



Board of Directors Briefing Proposed FY 2025 & FY 2026 Biennial Budget & Proposed FY 2025 Charges

January 22, 2024



Charges Rollout Season

Overall Budget & Charges Timing – To Date

- Friday, September 8, 2023 – Internal Deadline for Cost Center Budget Request
- Tuesday, September 12, 2023 – Capital Planning Committee – Preliminary CIP Spend Update and Presentation – Actual, Forecasted, and Proposed
- Wednesday, September 13, 2023 – Board of Directors Meeting
 - Economic Outlook Task Force Report – Quarterly Update
 - Budget and Charges Briefing
- Thursday, October 19, 2023 - Charges Rollout #1 – CIP Version 1.0
- Tuesday, November 14, 2023 - Charges Rollout #2 - Units of Service
- Thursday, November 30, 2023 – Pencils Down to Compile Proposed Materials
- Friday, December 15, 2023 – Audit Committee - Proposed Budget and Related Charges Strategy ([12.15.2023 Draft 1](#) available online)

Overall Budget & Charges Timing - January

- Thursday, January 11, 2024 – Charges Rollout #3 – Proposed Charges and Introduction of Proposed Budget
 - Note: Cost of Service Study dated December 29, 2023 posted [online](#) on January 9, 2024
- GLWA “Office Hours” to review Charge related material with individual Member Partner representatives
 - 1/16/2024 (all day)
 - 1/17/2024 (morning only)
 - 1/22/2024 (all day)
- Thursday, January 18, 2024 – Charges Rollout #4 – Feedback on Charges, Office Hours Q&A, and Further Review of Proposed Budget
- ➔ • Wednesday, January 24, 2024 - GLWA Board Briefing – Budget & Charges

Overall Budget & Charges Timing – February+

- ★ Wednesday, February 28, 2024 (Tentative) – Board Meeting
 - Public Hearing FY 2025 & FY 2026 Biennial Budget
 - Public Hearing FY 2025 Schedule of Revenues and Charges
 - Proposed Adoption of FY 2025 & FY 2026 Biennial Budget (subject to public comment)
 - Proposed Approval of the FY 2025 & FY 2026 Biennial Budget (subject to public comment)
 - Proposed Approval of FY 2025–2029 Capital Improvement Plan
- Tentative weekly Board meeting dates if budget and charges not approved in February 2024
 - Thursday, March 7, 2024
 - Wednesday, March 13, 2024
 - Thursday, March 21, 2024
 - Wednesday, March 27, 2024
- Monday, July 1, 2024 – Effective date of budget, charges, and capital plan

Executive Summary - Charges Rollout #3

Three Key Takeaways

- 1. Charges:** The System-Wide Charges Revenue Increase is 3.25 Percent for Water and 3.0 Percent for Sewer – Well Below the Rate of Inflation.
- 2. Sewer SHARES:** The FY 2025 Sewer Charges are being updated for the first time in 3 years and the resulting changes in individual Member Partner Charge adjustments (generally) reflect moderate variances from the System-Wide adjustment of 3.0%.
- 3. Simplified Water Charge Methodology:** The FY 2025 Water Charges embrace the recently endorsed “10/50/40 with Delivery Factor” methodology. Charge adjustments for all but 3 Member Partners are uniform and approximate the System-Wide increase of 3.25%.

Charge Adjustments Well Below Inflation

- Since FY 2018, GLWA's average combined Water and Sewer Charge adjustments have been less than $\frac{1}{2}$ of inflationary increases, as measured by the CPI-U
 - *1.7% Average Charge increase vs 3.5% inflation*
- Future Charge Adjustments are *forecasted* to increase to “correct the over-delivery of the 4% Promise” to achieve improved sustainability for GLWA's Water and Sewer Systems
 - *These projected increases are forecasts – and not part of any formal charge proposals for FY 2025*

Proposed System Charge Adjustments

- Proposed increase on overall Budgeted Revenue Requirements is 4.0% for both the Water and Sewer Systems
 - Last year of the “4% Promise”*
- Increased budgeted investment earnings help offset a portion of the Budget Increase
- Lower forecasted Water Sales require ~ .8% increase in Water Charges
- Proposed System Charge Adjustments:
 - 3.25%** for Water
 - 3.0%** for Sewer

	Water System		Sewer System	
	<u>Adjustment</u>	<u>Charge Impact</u>	<u>Adjustment</u>	<u>Charge Impact</u>
Revenue Requirement Increase	\$14.81	4.1%	\$20.03	4.1%
Increased Investment Earnings	(6.0)	-1.7%	(5.6)	-1.1%
Decreased Sales Revenue	<u>3.0</u>	<u>0.8%</u>	<u>0.4</u>	<u>0.1%</u>
Wholesale Charge Adjustment	\$11.80	3.25%	\$14.79	3.00%

Sewer SHARES Updated for the First Time Since FY 2022

- Sewer SHARES are being updated for the FY 2025 Sewer Charges
 - *First update since FY 2022*
- SHARE update reflects two separate analysis:
 - *Updated Units of Service from Flow Balance – new 10-year data period from FY 2014 through FY 2023 (Drop off FY 2013)*
 - *FY 2025 Cost of Service Study*
- The Sewer Charge impact for most Member Partners varies from a decrease of less than 1% to an increase of less than 5%
 - *There are some unique exceptions*

Water Charge Methodology has been Simplified – Generally Stable Charge Adjustments

- 3 Member Partners have modified Contract Demands since original Units of Service were presented in November
 - *These “MOD” Customers will receive charge reductions that total ~ 11% as a class*
- All other “No MOD” Member Partners will receive a uniform wholesale charge increase of 3.33%
 - *Total effective charge increase is 3.06% after recognition of fixed contractual adjustments*
- Water Charge Calculations embrace the new simplified methodology
 - *10/50/40 Commodity/Max Day/Peak Hour Cost Pools*
 - *Water Delivery Factor replaces Distance and Elevation*

Proposed FY 2025 and FY 2026 Budget & Five-Year Financial Plan Update

What is GLWA's "Financial Plan"?

What is GLWA's financial plan?

The financial plan is a set of documents that transparently charts the financial course on a path of long-term sustainability.

Why focus on a long-term plan?

Decisions made decades ago impact today; decisions we make today impact future generations. This is the basis for achieving affordability.

What goes into a financial plan?

Extensive input, analysis, and collaboration by subject matter experts that span finance, engineering, legal, and operations, both internal and external to GLWA.

What are the Financial Plan Documents?

- ✓ FY 2025 & FY 2026 Biennial Budget and Five-Year Plan (FY 2025 – FY 2029)
- ✓ Ten Year Financial Plan through FY 2034
- ✓ FY 2025 – FY 2029 Five Year Capital Improvement Plan
- ✓ FY 2025 Water & Sewer Cost of Service Study and Charges Report from The Foster Group
- ✓ Fall 2023 bond official statements
- ✓ FY 2023 Audited & Internal Financial Reports
- ✓ *Related support documents submitted to the Board and the Monthly Audit Committee*

Foundation of Sound Data

- ✓ **Internal:** Matured organization with strong working relationship between Financial Planning & Analysis with cross-functional operations, engineering and administrative disciplines
- ✓ **External:** Ongoing economic scan of the environment in which we operate - Economic Outlook Task Force initially presented to Board in November 2022 with ongoing quarterly updates
- ✓ **The Facts:** Recently completed “clean” audit report issued
 - ✓ *Preliminary FY 2023 year-end report in September aligned with final audit report*
 - ✓ *Operations & Maintenance actual overall within 0.22% of budget*

FY 2025 Budget & Charges Goals Overall

- ✓ **The Promise:** Able to deliver an overall financial plan for FY 2025 and FY 2025 that holds revenue requirement increases below the 4% Promise
- ✓ **Charges:** Resulting FY 2025 proposed charge adjustments reflect constraints within the goal to maintain stability for Member Partners
- ✓ **Sustainability & Affordability:** Facilitates progress towards long-term sustainability and affordability objectives
- ✓ **Quality:** Provides for progress on key initiatives that ensures the quality and reliability of our services and the impact on the environment

Operation & Maintenance Budget: Navigating Dynamic Increases & Decreases

- ✓ Recently completed FY 2024 Budget Amendments
 - ✓ Based on events in FY 2024 First Quarter through September 2023
 - ✓ Presented to Audit Committee and Board of Directors in December 2023
- ✓ Water System Revenues - *\$4.0 Million Decrease*
 - ✓ Reduced water sales in the cool, wet first quarter of FY 2024
- ✓ Water System O&M Expenses - *\$10.2 Million Increase*
 - ✓ Examples: Utilities \$3.7M for electric (kWh charge increase), Chemicals \$1.0M
- ✓ Sewer System O&M Expenses - *\$14.5 million Increase*
 - ✓ Examples: Utilities \$4.5M (water meters repaired/replaced at the WRRF and related rate increase), Chemicals \$1.6M, Repairs \$1.5M

Ten Year Plan: Continuing Capital and O&M Pressures

4% Promise on Annual Budget Increases “Sunsets” after FY 2025 – What’s next?

- ✓ Balancing foundational values, bondholder commitments, responsible system management, and affordability
- ✓ While the pace of recent cost increases may slow down, there is a new, significantly higher operating and capital expense category baseline. This may necessitate revenue requirement (budget) increases of:
 - ✓ 7.5% from FY 2026 thru 2029 and 6.0% thereafter thru FY 2034 for Water
 - ✓ 5.5% from FY 2026 thru 2029 and 4.0% thereafter thru FY 2034 for Sewer
- ✓ Translating those budget realities to charge increases relies on other sources of revenue / expense reduction / cost avoidance strategies
- ✓ Long-term Plan Risks to Watch: Capital program priority shifts, increased regulatory demands

Ten-Year Forecast Executive Summary

Scenarios	Water	Sewer
2015 Lease Feasibility Forecast – Assumes Maintenance of Projected DSC ratios of >1.70	Assumed achievement of 1.72 by FY 2020, inherently establishes minimum future expectation	Assumed achievement of 1.77 by FY 2020, inherently establishes minimum future expectation
February 2023 Forecast – Desired minimum DSC of 1.5 by FY 2028; 1.8 by FY 2033	Requires <u>6%</u> Budget increase in FY 2026 thru FY 2033;	Requires <u>5.0%</u> Budget increase in FY 2026 thru FY 2028; <u>3.0%</u> thereafter
October 2023 Forecast Update – Desired minimum DSC of 1.5 by FY 2028; 1.8 by FY 2033	Requires <u>7.5%</u> Budget increase in FY 2026 thru FY 2029; <u>6.0%</u> thereafter	Requires <u>5.5%</u> Budget increase in FY 2026 thru FY 2029; <u>4.0%</u> thereafter

Debt Service Coverage (DSC) is an overall measure of financial health that captures annual performance and funding reserves for financial resiliency. It is a key metric for bondholders and rating agencies with stated minimum levels in the Master Bond Ordinance.

Note: The annual % Budget increases indicated above refer to changes in annual budgeted revenue requirements, which is the index for which the 4% Promise applies. Actual changes in average charges will vary depending on changes in sales volumes and investment income.

GLWA Average System Charge Adjustments

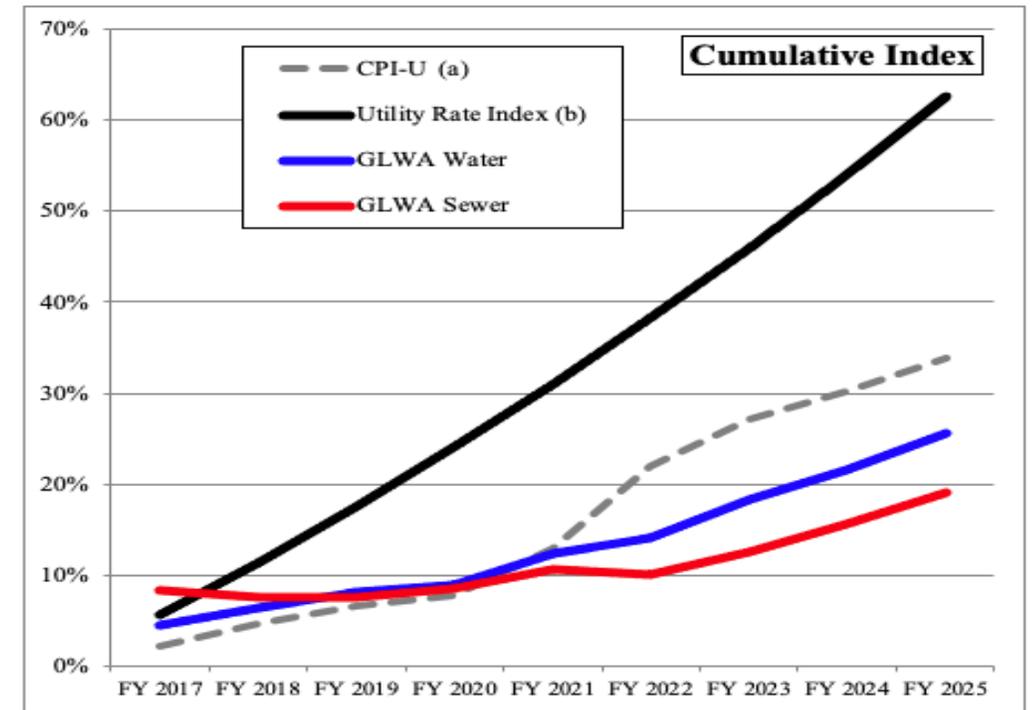
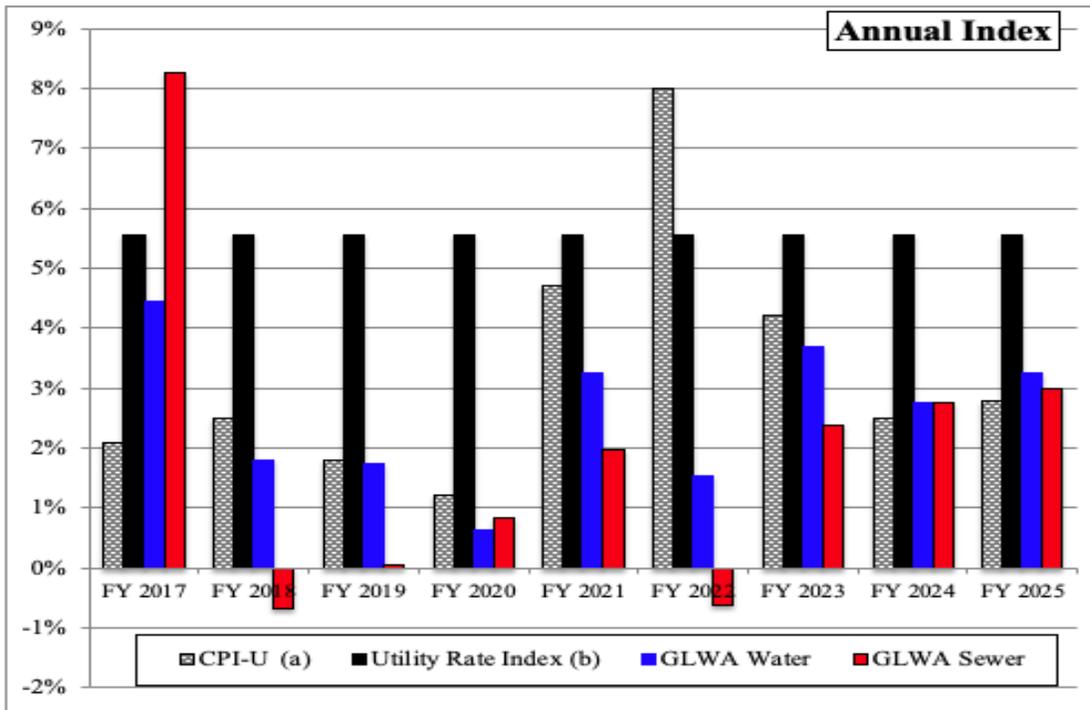
Average System Charge Adjustments

Year	Water	Sewer
2018	1.8%	-0.7%
2019	1.8%	0.1%
2020	0.6%	0.8%
2021	3.2%	2.0%
2022	1.5%	-0.6%
2023	3.7%	2.4%
2024	2.75%	2.75%
2025	3.25%	3.0%
8-Year Average	2.3%	1.2%

GLWA CHARGE Adjustments Compared to Utility Indices

Annual	Annual Index									Average Annual
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	
CPI-U (a)	2.1%	2.5%	1.8%	1.2%	4.7%	8.0%	4.2%	2.5%	2.8%	3.3%
Utility Rate Index (b)	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%
GLWA Water	4.5%	1.8%	1.8%	0.6%	3.2%	1.5%	3.7%	2.75%	3.25%	2.6%
GLWA Sewer	8.3%	-0.7%	0.1%	0.8%	2.0%	-0.6%	2.4%	2.75%	3.00%	2.0%
GLWA Overall	6.7%	0.3%	0.7%	0.7%	2.5%	0.3%	2.9%	2.8%	3.1%	2.2%

Cumulative Index	Cumulative Index								
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
CPI-U (a)	2.1%	4.7%	6.5%	7.8%	12.9%	21.9%	27.0%	30.2%	33.9%
Utility Rate Index (b)	5.6%	11.4%	17.6%	24.1%	31.0%	38.3%	46.0%	54.1%	62.6%
GLWA Water	4.5%	6.3%	8.2%	8.9%	12.4%	14.1%	18.3%	21.6%	25.5%
GLWA Sewer	8.3%	7.5%	7.6%	8.5%	10.6%	9.9%	12.6%	15.6%	19.1%
GLWA Overall	6.7%	7.0%	7.8%	8.6%	11.3%	11.6%	14.9%	18.0%	21.7%



(a) Source: Bureau of Labor Statistics, CPI-U, All items in U.S. city average, all urban consumers, not seasonally adjusted (calendar year), FY 2024 and FY 2025 estimated by Economic Outlook Task Force

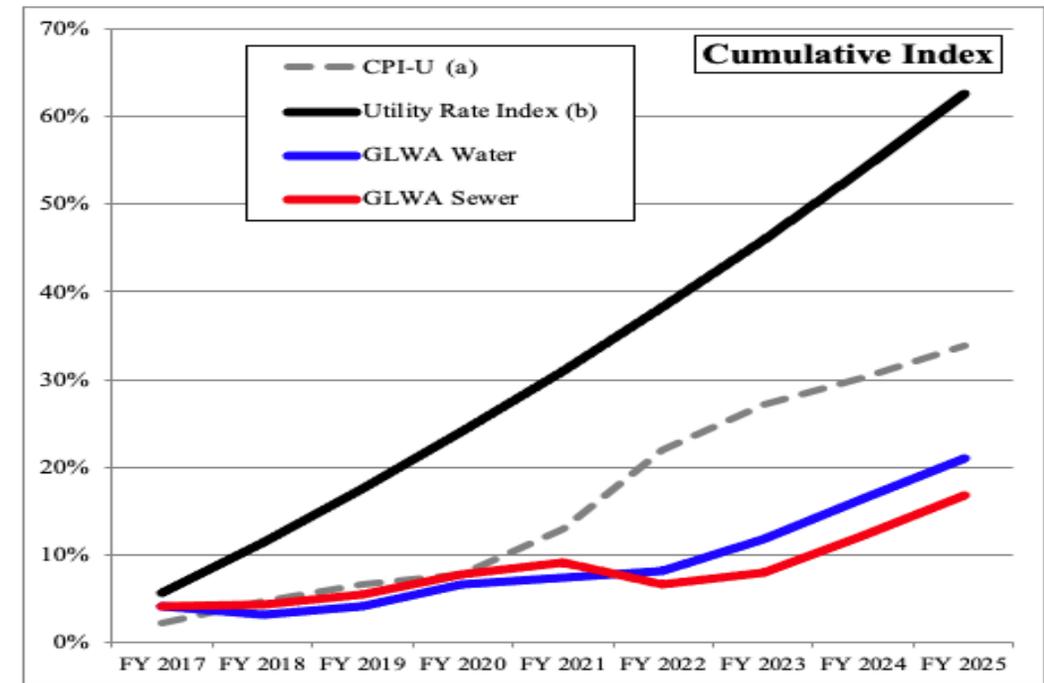
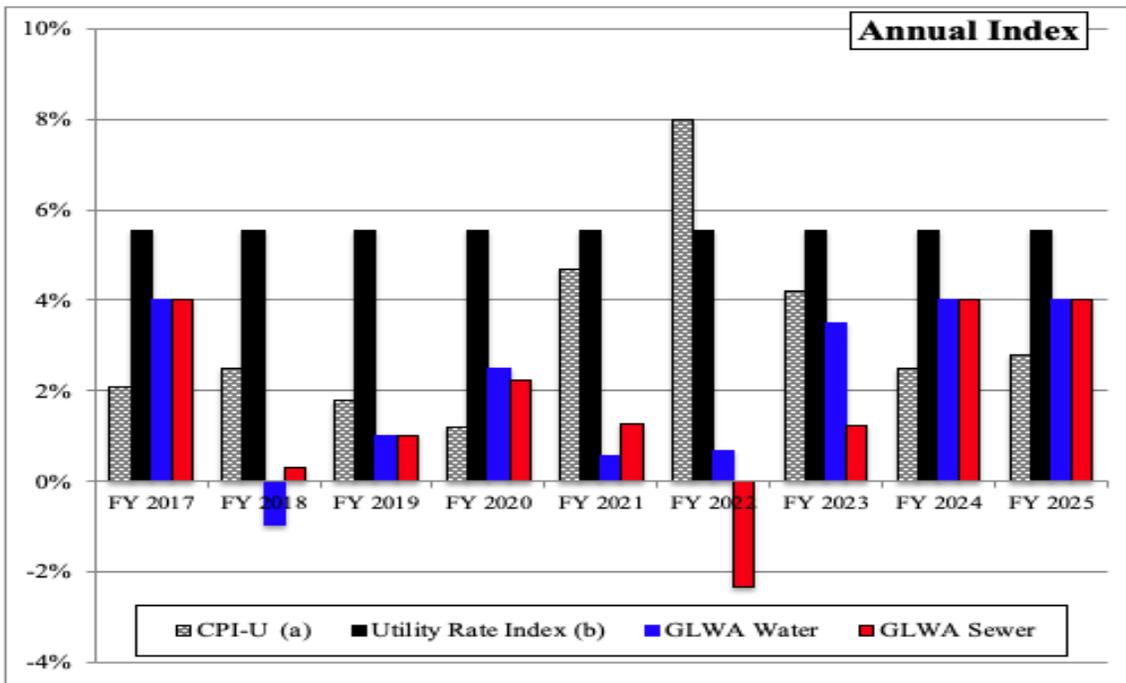
(b) Source: Black & Veatch 50 Largest Cities Rate Survey - 2021 - average 2001-2020



GLWA BUDGET Adjustments Compared to Utility Indices

Annual	Annual Index									Average Annual
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	
CPI-U (a)	2.1%	2.5%	1.8%	1.2%	4.7%	8.0%	4.2%	2.5%	2.8%	3.3%
Utility Rate Index (b)	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%
GLWA Water	4.0%	-0.9%	1.0%	2.5%	0.6%	0.7%	3.5%	4.0%	4.0%	2.1%
GLWA Sewer	4.0%	0.3%	1.0%	2.2%	1.3%	-2.3%	1.3%	4.0%	4.0%	1.7%
GLWA Overall	4.0%	-0.2%	1.0%	2.3%	1.0%	-1.1%	2.2%	4.0%	4.0%	1.9%

Annual	Cumulative Index								
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
CPI-U (a)	2.1%	4.7%	6.5%	7.8%	12.9%	21.9%	27.0%	30.2%	33.9%
Utility Rate Index (b)	5.6%	11.4%	17.6%	24.1%	31.0%	38.3%	46.0%	54.1%	62.6%
GLWA Water	4.0%	3.0%	4.1%	6.7%	7.3%	8.0%	11.8%	16.3%	20.9%
GLWA Sewer	4.0%	4.3%	5.4%	7.7%	9.1%	6.5%	7.9%	12.2%	16.7%
GLWA Overall	4.0%	3.8%	4.8%	7.3%	8.3%	7.2%	9.5%	13.9%	18.4%



(a) Source: Bureau of Labor Statistics, CPI-U, All items in U.S. city average, all urban consumers, not seasonally adjusted (calendar year), FY 2024 and FY 2025 estimated by Economic Outlook Task Force

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

Transparency in the Budgeting Process

- ✓ Proposed Budget and Charges Analysis presented to Audit Committee on December 15, 2023 posted on GLWA website
- ✓ One Pager Series
- ✓ Cost of Service Study posted on GLWA website
- ✓ Always seeking feedback on what communication materials are helpful

GLWA
Great Lakes Water Authority

One Pager Series
FY 2025 Operations & Maintenance Budget Analysis
As Proposed December 15, 2023

Wastewater Operations - increase of \$14.1 million Driven by contractual operating services (\$3.3 million) for a facility maintenance contract and for residual disposal; chemicals (\$3.1 million base price adjustments for chlorine products); utility costs (\$2.4 million); & other (\$2.0 million) for maintenance activities. An increase in personnel costs (\$2.5 million) for positions to insource capital engineering services (six positions) inclusion sewage conveyance pumping stations (five positions) reserve increased (\$1.2 million) decrease in other items (\$0.2 million).

Centralized Services - increase of \$1.9 million This is mainly driven by the cost for new cloud-based Planning (ERP) and Management (EAM) systems (\$7.0 million). Other costs include the Emerson contract (\$2.3 million), the Group Budget Information Portal and to increase currently performing (0.2 million). Net of other items of (\$0.2 million).

Administrative - increase of \$1.9 million Includes five additional Development on-board increase CFO salary category. Quarterly Performance

The remaining 56% of the FY 2025 budget of \$906 million represents financing and legal commitments: debt payments (44%), lease payments (5%), Water Residential Assistance Program (WRAP) (0.5%), legacy pension liabilities (1%) and capital program funding (5%).

For the proposed budget, Operations & Maintenance (O&M) expenses \$399 million of the total budget for FY 2025. Compared to FY 2024, this is an increase of 11.2%.

Staffing & Personnel The staffing plan is at 1,356 (increase of 38), with Full-time Equivalents (FTE) at 1,203 (increase of 50). The increase in FTEs beyond the number of new positions reflects budgeting at a fractional percentage when a position has not been filled.

Water Operations - increase of \$11.9 million Driven by personnel (\$2.4 million) due to the filling of key positions (Water Engineering Life Cycle Project Managers, Water Quality Investigators, and apprentices within several Water Treatment Plants), there is an increase of nine FTEs. Other increases include electrical costs for Treatment Plant and Pump Stations (\$4.9 million); Supplies & Other (\$0.8 million); Contractual Services due to Mobile Dredging activities (\$0.9 million); Chemicals (\$1.3 million); All other categories decreased (\$0.2 million). Unallocated reserves increased (\$1.8 million) to accommodate for inflationary factors.

GLWA
Great Lakes Water Authority

One Pager Series
FY 2025 Water & Sewer Service Charges
As Proposed December 15, 2023

Preliminary proposed Water and Service Charges for FY 2025 have been presented to the GLWA Audit Committee. This is the first step in a review process that will include a Public Hearing before the GLWA Board of Directors on February 28, 2024.

Charges are Based on Four Key Elements.

- 1) Budget:** The daily costs to provide service (such as the people, utilities, chemicals, contractors, and materials to operate plants and maintain the pipes), the lease payment for the regional system, Water Residential Assistance Program (WRAP) funding, debt service, legacy pension and capital project funding. The budget is also known as the "revenue requirement" as it defines the amount of revenue required to run the utility.
- 2) Capital Improvement Plan (CIP):** Annually the GLWA's engineers evaluate the physical improvement needs of the regional systems. These needs are funded by a combination of cash on hand and debt.
- 3) Units of Service (UOS):** Quantifies each community's service needs based on engineering studies, metering data, and other criteria. Each member partner is assigned an allocation of the annual revenue requirement based on their relative use of the system. For the water system, this includes the amount of water purchased each year and contracted demands during peak periods. For the sewer system, each member partner's SHARE is based on contributed wastewater.
- 4) Cost of Service Study (COS):** The inputs from the three sources above are applied to an agreed upon charges methodology to allocate the revenue requirement (i.e., budget) by functional categories (such as purification for the water system or sludge disposal for the sewer system) and then allocated to each customer. The outcome is the charge calculation for each member partner.

Looking for more information? Visit us online at www.glwawater.org

Proposed FY 2025 Water System Charges
The average system charge adjustment for water is a 3.25 percent increase. This is the result of a proposed Water budget increase of 4.0 percent offset by 0.75 percent reflecting the net effect of a) increased investment earnings and b) reductions in estimated sales volumes. As a result of the 2022 Contract Alignment Process (CAP), the FY 2025 Units of Service (MOD). Proposed charges for these three Member Partners have been calculated using the new simplified Water Charge Methodology. There are no significant variances from the system-wide charge (after consideration of contract adjustments) increase of 3.06 percent for the remaining 85 (No MOD) Member Partners.

Proposed FY 2025 Sewer System Charges
The average system charge adjustment for sewer is a 3.0 percent increase. This is the result of a proposed Sewer budget increase of 4.0 percent offset by increased investment earnings which funds 1.0 percent of the proposed budget increase. The proposed FY 2023 flow balance data in the average for the FY 2025 Units of Service, and the updated COS. These proposed SHARES are scheduled to remain in effect until the Sewer SHARES are updated for FY 2028.

Year	Water	Sewer
2018	1.8%	-0.7%
2019	1.8%	-0.1%
2020	0.6%	0.8%
2021	3.2%	-0.6%
2022	1.5%	2.4%
2023	3.7%	2.75%
2024	2.75%	3.0%
2025	3.25%	3.0%
6-Year Average	2.3%	1.2%

Proposed FY 2025 Water Charges

FY 2025 Water Charges Report

- December 29, 2023 “FY 2025 Cost of Service Study and Service Charge Recommendations” Memorandum Report (Addresses both Water and Sewer Charges)
- Contains Appendices:
 - A. December 12, 2023 memorandum: “Proposed FY 2025 Water and Sewer Charges”
 - B. December 21, 2023 memorandum: “FY 2025 Cost of Service and Charges Study - Detailed Cost Allocation Schedules”
 - C. December 21, 2023 memorandum: “SHAREs Period Memo – FY 2025 SHAREs Calculations” (*Sewer*)
 - D. November 8, 2023 memorandum: “Preliminary FY 2025 Water Units of Service”
 - E. November 13, 2023 memorandum: “Simplified Water Charge Methodology: 10/50/40 + Water Delivery Factors”
 - F. November 13, 2023 memorandum: “Impact of Updated Flow Balance Data on Calculation of FY 2025 Sewer SHAREs”

Proposed Water System Charge Adjustment

- Proposed increase on overall Budgeted Revenue Requirements is 4.0%
 - *Last year of the “4% Promise”*
- Increased budgeted investment earnings help offset a portion of the Budget Increase
- Lower forecasted Water Sales require ~ .8% increase in Charges
- Proposed System Charge Adjustment = **3.25%**

	Approved FY 2024 <u>Budget</u> \$	Recommended FY 2025 <u>Budget</u> \$	<u>Variance</u> \$	<u>% Variance</u>	<u>Charge Impact</u> ~ <i>Baseline Rev</i>
Revenue Requirement	370,314,500	385,127,100	14,812,600	4.0%	4.08%
Investment Earnings / Misc Revenue	4,236,700	10,276,600	6,039,900	142.6%	-1.66%
Baseline Charge Revenue	366,077,800	363,051,300	(3,026,500)	-0.8%	0.83%
System Charge Adjustment		11,799,200			3.25%

FY 2025 Water Charges Summary

- Three Member Partners have modified Contract Demands since original Units of Service were presented in November
 - *Grosse Pointe Shores - interim reopener*
 - *Highland Park – recognition of Term Sheet*
 - *Romeo – corrected Contract Demands*
- These 3 Member Partners are being treated as “MOD” customers and their proposed charges reflect specific cost of service study results
- The other 85 Member Partners are being treated as “No MOD” customers and their proposed charges reflect a uniform application of the class average charge adjustment

FY 2025 Water Charges Summary

- The FY 2025 Cost of Service Study embraces the Simplified Water Charge Methodology
 - *10/50/40 Commodity/Max Day/Peak Hour Cost Pools*
 - *Water Delivery Factor replaces Distance and Elevation*
 - *See Appendix E of Cost of Service Study Report for detailed discussion*
- The new methodology received a consensus approval at the December 5 One Water Partnership meeting
- This only directly impacts the 3 “MOD” Member Partner charges whose peak demands are changing outside the normal 4-year CAP reset cycle, since the others receive a class average charge adjustment
 - *Next scheduled CAP reopener will impact FY 2028 Water Charges*

FY 2025 Water Charges Summary

- To reiterate . . .
- ALL 85 “No Mod” Water Member Partners are receiving a proposed **uniform** Wholesale Charge increase of 3.33%
- After consideration of contract adjustments for the DWSD Ownership Adjustment and the Flint KWA Debt Service Adjustment, the effective charge increase is 3.06%
- Flint and Detroit’s charge adjustments are slightly higher, since the contract adjustments are fixed and not subject to Budget adjustments

Proposed FY 2025 Sewer Charges

FY 2025 Sewer Charges Report

- December 29, 2023 “FY 2025 Cost of Service Study and Service Charge Recommendations” Memorandum Report (Addresses both Water and Sewer Charges)
- Contains Appendices:
 - A. December 12, 2023 memorandum: “Proposed FY 2025 Water and Sewer Charges”
 - B. December 21, 2023 memorandum: “FY 2025 Cost of Service and Charges Study - Detailed Cost Allocation Schedules”
 - C. December 21, 2023 memorandum: “SHAREs Period Memo – FY 2025 SHAREs Calculations” (*Sewer*)
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Proposed Sewer System Charge Adjustment

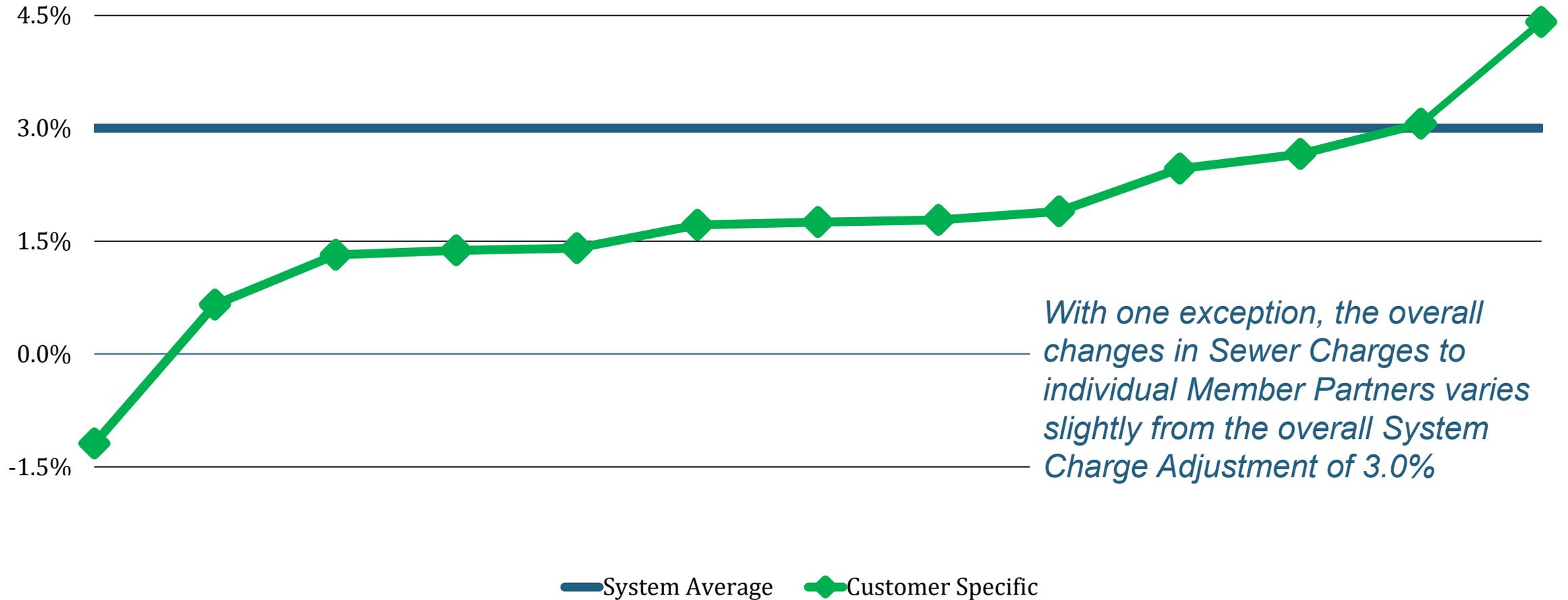
- Proposed increase on overall Budgeted Revenue Requirements is 4.0%
 - *Last year of the “4% Promise”*
- Increased budgeted investment earnings help offset ~ 1.0% of the Budget Increase
- Proposed System Charge Adjustment = **3.0%**

	Approved FY 2024 <u>Budget</u> \$	Recommended FY 2025 <u>Budget</u> \$	<u>Variance</u> \$	<u>% Variance</u>	<u>Charge Impact</u> ~ <i>Baseline Rev</i>
Revenue Requirement	500,627,000	520,652,100	20,025,100	4.0%	4.06%
Investment Earnings / Misc Revenue	7,457,300	13,061,800	5,604,500	75.2%	-1.14%
Baseline Charge Revenue	493,169,700	492,805,200	(364,500)	-0.1%	0.07%
System Charge Adjustment		14,785,100			3.00%

FY 2025 Sewer Charges Summary: Customer Class Definitions

- “M” Customer Class = those communities whose wastewater contributions are fully metered by what was formerly referred to as “billing meters”
 - *Major County Districts and certain other communities*
 - *Grosse Pointe now included in this class as 5 years of metered data is available*
- “D+” Customer Class = Detroit plus certain other inner ring communities whose wastewater is not fully metered
 - *Primarily Detroit, Highland Park, Hamtramck*
 - *Small portion of Dearborn is unmetered but flows are reallocated to the M class*

FY 2025 Sewer Charge Adjustment Summary



Appendix: Core Financial Plan Schedules Water Charge Calculation Note

Core GLWA Budget Schedules

Water Revenue Requirement

Schedule 1A – Water System Revenue Requirement Biennial Budget

	FY 2023 Actual	FY 2024 Adopted Budget	FY 2024 Estimated Budget	FY 2025 Department Requested	FY 2025 Dollar Variance	FY 2025 Percent Variance	FY 2026 Department Requested	FY 2026 Dollar Variance	FY 2026 Percent Variance
Water System Revenue Requirement									
Revenues									
Revenues from Charges									
Suburban Wholesale Customers	\$334,141,200	\$340,540,600	\$336,540,600	\$347,758,000	\$ 7,217,400	2.1%	\$372,639,700	\$ 24,881,700	7.2%
Local System Charges	22,834,300	25,537,200	25,537,200	27,094,800	1,557,600	6.1%	30,730,900	3,636,100	13.4%
Total Revenue from Charges	356,975,500	366,077,800	362,077,800	374,852,800	8,775,000	2.4%	403,370,600	28,517,800	7.6%
Other Revenue	1,378,700	175,000	440,000	400,000	225,000	128.6%	400,000	-	0.0%
Investment Earnings									
Investment Earnings - Unrestricted	5,501,600	3,067,000	8,530,200	6,692,200	3,625,200	118.2%	7,606,400	914,200	13.7%
Investment Earnings - Restricted for Debt Service	3,660,000	994,700	3,531,500	3,182,100	2,187,400	219.9%	2,634,600	(547,500)	-17.2%
Total Investment Earnings	9,161,600	4,061,700	12,061,700	9,874,300	5,812,600	143.1%	10,241,000	366,700	3.7%
Total Revenues	\$367,515,800	\$370,314,500	\$374,579,500	\$385,127,100	\$ 14,812,600	4.0%	\$414,011,600	\$ 28,884,500	7.5%
Revenue Requirements									
Operations & Maintenance (O&M) Expense	\$154,327,800	\$152,906,400	\$163,100,500	\$169,625,000	\$ 16,718,600	10.9%	\$176,410,000	\$ 6,785,000	4.0%
General Retirement System Legacy Pension	6,048,000	-	-	-	-	0.0%	-	-	0.0%
Debt Service	150,055,300	159,482,800	162,634,000	175,300,800	15,818,000	9.9%	186,537,300	11,236,500	6.4%
General Retirement System Accelerated Pension	6,268,300	3,395,500	1,505,500	2,283,300	(1,112,200)	-32.8%	2,252,200	(31,100)	-1.4%
Water Residential Assistance Program Contribution	1,770,500	1,851,600	1,851,600	1,947,800	96,200	5.2%	2,070,100	122,300	6.3%
Extraordinary Repair & Replacement Deposit	2,200,000	-	-	-	-	0.0%	-	-	0.0%
Regional System Lease	22,500,000	22,500,000	22,500,000	22,500,000	-	0.0%	22,500,000	-	0.0%
Receiving Fund Working Capital Requirement	-	-	-	6,200,000	6,200,000	0.0%	5,700,000	(500,000)	0.0%
Improvement & Extension Fund Transfer Pending	23,766,000	30,178,200	22,987,900	7,270,200	(22,908,000)	-75.9%	18,542,000	11,271,800	155.0%
Annual Water System Revenue Requirements	\$366,935,900	\$370,314,500	\$374,579,500	\$385,127,100	\$ 14,812,600	4.0%	\$414,011,600	\$ 28,884,500	7.5%



Core GLWA Budget Schedules

Operating Expense Summary

Schedule 2A – Operations & Maintenance Expense by Expense Category (Water and Sewer Combined) – Biennial Budget

Operations & Maintenance Expense	FY 2023	FY 2024	FY 2024	FY 2025	FY 2025	FY 2025	FY 2026	FY 2026	FY 2026
	Actual	Adopted Budget	Amended Budget	Department Requested	Dollar Variance	Percent Variance	Department Requested	Dollar Variance	Percent Variance
2.1 Salaries & Wages	\$ 70,113,800	\$ 74,765,400	\$ 74,935,400	\$ 81,643,800	\$ 6,878,400	9.2%	\$ 92,188,200	\$ 10,544,400	12.9%
2.2 Workforce Development	1,413,900	1,391,500	1,391,500	2,105,000	713,500	51.3%	2,326,400	221,400	10.5%
2.3 Overtime	8,570,400	7,383,000	7,453,000	8,074,200	691,200	9.4%	8,955,900	881,700	10.9%
2.4 Employee Benefits	24,789,400	28,218,500	28,263,500	30,347,300	2,128,800	7.5%	34,551,400	4,204,100	13.9%
2.5 Transition Services	9,920,100	9,128,700	9,128,700	8,198,000	(930,700)	-10.2%	8,292,000	94,000	1.1%
Total Personnel Costs	114,807,600	120,887,100	121,172,100	130,368,300	9,481,200	7.8%	146,313,900	15,945,600	12.2%
3.1 Electric	48,176,300	42,820,200	46,769,200	49,020,700	6,200,500	14.5%	49,611,600	590,900	1.2%
3.2 Gas	10,821,600	10,168,000	9,865,000	7,000,000	(3,168,000)	-31.2%	7,137,700	137,700	2.0%
3.3 Sewage Service	3,051,900	2,563,100	2,872,800	2,980,100	417,000	16.3%	2,980,700	600	0.0%
3.4 Water Service	15,228,000	7,843,900	12,108,500	11,601,700	3,757,800	47.9%	11,603,700	2,000	0.0%
Total Utility Costs	77,277,800	63,395,200	71,615,500	70,602,500	7,207,300	11.4%	71,333,700	731,200	1.0%
4.1 Chemicals	30,542,200	30,451,800	33,108,600	34,834,900	4,383,100	14.4%	35,299,600	464,700	1.3%
4.2 Supplies & Other	34,491,700	31,371,200	40,013,700	40,357,200	8,986,000	28.6%	37,595,300	(2,761,900)	-6.8%
4.3 Contractual Services	109,703,700	106,889,200	111,763,400	114,508,700	7,619,500	7.1%	118,918,000	4,409,300	3.9%
5.1 Capital Program Allocation	(2,189,600)	(4,232,700)	(4,232,700)	(4,581,800)	(349,100)	8.2%	(6,687,100)	(2,105,300)	45.9%
5.2 Shared Services	(3,270,200)	(1,655,800)	(1,655,800)	(2,279,500)	(623,700)	37.7%	(2,342,100)	(62,600)	2.7%
5.5 Intergovernmental Agreement	(977,600)	-	-	(638,200)	(638,200)	100.0%	-	638,200	-100.0%
6.0 Capital Outlay	1,273,900	2,648,300	2,648,300	3,181,500	533,200	20.1%	2,586,300	(595,200)	-18.7%
7.0 Unallocated Reserve	-	8,795,800	8,795,800	12,205,400	3,409,600	38.8%	11,483,800	(721,600)	-5.9%
Total Other Categories	169,574,100	174,267,800	190,441,300	197,588,200	23,320,400	13.4%	196,853,800	(734,400)	-0.4%
Grand Total	\$ 361,659,500	\$ 358,550,100	\$ 383,228,900	\$ 398,559,000	\$ 40,008,900	11.2%	\$ 414,501,400	\$ 15,942,400	4.0%

Core GLWA Budget Schedules

Sewer Revenue Requirement

Schedule 1C – Sewer System Revenue Requirement Biennial Budget

	FY 2023 Actual	FY 2024 Adopted Budget	FY 2024 Estimated Budget	FY 2025 Department Requested	FY 2025 Dollar Variance	FY 2025 Percent Variance	FY 2026 Department Requested	FY 2026 Dollar Variance	FY 2026 Percent Variance
Sewer System Revenue Requirement									
Revenues									
Revenues from Charges									
Suburban Wholesale Customers	\$275,917,500	\$282,687,600	\$282,687,600	\$287,074,800	\$ 4,387,200	1.6%	\$302,551,200	\$ 15,476,400	5.4%
Local System Charges	191,042,200	196,569,600	196,569,600	206,366,400	9,796,800	5.0%	218,013,000	11,646,600	5.6%
Industrial Waste Control Charges	8,393,100	8,584,200	8,584,200	8,719,300	135,100	1.6%	9,198,600	479,300	5.5%
Pollutant Surcharges	4,894,600	5,328,300	5,328,300	5,434,400	106,100	2.0%	5,733,100	298,700	5.5%
Total Revenue from Charges	480,247,400	493,169,700	493,169,700	507,594,900	14,425,200	2.9%	535,495,900	27,901,000	5.5%
Other Revenue	4,901,300	400,000	717,000	700,000	300,000	75.0%	700,000	-	0.0%
Investment Earnings									
Investment Earnings - Unrestricted	8,395,900	5,567,000	13,399,700	10,495,700	4,928,700	88.5%	11,624,800	1,129,100	10.8%
Investment Earnings - Restricted for Debt Service	4,102,400	1,490,300	2,657,600	1,861,500	371,200	24.9%	1,467,300	(394,200)	-21.2%
Total Investment Earnings	12,498,300	7,057,300	16,057,300	12,357,200	5,299,900	75.1%	13,092,100	734,900	5.9%
Total Revenues	\$497,647,000	\$500,627,000	\$509,944,000	\$520,652,100	\$ 20,025,100	4.0%	\$549,288,000	\$ 28,635,900	5.5%
Revenue Requirements									
Operations & Maintenance (O&M) Expense	\$207,330,200	\$205,643,700	\$220,128,400	\$228,934,000	\$ 23,290,300	11.3%	\$238,091,400	\$ 9,157,400	4.0%
General Retirement System Legacy Pension	10,824,000	-	-	-	-	0.0%	-	-	0.0%
Debt Service	212,669,100	228,328,300	231,781,500	226,279,400	(2,048,900)	-0.9%	226,618,700	339,300	0.1%
General Retirement System Accelerated Pension	11,620,700	6,479,300	3,096,800	4,846,300	(1,633,000)	-25.2%	4,776,300	(70,000)	-1.4%
Water Residential Assistance Program Contribution	2,394,200	2,503,100	2,503,100	2,651,700	148,600	5.9%	2,746,400	94,700	3.6%
Regional System Lease	27,500,000	27,500,000	27,500,000	27,500,000	-	0.0%	27,500,000	-	0.0%
Receiving Fund Working Capital Requirement	-	-	-	2,300,000	2,300,000	0.0%	3,600,000	1,300,000	0.0%
Improvement & Extension Fund Transfer Pending	26,236,800	30,172,600	24,934,200	28,140,700	(2,031,900)	-6.7%	45,955,200	17,814,500	63.3%
Annual Sewer System Revenue Requirements	\$498,575,000	\$500,627,000	\$509,944,000	\$520,652,100	\$ 20,025,100	4.0%	\$549,288,000	\$ 28,635,900	5.5%



Core GLWA Budget Schedules

Operating Expense Summary

Schedule 2C – Operations & Maintenance Biennial Budget by Service Area

Operating Area	FY 2023 Actual	FY 2024 Adopted Budget	FY 2024 Amended Budget	FY 2025 Department Requested	FY 2025 Dollar Variance	FY 2025 Percent Variance	FY 2026 Department Requested	FY 2026 Dollar Variance	FY 2026 Percent Variance
A Water System Operations	\$ 86,771,900	\$ 82,732,800	\$ 87,738,200	\$ 94,669,900	\$ 11,937,100	14.4%	\$ 97,884,000	\$ 3,214,100	3.4%
B Wastewater System Operations	139,525,100	132,934,300	141,655,800	147,245,100	14,310,800	10.8%	154,308,800	7,063,700	4.8%
C Centralized Services	100,031,200	106,900,500	116,537,400	116,980,200	10,079,700	9.4%	120,417,000	3,436,800	2.9%
D Administrative & Other Services	35,329,800	35,982,500	37,297,500	39,663,800	3,681,300	10.2%	41,891,600	2,227,800	5.6%
Grand Total	\$361,658,000	\$358,550,100	\$383,228,900	\$398,559,000	\$ 40,008,900	11.2%	\$414,501,400	\$ 15,942,400	4.0%

Schedule 2E – Operations & Maintenance Expense by Fund with Centralized & Administrative Services Allocated – Biennial Budget

System	FY 2023 Actual	FY 2024 Adopted Budget	FY 2024 Amended Budget	FY 2025 Department Requested	FY 2025 Dollar Variance	FY 2025 Percent Variance	FY 2026 Department Requested	FY 2026 Dollar Variance	FY 2026 Percent Variance
Water System	\$154,327,800	\$152,906,400	\$163,100,500	\$169,625,000	\$ 16,718,600	10.9%	\$176,410,000	\$ 6,785,000	4.0%
Sewer (Wastewater) System	207,330,200	205,643,700	220,128,400	228,934,000	23,290,300	11.3%	238,091,400	9,157,400	4.0%
Grand Total	\$361,658,000	\$358,550,100	\$383,228,900	\$398,559,000	\$ 40,008,900	11.2%	\$414,501,400	\$ 15,942,400	4.0%

FY 2025 Water Charges Summary

- ✓ Proposed FY 2025 Water System Charge Adjustment is a 3.25% increase
 - ✓ System Charge Adjustment = the amount by which revenues from existing charges must be adjusted to meet budgeted revenue requirements
 - ✓ Charge Adjustments for individual Member Partners are generally stable at the System average, although 3 Member Partners are receiving charge reductions related to amended contract demands
 - ✓ This is projected to produce a \$11.8 million revenue increase and becomes the foundational assumption for the rest of the budgeted revenue requirements
 - ✓ NO amounts included in Water Charges related to Highland Park bad debt expense matter
- ✓ Resulting plan reflects:
 - ✓ An overall budgeted revenue requirement increase of \$14.8 million (4.0%)
 - ✓ A negative sales (volume) revenue budget variance of \$3.0 million (requires additional 0.83% increase)
 - ✓ A positive investment earnings and miscellaneous revenue budget variance of \$6.0 million (addresses ~1.66% of the budget increase)
 - ✓ \$16.8 million increase in budgeted Operating Expenses compared to the original FY 2024 Budget
 - ✓ \$15.8 million increase in budgeted Debt Service
 - ✓ Budgeted contributions to Working Capital Reserve and I&E Fund are *lower* than the original FY 2024 Budget by \$16.7 million
 - ✓ Capital Spend Rate Assumption of 100%

FY 2025 Sewer Charges Summary

- ✓ Proposed FY 2025 Sewer System Charge Adjustment is a 3.0% increase
 - ✓ System Charge Adjustment = the amount by which revenues from existing charges must be adjusted to meet budgeted revenue requirements
 - ✓ Charge Adjustments for individual Member Partners vary, as Sewer SHARES are being updated for the first time since FY 2022 - the overall impacts are **generally** not materially different than the System average
 - ✓ This is projected to produce a \$14.8 million revenue increase and becomes the foundational assumption for the rest of the budgeted revenue requirements
 - ✓ NO amounts included in Sewer Charges related to Highland Park bad debt expense matter
- ✓ Resulting plan reflects:
 - ✓ An overall budgeted revenue requirement increase of \$20.0 million (4.0%)
 - ✓ A positive investment earnings and miscellaneous revenue budget variance of \$5.6 million (addresses ~ 1.0% of the budget increase)
 - ✓ \$23.2 million increase in budgeted Operating Expenses compared to the original FY 2024 Budget
 - ✓ \$2.0 million reduction in budgeted Debt Service
 - ✓ Budgeted contributions to I&E are *effectively equal* to the original FY 2024 Budget
 - ✓ Capital Spend Rate Assumption of 100%