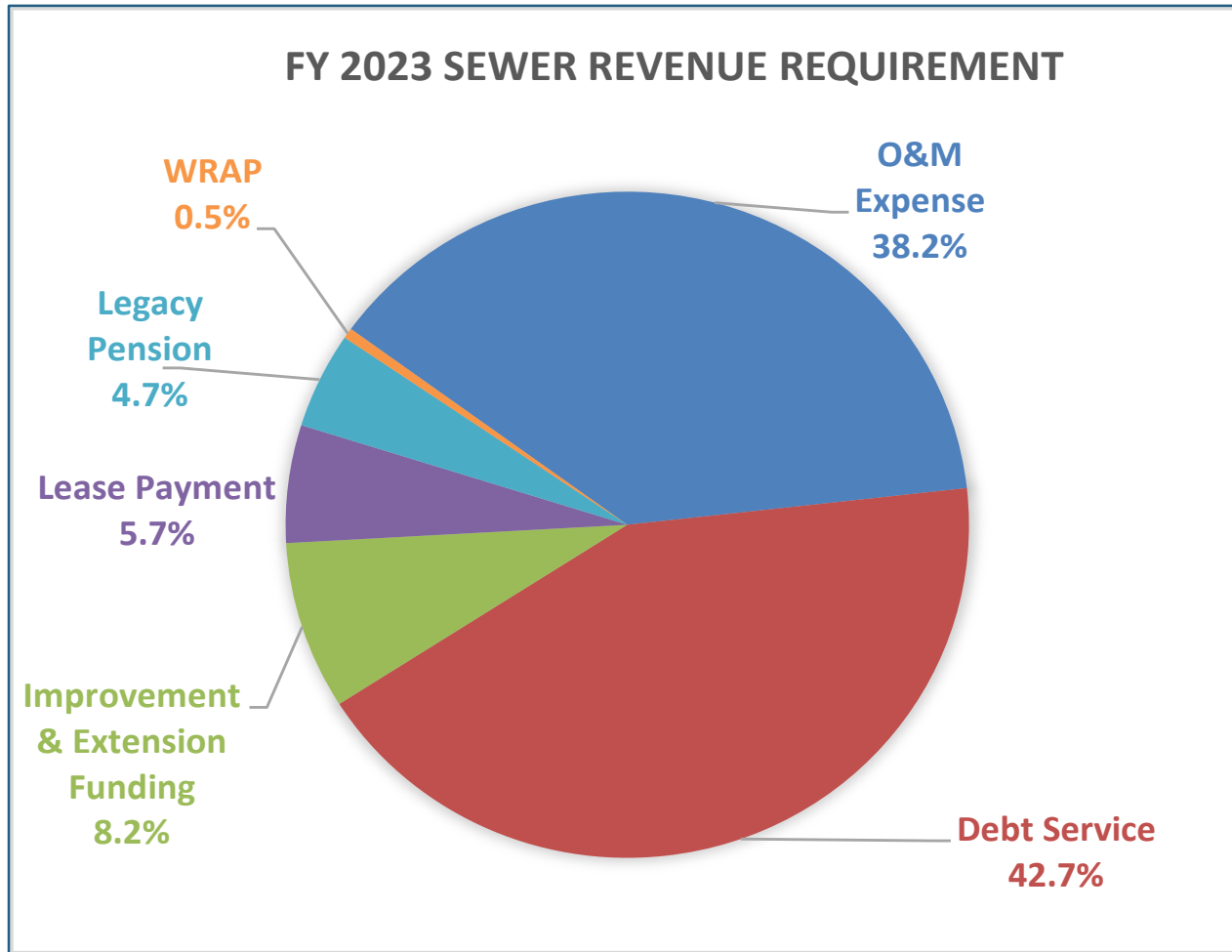


944 SQ. MILE
service area

VISION:

Through regional collaboration, GLWA strives to be the provider of choice, dedicated to efficiently and effectively delivering the nation's best water and sewer services in partnership with our member partners.

FY 2023 Proposed Sewer Revenue Requirement



Total Budget
\$481 Million

1.3% Increase
(\$6 Million)
from prior year
driven nearly
equally by
O&M and
capital
program

Nearly 100%
funded by
service
charges

Water Charges Overview

Proposed 3.7% System Increase = 3.5% Budget Increase + 0.2% to address negative budgeted sales revenue variance

Proposed FY 2023 Water Charges represent a **uniform 3.4% increase** over existing charges for 84 of the 88 Member Partners

- Slightly lower than that (~ 2.9%) for the 3 Non Master Metered Member Partners
- St. Clair County DPW now a Model Contract customer and proposed charges reflect contract demands

FY 2023 Strategy embraces stability and simplicity

- FY 2024 will reflect new demands resulting from the Contract Alignment Process (“CAP”)

Sewer Charges Overview

Proposed 2.4% System Increase = 1.3% Budget Increase + 1.2% to address reinstatement of Highland Park Bad Debt Expense recovery

Proposed FY 2023 Sewer Charges represent a **uniform 3.2% increase** over existing charges for Suburban *Wholesale* Member Partners

- 1.3% to address FY 2023 Budget increase;
- 2.0% to fund Highland Park Bad Debt Expense
- -0.1% to address fixed contract adjustments

Proposed FY 2023 Sewer Charges to *Detroit* represent the **1.3% budget increase**

FY 2023 continue SHAREs developed for FY 2022

- Will remain in effect for FY 2024 Charges
- Scheduled to be adjusted for FY 2025 Charges

Benchmarking

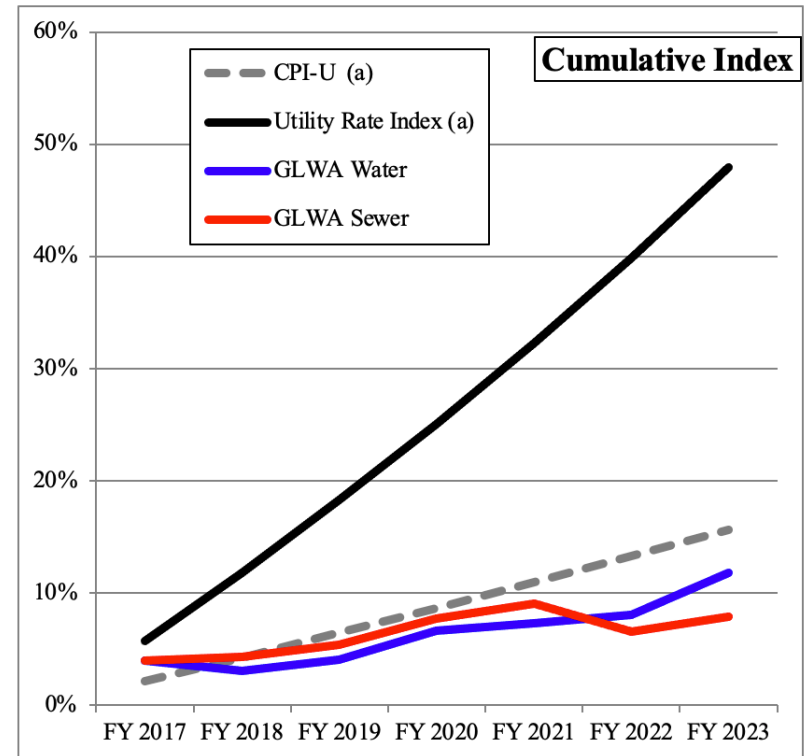
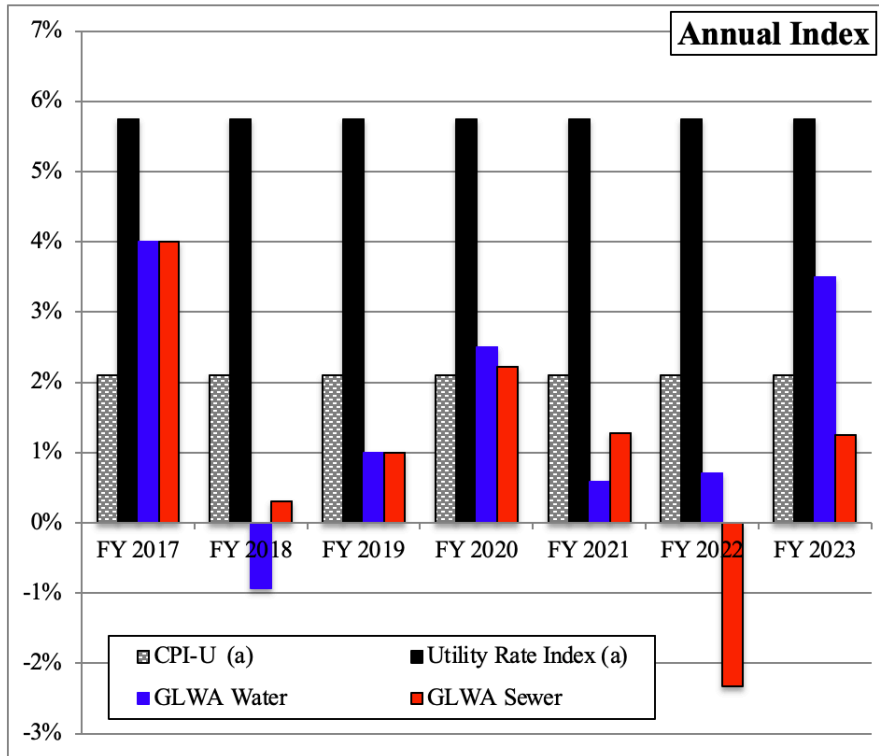


GLWA BUDGET Adjustments Compared to Utility Indices

Annual
CPI-U (a)
Utility Rate Index (a)
GLWA Water
GLWA Sewer

Annual Index						
FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%
4.0%	-0.9%	1.0%	2.5%	0.6%	0.7%	3.5%
4.0%	0.3%	1.0%	2.2%	1.3%	-2.3%	1.3%

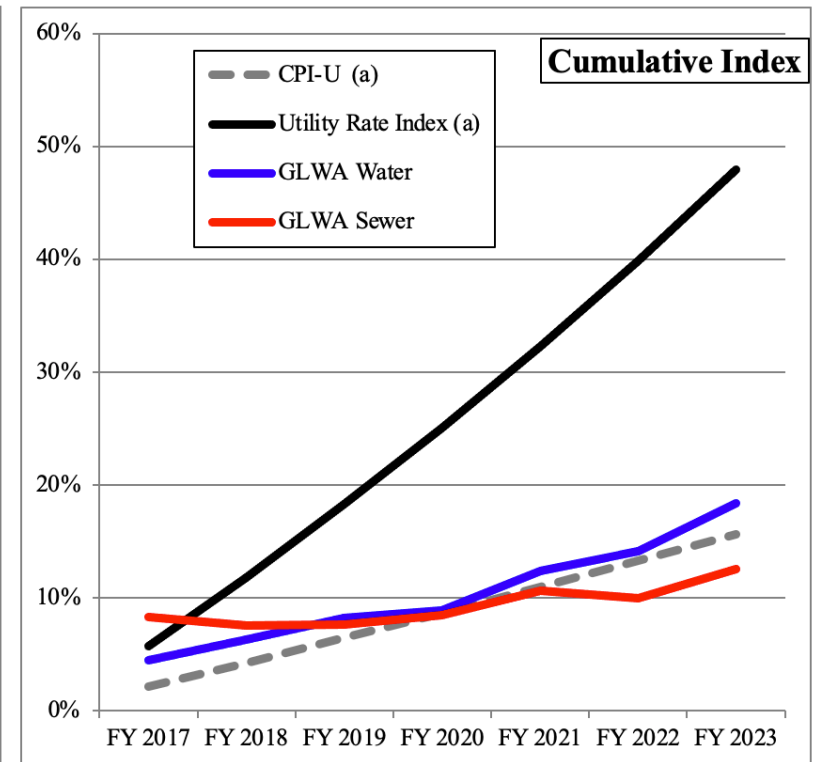
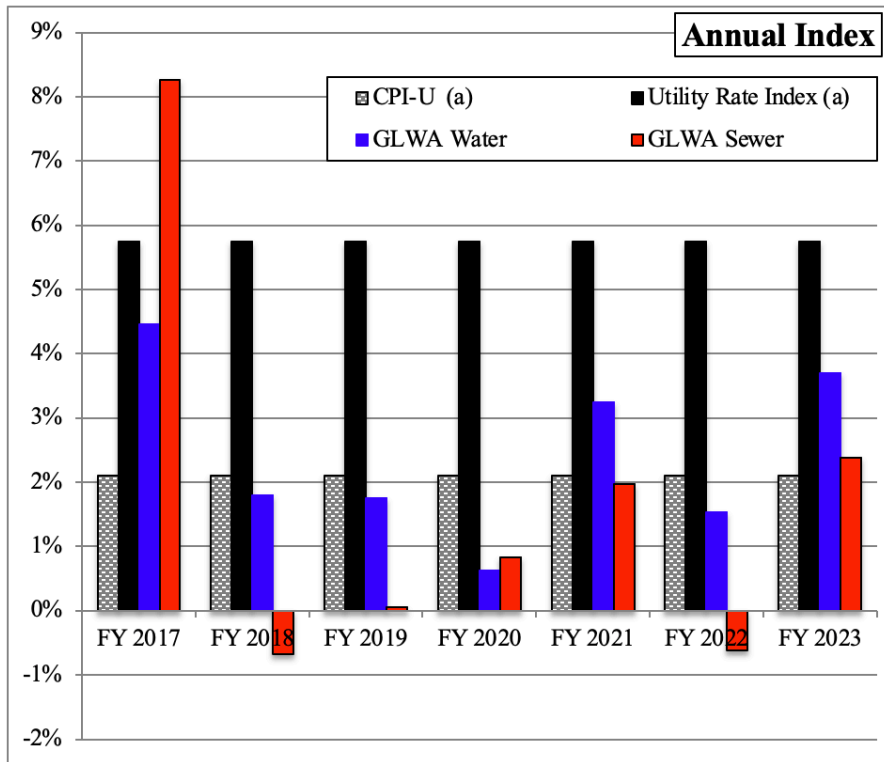
Cumulative Index						
FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
2.1%	4.2%	6.4%	8.7%	11.0%	13.3%	15.7%
5.8%	11.8%	18.3%	25.1%	32.3%	39.9%	47.9%
4.0%	3.0%	4.1%	6.7%	7.3%	8.0%	11.8%
4.0%	4.3%	5.4%	7.7%	9.1%	6.5%	7.9%



GLWA CHARGE Adjustments Compared to Utility Indices

Annual	Annual Index						
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
CPI-U (a)	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Utility Rate Index (a)	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%
GLWA Water	4.5%	1.8%	1.8%	0.6%	3.2%	1.5%	3.7%
GLWA Sewer	8.3%	-0.7%	0.1%	0.8%	2.0%	-0.6%	2.4%

Cumulative Index	Cumulative Index						
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
CPI-U (a)	2.1%	4.2%	6.4%	8.7%	11.0%	13.3%	15.7%
Utility Rate Index (a)	5.8%	11.8%	18.3%	25.1%	32.3%	39.9%	47.9%
GLWA Water	4.5%	6.3%	8.2%	8.9%	12.4%	14.1%	18.3%
GLWA Sewer	8.3%	7.5%	7.6%	8.5%	10.6%	9.9%	12.6%



Supplemental Schedules For Reference




Financial Plan Highlights

System	Water	Sewer
Theme	<i>Capital and O&M Pressures</i>	<i>Long-term Sustainability in Sight</i>
Annual Revenue Requirement Increase Limit	3.5% (less than the 4% Promise)	1.3% (less than the 4% Promise)
Capital Spending Ratio	Assumes an 80% of CIP Spend Rate thru 2027 then 100%	Assumes a 75% of CIP Spend Rate thru 2027 then 100%
Reliance on Debt for Capital	<i>More</i>	<i>Less</i>
Debt Service Coverage Ratios	<i>Declines</i>	<i>Improves</i>
Risks that we are managing	Increased Capital vs. 3.5% Revenue Assumption Increased Regulatory Requirements Legacy Pension	Increased Regulatory and Resiliency Requirements Legacy Pension

Financial Plan Highlights - continued

System	Water	Sewer
O&M Biennial Budget Forecast - FY 2023 & FY 2024	<p>Overall increase of 0.6% for FY 2023 and 2.7% for FY 2024</p> <p>Strategic Emphasis on Water Technician Apprenticeship Program for recruitment, retention, and succession planning (25 positions)</p> <p>Increase in Central & Admin for Planning CIP Group, new emergency management group, and staff recruitment</p>	<p>Overall increase of 1.5% for FY 2023 and 2.9% for FY 2024</p> <p>Emphasis on recruitment and retention base level wage adjustments in some classifications</p> <p>Increase in Central & Admin for Planning CIP Group, new emergency management group, and staff recruitment</p>
O&M Forecast Over the Five Year Plan	<p>Average of 2.0% in total</p>	<p>Average of 2.0% in total</p>

Financial Plan Highlights - continued

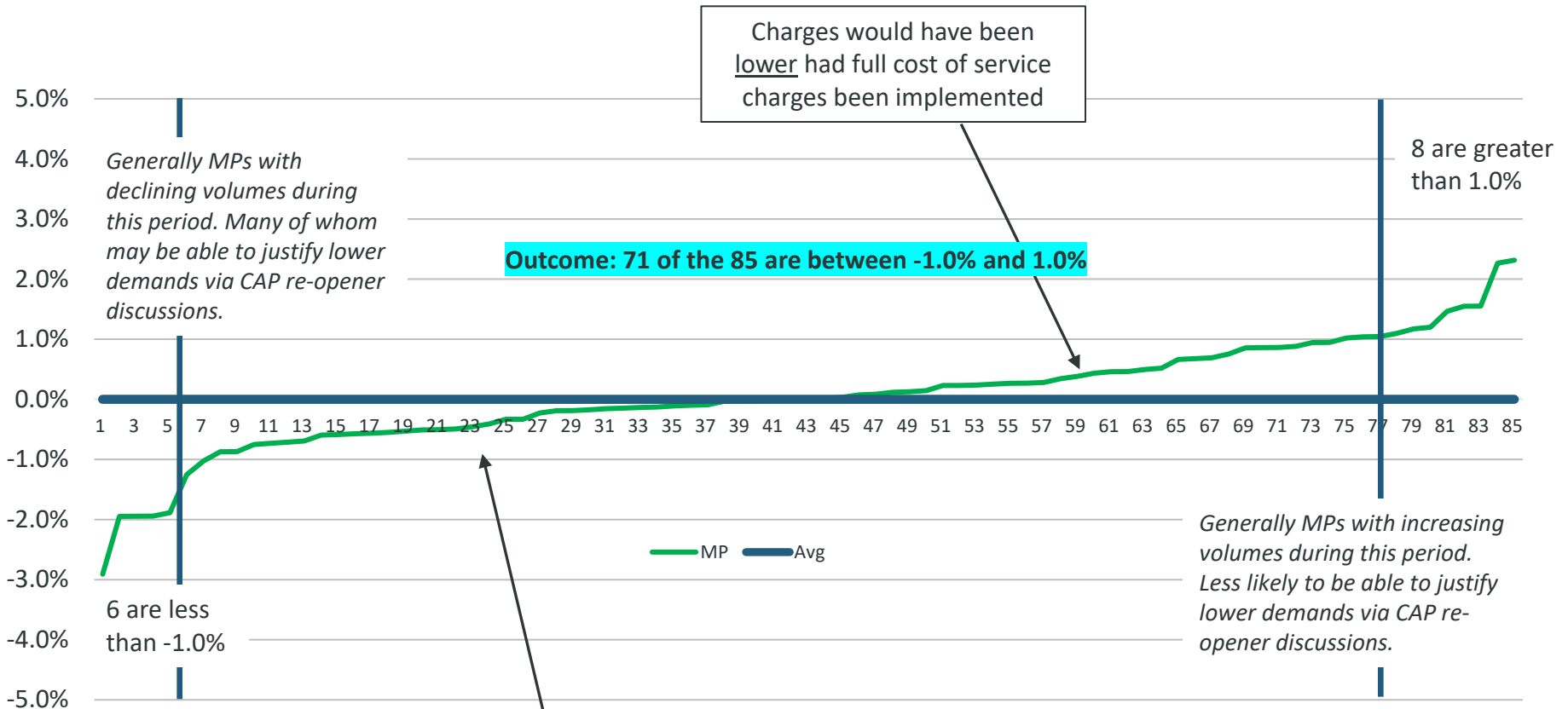
System	Water	Sewer
<p>Debt Service – Biennial Budget FY 2023 & FY 2024</p>	<p>Debt Service will increase in both years FY 2023 \$14.9 million higher than approved FY 2022 Budget due to: Naturally occurring amortization schedule variances; Progress on DWRP Funded CIP projects; Forecasted Revenue Bond Sale</p>	<p>Debt Service will decline in FY 2023 and then increase in FY 2024 FY 2023 \$1.6 million <u>lower</u> than approved FY 2022 Budget due to: Naturally occurring amortization schedule variances; Recognition of lower variable rate interest on 2006D Bonds; FY 2024 increase due to Forecasted Revenue Bond Sale</p>
<p>Debt Service – Forecast for FYs 2025 – 2027</p> <p>FY 2032 Debt Service Coverage Forecast – 10 Year Plan (GLWA Share)</p> 	<p><i>Continued steady increases to support additional forecasted bond sales and DWRP activity</i></p> <p>Forecasted FY 2027 Debt Service is \$50 million (37%) higher than Amended FY 2022 Budget</p> <p>FY 2032 Debt Service Coverage: 1.32x</p>	<p><i>Relatively minor increases</i></p> <p>Forecasted FY 2027 Debt Service is less than \$17.5 million (~ 9%) higher than Amended FY 2022 Budget</p> <p>FY 2032 Debt Service Coverage: 1.64x</p>

Financial Plan Highlights - continued

System	Water	Sewer
<p>Other Revenue Requirements</p>	<p><i>Legacy Pension</i> Allocation is fixed through FY 2023 Forecasted reduction starting in FY 2024 Future amounts subject to actuarial updates <i>Total Lease Payment</i> is fixed @ \$50 million for life of the Lease - <i>Amount allocated to Water</i> is \$22.5 million <i>WRAP Deposit</i> fixed at 0.5% of revenue from charges</p>	<p><i>Legacy Pension</i> Allocation is fixed through FY 2023 Forecasted reduction starting in FY 2024 Future amounts subject to actuarial updates <i>Total Lease Payment</i> is fixed @ \$50 million for life of the Lease - <i>Amount allocated to Sewer</i> is \$27.5 million <i>WRAP Deposit</i> fixed at 0.5% of revenue from charges</p>

Stability Achieved: Illustration of Water “Mod / No Mod” Charge Approach for FY 2021 thru FY 2023

Chart indicates the average annual variance between actual charges adopted / proposed compared to the charges that would have been calculated via full cost of service studies. After removing 3 outliers, the range of variance for the remaining 85 Member Partners runs from a 2.5% reduction to a 2.5% increase



Charges would have been higher had full cost of service charges been implemented

Highland Park Bad Debt Expense – Sewer From the GLWA / Detroit Service Agreement*

EXHIBIT B-V

Modified List of Relevant Ratemaking Terms

B. Revenue Requirements

3. Bad Debt Expense.

c. The Authority shall review the differences between the projected bad debt expense assigned to specific customer classes (noted below) in a rate year and the actual bad debt expense incurred for that rate year. Any negative variance between the projected bad debt expense and the actual bad debt expense incurred for that year shall be incorporated into the revenue requirement for the next-commencing rate year to insure that revenue shortfalls due to nonpayment of sewer charges are recovered.

d. For purposes of this clause, specific customer classes are defined as:

	Bad Debt Expense	Responsible Customer Class
1.	Detroit Retail Customers	Detroit Retail Customers
2.	Wholesale Contract Customers	Wholesale Contract Customers
3.	Surcharge Customers	Surcharge Customers
4.	Wayne County Hwy Drainage	Wayne County Hwy Drainage
5.	Michigan DOT Hwy Drainage	Michigan DOT Hwy Drainage
6.	Industrial Waste Control	Industrial Waste Control

One Pager Series - Operations & Maintenance Budget, Charges and Bad Debt Expense



The GLWA "revenue requirement budget" is the basis for establishing the annual charges for services. Nearly 53% of the FY 2022 budget of \$843 million are legal commitments such as debt service (42%), lease payment (6%), Water Residential Assistance Program (WRAP) (0.5%) and legacy liabilities (4%). Capital funding reserve for replacement is 7.9% of the total budget. The Operations & Maintenance (O&M) expense represents \$332 million, or 39% of the total. This analysis focuses on O&M expense, as compared to the prior year, to provide insight into O&M expense increase of 2%, or \$6.7 million.

Staffing & Personnel The staffing plan (number of positions) is at 1,293 (increase of 54). Full-time Equivalents (FTE), which is the pro-rata hours that a position is budgeted is at 1,234.44 (increase of 18.19). Key changes are noted in this analysis.

Water Operations - increase of \$1.5 million
Factors increasing the budget are mainly due to Personnel Costs (\$3.3 million) related to the staffing plan increase of 29 (24.25 FTEs), 25 positions are for the new Water Technician Apprenticeship Program, as well as increases in medical plan fringe benefits. **Factors decreasing** the budget include Contractual Services which decreased (\$1.7 million) due to the alum sludge removal, hauling, and disposal project for the Springwells, Northeast, and Southwest Water Treatment Plants.

Wastewater Operations - increase of \$2.8 million
Factors increasing the budget are mainly due to Personnel Costs (\$1.8 million) which reflect an increase in base level wages for some classifications to recruit and retain personnel. Note that the staffing plan positions has increased by 2 but FTEs decreased by 9.56 due to the recruiting challenges. Increases

¹ Includes the Planning Services, Systems Control, Facility and Fleet Operations; Field Service Operations; Energy, Research & Innovation; Transformation; Information Technology; and Security & Integrity (includes HazMat).

have also been recognized in the medical plan fringe benefits. Unallocated Reserves such as chemical price increases.

Centralized Services² - increase \$1.6 million

Factors increasing the budget include the addition of 11 positions (6.25 FTEs) (\$1.9 million) in Planning Services primarily to support the Capital Improvement Plan with the completion of AECOM's support in late FY 2023. Security is adding 3 security officers for Systems Operations for expanded coverage. The contract increased (\$0.3 million); and Facility repair. **Factors decreasing** the budget are in timeliness adjusted for both the Linear System Integrity Program (LSIP) (\$1.2 million) and the Water Master Plan (\$0.4 million).

Administrative Services² - increase \$0.8 million

Factors increasing are mainly due to Personnel Costs: Organizational Development onboarding and training (\$0.6 million); Procurement is adding 3 positions (1.5 FTEs) to manage increased workload (\$0.4 million); Financial Services, while decreasing 9 positions (9.75 FTE), has an overall increase to the skill level for succession and in-sourcing as well as increases fringe benefits (\$0.6 million). Contractual Services increased (\$0.5 million) to support ERP implementation. Legal services contracts also increased (\$0.5 million). **Factors decreasing** are Unallocated Reserves (\$1.1 million) and Contractual services for the Board of Directors will be decreased (\$0.7 million) for a one-time project.

Questions? Contact the Office of the Chief Financial Officer at cfo@glwater.org

² Includes the Board of Directors, Chief Executive Officer, Chief Administrative & Compliance Officer (includes Risk Management & Safety), General Counsel, Public Affairs, Organizational Development and Financial Services.



Proposed FY 2023 Service Charges

One Pager Series
 FY 2023 Budget Analysis
 Proposed as of December 17, 2021

and Sewer Service and submitted for review. The GLWA Public Hearing in scheduled beginning July 1,

Key Elements.

daily operations such as the people, and parts to the pipeline), the water system, Water program (WRAP) pension, and budget is also element".

Plan (CIP): ers evaluate the of the regional funded by a and debt.

Quantifies each data, and other this includes the each year. For the per partner is

OS): The inputs are applied to an analogy to allocate (i.e., budget) by purification for disposal for the located to each is the charge partner.

on? Visit us



What is "Bad Debt Expense"?

Proposed FY 2023 Water & Sewer Service Charges
 One Pager Series
 December 15, 2021

Proposed FY 2023 Water System Charges

The average system charge adjustment for water is a 3.7 percent increase. This is the result of 1) a proposed Water budget increase of 3.5 percent; and 2) reduced baseline revenues related to decreased estimated sales volumes, which adds 0.2 percent to the needed charge increase. As a result of the 2018 Contract Alignment Process (CAP), the FY 2023 Units of Service changed for only 4 member partners. This has significantly improved charge stability among member communities. The proposed water charges reflect a uniform increase in wholesale revenue requirements of 3.6 percent, with a uniform average charge increase of 3.4 percent for the 84 member partners that did not have changes in contractual or estimated demands.

Approved FY 2023 Sewer System Charges

The average system charge adjustment for sewer is also a 3.7 percent increase. This is the result of 1) a proposed Sewer budget increase of 2.5 percent; and 2) reinstitution of a bad debt surcharge related to Highland Park which recently updated Sewer Shares, which were collaboratively established through the Sewer Charges Workgroup, were included in the update continues with the proposed FY 2023 charges resulting in a uniform impact of charge adjustments for all member partners.

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 proposed	3.7%	3.7%
6-Year Average	2.1%	0.9%

One Pager Series
 Bad Debt Expense
 Draft - January 19, 2022

How is Bad Debt Expense Reported?

GLWA is transparent in identifying and reporting accounts with late payments in public monthly reports and presentations. It is important for stakeholders to be informed of financial matters that impact the system - and potentially their costs in the future.

Is GLWA Required to Allocate Bad Debt Expense in Calculating Charges?

Yes, the 2011 Order to Incorporate Rate Settlements into Wastewater Contracts and Dismiss All Prior Rate Settlements, requires GLWA to allocate the bad debt expense in its sewer charges. A similar approach has been applied to water charges.

Water System Bad Debt Expense Allocation

The bad debt expense is recovered from all customer classes.

Sewer System Bad Debt Expense Allocation

The 2011 Order requires bad debt expense recovery from "wholesale contract customers" recovered from that same customer class.

Do Our Current Charges Include Bad Debt Recovery?

Unfortunately, there is one community that receives water and sewer service for which we have been unable to collect. We know this is frustrating. You have our commitment to continue to resolve the matter.

What if the Delinquent Bad Debt is Paid by the Community that received the Service?

GLWA maintains records that would provide an allocation credit back to the communities that funded the bad debt expense. Depending on the timing and amount, we would work with Member Partners to determine the preferred method(s) to address the credit.

Questions?

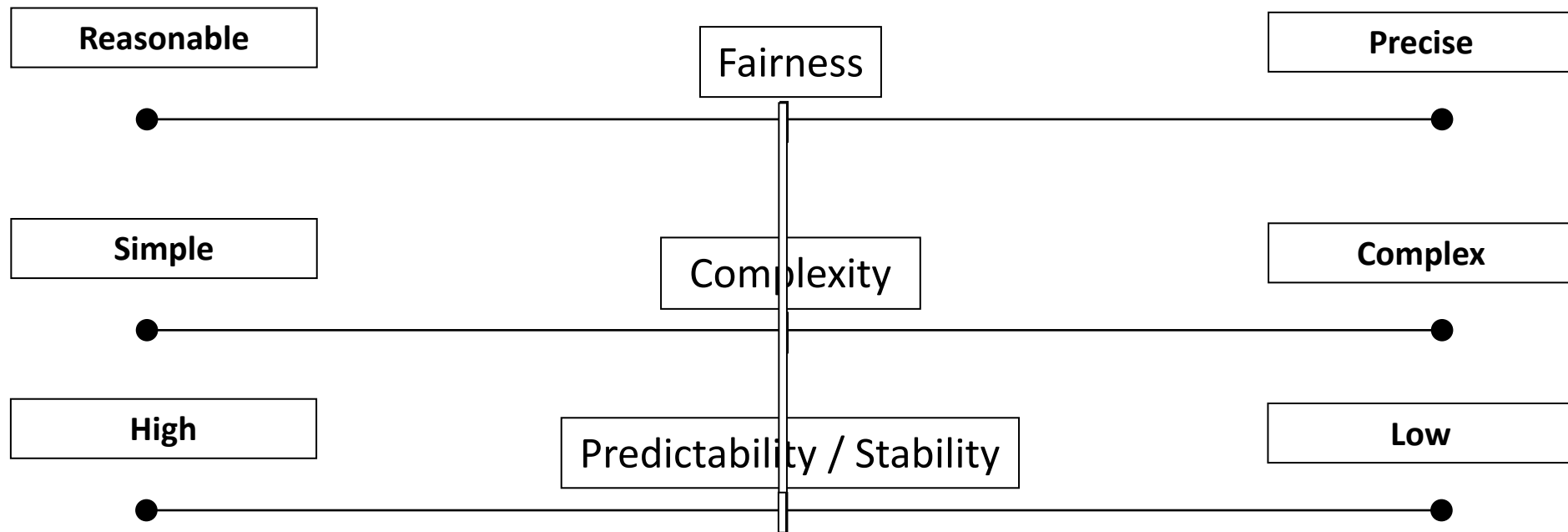
Please contact General Counsel Randal Brown via Randal.Brown@glwater.org.

GLWA Charge Simplicity and Stability Strategies



Utility Charges Methodology: Cost of Service *Continuum*

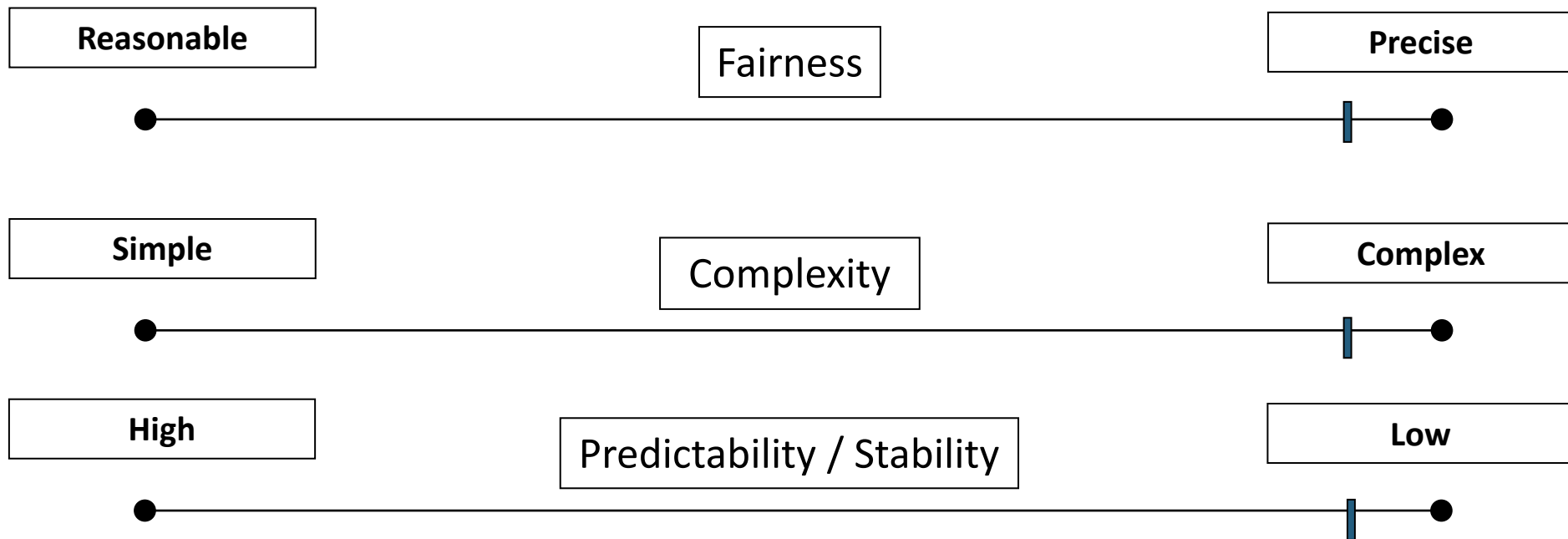
Legacy Fundamental Principle: *“Use best available, verifiable information to establish water and sewer charges”*



Prior to Sewer Rate Simplification, a pursuit of precision led to unintended consequences of high complexity and low predictability and stability.

Utility Charges Methodology: Cost of Service *Continuum*

Sewer Rate Simplification sought to ***maintain*** fair charges while ***decreasing*** complexity and ***improving*** predictability and stability



Lessons Learned from GLWA Sewer SHARES

- ✓ While contributed volumes, and related levels of service, may vary amongst Member Partners year to year over the long term the relative level of service is fairly stable
- ✓ There is value in recognizing this stability that is fundamental in the current Sewer Charges Methodology:
 - ✓ *Commitment to using 10 year historical average flow contributions to determine SHARES*
 - ✓ *Hold SHARES constant for 3 year periods*

GLWA Water Charge Stability Strategies

- ✓ Model contract reopeners previously were “staggered”
 - ✓ Result was changes in individual Member Partner demands created charge volatility every year
- ✓ Contract Alignment Process (CAP) initiated for FY 2020 charges sought to minimize annual volatility
 - ✓ *Universal contract demand review every 4 years*
- ✓ Augmented by “Mod” / “No Mod” strategy
 - ✓ *Only implement specific cost of service adjustments for Member Partners with “out of cycle” demand changes*
 - ✓ *Applied for FY 2021, FY 2022, and proposed FY 2023 Charges*

Water Biennial BUDGET Highlights: Comprehensive Revenue Requirements

Schedule 1A - Water System Revenue Requirements 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%

<i>Change in Annual Revenue Requirement</i>	12,041,100	3.5%	12,462,500	3.5%
<i>Change Attributable to Non-Charge Revenue (FY 2023 reduction in investment earnings)</i>	98,600	0.0%	(883,000)	-0.2%
<i>Change Attributable to Sales Revenue (FY 2023 attributable to decreased projected Water Sales)</i>	512,100	0.1%	-	0.0%
Charge Adjustment (Based on Revenue Requirement Increase of 3.5%)	12,651,800	3.7%	11,579,500	3.3%

Sewer Biennial BUDGET Highlights: Comprehensive Revenue Requirements

Schedule 1B - Sewer System Revenue Requirements Biennial Budget

Sewer System Revenue Requirements	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
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%

<i>Change in Annual Revenue Requirement</i>	5,942,900	1.3%	12,034,300	2.5%
<i>Change Attributable to Non-Charge Revenue (FY 2023 increase in investment earnings)</i>	(132,300)	0.0%	(1,154,900)	-0.2%
<i>Change Attributable to Sales Revenue (Reinstitution of Highland Park Bad Debt Adjustment)</i>	<u>5,420,500</u>	<u>1.2%</u>	<u>-</u>	<u>0.0%</u>
Charge Adjustment (Based on Revenue Requirement Increase of 1.25%)	11,231,100	2.4%	10,879,400	2.3%

Four Operating Categories

Schedule 2A - Operations & Maintenance Biennial Budget by Service Area

Operating Area	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
A Water System Operations	\$ 74,813,000	\$ 74,813,000	\$ 76,518,200	\$ 1,705,200	2.3%	\$ 78,015,000	\$ 1,496,800	2.0%
B Sewer System Operations	111,971,400	111,971,400	113,197,500	1,226,100	1.1%	115,868,400	2,670,900	2.4%
C Centralized Services	103,845,900	103,845,900	104,502,900	657,000	0.6%	108,315,100	3,812,200	3.6%
D Administrative Services	34,603,300	34,603,300	34,681,700	78,400	0.2%	35,866,600	1,184,900	3.4%
Grand Total	\$325,233,600	\$325,233,600	\$328,900,300	\$ 3,666,700	1.1%	\$338,065,100	\$ 9,164,800	2.8%

Schedule 2B - Operations & Maintenance Expense by Fund with Centralized & Administrative Services Allocated - Biennial Budget

System	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	\$143,933,800	\$143,933,800	\$144,847,700	\$ 913,900	0.6%	\$148,707,300	\$ 3,859,600	2.7%
Wastewater	181,299,800	181,299,800	184,052,600	2,752,800	1.5%	189,357,800	5,305,200	2.9%
Grand Total	\$325,233,600	\$325,233,600	\$328,900,300	\$ 3,666,700	1.1%	\$338,065,100	\$ 9,164,800	2.8%

Operations & Maintenance Expenses by Type

Schedule 2C - Operations & Maintenance Expense by Expense Type (Water and Sewer Combined) - Biennial Budget

Operations & Maintenance Expense	FY 2022	FY 2022	FY 2023	FY 2023	FY 2023	FY 2024	FY 2024	FY 2024
	Adopted Budget	Amended Budget	Department Requested	Dollar Variance	Percent Variance	Department Requested	Dollar Variance	Percent Variance
2.1 Salaries & Wages	\$ 71,970,000	\$ 71,001,100	\$ 75,760,200	\$ 3,790,200	5.3%	\$ 80,648,900	\$ 4,888,700	1.2%
2.2 Workforce Development	976,700	976,700	1,801,900	825,200	84.5%	1,874,600	72,700	0.0%
2.3 Overtime	6,954,500	6,897,500	6,891,200	(63,300)	-0.9%	6,838,900	(52,300)	0.2%
2.4 Employee Benefits	27,134,500	26,829,400	30,087,300	2,952,800	10.9%	32,505,800	2,418,500	3.0%
2.5 Transition Services	8,401,700	8,296,100	7,603,700	(798,000)	-9.5%	7,603,700	-	2.9%
Total Personnel Costs	115,437,400	114,000,800	122,144,300	6,706,900	5.8%	129,471,900	7,327,600	6.0%
3.1 Electric	39,633,300	39,633,300	39,966,000	332,700	0.8%	40,151,000	185,000	0.7%
3.2 Gas	5,565,600	5,565,600	5,791,300	225,700	4.1%	5,861,800	70,500	1.6%
3.3 Sewage Service	2,079,100	2,079,100	2,268,400	189,300	9.1%	2,295,100	26,700	1.2%
3.4 Water Service	3,120,000	3,120,000	2,981,700	(138,300)	-4.4%	3,036,800	55,100	1.9%
Total Utilities Costs	50,398,000	50,398,000	51,007,400	609,400	1.2%	51,344,700	337,300	0.7%
4.1 Chemicals	16,044,300	16,044,300	16,118,600	74,300	0.5%	16,211,400	92,800	1.0%
4.2 Supplies & Other	35,024,800	36,082,000	32,097,300	(2,927,500)	-8.4%	32,145,700	48,400	-2.5%
4.3 Contractual Services	103,375,700	104,834,700	104,579,200	1,203,500	1.2%	105,602,100	1,022,900	1.0%
5.1 Capital Program Allocation	(3,471,000)	(3,471,000)	(4,376,200)	(905,200)	26.1%	(5,419,400)	(1,043,200)	0.4%
5.2 Shared Services	(1,892,500)	(2,775,700)	(2,925,000)	(1,032,500)	54.6%	(2,977,100)	(52,100)	-47.9%
6.0 Capital Outlay	3,534,900	3,534,900	2,814,500	(720,400)	-20.4%	2,972,500	158,000	5.6%
7.0 Unallocated Reserve	6,782,000	6,585,600	7,440,200	658,200	9.7%	8,713,300	1,273,100	30.7%
Total Other Categories	159,398,200	160,834,800	155,748,600	(3,649,600)	-2.3%	157,248,500	1,499,900	1.0%
Grand Total	\$ 325,233,600	\$ 325,233,600	\$ 328,900,300	\$ 3,666,700	1.1%	\$ 338,065,100	\$ 9,164,800	2.8%

Water Five Year Plan Summary

Schedule 1C - Water System Revenue Requirements Five-Year Plan

Water System Revenue Requirements	FY 2022 Adopted Budget	FY 2022 Amended Budget	FY 2023 Department Requested	FY 2024 Department Requested	FY 2025 Department Requested	FY 2026 Department Requested	FY 2027 Department Requested
Revenues							
Revenues from Charges	\$342,808,200	\$340,408,200	\$354,947,900	\$366,527,400	\$377,369,800	\$388,663,000	\$402,515,800
Other Operating Revenue	175,000	175,000	175,000	175,000	175,000	175,000	175,000
Non-Operating Revenue	1,047,300	1,547,300	948,700	1,831,700	3,888,000	5,944,900	5,909,500
Total Revenues	344,030,500	342,130,500	356,071,600	368,534,100	381,432,800	394,782,900	408,600,300
Revenue Requirements							
Operations & Maintenance (O&M) Expense	\$143,933,800	\$143,933,800	\$144,847,700	\$148,707,300	\$154,338,200	\$155,636,900	\$159,155,500
General Retirement System Legacy Pension	6,048,000	6,048,000	6,048,000	-	-	-	-
Debt Service	135,481,000	135,121,000	150,337,100	159,237,000	170,589,900	180,955,100	185,569,700
General Retirement System Accelerated Pension	6,268,300	6,268,300	6,268,300	3,647,500	4,425,300	4,394,200	4,219,400
Water Residential Assistance Program Contribution	1,705,500	1,705,500	1,770,500	1,842,700	1,907,200	1,973,900	2,043,000
Regional System Lease	22,500,000	22,500,000	22,500,000	22,500,000	22,500,000	22,500,000	22,500,000
Improvement & Extension Fund Transfer Pending	28,093,900	26,553,900	24,300,000	32,599,600	27,672,200	29,322,800	35,112,700
Annual Water System Revenue Requirements	\$344,030,500	\$342,130,500	\$356,071,600	\$368,534,100	\$381,432,800	\$394,782,900	\$408,600,300
<i>Forecasted Adjustment</i>			3.5%	3.5%	3.5%	3.5%	3.5%

Sewer Five Year Plan Summary

Schedule 1D - Sewer System Revenue Requirements Five-Year Plan

Sewer System Revenue Requirements	FY 2022 Adopted Budget	FY 2022 Amended Budget	FY 2023 Department Requested	FY 2024 Department Requested	FY 2025 Department Requested	FY 2026 Department Requested	FY 2027 Department Requested
Revenues							
Revenues from Charges	\$474,005,900	\$471,005,900	\$479,816,500	\$490,695,900	\$500,699,900	\$510,976,500	\$523,900,300
Other Operating Revenue	400,000	400,000	400,000	400,000	400,000	400,000	400,000
Non-Operating Revenue	1,023,300	1,523,300	1,155,600	2,310,500	4,641,700	7,008,600	7,044,400
Total Revenues	475,429,200	472,929,200	481,372,100	493,406,400	505,741,600	518,385,100	531,344,700
Revenue Requirements							
Operations & Maintenance (O&M) Expense	\$181,299,800	\$181,299,800	\$184,052,600	\$189,357,800	\$190,544,200	\$195,988,900	\$199,719,800
General Retirement System Legacy Pension	10,824,000	10,824,000	10,824,000	-	-	-	-
Debt Service	207,209,500	204,984,500	205,638,100	220,662,100	212,893,500	215,396,100	222,535,700
General Retirement System Accelerated Pension	11,620,700	11,620,700	11,620,700	6,930,300	8,679,800	8,609,800	8,216,700
Water Residential Assistance Program Contribution	2,358,300	2,358,300	2,394,200	2,467,000	2,528,700	2,591,900	2,656,700
Regional System Lease	27,500,000	27,500,000	27,500,000	27,500,000	27,500,000	27,500,000	27,500,000
Improvement & Extension Fund Transfer Pending	34,616,900	34,341,900	39,342,500	46,489,200	63,595,400	68,298,400	70,715,800
Annual Sewer System Revenue Requirements	\$475,429,200	\$472,929,200	\$481,372,100	\$493,406,400	\$505,741,600	\$518,385,100	\$531,344,700
<i>Forecasted Adjustment</i>			1.3%	2.5%	2.5%	2.5%	2.5%

Water Biennial BUDGET Highlights: Capital Financing Plan

Schedule 5A - Water Capital Financing Plan

Water Construction Fund

Water Construction Fund Inflows & Outflows	FY 2022 Estimated	FY 2023 Department Requested	FY 2024 Department Requested	FY 2025 Department Requested	FY 2026 Department Requested	FY 2027 Department Requested
Water Construction Fund						
Bond Proceeds	\$175,750,000	\$ -	\$ -	\$256,500,000	\$ -	\$261,250,000
Bond Fund Earnings on Investments	67,500	128,800	365,900	1,199,400	1,309,400	1,088,600
Grant Revenues (SRF Loans)	36,527,000	54,992,000	59,446,000	21,442,000	2,400,000	22,505,000
Transfers from I&E Fund	106,836,800	28,735,400	18,221,400	17,914,700	20,159,900	26,149,600
Project Expenditures (a)	(143,368,000)	(155,501,000)	(180,349,000)	(177,293,000)	(139,745,000)	(119,631,000)
Increase (Decrease) in Construction Funds	\$175,813,300	\$ (71,644,800)	\$ (102,315,700)	\$119,763,100	\$ (115,875,700)	\$191,362,200
Beginning Year Net Position	12,438,000	188,251,300	116,606,500	14,290,800	134,053,900	18,178,200
Projected Ending Net Position	\$188,251,300	\$116,606,500	\$ 14,290,800	\$134,053,900	\$ 18,178,200	\$209,540,400
(a) Capital Improvement Plan	\$ 179,210,000	\$ 194,376,000	\$ 225,436,000	\$ 221,616,000	\$ 174,681,000	\$ 149,539,000
(a) Capital Spend Rate Adjustment	(35,842,000)	(38,875,000)	(45,087,000)	(44,323,000)	(34,936,000)	(29,908,000)
(a) Total CIP Expenditures	\$ 143,368,000	\$ 155,501,000	\$ 180,349,000	\$ 177,293,000	\$ 139,745,000	\$ 119,631,000

Water Improvement & Extension Fund

Water Improvement & Extension Fund Inflows & Outflows	FY 2022 Estimated	FY 2023 Department Requested	FY 2024 Department Requested	FY 2025 Department Requested	FY 2026 Department Requested	FY 2027 Department Requested
Water Improvement & Extension Fund						
Water System Revenue Transfers In	\$ 26,553,900	\$ 24,300,000	\$ 32,599,600	\$ 27,672,200	\$ 29,322,800	\$ 35,112,700
Receipt of DWSD Shortfall Loan Interest	-	-	-	-	-	-
Capital Outlay	(17,006,600)	(15,452,600)	(13,403,600)	(10,379,900)	(9,626,700)	(9,007,600)
Transfer to Construction Fund	(106,836,800)	(28,735,400)	(18,221,400)	(17,914,700)	(20,159,900)	(26,149,600)
Increase (Decrease) in I&E Reserves	\$ (97,289,500)	\$ (19,888,000)	\$ 974,600	\$ (622,400)	\$ (463,800)	\$ (44,500)
Beginning Year Net Position	207,475,000	110,185,500	90,297,500	91,272,100	90,649,700	90,185,900
Projected Ending Net Position	\$110,185,500	\$ 90,297,500	\$ 91,272,100	\$ 90,649,700	\$ 90,185,900	\$ 90,141,400

Sewer Biennial BUDGET Highlights: Capital Financing Plan

Schedule 5B - Sewer Capital Financing Plan

Sewer Construction Fund

Sewer Construction Fund Inflows & Outflows	FY 2022 Estimated	FY 2023 Department Requested	FY 2024 Department Requested	FY 2025 Department Requested	FY 2026 Department Requested	FY 2027 Department Requested
Sewer Construction Fund						
Bond Proceeds	\$137,750,000	\$ -	\$ -	\$123,500,000	\$ -	\$137,750,000
Bond Fund Earnings on Investments	96,000	86,200	277,600	617,100	479,400	497,300
Grant Revenues (SRF Loans)	14,149,000	18,720,000	10,247,000	9,785,000	15,357,000	7,198,000
Transfers from I&E Fund	47,953,800	26,444,900	32,173,500	55,839,200	59,326,700	59,848,000
Project Expenditures (a)	(79,538,000)	(94,449,000)	(121,735,000)	(138,392,000)	(118,267,000)	(98,480,000)
Increase (Decrease) in Construction Funds	\$120,410,800	\$ (49,197,900)	\$ (79,036,900)	\$ 51,349,300	\$ (43,103,900)	\$106,813,300
Beginning Year Net Position	11,473,000	131,883,800	82,685,900	3,649,000	54,998,300	11,894,400
Projected Ending Net Position	\$131,883,800	\$ 82,685,900	\$ 3,649,000	\$ 54,998,300	\$ 11,894,400	\$118,707,700
(a) Capital Improvement Plan	\$ 106,050,000	\$ 125,932,000	\$ 162,313,000	\$ 184,523,000	\$ 157,689,000	\$ 131,307,000
(a) Capital Spend Rate Adjustment	(26,512,000)	(31,483,000)	(40,578,000)	(46,131,000)	(39,422,000)	(32,827,000)
(a) Total CIP Expenditures	\$ 79,538,000	\$ 94,449,000	\$ 121,735,000	\$ 138,392,000	\$ 118,267,000	\$ 98,480,000

Sewer Improvement & Extension Fund

Sewer Improvement & Extension Fund Inflows & Outflows	FY 2022 Estimated	FY 2023 Department Requested	FY 2024 Department Requested	FY 2025 Department Requested	FY 2026 Department Requested	FY 2027 Department Requested
Sewer Improvement & Extension Fund						
Sewer System Revenue Transfers In	\$ 34,341,900	\$ 39,342,500	\$ 46,489,200	\$ 63,595,400	\$ 68,298,400	\$ 70,715,800
Receipt of DWSD Shortfall Loan Interest	406,400	-	-	-	-	-
Capital Outlay	(15,965,100)	(18,447,100)	(11,610,500)	(8,106,700)	(8,671,900)	(10,256,600)
Transfer to Construction Fund	(47,953,800)	(26,444,900)	(32,173,500)	(55,839,200)	(59,326,700)	(59,848,000)
Increase (Decrease) in I&E Reserves	\$ (29,170,600)	\$ (5,549,500)	\$ 2,705,200	\$ (350,500)	\$ 299,800	\$ 611,200
Beginning Year Net Position	122,385,000	93,214,400	87,664,900	90,370,100	90,019,600	90,319,400
Projected Ending Net Position	\$ 93,214,400	\$ 87,664,900	\$ 90,370,100	\$ 90,019,600	\$ 90,319,400	\$ 90,930,600

