



**Audit Committee  
Special Meeting**

**Friday, January 4, 2019 at 8:00 a.m.**

5th Floor Board Room, Water Board Building  
735 Randolph Street, Detroit, Michigan 48226  
*GLWater.org*

**AGENDA**

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF AGENDA
4. APPROVAL OF MINUTES
  - A. None
5. PUBLIC PARTICIPATION
6. OLD BUSINESS
  - A. Discussion: FY 2020 & 2021 Biennial Budget and Five-Year Plan
7. NEW BUSINESS
  - A. None
8. REPORTS
9. LOOK AHEAD

Next Audit Committee Meeting – January 18, 2019 at 8 am (Regular Meeting)
10. INFORMATION
11. OTHER MATTERS
12. ADJOURNMENT



## Financial Services Audit Committee Communication

**Date:** January 4, 2019

**To:** Great Lakes Water Authority Audit Committee

**From:** Nicolette N. Bateson, CPA, Chief Financial Officer/Treasurer

**Re:** Discussion: FY 2020 & 2021 Biennial Budget and Five-Year Plan

**Background:** In accordance with service agreements with Great Lakes Water Authority (GLWA) member partners, charges for the next fiscal year are annually presented at the end of January each year. To accommodate that schedule, the budget process for the GLWA begins early in the fiscal year.

**Analysis:** At the Audit Committee meeting on a December 21, 2018, staff presented a discussion draft of the FY 2020 & 2021 Biennial Budget and Five-Year Plan. This draft focused on a) overall strategy of key budget elements including system-wide service charges and b) proposed operating group budgets.

For continued discussion, the following materials are attached.

1. Memo from The Foster Group (TFG) dated January 2, 2019 that provides an update on budget, capital planning, charges, and related efforts since December 21, 2018
2. Capital Financing Plan - Improvement & Extension Funds and Construction Bond Funds worksheet
3. FY 2020 & 2021 Biennial Budget and Five-Year Plan One Pager
4. Summary Schedules
  - Schedule 1A - Water System Revenue Requirements Budget
  - Schedule 1B - Sewer System Revenue Requirements Budget
  - Schedule 1C - Combined Water and Sewer System Revenue Requirements Budget
  - Schedule 2 - Operations & Maintenance Expense
  - Schedule 4 - Debt Service Coverage Calculations Consistent with the Master Bond Ordinance(Note: "Schedule 3 - Sources of Revenues and Use of Revenues - Flow of Funds Basis Consistent with Master Bond Ordinance" is open pending receipt of revised DWSD draft budget and financial plan)

5. Shared Services Analysis – Biennial Budget & Five-Year Plan
6. Capital Outlay - Biennial Budget & Five-Year Plan
7. Draft Board of Directors letter for the January 9, 2019 Board meeting requesting public hearings scheduled for

**Proposed Action:** Receive for further review and discussion at the next Audit Committee meeting on January 18, 2019 at 8 am.

**TFG**  
**THE FOSTER GROUP**

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MEMORANDUM

FY 2020 Budget/Charge Planning Update  
Executive Summary

January 2, 2019

To: Nicolette Bateson

From: Bart Foster

This memorandum has been prepared to summarize our updated observations regarding the planning parameters and open issues impacting potential GLWA proposed budgets, cost of service allocations, and water and sewer charges for FY 2020. Our initial perspectives on these matters were set forth in a memorandum dated December 19, 2018, and reflected the status of the budget request and analysis as of December 18, 2018. That document also provided some background and history which remains pertinent. We'll not repeat that material in this discussion, but rather focus on introducing updated exhibits and discussing recent analyses and developments.

Our analyses and presentation reflects the current version of the FY 2020 budget and financial plan as of January 2, 2019. In effect, this produces a fifth scenario (Scenario "E") that appends the four sequential scenarios presented in the prior memorandum. The principal focus areas of the review over the past two weeks have included:

- Ongoing due diligence on the original budget request;
- Detailed analyses of budget responsibility for the Water and Sewer funds for Centralized Services and Administrative Services operating expenses;
- Modifications to the capital outlay budget, including the funding source;
- Incorporation of additional capital improvement program financing plan analyses.

As a reminder, here are the scenarios.

- A. Original plan from 2<sup>nd</sup> year of the FY 2019 Biennial Budget
- B. Updated forecast resulting from the Series 2018 bond sale results
- C. Initial planning level budget targets
- D. Working version of budget as of 12/18/18
- E. Working version of budget as of 1/2/2019**

The table below presents key metrics for each FY 2020 scenario, and the exhibits to this memorandum provide additional detail.

FY 2020 GLWA Budget / Charge Planning					
	FY 2019 Biennial <u>Budget</u> <b>A</b>	Bond Sale Forecast <u>Update</u> <b>B</b>	Initial Planning <u>Budget</u> <b>C</b>	Working Budget as of <u>12/18/18</u> <b>D</b>	Working Budget as of <u>01/02/19</u> <b>E</b>
<b><u>Revenue Requirement Increase</u></b>					
Water Supply System	4.0%	4.0%	3.5%	3.5%	3.5%
Sewage Disposal System	4.0%	4.0%	3.5%	3.5%	3.5%
Combined Water and Sewer	4.0%	4.0%	3.5%	3.5%	3.5%
<b><u>O&amp;M Budget Increase</u></b>					
Water Supply System	2.0%	2.0%	2.0%	9.6%	9.7%
Sewage Disposal System	2.0%	2.0%	2.0%	0.4%	0.4%
Combined Water and Sewer	2.0%	2.0%	2.0%	4.0%	4.0%
<b><u>Average Charge Increase</u></b>					
Water Supply System	4.1%	2.1%	1.6%	1.6%	1.6%
Sewage Disposal System	4.1%	3.1%	2.6%	2.1%	2.1%
Combined Water and Sewer	4.1%	2.7%	2.2%	1.9%	1.9%
<b><u>Planned I&amp;E / Reserve Deposits - \$ millions</u></b>					
Water Supply System	42.2	45.2	43.5	34.3	34.1
Sewage Disposal System	20.9	26.8	24.4	27.4	27.6
Combined Water and Sewer	63.1	71.9	67.9	61.7	61.7

As indicated in the exhibit, the additional review has not produced material changes between Scenarios D and E. The total FY 2020 GLWA operating expense budget request has not changed, and the allocation between Water and Sewer has only resulted in a minor shift of approximately \$150,000. This minor adjustment in total should not be interpreted as an indication that “no changes” were made as a result of the ongoing review. Rather, the detailed review of Water and Sewer expenses produced adjustments that went “both ways” and that netted in a total change of \$150,000 compared to the prior version. The shift in operating expense between Scenarios D and E is directly accommodated with a corresponding shift in planned I&E / reserve deposits, as none of the other elements, including the overall revenue requirement increase of 3.5%, have been adjusted as part of the additional review to date.

To summarize, the current version of the budget request (expressed as Scenario E) compared to the original, baseline scenario, assumes:

- 3.5% revenue requirement increase;
- 4% O&M budget increase;
  - Overall increase from 2.0% to 4.0% attributable to lower shared services credit from DWSD and new projects in the Planning Group

- *Differential Water / Sewer increases reflecting the detailed review of specific Centralized and Administrative Services programs*
- Lower charge increases than revenue requirement increases due to recognition of higher forecasted investment income.
  - *Direct result of recognizing benefits of active investment strategies*
- Recognition of debt service savings achieved via the Series 2018 bond sales.
  - *Resulting increase in “bottom line” results*
- Slight reduction in Sewer charge increase of lower impact of Highland Park bad debt requirements.
- Slight reduction in overall combined charge increase
  - *Lower overall reduction in forecasted “bottom line” results, and a reallocation between Water and Sewer.*
  - *These figures are approximately \$5 million higher (for both Water and Sewer) than those in the feasibility forecasts established at the creation of the Authority*

As noted above, significant review efforts have been applied towards refining the manner by which budgeted operating expenses of the Centralized Services group have been assigned to Water and Sewer. This group includes major planning and asset management activities, some of which are discretely related to one utility or the other. For instance, the budget request for the Systems Analytics cost center includes several contracts to support sewer collection system modelling and wastewater metering analyses. These costs are appropriately directly assigned to the Sewer Fund. Similarly, the budget request for the Field Service Operations cost center includes specific contracts to address investigation and repair of Water transmission mains, and other contracts to address investigation and repair of Sewer interceptors. The costs of those specific contracts should also be directly assigned to the appropriate fund. Together with the Financial Planning and Analysis team we have conducted a detailed investigation of each of the major cost centers, and have assigned discrete activities directly to Water and Sewer budget responsibilities based on our review. All other “general” Centralized Services budgeted costs have been assigned 50% to Water and 50% to Sewer<sup>1</sup>. All Administrative Services budgeted costs have also been assigned 50% to Water and 50% to Sewer. The table below compares the operating budget request for Scenarios D and E.

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<sup>1</sup> The System Control Center budgeted costs are assigned 55% to Water and 45% to Sewer based on discussions with System Control Center managers.

FY 2020 GLWA Budget / Charge Planning O&M Expense Budget Request - \$ millions				
	Working Budget as of:		Variance	% Variance
	12/18/18 D	01/02/19 E		
<b><u>Total GLWA</u></b>				
Water Operations	67.93	67.93	-	0.0%
Sewer Operations	120.69	120.69	-	0.0%
Centralized Services	106.91	106.91	-	0.0%
Administrative Services	29.63	29.63	-	0.0%
Total	325.15	325.15	-	0.00
<b><u>Water Supply System</u></b>				
Water Operations	67.93	67.93	-	0.0%
Sewer Operations	-	-	-	0.0%
Centralized Services	50.50	50.66	0.15	0.3%
Administrative Services	14.82	14.81	(0.00)	0.0%
Total	133.25	133.40	0.00	0.0%
<b><u>Sewage Disposal System</u></b>				
Water Operations	-	-	-	0.0%
Sewer Operations	120.69	120.69	-	0.0%
Centralized Services	56.41	56.26	(0.15)	-0.3%
Administrative Services	14.81	14.81	0.00	0.0%
Total	191.91	(0.15)	(0.00)	0.0%

**FY 2020 Planning – Ongoing Review**

The current “working version” scenario introduced above remains under review, including specific departmental budget requests. In addition, several parallel investigations regarding cost of service allocations that could impact how the proposed budget / charges impact individual Customers remain ongoing. These include:

- ~~Ongoing review of the most appropriate assignment of “Centralized Services” and “Administrative Services” support costs to the Water and Sewer funds, and to cost pools within those funds;~~
  - *Effectively complete pending final review*
- The potential operating agreement with OMID, and the impact of such on the GLWA revenue requirements and revenue requirement allocations to OMID and to other Sewer Customers;
- Updated capital financing plans, including the aforementioned modifications to the capital outlay budget;

- Incorporation of additional capital improvement program financing plan analyses;
- The impact on Water cost of service allocations and charges of:
  - *The contract alignment project (CAP) and the impact on suburban wholesale master metered units of service;*
  - *The incorporation of the UoS study phase 2 findings regarding units of service for non-master metered Customers (Detroit, Dearborn, Highland Park)*
- Incorporation of DWSD Local System budgets and financial plans;
- Budget and cost allocation impacts of potential changes in the GLWA / DWSD definitions of:
  - *Transmission / distribution main responsibility; and*
  - *Service provided by DWSD to GLWA facilities*

We continue diligent review on each of these issues and in our preparation of the FY 2020 Cost of Service Study and the accompanying proposed wholesale service charges for FY 2020.

We are prepared to discuss this matter at your convenience.



Great Lakes Water Authority  
 Capital Financing Plan - Improvement & Extension Fund and Construction Bond Funds  
 Draft Biennial Budget & Five Year Plan - FY 2020 through FY 2024

	FY 2018 Amended Budget	FY 2018 Actual	FY 2019 Budget	FY 2019 Amended Budget	FY 2020 Proposed	FY 2021 Proposed	FY 2022 Proposed	FY 2023 Proposed	FY 2024 Proposed
<b>Water Improvement &amp; Extension</b>									
<b>Revenue (Sources)</b>									
104 Transfer In - Cumulative Optimization	\$ -	\$ 21,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
105 Transfer In - Revenue Requirement	25,739,700	25,739,700	39,133,600	47,695,200	30,129,600	32,850,400	46,788,300	51,104,800	69,250,600
106 Earnings On Investments (a)	-	-	-	-	-	-	-	-	-
Total Sources	25,739,700	46,739,700	39,133,600	47,695,200	30,129,600	32,850,400	46,788,300	51,104,800	69,250,600
<b>Expense (Uses)</b>									
205 Capital Outlay	15,829,300	1,984,300	22,133,400	22,133,400	10,125,300	9,235,300	8,223,000	4,460,600	4,798,300
301 Transfer To Construction Fund - Specific	14,936,000	-	13,172,000	-	-	-	-	-	-
301 Transfer To Construction Fund - Strategic	30,000,000	-	-	13,172,000	45,000,000	75,000,000	100,000,000	47,000,000	51,000,000
Total Uses	60,765,300	1,984,300	35,305,400	35,305,400	55,125,300	84,235,300	108,223,000	51,460,600	55,798,300
<b>Net Sources/Uses</b>									
107 Increase/(Decrease) In Reserves	(35,025,600)	44,755,400	3,828,200	12,389,800	(24,995,700)	(51,384,900)	(61,434,700)	(355,800)	13,452,300
<b>Reconciliation of Net Position</b>									
Net Position at Beginning of Year	175,720,100	175,720,100	220,475,500	220,475,500	232,865,300	207,869,600	156,484,700	95,050,000	94,694,200
Projected Net Position at End of Year	\$140,694,500	\$220,475,500	\$224,303,700	\$ 232,865,300	\$ 207,869,600	\$ 156,484,700	\$ 95,050,000	\$ 94,694,200	\$ 108,146,500

(a) I&E Investment Earnings Transferred to Receiving Fund in accordance with Master Bond Ordinance

<b>Water Construction Bond</b>									
<b>Revenue (Sources)</b>									
101 Bond Proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,280,000	\$ 50,760,000	\$ 62,040,000
102 Bond Proceeds (Approved DWRP Draws)	-	-	-	-	5,531,000	18,367,000	24,115,000	29,615,000	29,994,000
102 Earnings On Investments	435,000	1,640,100	743,000	2,857,500	1,487,700	258,300	-	238,900	105,400
104 Transfer In - Specific	14,936,000	3,003,500	13,172,000	-	-	-	-	-	-
105 Transfer In - Strategic	30,000,000	-	-	13,172,000	45,000,000	75,000,000	100,000,000	47,000,000	51,000,000
Total Sources	45,371,000	4,643,600	13,915,000	16,029,500	52,018,700	93,625,300	182,395,000	127,613,900	143,139,400
<b>Expense (Uses)</b>									
Capital Project Outlay	150,167,100	36,886,400	66,038,000	66,038,000	107,435,300	124,949,300	136,946,300	126,754,500	143,149,500
Total Uses	150,167,100	36,886,400	66,038,000	66,038,000	107,435,300	124,949,300	136,946,300	126,754,500	143,149,500
<b>Net Sources/Uses</b>									
107 Increase/(Decrease) In Reserves	(104,796,100)	(32,242,800)	(52,123,000)	(50,008,500)	(55,416,600)	(31,324,000)	45,448,700	859,400	(10,100)
<b>Reconciliation of Net Position</b>									
Net Cash at Beginning of Year	172,975,000	172,975,000	140,732,200	140,732,200	90,723,700	35,307,100	3,983,100	49,431,800	50,291,200
Projected Net Cash at End of Year	\$ 68,178,900	\$140,732,200	\$ 88,609,200	\$ 90,723,700	\$ 35,307,100	\$ 3,983,100	\$ 49,431,800	\$ 50,291,200	\$ 50,281,100

										<i>Five Year Total</i>
<b>Draft FY 2020-FY 2024 Water Capital Improvement Plan @ 100%</b>					\$ 143,247,000	\$ 166,599,000	\$ 182,595,000	\$ 169,006,000	\$ 190,866,000	\$ 852,313,000
<b>Draft FY 2020-FY 2024 Water Capital Improvement Plan @ 75%</b>				75.0%	\$ 107,435,300	\$ 124,949,300	\$ 136,946,300	\$ 126,754,500	\$ 143,149,500	\$ 639,234,900
<b>Approved FY 2019 - FY 2024 Sewer Capital Improvement Program</b>					\$ 143,247,000	\$ 137,583,000	\$ 155,734,000	\$ 178,300,000	\$ 175,174,000	\$ 646,791,000

**Great Lakes Water Authority  
Capital Financing Plan - Improvement & Extension Fund and Construction Bond Funds  
Draft Biennial Budget & Five Year Plan - FY 2020 through FY 2024**

	<b>FY 2018 Amended Budget</b>	<b>FY 2018 Actual</b>	<b>FY 2019 Budget</b>	<b>FY 2019 Amended Budget</b>	<b>FY 2020 Proposed</b>	<b>FY 2021 Proposed</b>	<b>FY 2022 Proposed</b>	<b>FY 2023 Proposed</b>	<b>FY 2024 Proposed</b>
<b>Sewer Improvement &amp; Extension</b>									
<b>Revenue (Sources)</b>									
104 Transfer In - Insurance Proceeds	\$ -	\$ 8,136,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
105 Transfer In - Revenue Requirement	22,698,100	22,698,100	14,028,400	26,290,300	26,480,500	40,548,400	46,144,800	65,808,300	90,872,600
106 Earnings On Investments (a)	-	-	-	-	-	-	-	-	-
Total Sources	22,698,100	30,834,200	14,028,400	26,290,300	26,480,500	40,548,400	46,144,800	65,808,300	90,872,600
<b>Expense (Uses)</b>									
205 Capital Outlay	8,646,100	4,740,800	5,957,000	5,957,000	20,122,200	19,875,600	24,692,200	8,812,400	10,881,900
301 Transfer To Construction Fund - Specific	3,758,000	-	-	-	-	-	-	-	-
301 Transfer To Construction Fund - Strategic	30,000,000	-	8,312,000	8,312,000	-	10,000,000	20,000,000	60,000,000	80,000,000
Total Uses	42,404,100	4,740,800	14,269,000	14,269,000	20,122,200	29,875,600	44,692,200	68,812,400	90,881,900
<b>Net Sources/Uses</b>									
107 Increase/(Decrease) In Reserves	(19,706,000)	26,093,400	(240,600)	12,021,300	6,358,300	10,672,800	1,452,600	(3,004,100)	(9,300)
<b>Reconciliation of Net Position</b>									
Net Position at Beginning of Year	42,837,600	42,837,600	68,931,000	68,931,000	80,952,300	87,310,600	97,983,400	99,436,000	96,431,900
Projected Net Position at End of Year	\$ 23,131,600	\$ 68,931,000	\$ 68,690,400	\$ 80,952,300	\$ 87,310,600	\$ 97,983,400	\$ 99,436,000	\$ 96,431,900	\$ 96,422,600
<i>(a) I&amp;E Investment Earnings Transferred to Receiving Fund in accordance with Master Bond Ordinance</i>									
<b>Sewer Construction Bond</b>									
<b>Revenue (Sources)</b>									
101 Bond Proceeds	\$ -	\$ -	\$ -	\$ -	\$ 78,960,000	\$ 81,780,000	\$ 90,240,000	\$ 60,160,000	\$ 16,920,000
102 Bond Proceeds (Approved SRF Draws)	-	34,750,500	55,213,000	55,213,000	29,342,000	8,280,000	1,343,000	-	-
102 Earnings On Investments	435,000	1,243,700	743,000	1,351,800	41,100	119,300	99,300	489,300	1,041,000
103 Grants	-	-	-	-	-	-	-	-	-
104 Transfer In - Specific	14,936,000	-	-	-	-	-	-	-	-
105 Transfer In - Strategic	30,000,000	-	8,312,000	8,312,000	-	10,000,000	20,000,000	60,000,000	80,000,000
105 Transfer In - Other	-	-	-	-	-	-	-	-	-
Total Sources	45,371,000	35,994,200	64,268,000	64,876,800	108,343,100	100,179,300	111,682,300	120,649,300	97,961,000
<b>Expense (Uses)</b>									
Capital Project Outlay	74,377,800	69,377,900	105,183,000	105,183,000	121,110,000	99,322,500	112,632,800	119,538,000	97,619,300
Total Uses	74,377,800	69,377,900	105,183,000	105,183,000	121,110,000	99,322,500	112,632,800	119,538,000	97,619,300
<b>Net Sources/Uses</b>									
107 Increase/(Decrease) In Reserves	(29,006,800)	(33,383,700)	(40,915,000)	(40,306,200)	(12,766,900)	856,800	(950,500)	1,111,300	341,700
<b>Reconciliation of Net Position</b>									
Net Position at Beginning of Year	135,890,000	135,890,000	102,506,300	102,506,300	62,200,100	49,433,200	50,290,000	49,339,500	50,450,800
Projected Net Position at End of Year	\$106,883,200	\$102,506,300	\$ 61,591,300	\$ 62,200,100	\$ 49,433,200	\$ 50,290,000	\$ 49,339,500	\$ 50,450,800	\$ 50,792,500

									<b>Five Year Total</b>	
<b>Draft FY 2020-FY 2024 Sewer Capital Improvement Plan @ 100%</b>					\$ 161,480,000	\$ 132,430,000	\$ 150,177,000	\$ 159,384,000	\$ 130,159,000	\$ 733,630,000
<b>Draft FY 2020-FY 2024 Sewer Capital Improvement Plan @ 75%</b>				75.0%	\$ 121,110,000	\$ 99,322,500	\$ 112,632,800	\$ 119,538,000	\$ 97,619,300	\$ 550,222,600
<b>Approved FY 2019 - FY 2024 Sewer Capital Improvement Program</b>					\$ 105,183,000	\$ 111,155,000	\$ 111,952,000	\$ 136,411,000	\$ 168,458,000	\$ 633,159,000

Great Lakes Water Authority  
 Capital Financing Plan - Improvement & Extension Fund and Construction Bond Funds  
 Draft Biennial Budget & Five Year Plan - FY 2020 through FY 2024

<b>Phase Status Analysis - Table III-3 from Draft FY 2020 - 2024 Capital Improvement Plan</b>							
in 1,000s							
Projected Capital Expenditures							
Phase Status	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	Total FYs 2020-2024	Percent of Total
<b>Water</b>							
Active	\$ 63,984	\$ 53,846	\$ 28,753	\$ 11,666	\$ 11,427	\$ 169,676	20%
Future Planned Start	70,575	107,254	153,342	156,840	178,439	666,450	78%
Under Procurement	8,688	5,499	500	500	1,000	16,187	2%
<b>Grand Total</b>	<b>\$143,247</b>	<b>\$166,599</b>	<b>\$182,595</b>	<b>\$169,006</b>	<b>\$190,866</b>	<b>\$ 852,313</b>	<b>100%</b>
Projected Capital Expenditures							
Phase Status	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	Total FYs 2020-2024	Percent of Total
<b>Wastewater</b>							
Active	\$ 65,724	\$ 34,879	\$ 12,705	\$ 2,541	\$ 2,070	\$ 117,919	16%
Future Planned Start	90,864	93,716	137,472	156,843	128,089	606,984	83%
Pending Close-out	500	-	-	-	-	500	0%
Under Procurement	4,392	3,835	-	-	-	8,227	1%
<b>Grand Total</b>	<b>\$161,480</b>	<b>\$132,430</b>	<b>\$150,177</b>	<b>\$159,384</b>	<b>\$130,159</b>	<b>\$ 733,630</b>	<b>100%</b>

Note: "Net Position" as of June 30, 2018 used as a conservative proxy for this analysis rather than cash balances.

### **FY 2020 Budget Year Highlights**

The proposed revenue requirement (i.e. budget) overall increase is 3.5%. The impact of that budget increase on service charges is partially offset by an improved investment earnings program. The result water supply charges increase estimated at 1.6% and sewer system service charges at 2.1% on a system-wide basis.<sup>1</sup>

### **New FY 2020 Budget Items**

The Operations & Maintenance budget increase of \$12.5 million includes several new initiatives.

*One Water Institute* (\$1.2 million) to expand educational opportunities and service sector expertise for GLWA and its Member-Partners throughout the region.

*Comprehensive Corrosion Control Optimization Study* (\$1.1 million) at each of the five water treatment plants demonstrating GLWA's proactive approach to providing water of unquestionable quality.

*Capital Program Management* process, technology, and staff development project (\$1.3 million). Potential award of a contract in February 2019 will also provide capital project delivery support services.

*Transmission System Pipe Integrity Program* (TSIP) (\$2.0 million) for the water system to minimize both the probability and consequence of pipeline failures with a strategic risk-based approach to pipe renewal.

*Collection System Modeling and Monitoring* (\$1.5 million) to create alternative control strategies in the wastewater collection system.

*Combined Sewer Overflow Condition Assessment, Calibration, and Preventative Maintenance Program* (\$470k) for various meters in each of the CSO facilities.

*Reduced Shared Services* (\$3.1 million) information technology reimbursement due to planned separation of systems. The staff and contractual resources will be reassigned to meet GLWA's growing technology needs.

### **Long-term Financial Plan**

Commitment to sound financial planning requires a long-term focus. The GLWA Board adopts a biennial budget with the added insight of an accompanying five-year financial plan. This supports financial stability and reduces surprises. The long-term plan's goal is to limit overall *operations and maintenance expenses* increases to no more than 2%.

### **Capital Improvement Program**

GLWA's five-year capital improvement program (CIP) is available on GLWA's website. The CIP cycle aligns with the timing of the five-year financial plan by design. The CIP is the outcome of extensive staff effort and stakeholder participation.

To fund the CIP, GLWA's annual revenue requirement includes a contribution of \$56.6 million or 7% of customer charges to fund a partial pay-as-you go approach. This strategy is designed to lower GLWA's debt burden, improve affordability, and lower the cost of debt in the future. To provide perspective, FY 2020 budgeted debt service of \$354.7 million is equal to 44% of service charges. It is not expected that GLWA will need to return to the market for water system borrowing until FY 2022 and the latter half of FY 2020 for the sewer system.

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<sup>1</sup> Individual member partner charges will vary.

**Schedule 1A - Water System Revenue Requirements Budget**

Water System Revenue Requirements	Current Year		Biennial Budget						Forecast		
	FY 2019 Adopted	FY 2019 Amended	FY 2020 Requested	FY 2020 \$ Change	FY 2020 % Change	FY 2021 Requested	FY 2021 \$ Change	FY 2021 % Change	FY 2022 Forecast	FY 2023 Forecast	FY 2024 Forecast
<b>Revenues</b>											
11 Revenues from Charges	\$ 327,563,900	\$ 327,563,900	\$ 333,904,400	\$ 6,340,500	1.9%	\$ 348,787,000	\$ 14,882,600	4.5%	\$ 364,584,800	\$ 379,334,600	\$ 394,365,400
10.1 Non-Operating Revenue	3,836,600	9,425,400	9,095,000	5,258,400	137.1%	7,932,400	(1,162,600)	-12.8%	6,403,500	6,493,100	6,895,500
<b>Total Revenues</b>	<b>331,400,500</b>	<b>336,989,300</b>	<b>342,999,400</b>	<b>11,598,900</b>	<b>3.5%</b>	<b>356,719,400</b>	<b>13,720,000</b>	<b>4.0%</b>	<b>370,988,300</b>	<b>385,827,700</b>	<b>401,260,900</b>
<b>Revenue Requirements</b>											
1 Operations & Maintenance (O&M) Expense	\$121,562,600	\$121,562,600	\$133,397,500	\$11,834,900	9.7%	\$136,065,500	\$2,668,000	2.0%	\$138,786,800	\$141,562,500	\$144,393,800
2 O&M Legacy Pension Allocation	6,048,000	6,048,000	6,048,000	-	0.0%	6,048,000	-	0.0%	6,048,000	6,048,000	1,200,000
3 Debt Service Allocation	134,214,600	131,241,800	138,967,100	4,752,500	3.5%	150,314,300	11,347,200	8.2%	147,834,900	155,489,800	159,032,500
4 Accelerated Legacy Pension Allocation	6,268,300	6,268,300	6,268,300	-	0.0%	6,268,300	-	0.0%	6,268,300	6,268,300	1,933,900
5 Water Residential Assistance Program	1,673,400	1,673,400	1,743,900	70,500	4.2%	1,783,600	39,700	2.3%	1,854,900	1,929,100	2,006,300
6 Lease Payment to Local System I&E Account (a)	22,500,000	22,500,000	22,500,000	-	0.0%	22,500,000	-	0.0%	22,500,000	22,500,000	22,500,000
7 Improvement & Extension Fund Allocation	39,133,600	47,695,200	30,129,600	(9,004,000)	-23.0%	32,850,400	2,720,800	9.0%	46,788,300	51,104,800	69,250,600
8 Operating Reserve Deposit	-	-	3,945,000	3,945,000	NA	889,300	(3,055,700)	-77.5%	907,100	925,200	943,800
9 Extraordinary Repair & Replacement Deposit	-	-	-	-	NA	-	-	NA	-	-	-
<b>Annual Revenue Requirements</b>	<b>\$ 331,400,500</b>	<b>\$ 336,989,300</b>	<b>\$ 342,999,400</b>	<b>\$ 11,598,900</b>	<b>3.5%</b>	<b>\$ 356,719,400</b>	<b>\$ 13,720,000</b>	<b>4.0%</b>	<b>\$ 370,988,300</b>	<b>\$ 385,827,700</b>	<b>\$ 401,260,900</b>

(a) Lease payment shown at 100%; amount will be allocated between cash transfer and debt service offset at an amount directed by DWSD

**Schedule 1B - Sewer System Revenue Requirements Budget**

Sewer System Revenue Requirements	Current Year		Biennial Budget						Forecast		
	FY 2019 Adopted	FY 2019 Amended	FY 2020 Requested	FY 2020 \$ Change	FY 2020 % Change	FY 2021 Requested	FY 2021 \$ Change	FY 2021 % Change	FY 2022 Forecast	FY 2023 Forecast	FY 2024 Forecast
<b>Revenues</b>											
11 Revenues from Charges (prior to adjustment)	\$ 465,585,100	\$ 465,585,100	\$ 477,880,900	\$ 12,295,800	2.6%	\$ 497,042,800	\$ 19,161,900	4.0%	\$ 517,128,500	\$ 538,246,100	\$ 560,031,300
Regional Bad Debt True-Up Adjustment	1,871,300	1,871,300	-	(1,871,300)	-100.0%	-	-	NA	-	-	-
<b>Subtotal Revenues from Charges</b>	<b>467,456,400</b>	<b>467,456,400</b>	<b>477,880,900</b>	<b>10,424,500</b>	<b>2.2%</b>	<b>497,042,800</b>	<b>19,161,900</b>	<b>4.0%</b>	<b>517,128,500</b>	<b>538,246,100</b>	<b>560,031,300</b>
10.1 Non-Operating Revenue	4,570,900	8,750,000	8,730,600	4,159,700	91.0%	9,033,100	302,500	3.5%	9,190,400	9,125,800	9,235,400
<b>Total Revenues</b>	<b>472,027,300</b>	<b>476,206,400</b>	<b>486,611,500</b>	<b>14,584,200</b>	<b>3.1%</b>	<b>506,075,900</b>	<b>19,464,400</b>	<b>4.0%</b>	<b>526,318,900</b>	<b>547,371,900</b>	<b>569,266,700</b>
<b>Revenue Requirements</b>											
1 Operations & Maintenance (O&M) Expense	\$191,079,400	\$191,079,400	\$191,757,200	\$ 677,800.00	0.4%	\$195,592,300	\$3,835,100	2.0%	\$199,504,100	\$203,494,200	\$207,564,100
2 O&M Legacy Pension Allocation	10,824,000	10,824,000	10,824,000	-	0.0%	10,824,000	-	0.0%	10,824,000	10,824,000	2,100,000
3 Debt Service Allocation	214,600,700	208,389,300	215,738,800	1,138,100	0.5%	216,181,700	442,900	0.2%	226,789,800	224,057,800	233,163,600
4 Accelerated Legacy Pension Allocation	11,620,700	11,620,700	11,620,700	-	0.0%	11,620,700	-	0.0%	11,620,700	11,620,700	3,863,500
5 Water Residential Assistance Program	2,374,100	2,374,100	2,464,400	90,300	3.8%	2,530,400	66,000	2.7%	2,631,600	2,736,900	2,846,300
6 Lease Payment to Local System	27,500,000	27,500,000	27,500,000	-	0.0%	27,500,000	-	0.0%	27,500,000	27,500,000	27,500,000
7 Improvement & Extension Fund Allocation	12,157,100	24,419,000	26,480,500	14,323,400	117.8%	40,548,400	14,067,900	53.1%	46,144,800	65,808,300	90,872,600
8 Operating Reserve Deposit	-	-	225,900	225,900	NA	1,278,400	1,052,500	465.9%	1,303,900	1,330,000	1,356,600
9 Extraordinary Repair & Replacement Deposit	-	-	-	-	NA	-	-	NA	-	-	-
<b>Annual Budgeted Revenue Requirements</b>	<b>470,156,000</b>	<b>476,206,500</b>	<b>486,611,500</b>	<b>16,455,500</b>	<b>3.5%</b>	<b>506,075,900</b>	<b>19,464,400</b>	<b>4.0%</b>	<b>526,318,900</b>	<b>547,371,900</b>	<b>569,266,700</b>
I&E Fund Allocation - Regional Bad Debt True-Up Adj.	1,871,300	1,871,300	-	(1,871,300)	-100.0%	-	-	NA	-	-	-
<b>Adjusted Annual Revenue Requirements</b>	<b>\$ 472,027,300</b>	<b>\$ 478,077,800</b>	<b>\$ 486,611,500</b>	<b>\$ 14,584,200</b>	<b>3.1%</b>	<b>\$ 506,075,900</b>	<b>\$ 19,464,400</b>	<b>4.0%</b>	<b>\$ 526,318,900</b>	<b>\$ 547,371,900</b>	<b>\$ 569,266,700</b>

**Schedule 1C - Combined Water and Sewer System Revenue Requirements Budget**

	Current Year		Biennial Budget						Forecast		
	FY 2019 Adopted	FY 2019 Amended	FY 2020 Requested	FY 2020 \$ Change	FY 2020 % Change	FY 2021 Requested	FY 2021 \$ Change	FY 2021 % Change	FY 2022 Forecast	FY 2023 Forecast	FY 2024 Forecast
<b>Sewer System Revenue Requirements</b>											
<b>Revenues</b>											
11 Revenues from Charges (prior to adjustment)	\$ 793,149,000	\$ 793,149,000	\$ 811,785,300	\$ 18,636,300	2.3%	\$ 845,829,800	\$ 34,044,500	4.2%	\$ 881,713,300	\$ 917,580,700	\$ 954,396,700
Regional Bad Debt True-Up Adjustment	1,871,300	1,871,300	-	(1,871,300)	-100.0%	-	-	NA	-	-	-
<b>Subtotal Revenues from Charges</b>	<b>795,020,300</b>	<b>795,020,300</b>	<b>811,785,300</b>	<b>16,765,000</b>	<b>2.1%</b>	<b>845,829,800</b>	<b>34,044,500</b>	<b>4.2%</b>	<b>881,713,300</b>	<b>917,580,700</b>	<b>954,396,700</b>
10.1 Non-Operating Revenue	8,407,500	18,175,400	17,825,600	9,418,100	112.0%	16,965,500	(860,100)	-4.8%	15,593,900	15,618,900	16,130,900
<b>Total Revenues</b>	<b>803,427,800</b>	<b>813,195,700</b>	<b>829,610,900</b>	<b>26,183,100</b>	<b>3.3%</b>	<b>862,795,300</b>	<b>33,184,400</b>	<b>4.0%</b>	<b>897,307,200</b>	<b>933,199,600</b>	<b>970,527,600</b>
<b>Revenue Requirements</b>											
1 Operations & Maintenance (O&M) Expense	\$312,642,000	\$312,642,000	\$325,154,700	\$12,512,700	4.0%	\$331,657,800	\$6,503,100	2.0%	\$338,290,900	\$345,056,700	\$351,957,900
2 O&M Legacy Pension Allocation	16,872,000	16,872,000	16,872,000	-	0.0%	16,872,000	-	0.0%	16,872,000	16,872,000	3,300,000
3 Debt Service Allocation	348,815,300	339,631,100	354,705,900	5,890,600	1.7%	366,496,000	11,790,100	3.3%	374,624,700	379,547,600	392,196,100
4 Accelerated Legacy Pension Allocation	17,889,000	17,889,000	17,889,000	-	0.0%	17,889,000	-	0.0%	17,889,000	17,889,000	5,797,400
5 Water Residential Assistance Program	4,047,500	4,047,500	4,208,300	160,800	4.0%	4,314,000	105,700	2.5%	4,486,500	4,666,000	4,852,600
6 Lease Payment to Local System I&E Account	50,000,000	50,000,000	50,000,000	-	0.0%	50,000,000	-	0.0%	50,000,000	50,000,000	50,000,000
7 Improvement & Extension Fund Allocation	51,290,700	72,114,200	56,610,100	5,319,400	10.4%	73,398,800	16,788,700	29.7%	92,933,100	116,913,100	160,123,200
8 Operating Reserve Deposit	-	-	4,170,900	4,170,900	NA	2,167,700	(2,003,200)	-48.0%	2,211,000	2,255,200	2,300,400
9 Extraordinary Repair & Replacement Deposit	-	-	-	-	NA	-	-	NA	-	-	-
<b>Annual Budgeted Revenue Requirements</b>	<b>801,556,500</b>	<b>813,195,800</b>	<b>829,610,900</b>	<b>28,054,400</b>	<b>3.5%</b>	<b>862,795,300</b>	<b>33,184,400</b>	<b>4.0%</b>	<b>897,307,200</b>	<b>933,199,600</b>	<b>970,527,600</b>
I&E Fund Allocation - Regional Bad Debt True-Up Adj.	1,871,300	1,871,300	-	(1,871,300)	-100.0%	-	-	NA	-	-	-
<b>Adjusted Annual Revenue Requirements</b>	<b>\$ 803,427,800</b>	<b>\$ 815,067,100</b>	<b>\$ 829,610,900</b>	<b>\$ 26,183,100</b>	<b>3.3%</b>	<b>\$ 862,795,300</b>	<b>\$ 33,184,400</b>	<b>4.0%</b>	<b>\$ 897,307,200</b>	<b>\$ 933,199,600</b>	<b>\$ 970,527,600</b>

## Schedule 2 - Operations & Maintenance Expense

Group	Current Year		Biennial Budget					
	FY 2019 Adopted	FY 2019 Amended	FY 2020 Requested	FY 2020 \$ Change	FY 2020 % Change	FY 2021 Requested	FY 2021 \$ Change	FY 2021 % Change
A Water System Operations	\$66,596,200	\$66,596,200	\$67,928,100	\$ 1,331,900	2.0%	\$69,286,700	\$1,358,600	2.0%
B Sewer System Operations	118,318,900	118,318,900	120,685,300	2,366,400	2.0%	123,099,000	2,413,700	2.0%
C Centralized Services	99,044,500	99,044,500	106,913,500	7,869,000	7.9%	109,051,800	2,138,300	2.0%
D Administrative Services	28,682,400	28,682,400	29,627,800	945,400	3.3%	30,220,400	592,600	2.0%
<b>Total</b>	<b>\$312,642,000</b>	<b>\$ 312,642,000</b>	<b>\$ 325,154,700</b>	<b>\$ 12,512,700</b>	<b>4.0%</b>	<b>\$ 331,657,900</b>	<b>\$ 6,503,200</b>	<b>2.0%</b>

Cost Center & Description	FY 2019 Adopted	FY 2019 Amended	FY 2020 Redeusted	FY 2020 \$ Change	FY 2020 % Change	FY 2021 Requested	FY 2021 \$ Change	FY 2021 % Change
	Water	\$121,562,600	\$121,562,600	\$133,397,500	\$11,834,900	9.7%	\$136,065,500	\$2,668,000
Wastewater	191,079,400	191,079,400	191,757,200	677,800	0.4%	195,592,300	3,835,100	2.0%
<b>Total</b>	<b>\$312,642,000</b>	<b>\$ 312,642,000</b>	<b>\$ 325,154,700</b>	<b>\$ 12,512,700</b>	<b>4.0%</b>	<b>\$ 331,657,800</b>	<b>\$ 6,503,100</b>	<b>2.0%</b>



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

Flow of Funds Basis		FY 2020 Water Fund	FY 2020 Sewer Fund	FY 20 Combined (Informational Only)	FY 2021 Water Fund	FY 2021 Sewer Fund	FY 21 Combined (Informational Only)
<b>Revenues</b>							
1	Regional System Wholesale Revenues	\$ 333,904,400	\$ 477,880,900	\$ 811,785,300	\$ 348,787,000	\$ 497,042,800	\$ 845,829,800
2	Local System Revenues	77,206,900	100,063,800	177,270,700	78,828,000	102,803,800	181,631,800
3	Miscellaneous Revenue (Local System)	2,200,000	500,000	2,700,000	2,200,000	500,000	2,700,000
4	Non-Operating Revenue (Regional System)	9,095,000	8,730,600	17,825,600	5,258,400	4,159,700	9,418,100
5	<b>Total Revenues</b>	<u>\$ 422,406,300</u>	<u>\$ 587,175,300</u>	<u>\$ 1,009,581,600</u>	<u>\$ 435,073,400</u>	<u>\$ 604,506,300</u>	<u>\$ 1,039,579,700</u>
<b>Revenue Requirements</b>							
<b>Operations &amp; Maintenance Expense</b>							
6	Regional System Wholesale Expenses (a)	\$ 133,397,500	\$ 191,757,200	\$ 325,154,700	\$ 136,065,500	\$ 195,592,300	\$ 331,657,800
7	Local System Expenses	36,126,600	69,577,200	105,703,800	36,811,100	70,913,300	107,724,400
8	GRS Pension allocable to Regional System	6,048,000	10,824,000	16,872,000	6,048,000	10,824,000	16,872,000
9	GRS Pension allocable to Local System	4,272,000	2,856,000	7,128,000	4,272,000	2,856,000	7,128,000
10	Total Operations & Maintenance Expense	<u>179,844,100</u>	<u>275,014,400</u>	<u>454,858,500</u>	<u>183,196,600</u>	<u>280,185,600</u>	<u>463,382,200</u>
11	<b>Net Revenues after Operations &amp; Maintenance Expense</b>	<u>\$ 242,562,200</u>	<u>\$ 312,160,900</u>	<u>\$ 554,723,100</u>	<u>\$ 251,876,800</u>	<u>\$ 324,320,700</u>	<u>\$ 576,197,500</u>
<b>Debt Service by Lien</b>							
12	Senior Lien Bonds	123,909,900	148,568,300	272,478,200	126,682,300	139,541,600	266,223,900
13	Second Lien Bonds	47,849,300	45,878,900	93,728,200	49,280,800	54,642,100	103,922,900
14	SRF Junior Lien Bonds	4,318,600	52,941,400	57,260,000	12,084,700	53,651,700	65,736,400
15	<b>Total Debt Service</b>	<u>\$ 176,077,800</u>	<u>\$ 247,388,600</u>	<u>\$ 423,466,400</u>	<u>\$ 188,047,800</u>	<u>\$ 247,835,400</u>	<u>\$ 435,883,200</u>
<b>Debt Service Coverage (a)</b>							
15	Senior Lien Bonds (11)/(12)	1.96	2.10		1.99	2.32	
16	Second Lien Bonds (11)/[(12)+(13)]	1.41	1.61		1.43	1.67	
17	SRF Junior Lien Bonds (11)/(15)	1.38	1.26		1.34	1.31	

## Shared Services

The GLWA and DWSD leverage economies of scale, assets, technology, and expertise by sharing services. The shared services agreement, dated December 1, 2015, is available at <http://www.glwater.org/board/organizational-documents/>.

The shared services billing process began in FY 2016 and was new to both entities. The process is subject to manual tabulation until appropriate systems are in place. To best facilitate the tracking of expenses, the GLWA has designed its general ledger system to manage the budget and accumulate costs via a “contra” account in each cost center that matches the source of the expense (hence the contra amounts are shown as negative amounts). The net effect on the cost center expense is zero which preserves the basis appropriate cost allocation. Amounts charged to DWSD for services are recorded in a manner consistent with other vendor expenses.

## Biennial Budget Request

The biennial budget reflects an overall decrease in FY 2020 as a result of several shared services nearing completion in the information technology and systems analytics areas. The GLWA and DWSD are continuing to evaluate operational goals.

### *Biennial Budget by Area - Shared Services - GLWA as Provider*

Cost Center & Description	FY 2018	FY 2018	FY 2019	FY 2020	FY 2020	FY 2020	FY 2021
	Amended Budget	Activity thru 6.30.2018	Current Amended-to-date	Department Requested	Percent Variance	Dollar Variance	Department Requested
<b>A Water System Operations</b>	<b>\$ (150,000)</b>	<b>\$ (141,114)</b>	<b>\$ (150,000)</b>	<b>\$ (93,000)</b>	<b>61.3%</b>	<b>\$ (57,000)</b>	<b>\$ (94,900)</b>
882121 - Water Quality	(150,000)	(141,114)	(150,000)	(93,000)	61.3%	(57,000)	(94,900)
<b>B Wastewater System Operations</b>	<b>(292,644)</b>	<b>(292,965)</b>	<b>(431,000)</b>	<b>(331,600)</b>	<b>30.0%</b>	<b>(99,400)</b>	<b>(338,200)</b>
892222 - Wastewater Process Control	(75,900)	(76,244)	(69,700)	(60,400)	15.4%	(9,300)	(61,600)
892270 - Combined Sewer Overflow	-	-	(18,600)	(19,000)	-2.1%	400	(19,400)
892279 - Belle Isle Combined Sewer Overflow	(133,444)	(133,368)	(62,700)	(74,900)	-16.3%	12,200	(76,400)
892342 - Belle Isle Pumping Station	(28,800)	(28,811)	(80,000)	(55,300)	44.7%	(24,700)	(56,400)
892343 - Blue Hill Pumping Station	(41,500)	(41,480)	(80,000)	(74,000)	8.1%	(6,000)	(75,500)
892347 - Fischer Pumping Station	(6,000)	(6,016)	(40,000)	(12,000)	233.3%	(28,000)	(12,200)
892352 - Woodmere Pumping Station	(7,000)	(7,046)	(80,000)	(36,000)	122.2%	(44,000)	(36,700)
<b>C Centralized Services</b>	<b>(9,615,856)</b>	<b>(9,471,546)</b>	<b>(7,581,500)</b>	<b>(4,016,700)</b>	<b>88.7%</b>	<b>(3,564,800)</b>	<b>(786,300)</b>
881201 - Security and Integrity	(585,500)	(585,570)	(284,500)	(325,000)	-12.5%	40,500	(331,500)
882301 - Systems Operations Control	(993,556)	(669,343)	(552,600)	(429,200)	28.8%	(123,400)	(437,800)
882421 - Facility Operations	(8,000)	54,659	(8,000)	-	N/A	(8,000)	-
882431 - Field Service Operations	-	-	(16,400)	(16,700)	-1.8%	300	(17,000)
883321 - IT Service Desk	(1,159,100)	(1,159,090)	(8,125)	-	N/A	(8,125)	-
883331 - IT Infrastructure	(2,711,300)	(2,874,857)	(2,672,300)	(2,371,100)	12.7%	(301,200)	-
883341 - IT Enterprise Applications	(1,359,200)	(1,317,607)	(1,223,750)	-	N/A	(1,223,750)	-
883351 - IT Business Applications	(2,550,500)	(2,671,901)	(2,375,625)	(783,500)	203.2%	(1,592,125)	-
883361 - IT Security & Risk	(28,700)	(27,880)	(82,700)	(31,200)	165.1%	(51,500)	-
886401 - Systems Analytics	(220,000)	(219,958)	(357,500)	(60,000)	495.8%	(297,500)	-
<b>D Administrative &amp; Other Services</b>	<b>(14,700)</b>	<b>500</b>	<b>(960,600)</b>	<b>(964,900)</b>	<b>-0.4%</b>	<b>4,300</b>	<b>(984,200)</b>
883101 - General Counsel	(8,000)	(455)	(8,000)	-	N/A	(8,000)	-
883201 - Organizational Development	(6,700)	3,262	(6,700)	-	N/A	(6,700)	-
884131 - Treasury	-	-	(907,800)	(926,000)	-2.0%	18,200	(944,500)
884141 - Public Finance	-	(2,308)	(38,100)	(38,900)	-2.1%	800	(39,700)
<b>Grand Total</b>	<b>\$ (10,073,200)</b>	<b>\$ (9,905,125)</b>	<b>\$ (9,123,100)</b>	<b>\$ (5,406,200)</b>	<b>68.8%</b>	<b>\$ (3,716,900)</b>	<b>\$ (2,203,600)</b>

*Biennial Budget by Area - Shared Services - GLWA as Subscriber*

Cost Center & Description	FY 2018 Amended Budget	FY 2018 Activity thru 6.30.2018	FY 2019 Current Amended-to-date	FY 2020 Department Requested	FY 2020 Percent Variance	FY 2020 Dollar Variance	FY 2021 Department Requested
<b>C Centralized Services</b>	\$ 4,225,800	\$ 1,524,537	\$ 5,705,800	\$ 5,594,000	2.0%	\$ 111,800	\$ 4,828,700
882421 - Facility Operations	1,500,000	-	1,500,000	2,300,000	-34.8%	(800,000)	2,346,000
882422 - Fleet Operations	1,530,900	1,524,537	2,150,900	1,590,000	35.3%	560,900	1,621,800
882431 - Field Service Operations	194,900	-	194,900	200,000	-2.6%	(5,100)	204,000
883331 - IT Infrastructure	150,000	-	1,010,000	1,010,000	0.0%	-	153,000
883351 - IT Business Applications	850,000	-	850,000	494,000	72.1%	356,000	503,900
<b>Grand Total</b>	\$ 4,225,800	\$ 1,524,537	\$ 5,705,800	\$ 5,594,000	2.0%	\$ 111,800	\$ 4,828,700

**Five Year Financial Plan**

*Five Year Financial Plan by Area - Shared Services - GLWA as Provider*

Cost Center & Description	FY 2019 Current Amended-to-date	FY 2020 Department Requested	FY 2020 Percent Variance	FY 2020 Dollar Variance	FY 2021 Department Requested	FY 2022 Department Requested	FY 2023 Department Requested	FY 2024 Department Requested
<b>A Water System Operations</b>	\$ (150,000)	\$ (93,000)	61.3%	\$ (57,000)	\$ (94,900)	\$ (96,800)	\$ (98,700)	\$ (100,700)
882121 - Water Quality	(150,000)	(93,000)	61.3%	(57,000)	(94,900)	(96,800)	(98,700)	(100,700)
<b>B Wastewater System Operations</b>	(431,000)	(331,600)	30.0%	(99,400)	(338,200)	(344,800)	(356,000)	(383,400)
892222 - Wastewater Process Control	(69,700)	(60,400)	15.4%	(9,300)	(61,600)	(62,800)	(64,100)	(65,400)
892270 - Combined Sewer Overflow	(18,600)	(19,000)	-2.1%	400	(19,400)	(19,800)	(20,200)	(20,600)
892279 - Belle Isle Combined Sewer Overflow	(62,700)	(74,900)	-16.3%	12,200	(76,400)	(77,900)	(83,800)	(105,600)
892342 - Belle Isle Pumping Station	(80,000)	(55,300)	44.7%	(24,700)	(56,400)	(57,500)	(58,700)	(59,900)
892343 - Blue Hill Pumping Station	(80,000)	(74,000)	8.1%	(6,000)	(75,500)	(77,000)	(78,500)	(80,100)
892347 - Fischer Pumping Station	(40,000)	(12,000)	233.3%	(28,000)	(12,200)	(12,400)	(12,600)	(12,900)
892352 - Woodmere Pumping Station	(80,000)	(36,000)	122.2%	(44,000)	(36,700)	(37,400)	(38,100)	(38,900)
<b>C Centralized Services</b>	(7,581,500)	(4,016,700)	88.7%	(3,564,800)	(786,300)	(802,000)	(817,900)	(834,200)
881201 - Security and Integrity	(284,500)	(325,000)	-12.5%	40,500	(331,500)	(338,100)	(344,800)	(351,700)
882301 - Systems Operations Control	(552,600)	(429,200)	28.8%	(123,400)	(437,800)	(446,600)	(455,500)	(464,600)
882421 - Facility Operations	(8,000)	-	N/A	(8,000)	-	-	-	-
882431 - Field Service Operations	(16,400)	(16,700)	-1.8%	300	(17,000)	(17,300)	(17,600)	(17,900)
883321 - IT Service Desk	(8,125)	-	N/A	(8,125)	-	-	-	-
883331 - IT Infrastructure	(2,672,300)	(2,371,100)	12.7%	(301,200)	-	-	-	-
883341 - IT Enterprise Applications	(1,223,750)	-	N/A	(1,223,750)	-	-	-	-
883351 - IT Business Applications	(2,375,625)	(783,500)	203.2%	(1,592,125)	-	-	-	-
883361 - IT Security & Risk	(82,700)	(31,200)	165.1%	(51,500)	-	-	-	-
886401 - Systems Analytics	(357,500)	(60,000)	495.8%	(297,500)	-	-	-	-
<b>D Administrative &amp; Other Services</b>	(960,600)	(964,900)	-0.4%	4,300	(984,200)	(1,003,900)	(1,024,000)	(1,044,500)
883101 - General Counsel	(8,000)	-	N/A	(8,000)	-	-	-	-
883201 - Organizational Development	(6,700)	-	N/A	(6,700)	-	-	-	-
884131 - Treasury	(907,800)	(926,000)	-2.0%	18,200	(944,500)	(963,400)	(982,700)	(1,002,400)
884141 - Public Finance	(38,100)	(38,900)	-2.1%	800	(39,700)	(40,500)	(41,300)	(42,100)
<b>Grand Total</b>	\$ (9,123,100)	\$ (5,406,200)	68.8%	\$ (3,716,900)	\$ (2,203,600)	\$ (2,247,500)	\$ (2,296,600)	\$ (2,362,800)

*Five Year Financial Plan by Area - Shared Services - GLWA as Subscriber*

Cost Center & Description	FY 2019 Current Amended-to-date	FY 2020 Department Requested	FY 2020 Percent Variance	FY 2020 Dollar Variance	FY 2021 Department Requested	FY 2022 Department Requested	FY 2023 Department Requested	FY 2024 Department Requested
<b>C Centralized Services</b>	\$ 5,705,800	\$ 5,594,000	2.0%	\$ 111,800	\$ 4,828,700	\$ 4,925,200	\$ 4,705,400	\$ 4,799,400
882421 - Facility Operations	1,500,000	2,300,000	-34.8%	(800,000)	2,346,000	2,392,900	2,440,800	2,489,600
882422 - Fleet Operations	2,150,900	1,590,000	35.3%	560,900	1,621,800	1,654,200	1,687,300	1,721,000
882431 - Field Service Operations	194,900	200,000	-2.6%	(5,100)	204,000	208,000	212,200	216,400
883331 - IT Infrastructure	1,010,000	1,010,000	0.0%	-	153,000	156,100	159,200	162,400
883351 - IT Business Applications	850,000	494,000	72.1%	356,000	503,900	514,000	205,900	210,000
<b>Grand Total</b>	\$ 5,705,800	\$ 5,594,000	2.0%	\$ 111,800	\$ 4,828,700	\$ 4,925,200	\$ 4,705,400	\$ 4,799,400



Five Year Financial Plan by Shared Services Number - GLWA as Provider & Subscriber

Both activities by the GLWA as service “provider” and services received by the GLWA as the service “subscriber” are shown in the table below.

Shared Services Number and Description	IT Cost Center - Description	FY 2019 Current Amended-to-date	FY 2020 Department Requested	FY 2021 Department Requested	FY 2022 Department Requested	FY 2023 Department Requested	FY 2024 Department Requested
DoIT-001 Financial Information System	883331 - IT Infrastructure	150,000	150,000	153,000	156,100	159,200	162,400
DoIT-002 Radios	883351 - IT Business Applications	150,000	150,000	153,000	156,100	159,200	162,400
DoIT-003 Customer Service Technology Suite	883351 - IT Business Applications	44,000	44,000	44,900	45,800	46,700	47,600
ITS-001 Retail AMR	883341 - IT Enterprise Applications	(113,750)	-	-	-	-	-
	886401 - Systems Analytics	(27,500)	-	-	-	-	-
ITS-002 Customer Service Tech Suite	883321 - IT Service Desk	(8,125)	-	-	-	-	-
	883351 - IT Business Applications	(23,125)	-	-	-	-	-
ITS-003 See-Click-Fix	883351 - IT Business Applications	(47,500)	-	-	-	-	-
ITS-004 WAM	883351 - IT Business Applications	(2,110,000)	(660,500)	-	-	-	-
ITS-005 Mobile Work Force	886401 - Systems Analytics	(330,000)	(60,000)	-	-	-	-
ITS-006 ESRI - Geographic Information System	883341 - IT Enterprise Applications	(1,110,000)	-	-	-	-	-
ITS-007 DADS	883351 - IT Business Applications	(120,000)	-	-	-	-	-
ITS-008 TIBCO	883351 - IT Business Applications	(75,000)	(123,000)	-	-	-	-
ITS-009 IT Infrastructure	883331 - IT Infrastructure	(2,672,300)	(2,371,100)	-	-	-	-
	883361 - IT Security & Risk	(82,700)	(31,200)	-	-	-	-
LS-001-A Litigation and Joint Defense (GLWA Provider)	883101 - General Counsel	(8,000)	-	-	-	-	-
New - DWSD - Bank Fees	884131 - Treasury	(907,800)	(926,000)	(944,500)	(963,400)	(982,700)	(1,002,400)
New - DWSD - Public Finance	884141 - Public Finance	(38,100)	(38,900)	(39,700)	(40,500)	(41,300)	(42,100)
New - DWSD Staff Training by GLWA	883201 - Organizational Development	(6,700)	-	-	-	-	-
New - Fuel	882422 - Fleet Operations	-	90,000	91,800	93,600	95,500	97,400
New - Oracle Licenses	883331 - IT Infrastructure	860,000	860,000	-	-	-	-
New - WAM (Annual License)	883351 - IT Business Applications	656,000	300,000	306,000	312,100	-	-
OPS-001 Fleet	882422 - Fleet Operations	2,150,900	1,500,000	1,530,000	1,560,600	1,591,800	1,623,600
OPS-002 MISS DIG	882431 - Field Service Operations	94,900	100,000	102,000	104,000	106,100	108,200
OPS-003 As Needed Field Services	882431 - Field Service Operations	100,000	100,000	102,000	104,000	106,100	108,200
OPS-004 Water Quality Sampling, Testing, Reporting	882121 - Water Quality	(150,000)	(93,000)	(94,900)	(96,800)	(98,700)	(100,700)
OPS-005 Security and Integrity	881201 - Security and Integrity	(284,500)	(325,000)	(331,500)	(338,100)	(344,800)	(351,700)
OPS-006 Facilities	882421 - Facility Operations	(8,000)	-	-	-	-	-
OPS-006 Shared Facilities Shared Costs	882421 - Facility Operations	1,500,000	2,300,000	2,346,000	2,392,900	2,440,800	2,489,600
OPS-008 Systems Control Center: Detroit Only Pump Stations/CSO	882301 - Systems Operations Control	(552,600)	(429,200)	(437,800)	(446,600)	(455,500)	(464,600)
	882431 - Field Service Operations	(16,400)	(16,700)	(17,000)	(17,300)	(17,600)	(17,900)
	892222 - Wastewater Process Control	(69,700)	(60,400)	(61,600)	(62,800)	(64,100)	(65,400)
	892270 - Combined Sewer Overflow	(18,600)	(19,000)	(19,400)	(19,800)	(20,200)	(20,600)
	892279 - Belle Isle Combined Sewer Overflow	(62,700)	(74,900)	(76,400)	(77,900)	(83,800)	(105,600)
	892342 - Belle Isle Pumping Station	(80,000)	(55,300)	(56,400)	(57,500)	(58,700)	(59,900)
	892343 - Blue Hill Pumping Station	(80,000)	(74,000)	(75,500)	(77,000)	(78,500)	(80,100)
	892347 - Fischer Pumping Station	(40,000)	(12,000)	(12,200)	(12,400)	(12,600)	(12,900)
	892352 - Woodmere Pumping Station	(80,000)	(36,000)	(36,700)	(37,400)	(38,100)	(38,900)
<b>Grand Total</b>		<b>\$ (3,417,300)</b>	<b>\$ 187,800</b>	<b>\$ 2,625,100</b>	<b>\$ 2,677,700</b>	<b>\$ 2,408,800</b>	<b>\$ 2,436,600</b>

The Great Lakes Water Authority assures effective operational flexibility, while controlling spending and optimizing the cost of capital. This is accomplished by utilizing four categories in GLWA’s Capital Financial Plan for funding both “Capital Outlay” and the “Capital Improvement Plan” (CIP) which are listed below.

Category	Capital Outlay Over \$5,000 (O&M - Not Capitalized)	Capital Outlay Over \$5,000 (Specific I&E - Capitalized)	Capital Improvement Plan (Strategic I &E)	Capital Improvement Plan (Bonds)
<b>Funding Source</b>	Operations & Maintenance	Improvement & Extension Fund	Improvement & Extension Fund	Construction Bond Fund
<b>Fund Number</b>	5910 - Water 5960 - Sewer	5506 - Water 5404 - Sewer	5506 - Water 5404 - Sewer	5519 - Water 5421 - Sewer
<b>Account Number</b>	901060	901100	See CA&FR Team	See CA&FR Team
<b>Rationale</b>	Controllable asset, tagged and tracked for internal control purposes. Shorter lived assets such as computer software and hardware.	Items that cause variability in the annual financial plan that do not meet the criteria for CIP	Lower the cost of capital by funding the CIP with Revenue Financed Capital versus bond financing	Constructed Assets
<b>Frequency</b>	Recurring in nature	Unique, nonrecurring purchases, and/or large dollar assets on a replacement program	Project specific	Project Specific
<b>Life</b>	Greater than One Year	Greater than One Year	Greater than 20 Years	Greater than 20 Years
<b>Examples</b>	IT Equipment & Software that does not meet the Capitalization Policy threshold	Vehicles, large equipment, pumps, motors, and security equipment	Infrastructure, plant, and facility upgrade, rehabilitation, and/or replacement	Infrastructure, plant, and facility upgrade, rehabilitation, and/or replacement
<b>Justification</b>	Internal review panel, prioritization	Internal review panel. prioritization, replacement validation with asset records and other current market information	Business Case Evaluation; Internal Review Panel; Member Outreach; GLWA Board Committee	Business Case Evaluation; Internal Review Panel; Member Outreach; GLWA Board Committee

Items identified as “capital outlay” are assets that are purchased and are both above the dollar threshold for capitalizing on the financial statements (i.e. over \$5,000) and are an asset that should be tagged and tracked for internal control purposes. In both instances, the assets have an estimated useful life of more than one year.

Capital outlay includes vehicles, shop, lab, plant and field equipment, office furniture and equipment, as well as software and hardware. Generally capital outlay items have a life of less than 20 years. Capital Outlay items are not included in the “Capital Improvement Program” (CIP). The CIP focuses on longer lived constructed assets with a useful life greater than 20 years.

Many of the tables in this section present an entity-wide view of GLWA’s capital outlay. This is because some capital outlay is subject to cost sharing between the water and sewer systems. Examples of this include fleet, centralized services and facilities, and information technology.

Since assets are replaced on a periodic basis, annual expenditures may not be consistent. In addition, some capital outlay projects span several years and five-year planning documents. Examples of these projects include the following.

- ❖ The replacement of the security perimeter fencing and electronic components around all GLWA facilities. This project is scheduled to run from FY 2018 through FY 2022 replacing approximately 20% of these assets each year at an average annual projected cost of \$1.4 million.
- ❖ Instrumentation & control hardware and software for the wastewater system. This project is forecast for FY 2019 through FY 2022 at an average annual cost of \$4.0 million.
- ❖ GLWA enterprise wide software systems. The forecast replacement of these systems is scheduled from FY 2019 through FY 2022 at an average annual cost of \$3.1 million.
- ❖ Facility renovations such as the data center move. This project is expected to run from FY 2020 through FY 2022 at an average annual cost of \$1.0 million.

### Funding Sources

The Capital Outlay expenditures are proposed to be \$35.1 million for FY 2020, and \$33.6 million for FY 2021. As shown in Table 1, Capital Outlay is funded by two primary sources: Operations & Maintenance (O&M) and Improvement & Extension (I&E) funds.

**Operations & Maintenance:** Capital outlay items funded by the O&M Fund are paid for with current year revenues. The nature of these items is recurring so the impact on charges from year-to-year is not significant.

**Improvement & Extension:** Capital outlay items funded by the I&E Fund are paid for with revenue financed capital carried over from prior years. The nature of these items is not necessarily recurring each year. They are instead replaced on a longer-term cycle or are unique to a three to five-year planning horizon.

Table 1A – *Capital Outlay Biennial Budget Request by Funding Source*

Funding Source	FY 2018 Amended Budget	FY 2018 Activity thru 06.30.2018	FY 2019 Amended Budget	FY 2019 Activity thru 10.31.2018	FY 2020 Department Requested	FY 2021 Department Requested
Operations & Maintenance	8,960,100	2,223,500	5,941,800	1,925,800	4,890,600	4,470,200
Improvement & Extension	24,475,400	5,009,300	28,090,500	2,552,000	30,247,400	29,110,900
<b>Grand Total</b>	<b>\$ 33,435,500</b>	<b>\$ 7,232,800</b>	<b>\$ 34,032,300</b>	<b>\$ 4,477,800</b>	<b>\$ 35,138,000</b>	<b>\$ 33,581,100</b>

Table 1B – *Capital Outlay by Funding Source*

Funding Source	FY 2019 Amended Budget	FY 2020 Department Requested	FY 2021 Department Requested	FY 2022 Department Requested	FY 2023 Department Requested	FY 2024 Department Requested
Operations & Maintenance	5,941,800	4,890,500	4,470,200	4,952,300	4,424,500	4,921,500
Improvement & Extension	28,090,500	30,247,500	29,110,900	32,915,200	13,273,000	15,680,300
<b>Grand Total</b>	<b>\$ 34,032,300</b>	<b>\$ 35,138,000</b>	<b>\$ 33,581,100</b>	<b>\$ 37,867,500</b>	<b>\$ 17,697,500</b>	<b>\$ 20,601,800</b>

Table 2 - *Total Capital Outlay by Asset Type (funded by both I&E and O&M)*

Asset Type	FY 2019 Amended Budget	2020 Department Requested	FY 2021 Department Requested	FY 2022 Department Requested	FY 2023 Department Requested	FY 2024 Department Requested
<b>Operations &amp; Maintenance</b>	<b>\$ 5,941,845</b>	<b>\$ 4,890,580</b>	<b>\$ 4,470,229</b>	<b>\$ 4,952,345</b>	<b>\$ 4,424,500</b>	<b>\$ 4,921,500</b>
Information Technology	5,445,345	4,890,580	4,470,229	4,952,345	4,424,500	4,921,500
Machinery & Equipment	496,500	-	-	-	-	-
<b>Improvement &amp; Extension</b>	<b>\$ 28,090,486</b>	<b>\$ 30,247,405</b>	<b>\$ 29,110,870</b>	<b>\$ 32,915,202</b>	<b>\$ 13,272,959</b>	<b>\$ 15,680,331</b>
Buildings & Structures	1,007,500	1,007,500	1,007,500	1,007,500	1,007,500	1,007,500
Information Technology	7,330,500	6,100,571	6,616,793	6,473,121	1,541,800	469,144
Leasehold Improvements	600,000	910,000	450,000	950,000	450,000	250,000
Machinery & Equipment	11,080,538	16,188,288	15,460,760	19,276,436	8,453,860	12,883,044
Multiple Asset Types	1,300,000	2,000,000	2,000,000	2,000,000	-	-
Safety & Security	3,816,340	2,358,976	2,187,524	1,700,524	-	-
Site Improvements	200,000	50,000	50,000	50,000	50,000	50,000
Vehicles	2,755,608	1,632,070	1,338,293	1,457,621	1,769,799	1,020,643
<b>Grand Total</b>	<b>\$ 34,032,331</b>	<b>\$ 35,137,985</b>	<b>\$ 33,581,099</b>	<b>\$ 37,867,547</b>	<b>\$ 17,697,459</b>	<b>\$ 20,601,831</b>

Table 3 - Total Capital Outlay by Team (funded by both I&E and O&M)

Team	FY 2019 Amended Budget	FY 2020 Department Requested	FY 2021 Department Requested	FY 2022 Department Requested	FY 2023 Department Requested	FY 2024 Department Requested
881101 - Public Affairs	\$ 15,000	\$ 37,500	\$ 2,500	\$ 9,000	\$ 5,000	\$ 11,000
881201 - Security and Integrity	3,706,340	1,173,179	1,093,762	850,262	-	-
881202 - HazMat		6,309	-	-	-	-
882111 - Water Engineering	228,500	5,500	11,500	5,500	5,500	5,500
882121 - Water Quality	29,000	7,000	32,000	30,000	79,000	22,000
882131 - Water Works Park	504,544	340,388	66,136	78,136	473,800	554,000
882141 - Springwells Water Plant	742,000	735,000	679,000	632,000	351,000	901,000
882151 - Northeast Water Plant	1,103,000	925,000	335,000	320,000	320,000	465,000
882161 - Southwest Water Plant	631,500	238,000	95,000	45,000	45,000	484,000
882171 - Lake Huron Water Plant	458,000	144,000	13,000	13,000	13,000	397,000
882301 - Systems Operations Control	2,715,000	1,375,000	1,475,000	1,375,000	1,475,000	1,375,000
882411 - Field Engineering	40,000					
882421 - Facility Operations	402,500	62,500	62,500	62,500	62,500	62,500
882422 - Fleet Operations	2,093,608	990,070	1,506,293	942,621	1,550,299	388,643
882501 - Energy, Research & Innovation	300,000					
883321 - Info Technology Service Delivery	1,271,350	370,108	371,173	372,245	263,000	263,000
883331 - Info Technology Infrastructure	5,177,211	4,741,832	4,313,754	4,788,075	3,362,500	3,859,000
883341 - Info Technology Enterprise Applications	610,040	666,140	672,302	678,525	685,000	685,000
883351 - Info Technology Business Applications	5,326,744	2,800,000	2,800,000	2,800,000	50,000	50,000
883361 - Info Technology Security & Risk	310,000	62,500	63,000	63,500	64,000	64,500
883401 - Enterprise Risk Management and Safety	100,000	-	-	-	-	-
884124 - Logistics & Materials	1,600,000					
886101 - Systems Planning	276,500	168,000				
886201 - Asset Mangement	108,000	55,000		14,000		
886401 - Systems Analytics	195,504	55,300	113,574	96,000	80,470	119,744
886601 - Capital Improvement Planning		57,500				13,000
891101 - Public Affairs		37,500	2,500	9,000	5,000	11,000
891201 - Security and Integrity	-	1,173,179	1,093,762	850,262	-	-
891202 - HazMat	-	6,309				
892201 - Wastewater Director	492,500	1,092,500	382,500	307,500	307,500	517,500
892211 - Wastewater Engineering	81,000	258,000				
892221 - Wastewater Operations	1,464,000	1,200,000	1,095,000	1,605,000	1,051,500	1,008,000
892222 - Wastewater Process Control		2,605,000	4,850,000	5,010,200		
892223 - Wastewater Primary Process	1,670,000	2,605,000	1,877,000	355,000	291,000	379,800
892224 - Wastewater Secondary Process	38,000	320,000	120,000	120,000	149,500	120,000
892225 - Wastewater Dewatering Process	332,000	350,000	348,000	218,000	238,000	190,500
892226 - Wastewater Incineration Process	153,000	248,000	123,000	213,000	123,000	83,000
892231 - Industrial Waste Control	216,000	150,000	25,000	178,000	26,000	26,000
892235 - Wastewater Laboratories	348,000	135,000		34,100	141,700	8,000
892271 - Puritan-Fenkell Combined Sewer Overflow	152,500	374,300	390,800	605,000	878,500	460,000
892272 - 7 Mile Combined Sewer Overflow	75,000	451,800	5,250		95,000	1,550,000
892273 - Hubbell-Southfield Combined Sewer Overflow	16,800	180,000	400,000	200,000		2,690,000
892274 - Leib Combined Sewer Overflow	168,952	220,000	142,000	62,000	124,180	42,000
892275 - St. Aubin Combined Sewer Overflow	217,238	33,000	100,000	823,000	92,400	18,000
892276 - Conner Creek Combined Sewer Overflow	268,000	140,000	320,000	6,120,000	568,040	280,000
892277 - Baby Creek Combined Sewer Overflow	340,000	424,200	257,000	222,000	264,800	229,000
892278 - Oakwood Combined Sewer Overflow		385,000	280,000	385,000	412,000	385,000
892279 - Belle Isle Combined Sewer Overflow	55,000					



Team	FY 2019 Amended Budget	FY 2020 Department Requested	FY 2021 Department Requested	FY 2022 Department Requested	FY 2023 Department Requested	FY 2024 Department Requested
892301 - Systems Operations Control		1,375,000	1,475,000	1,125,000	1,475,000	1,375,000
892421 - Facility Operations		62,500	62,500	62,500	62,500	62,500
892422 - Fleet Operations		520,071	1,036,293	1,362,621	1,461,300	388,644
893331- Info Technology Infrastructure		1,000,000	1,000,000	1,000,000		
893351- Info Technology Business Applications		2,750,000	2,750,000	2,750,000		
896101 - Systems Planning		168,000				
896201 - Asset Mangement		55,000		14,000		
896401 - Systems Analytics		1,745,300	1,740,000	1,061,000	1,045,470	1,045,000
896601 - Capital Improvement Planning		57,500				13,000
<b>Grand Total</b>	<b>\$ 34,032,331</b>	<b>\$ 35,137,985</b>	<b>\$ 33,581,099</b>	<b>\$ 37,867,547</b>	<b>\$ 17,697,459</b>	<b>\$ 20,601,831</b>

**..TITLE**

**PUBLIC HEARINGS ON PROPOSED FY 2020 SCHEDULE OF REVENUES AND CHARGES AND FY 2020 AND FY 2021 BIENNIAL BUDGET REQUEST**

**..BODY**

Agenda of: January 9, 2019  
Item No.: **2019-\_\_\_**  
Amount: N/A

**TO:** The Honorable  
Board of Directors  
Great Lakes Water Authority

**FROM:** Sue F. McCormick  
Chief Executive Officer  
Great Lakes Water Authority

**DATE:** January 9, 2019

**RE: Public Hearings on Proposed FY 2020 Schedule of Revenues and Charges and FY 2020 & FY 2021 Biennial Budget Request**

**MOTION**

Upon recommendation of Nicolette N. Bateson, Chief Financial Officer/Treasurer, the Board of Directors (Board) of the Great Lakes Water Authority (GLWA), **schedules a Public Hearing on Proposed FY 2020 Schedule of Revenues and Charges and a Public Hearing on the FY 2020 & FY 2021 Biennial Budget Request to be held at a Meeting of the Great Lakes Water Authority Board on February 27, 2019, at 2 pm, in the Board Room, 735 Randolph, 5<sup>th</sup> Floor, Detroit, Michigan 48226, directs that notice of these Public Hearings be published in a daily newspaper of general circulation, and directs that notice of these Public Hearings be mailed to GLWA customer communities on or before January 29, 2019;** authorizes the Chief Executive Officer to take such other action as may be necessary to accomplish the intent of this vote.

**BACKGROUND**

Both Michigan Law, MCL 141.434 and Section 7.02 of the GLWA Model Water Contract require a Public Hearing prior to adoption of the FY 2020 & FY 2021 Biennial Budget. Section 7.02 provides:

“Notification of Rates. As soon as possible in the ratemaking process, the Board shall provide information on proposed rates and the draft data and information used in the calculation of proposed rates in a format that will enable Customer to assist in the ratemaking process. Not less than thirty calendar days prior to the hearing required by Act 279, the Board shall provide Customer with written notice of a proposed rate and the underlying data used to calculate the rate. The Board shall meet with Customer to review the rate and the data.”

### **JUSTIFICATION**

Act 279 provides that a water or sewerage system which serves more than 40% of the population must hold at least one public hearing at least 120 days before a proposed rate increase is scheduled to take effect. The hearing(s) must be conducted in compliance with the Open Meetings Act (OMA). Notice of the time, date and place of each hearing must be in compliance with the OMA and must be mailed to each city, village or township served by the system not less than 30 days before each hearing.

Although Act 279 does not currently apply to GLWA operations, counsel has advised that GLWA should continue to abide by the notice requirements of Act 279 as the most faithful interpretation of the contract requirements.

### **BUDGET IMPACT**

A Public Hearings on a Proposed FY 2020 Schedule of Charges and FY 2020 & FY 2021 Biennial Budget Request are necessary for the establishment of a current budget and schedule of charges effective July 1, 2019.

### **COMMITTEE REVIEW**

A discussion draft budget was presented to the Audit Committee on December 21, 2018, with discussions to be held at subsequent Audit Committee meetings. In addition, the draft budget will be presented to the entire GLWA Board on January 9, 2019. No action has been sought by either the Audit Committee or GLWA Board at this time.



**GREAT LAKES WATER AUTHORITY  
NOTICE OF PUBLIC HEARING  
PROPOSED BIENNIAL BUDGET  
For the Two-Year Period ended June 30, 2021  
(FY 2020 and FY 2021)**

Notice is hereby given that the Great Lakes Water Authority Board of Directors will hold a Public Hearing on the FY 2020 and FY 2021 Biennial budget.

**DATE: Wednesday, February 27, 2019**

**TIME: 2:00 p.m.**

**PLACE: 5th Floor Board Room  
735 Randolph  
Detroit, Michigan 48226**

The proposed budget is scheduled to take effect on July 1, 2019. The budget is available for public inspection at the office of the Authority, Water Board Building, 735 Randolph, Detroit, Michigan 48226. A copy of the budget may also be found online at <https://www.glwater.org/financials/>.

Individuals or groups wishing to make oral presentations or submit prepared statements pertaining to the proposed budget may do so at the Public Hearing. Individuals or groups giving oral presentations are encouraged to have their presentations in writing, with a copy to be submitted for the record to the Great Lakes Water Authority Board of Directors. Oral presentations should be brief to allow all parties the opportunity to participate. A time limit may be imposed based upon registration at the hearing.

Interested parties who are unable to attend the Public Hearing may submit their comments in writing to:

Sue F. McCormick, Chief Executive Officer  
Great Lakes Water Authority  
735 Randolph  
Detroit, Michigan, 48226



**GREAT LAKES WATER AUTHORITY  
NOTICE OF PUBLIC HEARING  
PROPOSED FY 2020 WATER AND SEWERAGE SERVICE CHARGES**

Notice is hereby given that the Great Lakes Water Authority Board of Directors will hold a Public Hearing on Water and Sewerage service charges proposed by the Great Lakes Water Authority for Fiscal Year 2020.

**DATE: Wednesday, February 27, 2019**

**TIME: 2:00 p.m.**

**PLACE: 5th Floor Board Room  
735 Randolph  
Detroit, Michigan 48226**

The proposed service charges are scheduled to take effect on July 1, 2019.

The proposed schedule of charges is available for public inspection at the office of the Authority, Water Board Building, 735 Randolph, Detroit, Michigan 48226. The proposed schedule of charges may also be found online at <https://www.glwater.org/financials/>.

Individuals or groups wishing to make oral presentations or submit prepared statements pertaining to the proposed service charges may do so at the Public Hearing. Individuals or groups giving oral presentations are encouraged to have their presentations in writing, with a copy to be submitted for the record to the Great Lakes Water Authority Board of Directors. Oral presentations should be brief to allow all parties the opportunity to participate. A time limit may be imposed based upon registration at the hearing.

Interested parties who are unable to attend the Public Hearing may submit their comments in writing to:

Sue F. McCormick, Chief Executive Officer  
Great Lakes Water Authority  
735 Randolph  
Detroit, Michigan, 48226