



## Special Audit Committee

Friday, January 22, 2021 at 8:00 a.m.

*GLWater.org*

Join by Microsoft Teams

Dial-In: 313-771-3116 Conference ID: 868 434 344#

[GLWA Audit Committee Meeting](#)

### AGENDA

*Note: Binders 1 and 2 have been combined in agenda order and document was renumbered.*

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF AGENDA
4. APPROVAL OF MINUTES
5. PUBLIC PARTICIPATION
6. OLD BUSINESS
  - A. Discussion Draft: FY 2022 & FY 2023 Biennial Budget and Five-Year Plan (Page 1)
  - B. Update: Proposed FY 2022 Water and Sewer Service Charges (Page 47)
7. NEW BUSINESS
8. REPORTS
9. COMMUNICATIONS
  - A. *The Procurement Pipeline* for January 2021 (Page 107)
10. LOOK AHEAD
  - A. Next Audit Committee Meeting: February 26, 2021 at 8:00 a.m.
11. OTHER MATTERS
12. ADJOURNMENT



**Financial Services  
Audit Committee Communication**

**Date:** January 22, 2021

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

**From:** Lisa L Mancini, Financial Planning & Analysis Manager

**Re:** Discussion Draft: FY 2022 & FY 2023 Biennial Budget and Five-Year Plan

**Background:** In accordance with service agreements with the Great Lakes Water Authority (GLWA) member partners, the budget and charges for the next fiscal year are annually presented in January each year. To accommodate that schedule, the upcoming year's budget is presented to the Audit Committee within the context of the biennial budget and five-year financial plan as well as a ten-year forecaster in December. Subsequently, the Audit Committee conducts a review of the budget and related analysis in January.

At the December 18, 2020 Audit Committee, a discussion draft of the FY 2022 & FY 2023 Biennial Budget and Five-Year Plan was presented. This draft focused on a) overall strategy of key budget elements including system-wide service charges and b) proposed operating group budgets.

On January 15, 2021, staff provided additional analysis and a summary budget document to close open issues given that the budget is prepared in the second quarter of the fiscal year. The updates made within line items of the discussion draft budget (which did not change the total proposed O&M portion of the budget). A continuation of that budget review was scheduled for a special meeting of the Audit Committee on January 22, 2021.

**Analysis:** Additional analysis prepared and provided includes the following.

1. Memo: Cost and rationale of each proposed new position for FY 2022
2. Presentation:
  - a. Top 10 Budget Matters
  - b. Operations & Maintenance trend schedule by expense category
  - c. Reduction of contract services related to the increased personnel cost

**Proposed Action:** Receive and file the discussion draft of the FY 2022 & FY 2023 Biennial Budget and Five-Year Plan.

Great Lakes Water Authority  
FY 2022 Proposed Budget  
Staffing Analysis  
Friday, January 22, 2021

Service Area	Operating Area	Change In Staffing Plan	Change In FTEs	Position	Budget (*) with Fringes	Purpose of position
<b>Positions Added in FY 2022</b>						
Administrative Services	Financial Services	1	1.00	Professional Administrative Analyst	\$ 87,000	Contract Management
Administrative Services	Financial Services	1	1.00	Professional Administrative Analyst	87,000	Administrative Support and WRAP Support
Administrative Services	Financial Services	1	1.00	Professional Administrative Analyst	87,000	Business Inclusion & Diversity Program
Administrative Services	Financial Services	1	1.00	Management Professional	87,000	Project Management
Administrative Services	Financial Services	1	1.00	Management Professional	87,000	Accounting Supervisor
Administrative Services	Financial Services	1	1.00	Management Professional	87,000	Contract Management
Administrative Services	Financial Services	1	1.00	Management Professional	87,000	Reporting and analysis
Administrative Services	Financial Services	1	1.00	Management Professional	87,000	WRAP
Administrative Services	Financial Services	1	1.00	Management Professional	87,000	Business Inclusion & Diversity Program
Administrative Services	Financial Services	1	1.00	Manager	87,000	Contract Management
Administrative Services	Financial Services	1	1.00	Manager	87,000	Workload demand
Administrative Services	Financial Services	1	1.00	Procurement Specialist	87,000	Business Inclusion & Diversity Program
Administrative Services	Administrative & Compliance Services	1	1.00	Associate General Counsel	87,000	To handle more legal matters in house
Administrative Services	Administrative & Compliance Services	2	2.00	Office Support Specialist	174,000	Implementation & administration of health and welfare plans and wellness initiatives
Centralized Services	Information Technology	3	3.00	Applications Analyst	261,000	Support new applications being launched (EAM & ERP)
Centralized Services	Information Technology	1	0.50	Intern	43,500	Support new applications being launched (EAM & ERP)
Centralized Services	Systems Operations Control	1	1.00	Electrical Instrumentation Control Technician (IA)	87,000	Apprenticeship program
Centralized Services	Fleet Operations	1	1.00	Manager	87,000	Fleet Operations

Great Lakes Water Authority  
FY 2022 Proposed Budget  
Staffing Analysis  
Friday, January 22, 2021

Service Area	Operating Area	Change In Staffing Plan	Change In FTEs	Position	Budget (*) with Fringes	Purpose of position
Centralized Services	Field Service Operations	1	1.00	Inspector	87,000	Inspector Position Ramp up as Miss Dig shared service is ramped
Centralized Services	Field Service Operations	1	1.00	Electrical Instrumentation Control Technician ( E )	87,000	Originally requested, subsequently to be removed (reclass to unallocated reserves)
Centralized Services	Field Service Operations	1	1.00	Management Professional	87,000	Workload demand
Centralized Services	Field Service Operations	4	4.00	Electrical Instrumentation Control Technician (EA)	348,000	Apprenticeship program
Centralized Services	Energy, Research & Innovation	1	1.00	Manager	87,000	Power Quality Manager
Water System Operations	Water Operating Services	4	4.00	Electrical Instrumentation Control Technician (EA)	348,000	Apprenticeship program
Water System Operations	Water Operating Services	1	1.00	Management Professional	87,000	Manage global contracts
Water System Operations	Water Operating Services	1	1.00	Management Professional	87,000	Manage the training and movement of apprentices throughout the 5 Water Treatment Plants
Water System Operations	Water Operating Services	1	1.00	Maintenance Technician	87,000	Workload demand
Water System Operations	Water Operating Services	1	1.00	Team Leader	87,000	Workload demand
Wastewater Operating Services	Wastewater Operating Services	5	5.00	Electrical Instrumentation Control Technician (EA)	435,000	Apprenticeship program
	<b>Total positions added in FY 2022</b>	<b>42</b>	<b>41.50</b>		<b>\$ 3,610,500</b>	
<b>Positions Eliminated in FY 2022</b>						
Administrative Services	Financial Services	-1	-0.50	Security Training Coord./Investigator - Part Time	\$ (43,500)	
Administrative Services	Financial Services	-2	-2.00	Office Support Specialist	(174,000)	



Great Lakes Water Authority  
FY 2022 Proposed Budget  
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Service Area	Operating Area	Change In Staffing Plan	Change In FTEs	Position	Budget (*) with Fringes	Purpose of position
Administrative Services	Financial Services	-1	-1.00	Management Professional	(87,000)	
Administrative Services	Chief Executive Officer	-1	-0.25	Office Support Specialist	(21,750)	
Centralized Services	Planning Services	-1	-1.00	Office Support Specialist	(87,000)	
Centralized Services	Planning Services	-4	-2.00	Management Professional	(174,000)	
Centralized Services	Planning Services	-4	-0.75	Engineer	(65,250)	
Centralized Services	Planning Services	-2	-1.00	Intern	(87,000)	
Centralized Services	Planning Services	-2	-2.00	Electrical Instrumentation Control Technician (IA)	(174,000)	
Centralized Services	Planning Services	-2	-0.25	Applications Analyst	(21,750)	
Centralized Services	Planning Services	-1	-1.00	Manager	(87,000)	
	<b>Total positions eliminated in FY 2022</b>	<b>-21</b>	<b>-11.75</b>		<b>\$ (1,022,250)</b>	
Various	<b>Changes in FTE for existing positions</b>	<b>0</b>	<b>-10.50</b>	Timing differences from when positions were or will be filled		
	<b>Total FY 2022 increase</b>	<b>21</b>	<b>19.25</b>			

(\*) Average - Includes Salaries & Wages, Overtime, Fringe Benefits)

# Review of Proposed FY 2022 & FY 2023 Biennial Budget and Five-Year Plan

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*GLWA Audit Committee*

*January 22, 2021*



# Ten Ways the Proposed O&M Budget Strengthens GLWA's Position as an Effectively Managed Utility

1. People Focused – the right skill sets and abilities to the advance initiatives that improve the utility in the long-term via team members and vendor partners
  - Matching existing team members with workforce development apprentices while reducing turnover risk from significant number of late career team members
  - Increased staffing for wellness program in OD to improve team member satisfaction/retention and foster a healthier workforce to prevent devastating and costly illness
  - Completion of a compensation study with the support of external subject matter experts
2. Technology Advancement – the utility needs good data to make decisions whether it be operational decisions for directly impacting the environment or moving from number crunching to using data for managing the organization
  - New ERP Subscription Services
  - Four FTEs in IT to address growing technology demands and to support new systems in a modern operating environment
  - Launch of enterprise asset management system (EAM)

## Ten Ways the Proposed Budget Strengthens GLWA's Position as an Effectively Managed Utility - *continued*

3. Smart investment in predictive and restorative capital activities to avoid costly long-term investment
  - Launch of the Linear System Integrity Program (LSIP) to assess the risk to the water delivery and wastewater conveyance infrastructure through the physical review of the system as well as assessing reliability to ensure stability of service delivery
  - New warehouse rental with flexible terms to lessen costly investment in existing facility where payback would have been low; interim solution allows for better evaluation of operational needs in the long-term
4. Commitment to continuous improvement throughout GLWA
  - Monitoring and improving the reliability of processing equipment
  - Optimizing the Biosolid Dryer Facility
  - Upgrading Instrumentation and Control Systems
  - Continued investment in Energy, Research, & Innovation staffing and university partnerships

## Ten Ways the Proposed Budget Strengthens GLWA's Position as an Effectively Managed Utility - *continued*

5. Strengthen Safety & Security of the Systems
  - Plan, design & implement a joint “Disaster Response Unit” which also engages state and federal partners
  - Expanded disaster recovery program with support of a vendor partner
6. Rollout General Counsel sponsored systems and processes to better manage the organization
  - Create a Best Practices Manual to ensure consistent representation of the Authority in contractual, real estate, employment, and litigation matters
  - Rollout a bill review software service for legal contractual services bill to garner savings in contractual services costs

## Ten Ways the Proposed Budget Strengthens GLWA's Position as an Effectively Managed Utility - *continued*

7. Leveraging economic strength for the service area's vendor partners while expanding service sector capacity to support operations
  - Dedicated team member resources for extensive outreach, partnering, and management of the new GLWA Business Inclusion and Diversity (B.I.D) program
8. Institute effective controls over spending and safeguarding assets
  - Support effective rollout of GLWA's initiatives in securing enterprise wide contracts, while reducing redundancy, inefficiency, loss of productivity, and internal controls risks with a dedicated contract management team to ensure goals of cost control and expedited procurement cycle are met

## Ten Ways the Proposed Budget Strengthens GLWA's Position as an Effectively Managed Utility - *continued*

9. More effective WRAP program operations to expand use of available funding in the most cost-effective way and seek ways to further leverage compatible resources and programs
  - Dedicated WRAP team member to manage the program that spans multiple entities throughout the region with over \$4 million in funding
10. Demonstrate agility in continuing to advance initiatives and reliable operations in providing quality essential services during a pandemic
  - Consistent and clear messaging to team members and the public facilitated by Public Affairs
  - Cross-functional commitment 24/7 by GLWA team members in new ways with each passing day

## Ultimate Outcome of the Financial Planning Cycle

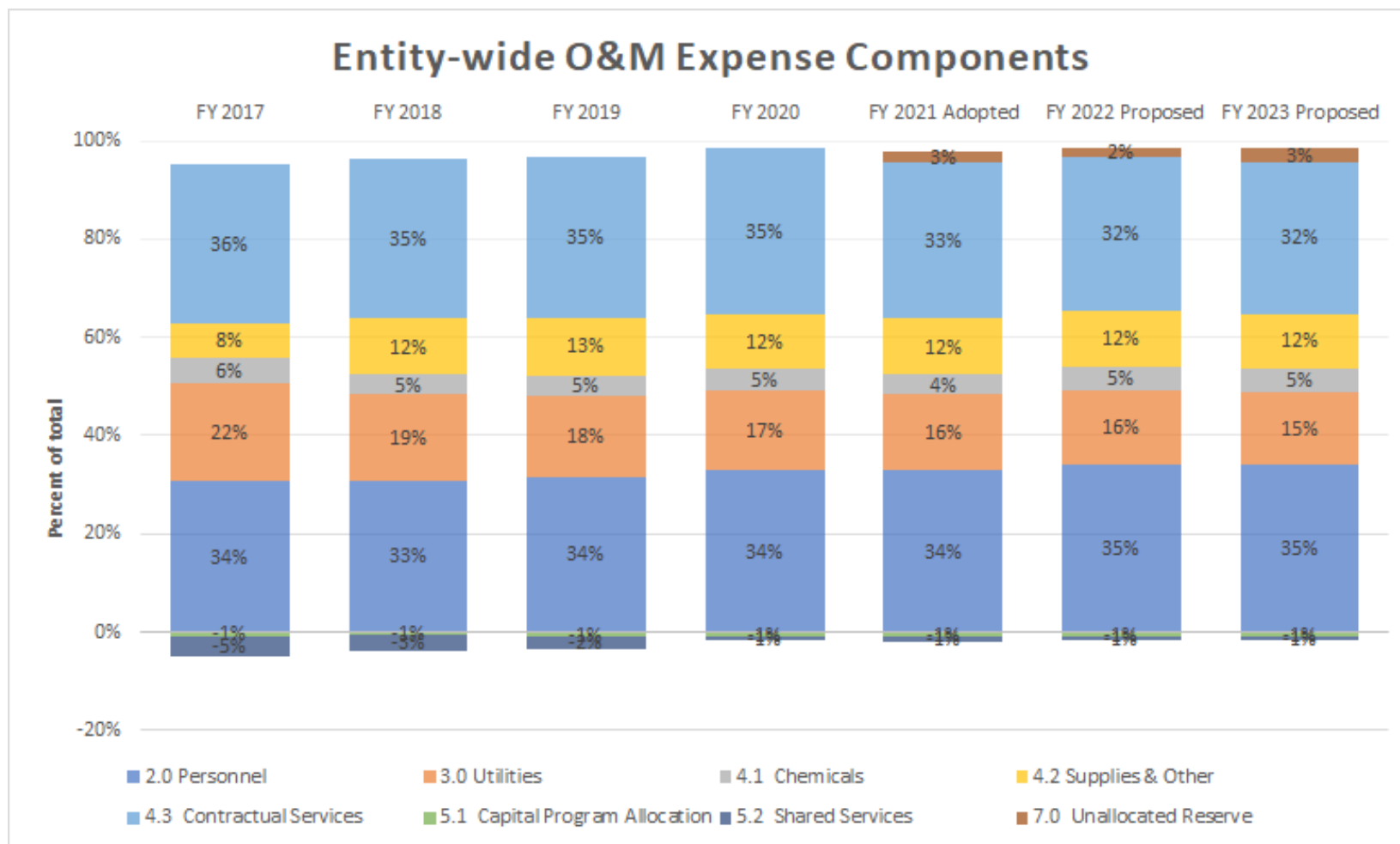
By fostering an organizational culture that leverages smart investment in value-added initiatives, and holds ourselves accountable to continuous improvement and embracing meaningful change, GLWA will be better placed to work with our member partners in striving toward affordability in the region.



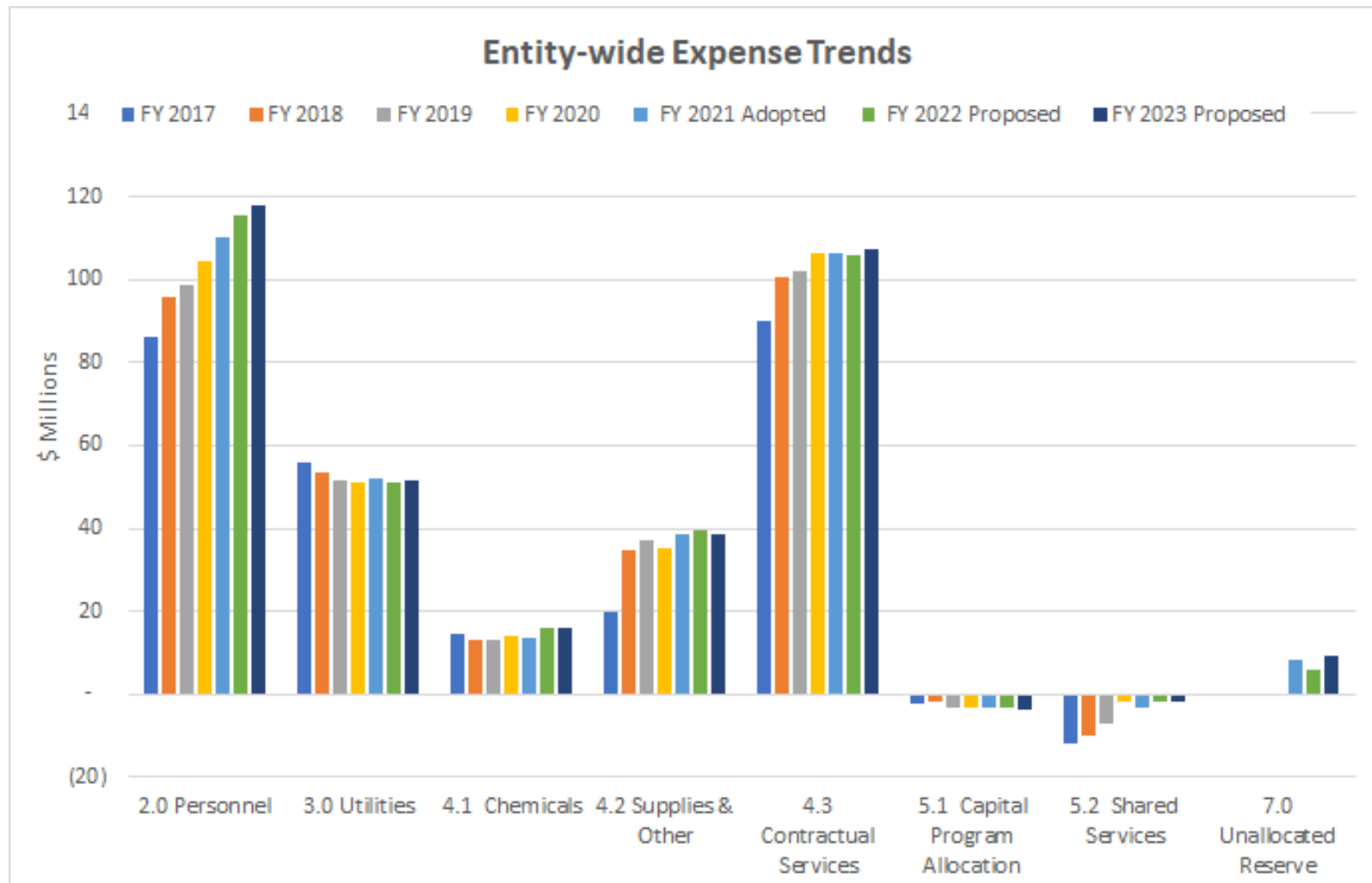
# Today's Focus: Entity-wide Operations & Maintenance Budget Trends



# Entity-wide O&M Expense Components Trend % of Total



## Entity-wide O&M Expense Components Trend in \$



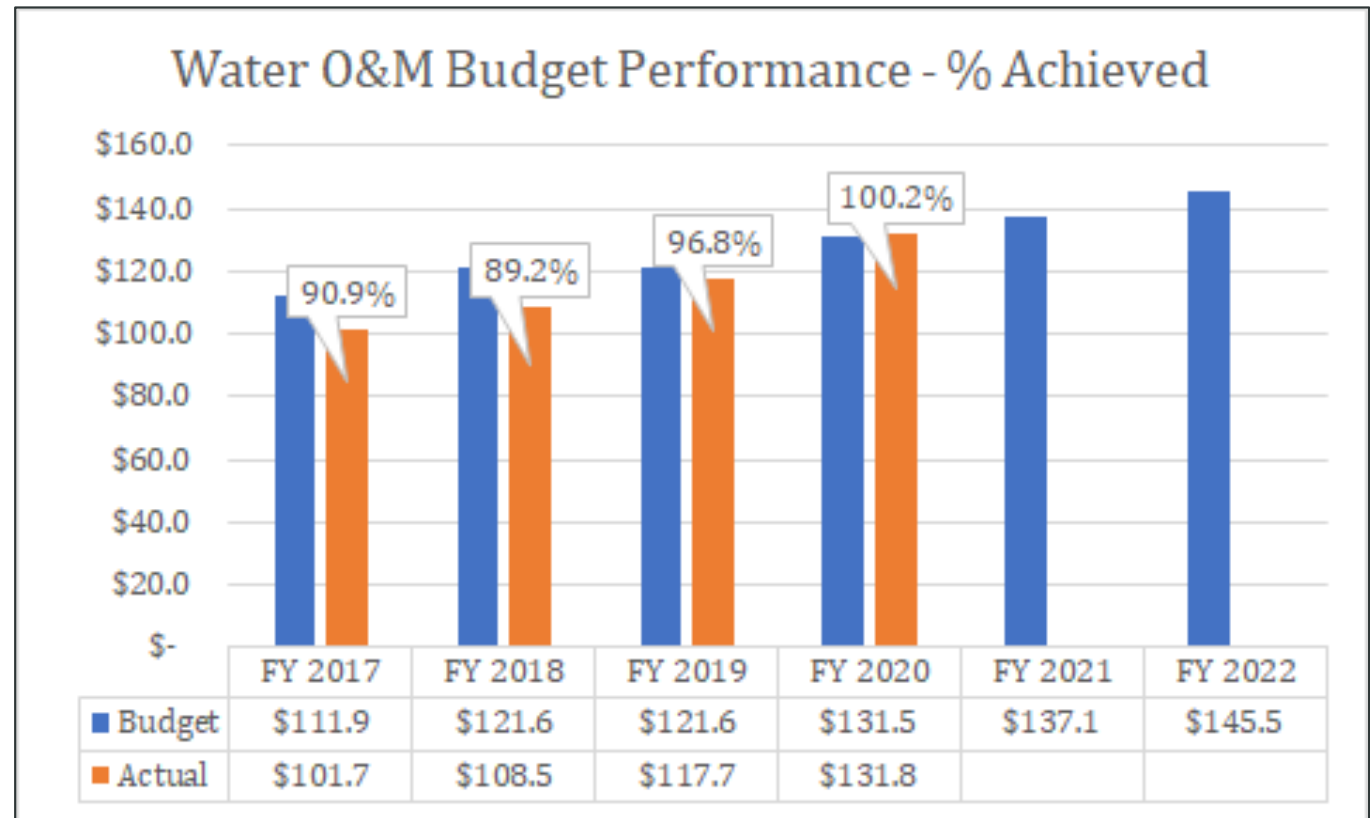
# Charges Rollout Budget Excerpt

## GLWA Operation and Maintenance Expense Summary - \$ *millions*

	Actual				Budget		FY 2022 Budg vs		FY 2022 Budg vs	
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2020	FY 2021 B	FY 2020	FY 2021 B
Personnel (a)	86.2	95.5	98.6	104.3	110.3	115.7	11.4	5.4	11.0%	4.9%
Contractual Services	90.1	100.5	101.9	106.4	106.2	106.0	(0.3)	(0.1)	-0.3%	-0.1%
Utilities	55.7	53.7	51.4	51.2	51.9	51.1	(0.1)	(0.9)	-0.2%	-1.7%
Chemicals	14.8	12.9	13.3	14.2	13.4	16.0	1.8	2.6	12.7%	19.6%
Supplies & Other	20.0	35.0	37.1	35.4	38.6	39.4	4.0	0.8	11.4%	2.1%
Subtotal	266.7	297.5	302.3	311.4	320.5	328.3	16.8	7.8	5.4%	2.4%
Unallocated Reserve	0.0	0.0	0.0	0.0	8.5	5.7	5.7	(2.8)	NA	-32.8%
Gross Total	266.7	297.5	302.3	311.4	328.9	334.0	22.5	5.0	7.2%	1.5%
Capital Program Allocation	(2.1)	(1.7)	(3.4)	(3.3)	(3.4)	(3.5)	(0.1)	(0.0)	3.7%	0.7%
Shared Services	(11.7)	(9.9)	(7.1)	(1.7)	(3.4)	(1.9)	(0.2)	1.5	9.2%	-44.5%
Operation and Maintenance Expense	252.9	285.9	291.7	306.4	322.1	328.6	22.2	6.5	7.3%	2.0%
(a) FTE Data										
Positions (FTE) Filled at Year End	881	968	1,024	1,059						
Positions (FTE) Budgeted	1,106	1,168	1,173	1,187	1,200	1,219				

# Water Operations and Maintenance (O&M) Expense

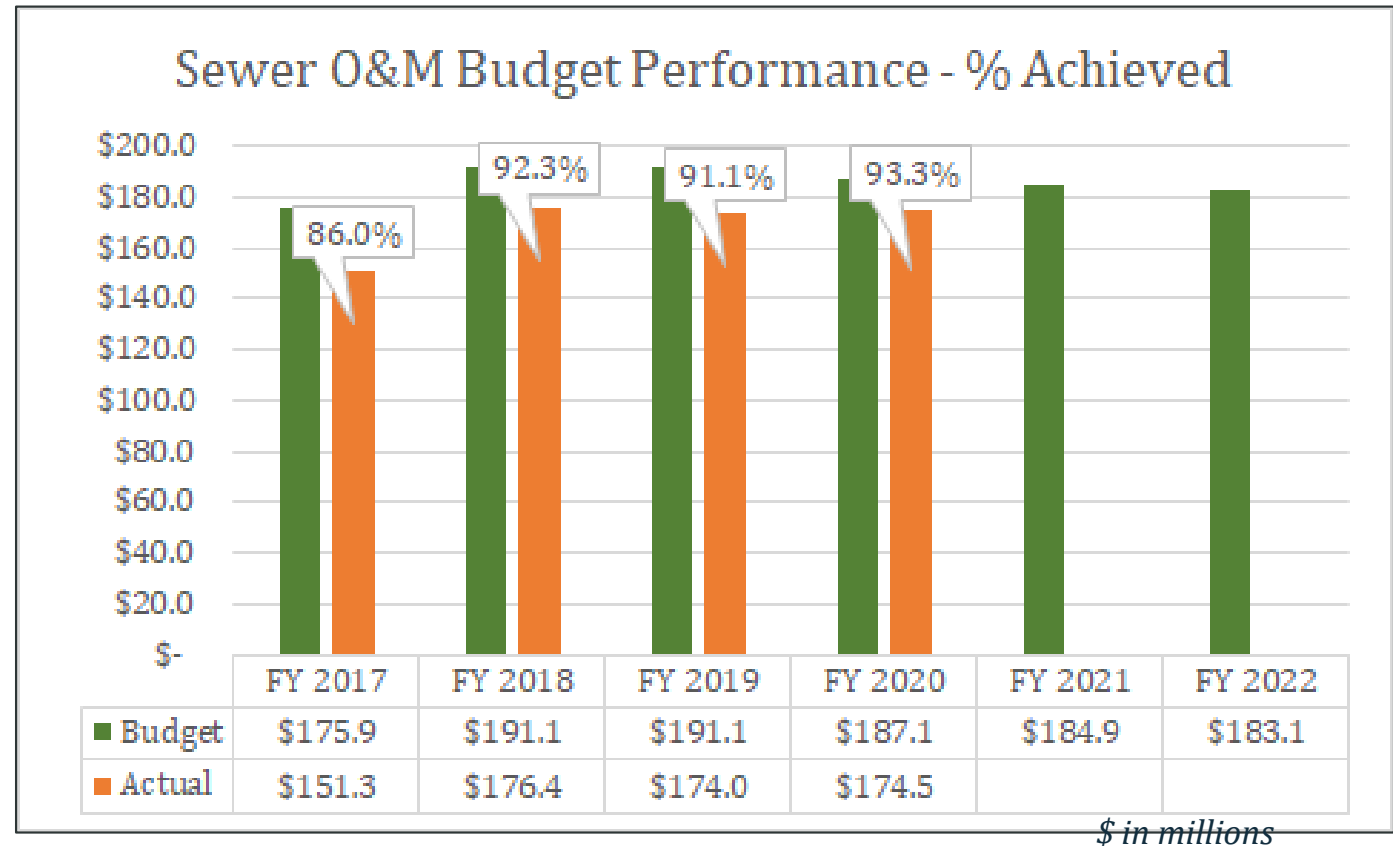
- ✓ Continued refinement of budget planning and execution from first full fiscal year to present.
- ✓ Majority of costs are non-discretionary.
- ✓ **Fours years of trend information supports budget requests.**



*\$ in millions*

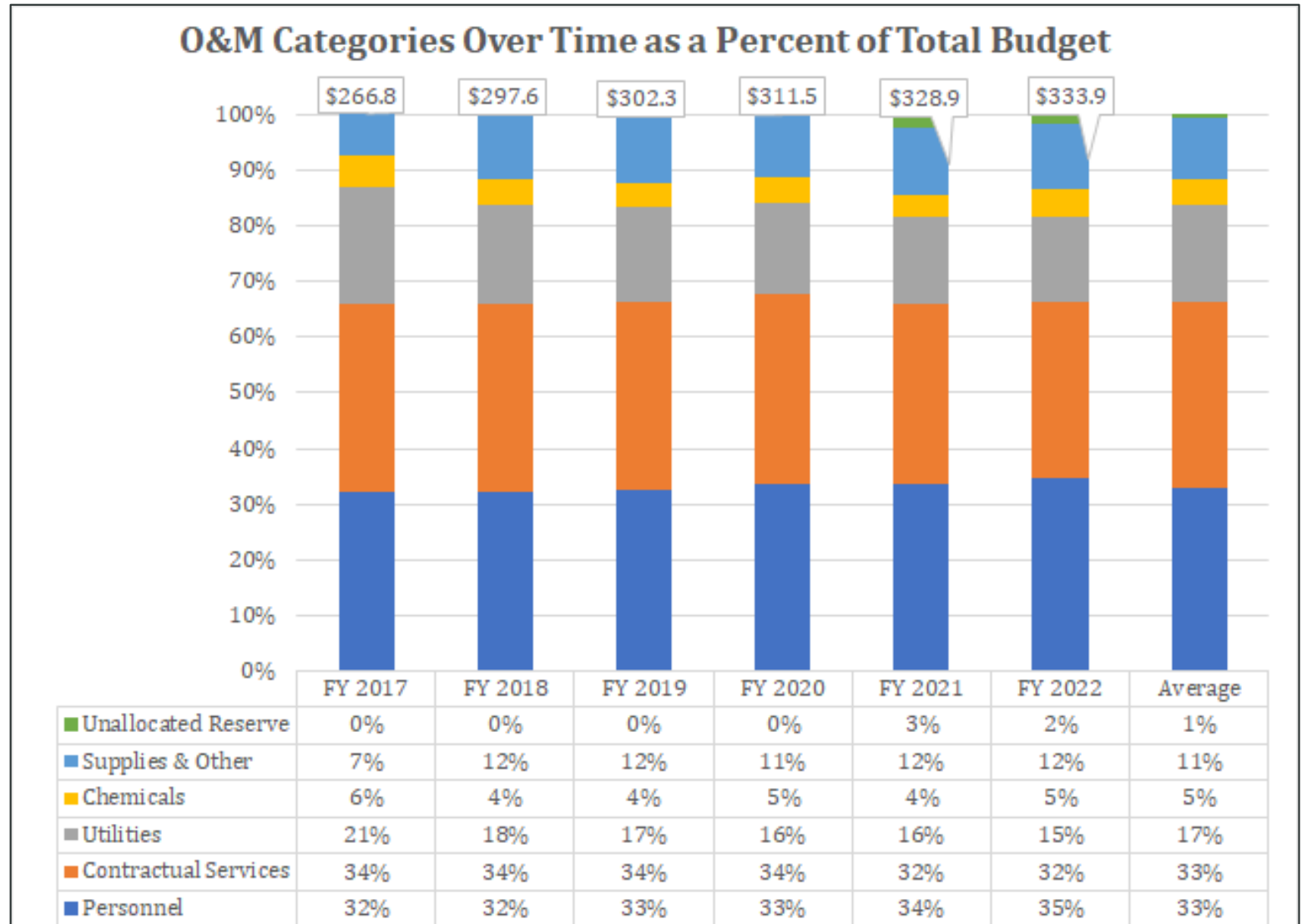
# Sewer Operation and Maintenance (O&M) Expense

- ✓ Continued refinement of budget planning and execution from first full fiscal year to present.
- ✓ Majority of costs are non-discretionary.
- ✓ Four years of trend information supports *a budget decrease without compromising system needs.*

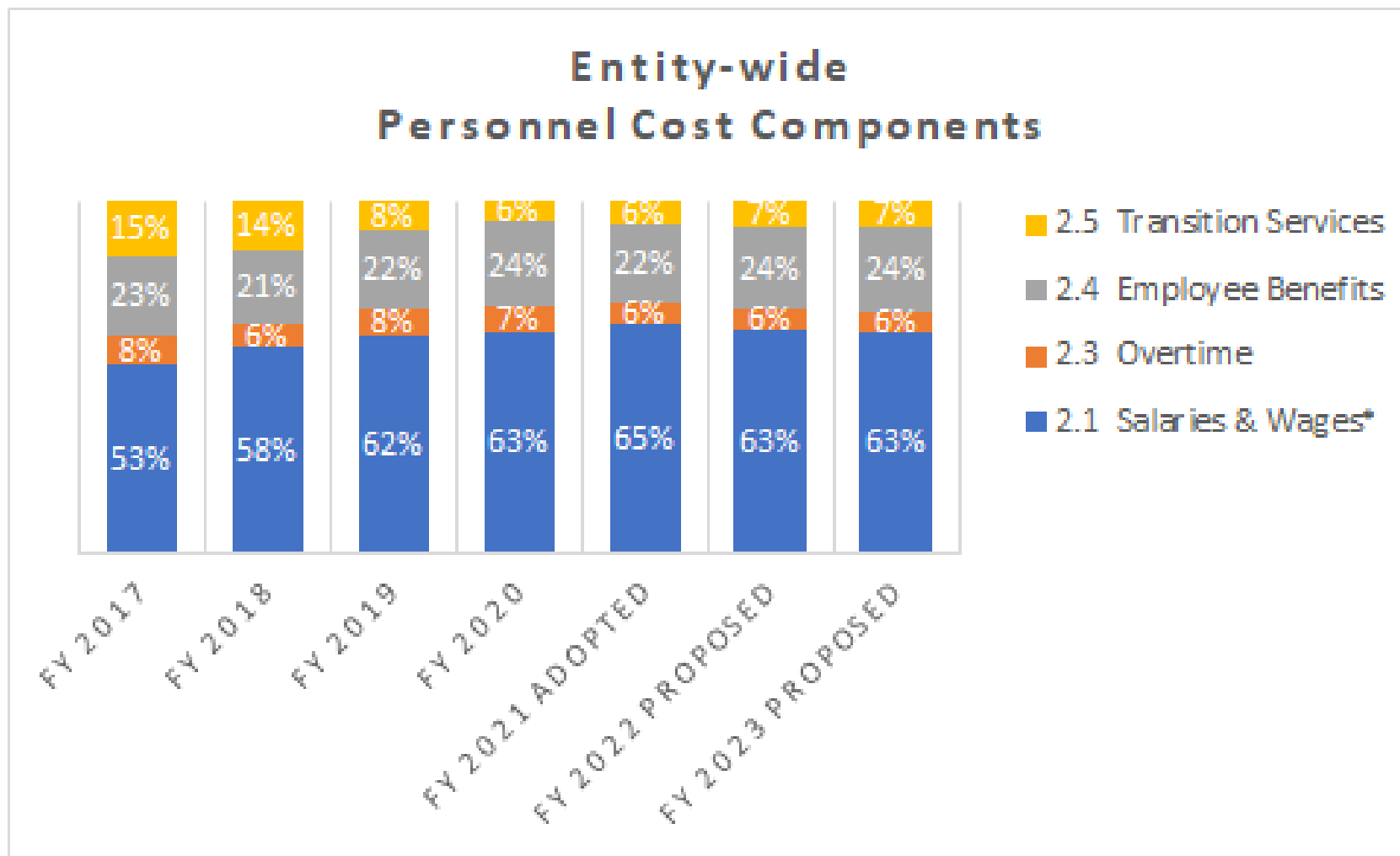


## Expense Types are Stable Year over Year

- ✓ Variances are generally less than 3% of total budget – result of smoothing out O&M initiatives.
- ✓ An outcome of multi-year budgeting.
- ✓ Steady foundation for plan.



## Personnel Cost Components - Entitywide





## Personnel Budgeting

Positions (Staffing Plan) – a one for one relationship

Full-time Equivalents (FTE) – a partial position factor applied to bridge position count to pro-rata dollars in the budget to account for turnover and part-time resources

Operating Area	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 Budget	FY 2022 Proposed
Chief Operating Officer Water Operations		354.00	360.00	363.00	365.25	383.25
Chief Operating Officer Wastewater Operations		432.50	434.50	432.25	436.75	431.25
Chief Planning Officer		63.50	60.25	64.25	63.25	56.00
Chief Administration & Compliance Officer		110.75	119.00	120.00	124.00	130.50
Chief Financial Officer		109.50	114.25	119.25	122.00	129.75
Chief Executive Officer		97.50	84.50	88.50	88.25	88.00
<b>FTE Budgeted</b>	<b>1,106.00</b>	<b>1,167.75</b>	<b>1,172.50</b>	<b>1,187.25</b>	<b>1,199.50</b>	<b>1,218.75</b>
<b>Actual Filled at Year-end</b>	<b>881.00</b>	<b>968.00</b>	<b>1,024.00</b>	<b>1,059.00</b>		
<b>Percent Filled at Year-end</b>	<b><u>80%</u></b>	<b><u>83%</u></b>	<b><u>87%</u></b>	<b><u>89%</u></b>		

## Staffing Level – From 2016 Launch to Now

- ✓ GLWA's Inaugural Bond transaction was launched in the “start up” calendar year. The Official Statement dated *October 1, 2016* notes “The fiscal year 2017 budget provides for 1,105 FTE positions of which 110 are budgeted to be staffed through services contracts.”
- ✓ The FY 2022 proposed budget identifies 1,219 FTEs.
- ✓ Why the shift over six years? A combination of:
  - 1) insourcing where more cost-effective (i.e. Hazmat);
  - 2) expanded services (training institute); and
  - 3) workforce development to reduce serious labor market risk (apprentices matched one-on-one with existing team members).
- ✓ Past, Present, Future View:

Status	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Positions Filled at Year-end	881	968	1,024	1,059		
FTEs Budgeted	1,106	1,168	1,171	1,187	1,200	1,219

## See Analysis Related to Staffing Increases/Decreases

# One Pager Series Now Available for FY 2022 – Operations & Maintenance Budget and Charges



## One Pager Series Biennial Budget & Five-Year Financial Plan Operations & Maintenance Budget FY 2022 through FY 2026 Proposed as of January 15, 2021

The GLWA "revenue requirement budget" is the basis for establishing the annual charges for services. Nearly 52.5% of the FY 2022 budget of \$823 million are legal commitments such as debt service (42%), lease payment (6%), Water Residential Assistance Program (WRAP) (0.5%) and legacy liabilities (4%). Capital funding reserve for replacement is 7.5% of the total budget. The Operations & Maintenance (O&M) expense represents \$329 million, or 40%, of the total requirement and is the focus of this One Pager. O&M represents an increase of \$6.5 million, or 2.0%, over FY 2021. In subsequent years the budgeted increase is 2%. Highlights for the upcoming year include:

**Water Operations – increase of \$3.1 million**  
Factors increasing the budget include Personnel Costs (\$1.0 million) due to the addition of eight positions with the largest number being in the job classification of apprenticeship as well as increases in medical plan fringe benefits; Chemicals (\$1.6 million) due to increased pricing since the last 3-year contract renewal; and, Utilities (\$0.5 million) based on historical trends.

**Wastewater Operations – decrease \$2.1 million**  
Factors increasing the budget include Personnel Costs (\$1.4 million) due to the addition of five positions in the apprenticeship program to support workforce development as well as increased medical benefit costs; Chemicals for water treatment was (\$1.0 million) based on expected pricing increase as contracts are renewed; and, Supplies & Other (\$1.7 million) for equipment and facilities maintenance.

Factors decreasing the budget include Utilities for Gas & Water (\$1.4 million) due to operational changes and equipment maintenance; decreased need for Unallocated reserve (\$2.0 million) due to stabilizing efforts in operations; decreased reliance

<sup>1</sup> Includes the Planning Services, Systems Operations Control, Facility and Fleet Operations; Field Service Operations; Energy, Research & Innovation; Information Technology; and Security & Integrity/HazMat.

on contractors (\$2.8 million) for skilled labor positions (focusing on direct hire) as well as the GLWA team assuming responsibility for an instrumentation maintenance contract thereby allowing the contract to be eliminated.

**Centralized Services<sup>1</sup> – increase \$2.5 million**  
Factors increasing the budget include Information Technology (\$2.6 million) which includes a loss of \$1.4 million in shared service reimbursements as well as \$1.2 million increase for the investment in ERP subscription services and 4 FTEs to manage increasing technology needs. Facility Operations (\$1.1 million) for contractual services which fluctuate depending on equipment repair needs.

Factors decreasing the budget include reducing the Unallocated Reserve (\$0.8 million) for all centralized services in total. The Planning Services Area decreased both their total staffing plan and FTEs to realign with future priorities (\$0.4 million).

**Administrative Services<sup>2</sup> – increase \$3.1 million**  
Factors increasing are Personnel Costs (\$1.6 million) in Financial Services with 7.75 FTEs for the expanded WRAP oversight, and expanded needs for a contract management team. The Administration & Compliance Officer Area is adding three positions to support organizational wellness and legal services; Supplies & Other (\$0.4 million) for the new warehouse; Contractual Services (\$1.0 million) for the projected increase in business insurance rates.

**Staffing & Personnel** – The staffing plan (number of positions) is at 1,240, an increase of 21 and full-time equivalents (FTEs) at 1,218.75, an increase of 19.25.

**Questions?** Contact the Office of the Chief Financial Officer at [cfo@glwater.org](mailto:cfo@glwater.org)

<sup>2</sup> Includes the Board of Directors, Chief Executive Officer, Chief Administrative & Compliance Officer, Risk Management & Safety, General Counsel, Public Affairs, Organizational Development, and Financial Services



## One Pager Series FY 2022 Water & Sewer Service Charges Proposed as of January 15, 2021

### FY 2022 Service Charges Highlights

On February 24, 2021, the GLWA Board of Directors will hold a Public Hearing for the proposed schedule of charges for the fiscal year beginning July 1, 2021. The Board deliberation and action will occur after receiving public input.

**Charges are Based on Four Key Elements.**

**1) Budget:** The costs for the daily operations and maintenance activities (such as the people, services, utilities, chemicals, and parts to operate plants and maintain the pipelines), 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".

**2) Capital Improvement Plan (CIP):** Annually the GLWA's engineers evaluate the physical improvement needs of the regional systems. Those 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. For the water system, this includes the amount of water purchased each year. For the sewer system, each member partner is assigned a percentage "share."

**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 the functional categories (such as purification for the water system or sludge disposal for the sewer system) and then allocated to the customer. The outcome is the charge calculation for each member partner.

**Questions?** Contact the Office of the Chief Financial Officer at [cfo@glwater.org](mailto:cfo@glwater.org)

### Proposed FY 2022 Water System Charges

The average system charge adjustment for water is a 2.0 percent increase. This is the result of 1) a proposed Water budget increase of 1.2 percent; 2) reduced investment earnings, creating the need for a one percent increase; and 3) an offset of 0.2 percent from increased estimated sales volumes. As a result of the 2019 Contract Alignment Process (CAP), the FY 2022 Units of Service changed for only 9 member partners. This has significantly improved charge stability among member communities. The proposed water charges reflect a uniform increase in common to all revenue requirements of 2.58 percent, with an average charge increase of 2.4 percent for the 79 member partners that did not have changes in contractual demand.

### Proposed FY 2022 Sewer System Charges

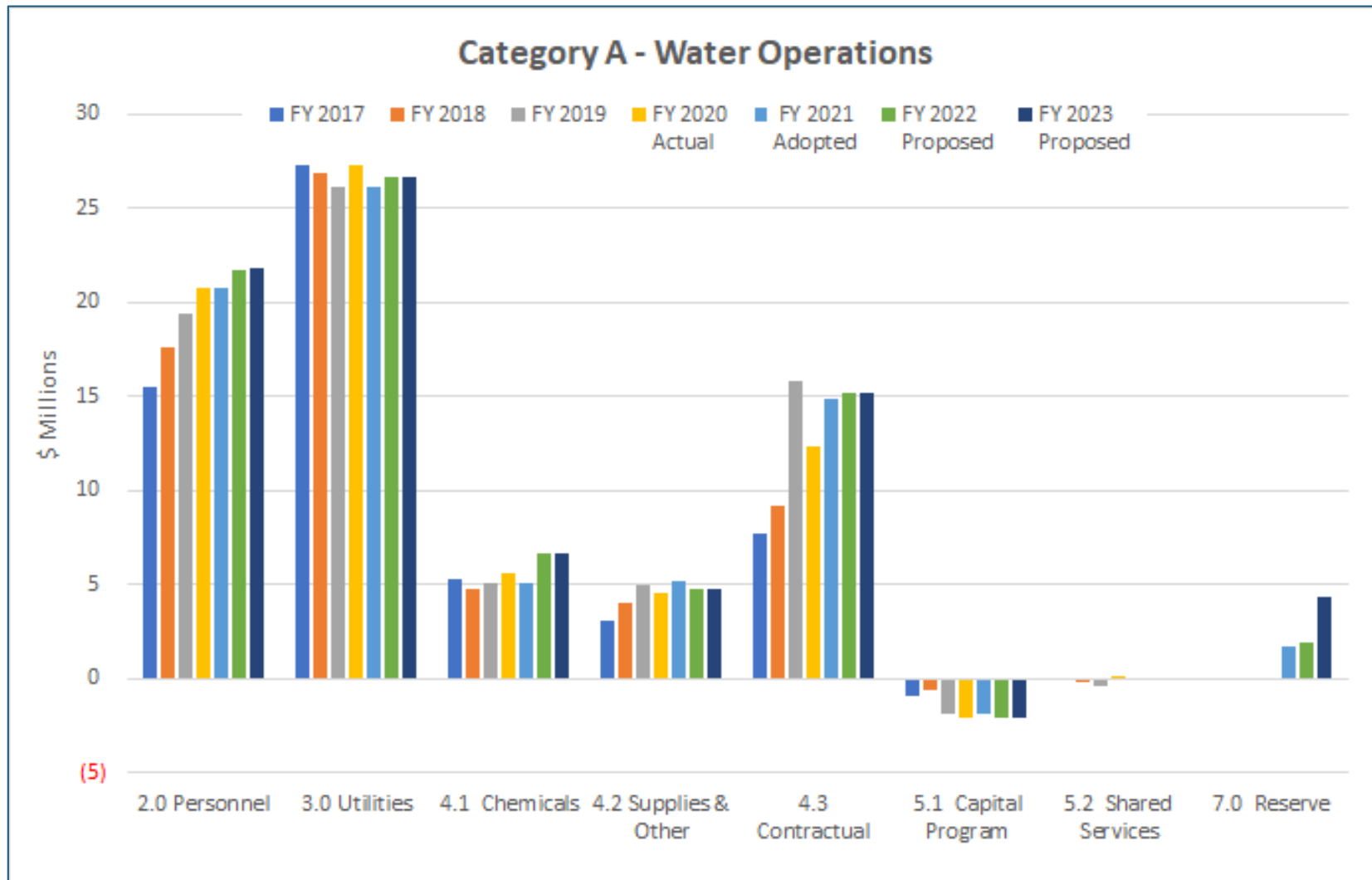
The recently updated Sewer Shares, which were collaboratively established through the Sewer Charges Workgroup, were included in the calculations for all member partners for the proposed FY 2022 charges. The average wholesale sewer charges reflect no change from the existing charges, with the entire system charge adjustment being at 0.2 percent decrease. This outcome is the result of a proposed FY 2022 Sewer budget decrease of 2.0 percent which was offset by 1) the loss of a one-time revenue source in the prior year and 2) reduced investment earnings.

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	2.0%	-0.2%
Five Year Average	1.9%	0.7%

## Category A – Water Operations



## Core Water Operations – FY 2017 to FY 2020 Actual plus FY 2021 Approved and Proposed FY 2022 & 2023 Budget



## Core Water Operations – FY 2017 to FY 2020 Actual plus FY 2021 Approved and Proposed FY 2022 & 2023 Budget

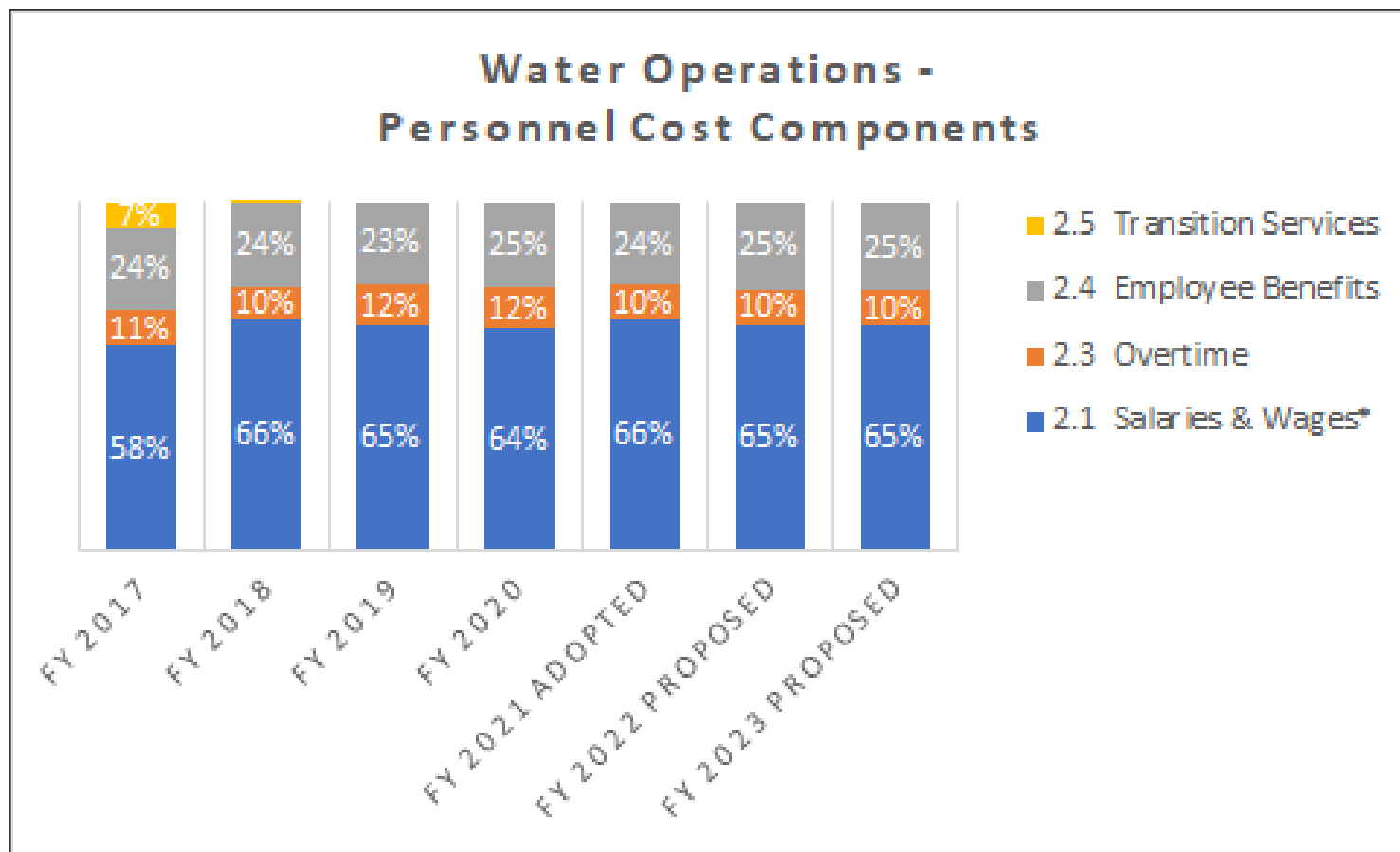
Expense Category	FY 2020 Actual	FY 2021 Adopted	FY 2022 Proposed	FY 2023 Proposed	Percent of FY 2022 Budget vs FY 2021 Budget	
					FY 2022 vs FY 2021 Budget	
2.0 Personnel	\$ 20,747,300	\$20,765,100	\$21,728,237	\$21,836,998	\$ 963,137	4.6%
3.0 Utilities	27,670,400	26,153,800	26,669,800	26,669,800	516,000	2.0%
4.1 Chemicals	5,569,400	5,053,900	6,662,600	6,662,600	1,608,700	31.8%
4.2 Supplies & Other	4,509,600	5,168,800	4,779,100	4,784,100	(389,700)	-7.5%
4.3 Contractual	12,365,700	14,900,700	15,222,300	15,227,300	321,600	2.2%
5.1 Capital Program	(2,030,200)	(1,805,200)	(2,047,833)	(2,057,135)	(242,633)	13.4%
5.2 Shared Services	57,600	0	0	0	0	0.0%
7.0 Reserve		1,729,300	1,962,296	4,346,537	232,996	13.5%
Total	\$ 68,889,800	\$71,966,400	\$74,976,500	\$77,470,200	\$ 3,010,100	4.2%

## Core Water Operations – Positions & FTEs Analysis

Water Operating Services Positions Added in FY 2022				
Change In Staffing Plan	Change In FTEs	Job Description	Budget (*)	Purpose of new position
4	4.00	Electrical Instrumentation Control Technician (EA)	\$ 348,000	Apprenticeship program
1	1.00	Management Professional	87,000	Manage global contracts
1	1.00	Management Professional	87,000	Manage the training and movement of apprentices throughout the 5 Water Treatment Plants
1	1.00	Maintenance Technician	87,000	Workload demand
1	1.00	Team Leader	87,000	Workload demand
<b>8</b>	<b>8.00</b>	<b>Total positions added in FY 2022</b>	<b>\$ 696,000</b>	
(*) Average - Includes Salaries & Wages, Overtime, Fringe Benefits)				



## Core Water System – Personnel Costs

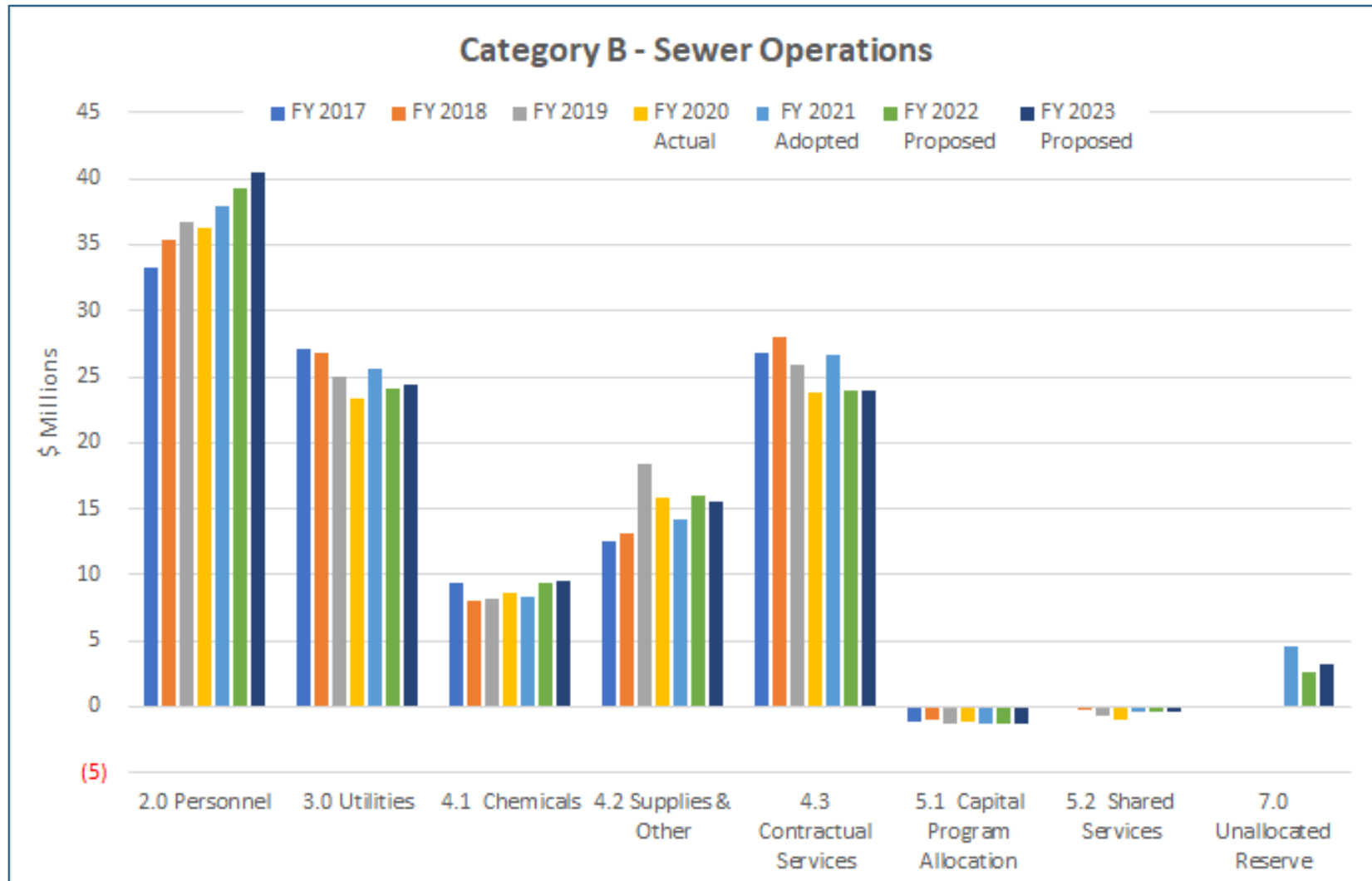


\*Salaries & Wages includes workforce development

## Category B – Wastewater Operations



## Core Wastewater Operations – FY 2017 to FY 2020 Actual & FY 2021 Adopted and Proposed FY 2022 & 2023 Budget



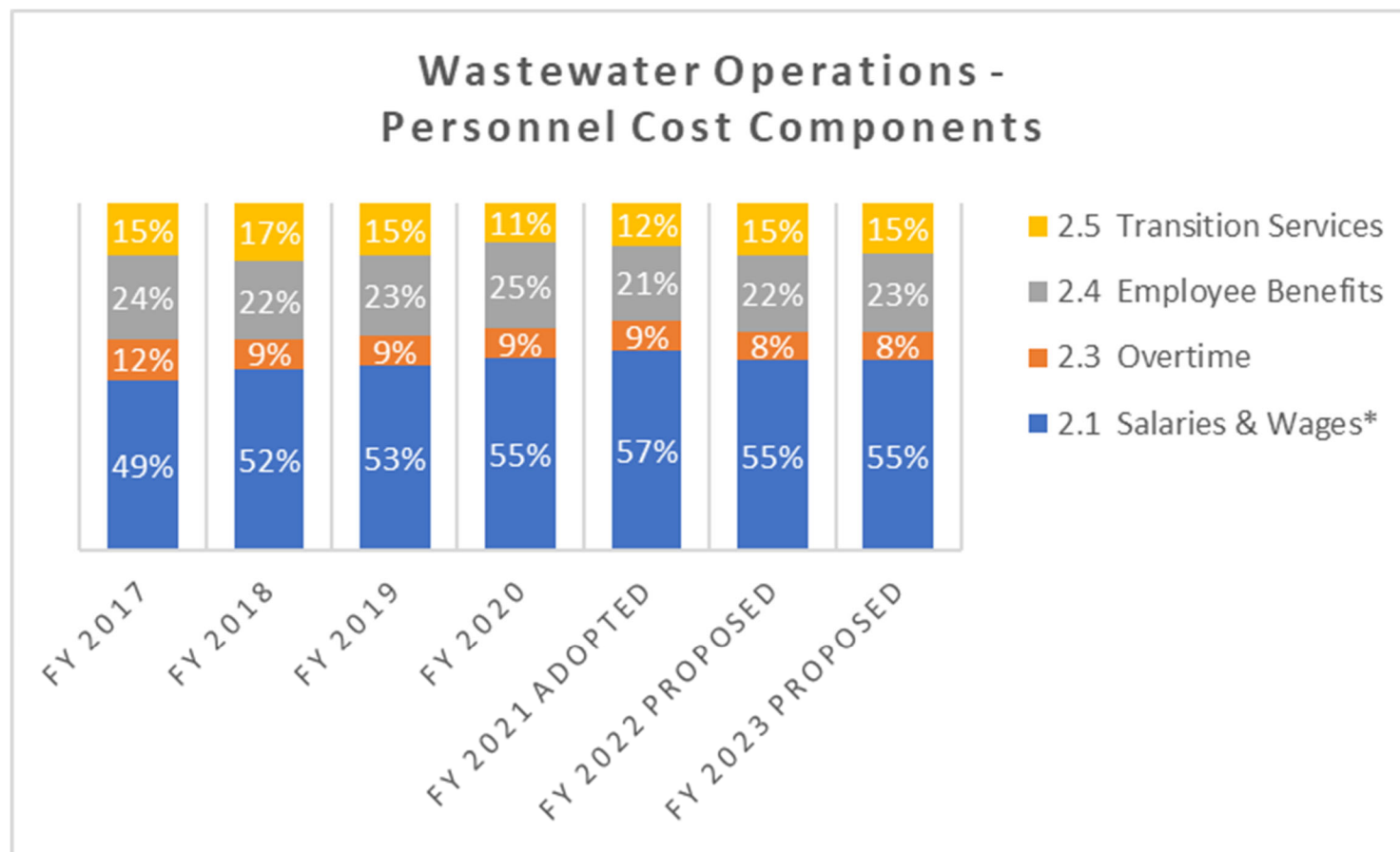
## Core Wastewater Operations – FY 2017 to FY 2020 Actual & FY 2021 Approved and Proposed FY 2022 & 2023 Budget

Expense Category							Percent of FY
	FY 2020 Actual	FY 2021 Adopted	FY 2022 Proposed	FY 2023 Proposed	FY 2022 vs FY 2021 Budget	vs FY 2021 Budget	2022 Budget vs FY 2021 Budget
2.0 Personnel	\$ 36,296,300	\$ 37,871,500	\$ 39,231,314	\$ 40,535,251	\$ 1,359,814		3.6%
3.0 Utilities	23,388,100	25,531,600	24,145,793	24,470,600	(1,385,807)		-5.4%
4.1 Chemicals	8,672,400	8,365,900	9,381,700	9,510,100	1,015,800		12.1%
4.2 Supplies & Other	15,908,900	14,241,900	15,968,536	15,604,076	1,726,636		12.1%
4.3 Contractual Services	23,737,200	26,725,600	23,893,638	23,985,278	(2,831,962)		-10.6%
5.1 Capital Program Allocation	(1,183,400)	(1,325,800)	(1,292,696)	(1,313,031)	33,104		-2.5%
5.2 Shared Services	(1,036,800)	(338,200)	(344,900)	(351,900)	(6,700)		2.0%
7.0 Unallocated Reserve		4,603,900	2,625,615	3,176,227	(1,978,285)		-43.0%
Total	\$ 105,782,700	\$ 115,676,400	\$ 113,609,000	\$ 115,616,600	\$ (2,067,400)		-1.8%

## Core Wastewater Operations – Personnel Analysis

Wastewater Operating Services Positions Added in FY 2022				
Change In Staffing Plan	Change In FTEs	Job Description	Budget (*)	Purpose of new position
5	5.00	Electrical Instrumentation Control Technician (EA)	\$ 435,000	Apprenticeship program
5	5.00	<b>Total positions added in FY 2022</b>	<b>\$ 435,000</b>	
(*) Average - Includes Salaries & Wages, Overtime, Fringe Benefits)				

## Core Wastewater System – Personnel Costs

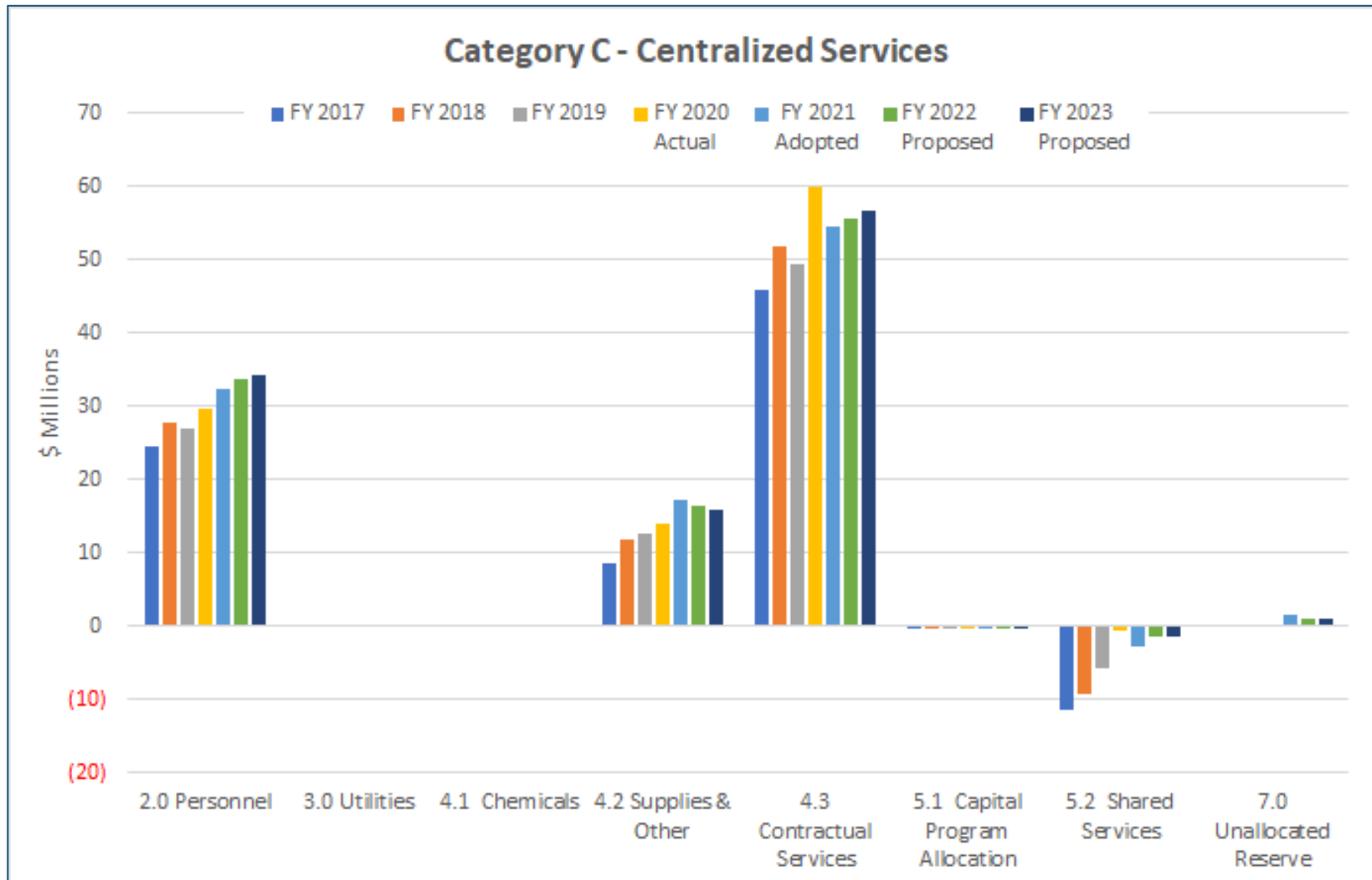


\*Salaries & Wages includes workforce development

## Category C – Centralized Operations



## Centralized Services – FY 2017 to FY 2020 Actual plus FY 2021 Adopted and Proposed FY 2022 & 2023 Budget





## Centralized Services – FY 2017 to FY 2020 Actual plus FY 2021 Approved and Proposed FY 2022 & 2023 Budget

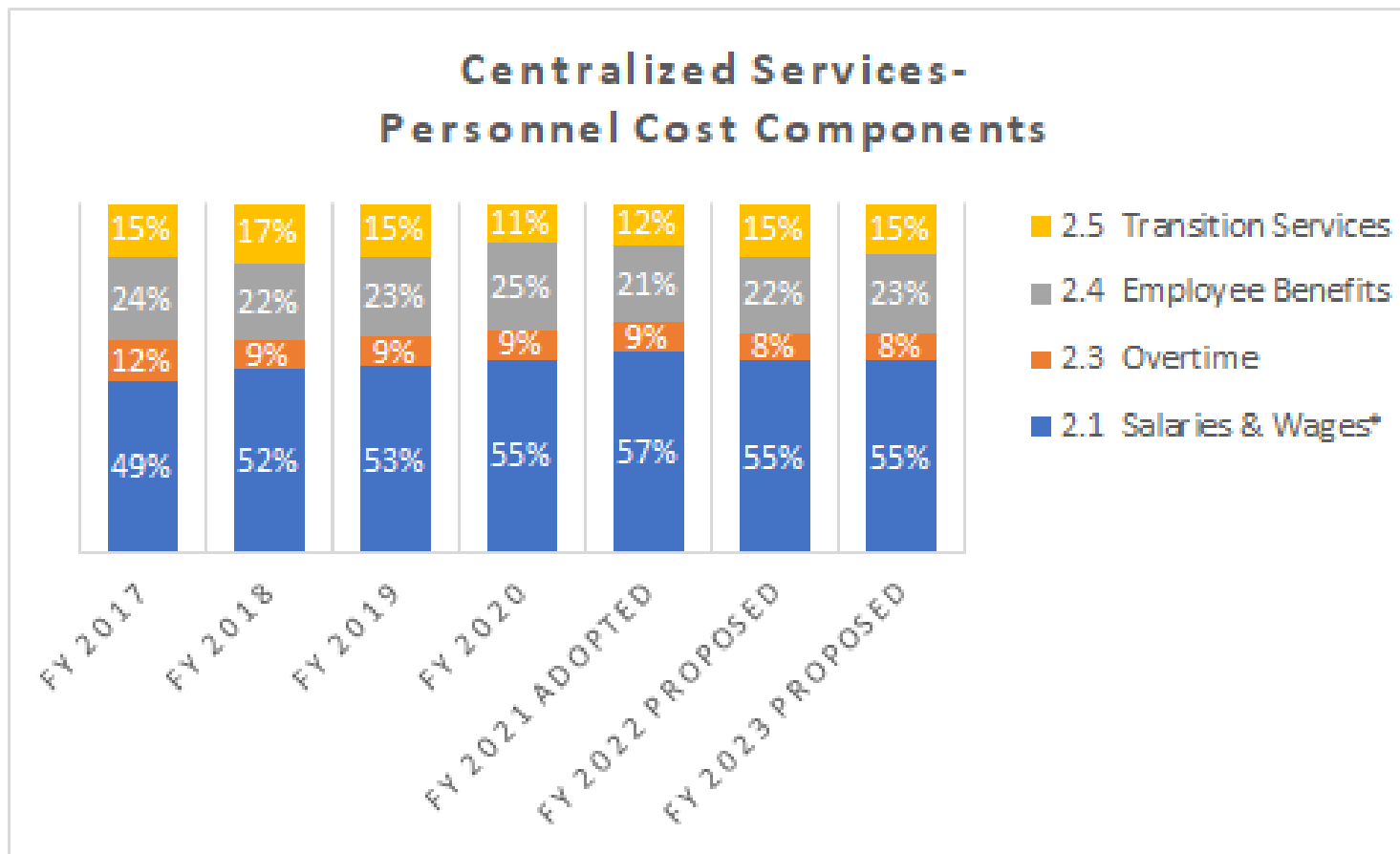
Expense Category	FY 2020 Actual	FY 2021 Adopted	FY 2022 Proposed	FY 2023 Proposed	FY 2022 vs FY 2021 Budget	Percent of FY 2022 Budget vs FY 2021 Budget
2.0 Personnel	\$ 29,530,300	\$ 32,276,800	\$ 33,668,120	\$ 34,185,513	\$ 1,391,320	4.3%
3.0 Utilities	65,900	156,800	152,550	152,850	(4,250)	-2.7%
4.1 Chemicals	-	-	-	-	-	0.0%
4.2 Supplies & Other	13,811,500	17,306,900	16,357,852	15,803,948	(949,048)	-5.5%
4.3 Contractual Services	59,977,500	54,381,700	55,676,914	56,656,019	1,295,214	2.4%
5.1 Capital Program Allocation	(96,500)	(231,800)	(100,254)	(100,663)	131,546	-56.7%
5.2 Shared Services	(589,400)	(2,806,300)	(1,378,900)	(1,406,300)	1,427,400	-50.9%
7.0 Unallocated Reserve	-	1,637,200	828,917	983,633	(808,283)	-49.4%
Total	\$ 102,699,300	\$ 102,721,300	\$ 105,205,200	\$ 106,275,000	\$ 2,483,900	2.4%

## Centralized Services – Personnel Analysis

Centralized Services Positions Added in FY 2022					
Operating Area	Change In Staffing Plan	Change In FTEs	Job Description	Budget (*)	Purpose of new position
Information Technology	3	3.00	Applications Analyst	\$ 261,000	Support new applicatoins being launched (EAM & ERP)
Information Technology	1	0.50	Intern	43,500	Support new applicatoins being launched (EAM & ERP)
Systems Operations Control	1	1.00	Electrical Instrumentation Control Technician (IA)	87,000	Apprenticeship program
Fleet Operations	1	1.00	Manager	87,000	Fleet Operations
Field Service Operations	1	1.00	Inspector	87,000	Inspector Position Ramp up as Miss Dig shared service is ramped down.
Field Service Operations	1	1.00	Electrical Instrumentation Control Technician ( E)	87,000	Originally requested, subsequently to be removed (reclass to unallocated reserves)
Field Service Operations	1	1.00	Management Professional	87,000	Workload demand
Field Service Operations	4	4.00	Electrical Instrumentation Control Technician (EA)	348,000	Apprenticeship program
Energy, Research & Innovation	1	1.00	Manager	87,000	Power Quality Manager
<b>Total positions added in FY 2022</b>	<b>14</b>	<b>13.50</b>		<b>\$ 1,174,500</b>	
<b>Positions Eliminated in FY 2022</b>					
Planning Services	-1	-1.00	Office Support Specialist	\$ (87,000)	
Planning Services	-4	-2.00	Management Professional	(174,000)	
Planning Services	-4	-0.75	Engineer	(65,250)	
Planning Services	-2	-1.00	Intern	(87,000)	
Planning Services	-2	-2.00	Electrical Instrumentation Control Technician (IA)	(174,000)	
Planning Services	-2	-0.25	Applications Analyst	(21,750)	
Planning Services	-1	-1.00	Manager	(87,000)	
<b>Total positions eliminated in FY 2022</b>	<b>-16</b>	<b>-8.00</b>		<b>\$ (696,000)</b>	
<b>Total FY 2022 change</b>	<b>-2</b>	<b>5.50</b>			

(\*) Average - Includes Salaries & Wages, Overtime, Fringe Benefits)

## Centralized Services – Personnel Costs

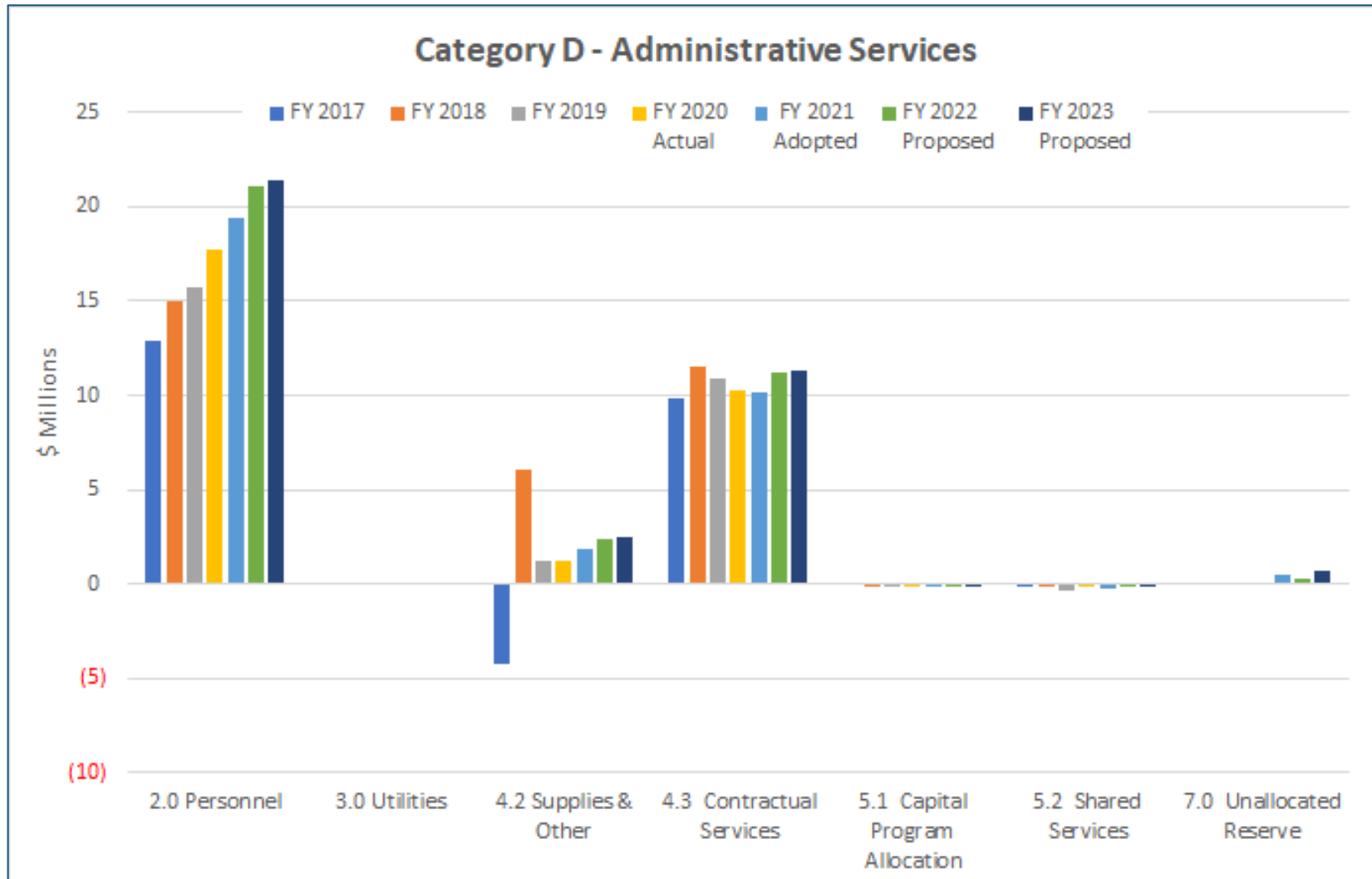


\*Salaries & Wages includes workforce development

## Category D – Administrative Services



## Administrative Services – FY 2017 to FY 2020 Actual plus FY 2021 Approved and Proposed FY 2022 & 2023 Budget



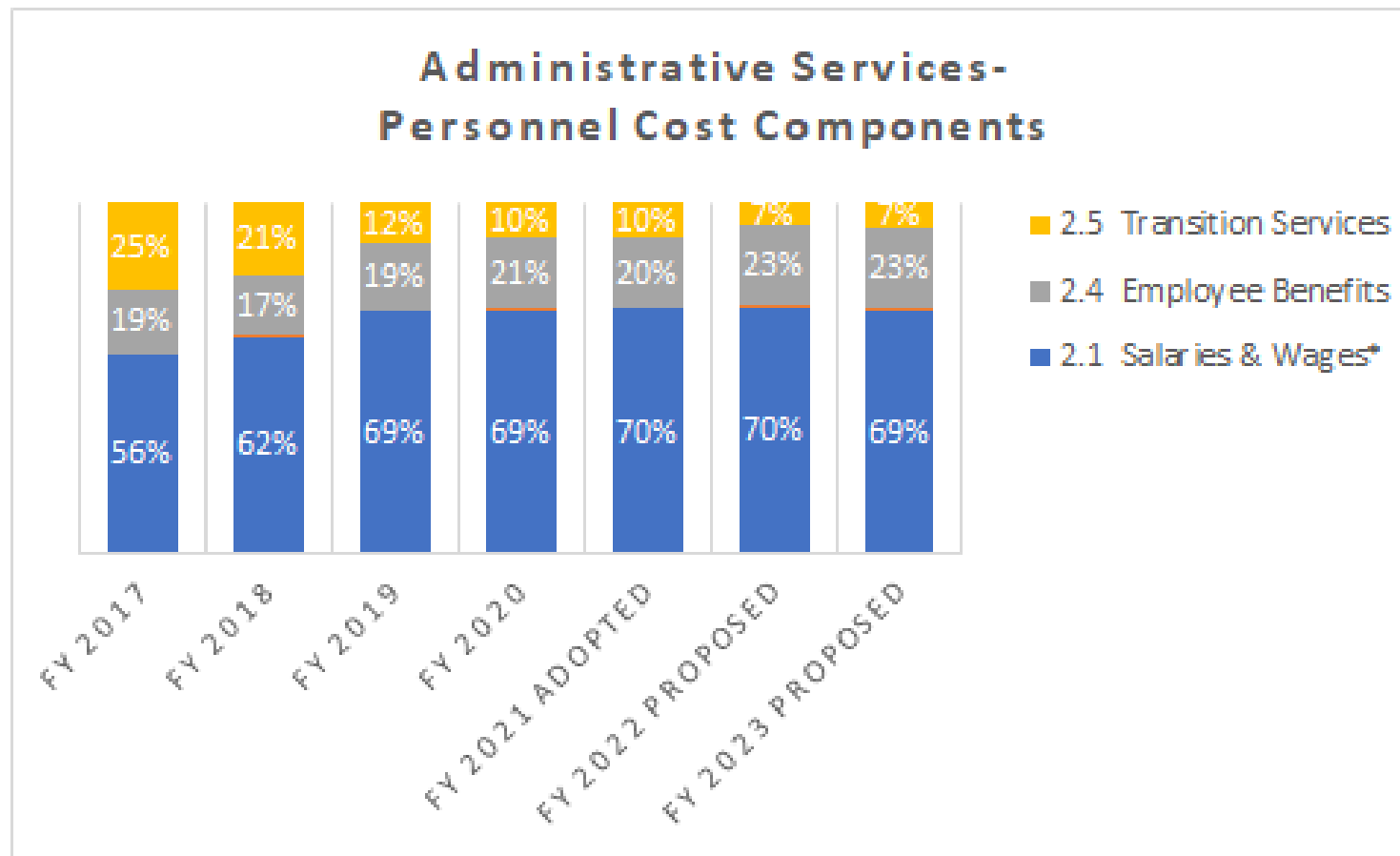
## Administrative Services – FY 2017 to FY 2020 Actual plus FY 2021 Approved and Proposed FY 2022 & 2023 Budget

Expense Category	FY 2020 Actual	FY 2021 Adopted	FY 2022 Proposed	FY 2023 Proposed	FY 2022 vs FY 2021 Budget	Percent of FY 2022 Budget vs FY 2021 Budget
2.0 Personnel	\$ 17,692,500	\$ 19,419,700	\$ 21,057,701	\$ 21,429,718	\$ 1,638,001	8.4%
3.0 Utilities	28,300	94,800	92,038	93,879	(2,762)	-2.9%
4.2 Supplies & Other	1,172,400	1,903,200	2,331,450	2,521,741	428,250	22.5%
4.3 Contractual Services	10,291,300	10,146,600	11,250,971	11,280,832	1,104,371	10.9%
5.1 Capital Program Allocation	(37,100)	(84,900)	(30,164)	(30,303)	54,736	-64.5%
5.2 Shared Services	(165,100)	(268,400)	(168,700)	(169,100)	99,700	-37.1%
7.0 Unallocated Reserve	-	498,300	270,004	675,733	(228,296)	-45.8%
Total	\$ 28,982,300	\$ 31,709,300	\$ 34,803,300	\$ 35,802,500	\$ 3,094,000	9.8%

# Administrative Services – Personnel Analysis

Administrative Services Positions Added in FY 2022					
Operating Area	Change In Staffing Plan	Change In FTEs	Job Description	Budget (*)	Purpose of new position
Financial Services	1	1.00	Professional Administrative Analyst	\$ 87,000	Contract Management
Financial Services	1	1.00	Professional Administrative Analyst	87,000	Administrative Support and WRAP Support
Financial Services	1	1.00	Professional Administrative Analyst	87,000	Business Inclusion & Diversity Program
Financial Services	1	1.00	Management Professional	87,000	Project Management
Financial Services	1	1.00	Management Professional	87,000	Accounting Supervisor
Financial Services	1	1.00	Management Professional	87,000	Contract Management
Financial Services	1	1.00	Management Professional	87,000	Reporting and analysis
Financial Services	1	1.00	Management Professional	87,000	WRAP
Financial Services	1	1.00	Management Professional	87,000	Business Inclusion & Diversity Program
Financial Services	1	1.00	Manager	87,000	Contract Management
Financial Services	1	1.00	Manager	87,000	Workload demand
Financial Services	1	1.00	Procurement Specialist	87,000	Business Inclusion & Diversity Program
Administrative & Compliance Services	1	1.00	Associate General Counsel	87,000	To handle more legal matters in house
Administrative & Compliance Services	2	2.00	Office Support Specialist	174,000	Implementation & administratin of health and welfare plans and wellness initiatives
<b>Total positions added in FY 2022</b>	<b>15</b>	<b>15.00</b>		<b>\$ 1,305,000</b>	
<b>Positions Eliminated in FY 2022</b>					
Financial Services	-1	-0.50	Security Training Coord./Investigator - Part Time	\$ (43,500)	
Financial Services	-2	-2.00	Office Support Specialist	(174,000)	
Financial Services	-1	-1.00	Management Professional	(87,000)	
Chief Executive Officer	-1	-0.25	Office Support Specialist	(21,750)	
<b>Total positions eliminated in FY 2022</b>	<b>-5</b>	<b>-3.75</b>		<b>\$ (326,250)</b>	
<b>Total FY 2022 change</b>	<b>10</b>	<b>11.25</b>			
(*) Average - Includes Salaries & Wages, Overtime, Fringe Benefits)					

## Administrative Services – Personnel Costs



\*Salaries & Wages includes workforce development



## Next Steps



# Financial Plan Schedule

- **11/10/2019** - Capital Improvement Programs (Rollout #1)
- **11/19/2020** - Preliminary Units of Service (Rollout #2)
- **12/18/2020** – Audit Committee (receives long-term forecast; budget discussion draft; charges strategy)
- **1/7/2021** – Preliminary Proposed FY 2022 Budget and Financial Plan and Preliminary Charges (Rollout #3)
- **1/15/2021** – Audit Committee – Budget Review Session #1
- **1/21/2021** – Follow Up Review Session (Rollout #4)
- ➔ • **1/22/2021** - Audit Committee – Budget Review Session #1
- **1/27/2021** – Board Briefing - Budget, Charges, Financial Plan
- **2/24/2021** – GLWA Public Hearing; Board action follows on or after this date after Public Hearing conducted
- **7/1/2021** – Effective Date for Charges





## Financial Services Audit Committee Communication

**Date:** January 22, 2021

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

**From:** Jon Wheatley, Public Finance Manager

**Re:** Update: Proposed FY 2022 Water and Sewer Service Charges

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

**Analysis:** GLWA staff presented the proposed FY 2022 and 2023 Biennial Budget and five-year financial plan for FY 2022 to 2026 to the Audit Committee at its meeting on December 18, 2020 and again on January 15, 2021.

Since the last Audit Committee meeting, GLWA and The Foster Group held one-on-one meeting with thirteen member partners to review their water and/or sewer charge sheets and to answer additional questions related to their service. These meetings were offered through GLWA Member Outreach with scheduled time slots made available on a first come, first service basis.

GLWA also held the Charges Rollout Meeting #4 on January 21, 2021 with the member partners. This meeting focused on the proposed FY 2022 water and sewer budgets as well as a recap of the proposed FY 2022 water and sewer service charges based on the updated cost of service study presented to the Audit Committee at its January 15<sup>th</sup> meeting. The presentation also included a summary of the most common questions encountered during the one-on-one meetings with the member partners.

A copy of the presentation given at the Rollout Meeting #4 is included with this memo. This presentation is also available on the GLWA Member Outreach Portal.

In addition to the refinements made to the proposed water charges to some of the member partners discussed in the updated study, there was an additional refinement made to a single member partner's proposed charges based on a change in contractual demands. The summary of the change in proposed charges as prepared by The Foster Group is included with this memo.

A Public Hearing is scheduled to be held for the FY 2022 water service charges and sewer service charges on February 24, 2021 and will be held open until the FY 2022 charges are approved by the Board. Once approved, the water and sewer charges are anticipated to take effect on July 1, 2021.

**Budget Impact:** The proposed FY 2022 Schedule of Water Service Charges and Sewer Service Charges produces the necessary revenues to fund the proposed FY 2022 Water System and Sewer System Budget.

**Proposed Action:** Receive and file this communication.

**T F G**  
**THE FOSTER GROUP**

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LEAWOOD, KS 66209  
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**THE FOSTER GROUP, LLC**  
BART FOSTER, PRESIDENT  
CELL: (913) 530-6240  
BFOSTER@FOSTERGROUPLLC.COM

MEMORANDUM

Final Proposed FY 2022 Service Charge Adjustment

January 21, 2021

To: Sue McCormick, Nicolette Bateson

From: Bart Foster

After finalizing the FY 2022 Water Charge proposals, we became aware that, upon review, the City of Northville had requested an adjustment to Maximum Day and Peak Hour demand figures used in the original Cost of Service and Charges Study. The specifics of the request are dealt with under separate correspondence and we'll not elaborate in detail. In summary, it is our understanding that:

- Northville's demands used in the original FY 2022 Water Charge calculations were set as a result of a corrective action plan to address past contract exceedances;
- The reported demands for the summer of 2020 indicate that the corrective action plans have been successful, as they were significantly reduced;
- The GLWA Water contract negotiation team believes it is appropriate to recalculate the proposed FY 2022 Water Charges for Northville based on the original contract demands.

Based on this understanding, we have prepared revised calculations of proposed FY 2022 Water Charges for Northville under the original contract demands, prior to the increases related to the corrective action plans. The effect of the revised calculations is to lower Northville's allocated revenue requirements (and accompanying proposed Water charges) by approximately \$123,000. We have prepared these calculations in a manner that does not increase charges to any other Member Partner(s). As a result, the overall revenue from FY 2022 Water charges is approximately \$123,000 lower than included in the original charge proposals. Coupled with the approximate \$54,000 adjustment documented in our 1/12/2021 memorandum, this creates a negative revenue variance of approximately \$177,000 compared to the original proposals. The resulting final charge proposals are set forth in the accompanying exhibit.

We are prepared to discuss this matter at your convenience.



## Comparison of Original and Final Proposed FY 2022 Water Charges

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	<i>Original Proposals - 12/30/20</i>			<i>Final Proposals - 1/21/21</i>			<i>Variance</i>			
	Fixed Monthly	Commodity	Projected Revenue	Fixed Monthly	Commodity	Projected Revenue	Fixed Monthly	Commodity	Projected Revenue	% Variance
1 Allen Park	126,900	7.85	2,537,800	126,800	7.85	2,536,600	(100)	-	(1,200)	-0.05%
2 Almont Village	12,600	10.63	252,200	12,600	10.63	252,200	-	-	-	-
3 Ash Township	44,000	8.31	880,300	44,000	8.31	880,300	-	-	-	-
4 Belleville	16,600	9.82	332,800	16,600	9.82	332,800	-	-	-	-
5 Berlin Township	38,500	11.59	770,300	38,500	11.59	770,300	-	-	-	-
6 Brownstown Township	191,300	11.13	3,826,000	191,300	11.12	3,824,600	-	(0.01)	(1,400)	-0.04%
7 Bruce Twp	16,700	61.65	334,800	16,700	61.65	334,800	-	-	-	-
8 Canton Township	541,900	12.40	10,836,600	541,800	12.40	10,835,400	(100)	-	(1,200)	-0.01%
9 Center Line	24,600	6.34	493,000	24,600	6.34	493,000	-	-	-	-
10 Chesterfield Township	224,600	10.45	4,491,600	224,600	10.45	4,491,600	-	-	-	-
11 Clinton Township	400,400	7.95	8,009,400	400,300	7.95	8,008,200	(100)	-	(1,200)	-0.01%
12 Commerce Township	188,400	14.77	3,767,300	188,400	14.77	3,767,300	-	-	-	-
13 Dearborn	540,000	7.24	10,797,200	540,000	7.24	10,797,200	-	-	-	-
14 Dearborn Heights	194,000	7.87	3,881,500	194,000	7.86	3,879,600	-	(0.01)	(1,900)	-0.05%
15 Eastpointe	82,300	6.33	1,645,900	82,300	6.33	1,645,900	-	-	-	-
16 Ecorse	79,700	4.50	1,594,500	79,700	4.49	1,593,100	-	(0.01)	(1,400)	-0.09%
17 Farmington	53,200	9.56	1,064,800	53,200	9.55	1,064,300	-	(0.01)	(500)	-0.05%
18 Farmington Hills	467,400	10.60	9,346,400	467,300	10.60	9,345,200	(100)	-	(1,200)	-0.01%
19 Ferndale	54,300	6.22	1,085,800	54,300	6.22	1,085,800	-	-	-	-
20 Flat Rock	70,200	9.82	1,404,100	70,200	9.81	1,403,500	-	(0.01)	(600)	-0.04%
21 Flint	12,100	9.47	4,678,500	12,000	9.47	4,677,300	(100)	-	(1,200)	-0.03%
22 Fraser	64,600	8.74	1,291,700	64,600	8.73	1,291,100	-	(0.01)	(600)	-0.05%
23 Garden City	88,400	8.74	1,767,900	88,400	8.74	1,767,900	-	-	-	-
24 Gibraltar	17,600	8.63	351,900	17,600	8.63	351,900	-	-	-	-
25 Grosse Ile Township	58,100	12.11	1,161,000	58,100	12.11	1,161,000	-	-	-	-
26 Grosse Pt. Park	78,500	11.31	1,570,800	78,500	11.31	1,570,800	-	-	-	-
27 Grosse Pt. Shores	34,900	13.82	698,000	34,900	13.81	697,800	-	(0.01)	(200)	-0.03%
28 Grosse Pt. Woods	67,900	7.52	1,357,700	67,900	7.52	1,357,700	-	-	-	-
29 Hamtramck	42,300	5.45	846,600	42,300	5.45	846,600	-	-	-	-
30 Harper Woods	42,600	7.16	852,000	42,600	7.16	852,000	-	-	-	-
31 Harrison Township	85,300	7.24	1,707,100	85,300	7.24	1,707,100	-	-	-	-
32 Hazel Park	39,000	6.16	779,100	39,000	6.16	779,100	-	-	-	-
33 Highland Park	61,300	4.65	1,227,100	61,300	4.64	1,227,100	-	(0.01)	-	-
34 Huron Township	77,800	10.34	1,557,100	77,800	10.33	1,556,500	-	(0.01)	(600)	-0.04%
35 Imlay City	77,500	13.55	1,549,200	77,500	13.54	1,548,800	-	(0.01)	(400)	-0.03%
36 Imlay Twp	800	43.13	16,500	800	43.13	16,500	-	-	-	-
37 Inkster	65,300	5.59	1,306,800	65,300	5.59	1,306,800	-	-	-	-
38 Keego Harbor	15,800	12.74	315,700	15,800	12.74	315,700	-	-	-	-
39 Lapeer	80,900	12.43	1,618,400	80,900	12.42	1,617,900	-	(0.01)	(500)	-0.03%
40 Lenox Township	15,700	8.42	313,900	15,700	8.41	313,700	-	(0.01)	(200)	-0.06%
41 Lincoln Park	121,400	6.06	2,427,600	121,400	6.06	2,427,600	-	-	-	-
42 Livonia	609,400	10.15	12,187,800	609,300	10.15	12,186,600	(100)	-	(1,200)	-0.01%
43 Macomb Township	671,700	16.29	13,432,800	671,600	16.29	13,431,600	(100)	-	(1,200)	-0.01%
44 Madison Heights	98,300	7.38	1,966,300	98,300	7.38	1,966,300	-	-	-	-
45 Mayfield Twp	2,500	24.81	49,600	2,500	24.81	49,600	-	-	-	-
46 Melvindale	34,300	6.42	685,100	34,300	6.42	685,100	-	-	-	-
47 New Haven, Village of	22,200	6.99	444,600	22,200	6.99	444,600	-	-	-	-
48 N O C W A	1,172,400	10.45	23,451,900	1,172,300	10.44	23,441,700	(100)	(0.01)	(10,200)	-0.04%
49 Northville	46,900	12.12	938,500	40,800	10.50	815,100	(6,100)	(1.62)	(123,400)	-13.15%
50 Northville Township	300,400	17.06	6,006,800	300,300	17.06	6,005,600	(100)	-	(1,200)	-0.02%
51 Novi	478,000	13.08	9,560,600	477,900	13.08	9,559,400	(100)	-	(1,200)	-0.01%
52 Oak Park	74,000	6.10	1,479,700	74,000	6.10	1,479,700	-	-	-	-
53 Oakland Co. Drain Comm.	4,300	3.53	85,800	4,300	3.53	85,800	-	-	-	-
54 Plymouth	57,200	10.38	1,144,200	57,200	10.38	1,144,200	-	-	-	-
55 Plymouth Township	234,900	11.61	4,698,500	234,900	11.61	4,698,500	-	-	-	-
56 Redford Township	167,700	8.35	3,352,600	167,600	8.35	3,352,600	(100)	-	-	-

TFG

## Comparison of Original and Final Proposed FY 2022 Water Charges

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	<i>Original Proposals - 12/30/20</i>			<i>Final Proposals - 1/21/21</i>			<i>Variance</i>			
	Fixed Monthly	Commodity	Projected Revenue	Fixed Monthly	Commodity	Projected Revenue	Fixed Monthly	Commodity	Projected Revenue	% Variance
57 River Rouge	36,000	7.62	720,800	36,000	7.61	720,400	-	(0.01)	(400)	-0.06%
58 Riverview	47,100	7.75	941,100	47,100	7.75	941,100	-	-	-	-
59 Rockwood	14,700	11.90	294,200	14,700	11.90	294,200	-	-	-	-
60 Romeo	13,600	18.10	271,800	13,600	18.10	271,800	-	-	-	-
61 Romulus	225,000	8.24	4,500,400	225,000	8.24	4,500,400	-	-	-	-
62 Roseville	142,700	6.01	2,853,700	142,700	6.01	2,853,700	-	-	-	-
63 Royal Oak Township	10,500	7.61	209,700	10,500	7.60	209,600	-	(0.01)	(100)	-0.05%
64 S O C W A	1,219,800	7.78	24,399,900	1,219,700	7.78	24,398,700	(100)	-	(1,200)	-0.00%
65 Shelby Township	753,700	14.92	15,073,600	753,700	14.92	15,073,600	-	-	-	-
66 South Rockwood	6,100	10.26	121,400	6,100	10.26	121,400	-	-	-	-
67 Southgate	116,700	8.16	2,334,700	116,700	8.15	2,333,600	-	(0.01)	(1,100)	-0.05%
68 St. Clair County-Burchville	17,800	18.21	355,600	17,800	18.21	355,600	-	-	-	-
69 St. Clair County-Greenwood	49,600	19.23	991,300	49,600	19.23	991,300	-	-	-	-
70 St. Clair Shores	162,400	6.83	3,247,900	162,300	6.83	3,246,700	(100)	-	(1,200)	-0.04%
71 Sterling Heights	807,400	11.18	16,149,700	807,300	11.18	16,148,500	(100)	-	(1,200)	-0.01%
72 Sumpter Township	35,800	9.68	715,200	35,800	9.67	714,900	-	(0.01)	(300)	-0.04%
73 Sylvan Lake	12,400	15.44	247,600	12,400	15.44	247,600	-	-	-	-
74 Taylor	245,700	7.48	4,912,600	245,600	7.48	4,911,400	(100)	-	(1,200)	-0.02%
75 Trenton	89,500	8.21	1,789,100	89,400	8.21	1,788,800	(100)	-	(300)	-0.02%
76 Troy	724,800	12.25	14,498,000	724,700	12.24	14,492,000	(100)	(0.01)	(6,000)	-0.04%
77 Utica	30,100	9.77	602,500	30,100	9.77	602,500	-	-	-	-
78 Van Buren Township	184,400	11.14	3,687,700	184,400	11.14	3,687,700	-	-	-	-
79 Walled Lake	42,300	11.05	846,800	42,300	11.04	846,500	-	(0.01)	(300)	-0.04%
80 Warren	547,200	6.97	10,945,000	547,100	6.97	10,943,800	(100)	-	(1,200)	-0.01%
81 Washington Township	122,100	12.42	2,442,700	122,100	12.42	2,442,700	-	-	-	-
82 Wayne	169,300	13.01	3,385,900	169,300	13.01	3,385,900	-	-	-	-
83 West Bloomfield Township	553,000	16.58	11,059,500	552,900	16.58	11,058,300	(100)	-	(1,200)	-0.01%
84 Westland	328,700	8.02	6,575,800	328,700	8.01	6,572,500	-	(0.01)	(3,300)	-0.05%
85 Wixom	131,000	14.00	2,620,600	131,000	13.99	2,619,900	-	(0.01)	(700)	-0.03%
86 Woodhaven	88,400	12.27	1,768,800	88,400	12.27	1,768,800	-	-	-	-
87 Ypsilanti Comm Util Auth	549,900	9.07	11,000,500	549,900	9.06	10,995,600	-	(0.01)	(4,900)	-0.04%
88 Total Suburban	15,967,300		323,795,800	15,959,300		323,618,500	(8,000)		(177,300)	-0.05%
89 Detroit	1,817,900	0.0%	21,814,600	1,817,900	0.0%	21,814,600	-	0.0%	-	-
90 GRAND TOTAL	17,785,200		345,610,400	17,777,200		345,433,100	(8,000)		(177,300)	-0.05%
Mods			54,686,500			54,563,100			(123,400)	-0.23%
No Mods			290,923,900			290,870,000			(53,900)	-0.02%



# Charges Roll Out #4: FY 2022 & FY 2023 Biennial Budget and Five-Year Plan

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*Executive Summary Presentation*

*January 21, 2021*



## Meeting Agenda

1. Big Picture Review of Biennial Budget
2. Operating Area Review of Biennial Budget and Five Year Plan
3. Global Q&A
4. Water Charges Q&A
  - A. Review of Rollout Meeting #3 Key Messages
  - B. Minor Updates to Cost of Service Study
  - C. Themes from Individual Member Partner Meetings
5. Sewer of Charges Q&A
  - A. Review of Rollout Meeting #3 Key Messages
  - B. Themes from Individual Member Partner Meetings
6. Next Steps

# Charge Season Schedule

This is the third formal “charge rollout” meeting for the FY 2022 Budget and Charges

- **11/10/2019** - Capital Improvement Programs (Rollout #1)
- **11/19/2020** - Preliminary Units of Service (Rollout #2)
- **1/7/2021** – Preliminary Proposed FY 2022 Budget and Financial Plan and Preliminary Charges (Rollout #3)
- **1/15/2021** – Audit Committee
- ➔ • **1/21/2021** – Comprehensive Follow Up Review Session (Rollout #4)
- **2/24/2021** – GLWA Public Hearing
- **7/1/2021** – Effective Date for Charges

# One Pager Series Now Available for FY 2022 – Operations & Maintenance Budget and Charges



## One Pager Series Biennial Budget & Five-Year Financial Plan Operations & Maintenance Budget FY 2022 through FY 2026 Proposed as of January 15, 2021

The GLWA "revenue requirement budget" is the basis for establishing the annual charges for services. Nearly 52.5% of the FY 2022 budget of \$823 million are legal commitments such as debt service (42%), lease payment (6%), Water Residential Assistance Program (WRAP) (0.5%) and legacy liabilities (4%). Capital funding reserve for replacement is 7.5% of the total budget. The Operations & Maintenance (O&M) expense represents \$329 million, or 40%, of the total requirement and is the focus of this One Pager. O&M represents an increase of \$6.5 million, or 2.0%, over FY 2021. In subsequent years the budgeted increase is 2%. Highlights for the upcoming year include:

**Water Operations – increase of \$3.1 million**  
Factors increasing the budget include Personnel Costs (\$1.0 million) due to the addition of eight positions with the largest number being in the job classification of apprenticeship as well as increases in medical plan fringe benefits; Chemicals (\$1.6 million) due to increased pricing since the last 3-year contract renewal; and, Utilities (\$0.5 million) based on historical trends.

**Wastewater Operations – decrease \$2.1 million**  
Factors increasing the budget include Personnel Costs (\$1.4 million) due to the addition of five positions in the apprenticeship program to support workforce development as well as increased medical benefit costs; Chemicals for water treatment was (\$1.0 million) based on expected pricing increase as contracts are renewed; and, Supplies & Other (\$1.7 million) for equipment and facilities maintenance.

Factors decreasing the budget include Utilities for Gas & Water (\$1.4 million) due to operational changes and equipment maintenance; decreased need for Unallocated reserve (\$2.0 million) due to stabilizing efforts in operations; decreased reliance

<sup>1</sup> Includes the Planning Services, Systems Operations Control, Facility and Fleet Operations; Field Service Operations; Energy, Research & Innovation; Information Technology; and Security & Integrity/HazMat.

on contractors (\$2.8 million) for skilled labor positions (focusing on direct hire) as well as the GLWA team assuming responsibility for an instrumentation maintenance contract thereby allowing the contract to be eliminated.

**Centralized Services<sup>1</sup> – increase \$2.5 million**  
Factors increasing the budget include Information Technology (\$2.6 million) which includes a loss of \$1.4 million in shared service reimbursements as well as \$1.2 million increase for the investment in ERP subscription services and 4 FTEs to manage increasing technology needs. Facility Operations (\$1.1 million) for contractual services which fluctuate depending on equipment repair needs.

Factors decreasing the budget include reducing the Unallocated Reserve (\$0.8 million) for all centralized services in total. The Planning Services Area decreased both their total staffing plan and FTEs to realign with future priorities (\$0.4 million).

**Administrative Services<sup>2</sup> – increase \$3.1 million**  
Factors increasing are Personnel Costs (\$1.6 million) in Financial Services with 7.75 FTEs for the expanded WRAP oversight, and expanded needs for a contract management team. The Administration & Compliance Officer Area is adding three positions to support organizational wellness and legal services; Supplies & Other (\$0.4 million) for the new warehouse; Contractual Services (\$1.0 million) for the projected increase in business insurance rates.

**Staffing & Personnel** – The staffing plan (number of positions) is at 1,240, an increase of 21 and full-time equivalents (FTEs) at 1,218.75, an increase of 19.25.

**Questions?** Contact the Office of the Chief Financial Officer at [cfo@glwater.org](mailto:cfo@glwater.org)

<sup>2</sup> Includes the Board of Directors, Chief Executive Officer, Chief Administrative & Compliance Officer, Risk Management & Safety, General Counsel, Public Affairs, Organizational Development, and Financial Services



## One Pager Series FY 2022 Water & Sewer Service Charges Proposed as of January 15, 2021

### FY 2022 Service Charges Highlights

On February 24, 2021, the GLWA Board of Directors will hold a Public Hearing for the proposed schedule of charges for the fiscal year beginning July 1, 2021. The Board deliberation and action will occur after receiving public input.

**Charges are Based on Four Key Elements.**

**1) Budget:** The costs for the daily operations and maintenance activities (such as the people, services, utilities, chemicals, and parts to operate plants and maintain the pipelines), 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".

**2) Capital Improvement Plan (CIP):** Annually the GLWA's engineers evaluate the physical improvement needs of the regional systems. Those 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. For the water system, this includes the amount of water purchased each year. For the sewer system, each member partner is assigned a percentage "share."

**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 the 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.

**Questions?** Contact the Office of the Chief Financial Officer at [cfo@glwater.org](mailto:cfo@glwater.org)

### Proposed FY 2022 Water System Charges

The average system charge adjustment for water is a 2.0 percent increase. This is the result of 1) a proposed Water budget increase of 1.2 percent; 2) reduced investment earnings, creating the need for a one percent increase; and 3) an offset of 0.2 percent from increased estimated sales volumes. As a result of the 2019 Contract Alignment Process (CAP), the FY 2022 Units of Service changed for only 9 member partners. This has significantly improved charge stability among member partner communities. The proposed water charges reflect a uniform increase in common to all revenue requirements of 2.58 percent, with an average charge increase of 2.4 percent for the 79 member partners that did not have changes in contractual demand.

### Proposed FY 2022 Sewer System Charges

The recently updated Sewer Shares, which were collaboratively established through the Sewer Charges Workgroup, were included in the calculations for all member partners for the proposed FY 2022 charges. The average wholesale sewer charges reflect no change from the existing charges, with the entire system charge adjustment being at 0.2 percent decrease. This outcome is the result of a proposed FY 2022 Sewer budget decrease of 2.0 percent which was offset by 1) the loss of a one-time revenue source in the prior year and 2) reduced investment earnings.

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	2.0%	-0.2%
Five Year Average	1.9%	0.7%



TFG

THE FOSTER GROUP

# Big Picture Review of Biennial Budget



## 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 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 2022 & FY 2023 Biennial Budget and Five Year Plan (FY 2022 – FY 2026)
- ✓ Ten Year Financial Plan through FY 2031
- ✓ FY 2022 – FY 2026 Five Year Capital Improvement Plan
- ✓ Cost of Service Study – FY 2022
  - *Establishes Proposed Water and Sewer Service Charges for FY 2022*
  - *Published concurrent with today's meeting*

# Ten Year Financial Forecast

- ✓ The updated ten year financial forecast was presented to the to the Audit Committee on 12/18/2020
- ✓ The FY 2022 and FY 2023 Biennial Budget serves as the starting point for the ten year forecast
  - *The long-term forecast is published in the 12/18/2020 Audit Committee Binder available online at <https://www.glwater.org/financials/>*
  - *Will soon be published as a standalone document on website (in February 2021)*



# Three Key Elements to the BUDGET

“BUDGET” = Comprehensive Annual Revenue Requirement

- ✓ Budgeted O&M Expense
- ✓ Master Bond Ordinance Commitments
  - *Projected Debt Service*
  - *“Fixed” Non-Operating Expenses*
    - Pension Reimbursement Obligations;
    - WRAP Deposit;
    - Lease Payment (part of revenue financed capital below);
    - Other Reserve Requirements, etc.
- ✓ Deposit to the Improvement and Extension (I&E) Funds
  - *Revenue Financed Capital Improvements/Paygo Capital*

# Water Biennial BUDGET Highlights: Comprehensive Revenue Requirements

## Schedule 1A - Water System Revenue Requirements Budget

		Current Year (a)		Biennial Budget					
		FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Department Requested	FY 2022 Dollar Variance	FY 2022 Percent Variance	FY 2023 Department Requested	FY 2023 Dollar Variance	FY 2023 Percent Variance
Water System Revenue Requirements									
Revenues									
1	Revenues from Charges	\$336,807,600	\$335,060,300	\$344,369,500	\$7,561,900	2.2%	\$354,734,700	\$10,365,200	3.0%
2	Other Operating Revenue	-	175,000	175,000	175,000	0.0%	175,000	-	0.0%
3	Non-Operating Revenue	4,834,400	1,276,400	1,046,000	(3,788,400)	-78.4%	1,048,500	2,500	0.2%
4	Total Revenues	341,642,000	336,511,700	345,590,500	3,948,500	1.2%	355,958,200	10,367,700	3.0%
Revenue Requirements									
5	Operations & Maintenance (O&M) Expense	\$137,127,300	\$134,127,300	\$145,497,300	\$8,370,000	6.1%	\$149,545,300	\$4,048,000	2.8%
6	General Retirement System Legacy Pension	6,048,000	6,048,000	6,048,000	-	0.0%	6,048,000	-	0.0%
7	Debt Service	143,189,900	137,436,100	135,481,000	(7,708,900)	-5.4%	146,520,400	11,039,400	8.1%
8	General Retirement System Accelerated Pension	6,268,300	6,268,300	6,268,300	-	0.0%	6,268,300	-	0.0%
9	Water Residential Assistance Program Contribution	1,669,400	1,669,400	1,702,000	32,600	2.0%	1,779,800	77,800	4.6%
10	Lease Payment	22,500,000	22,500,000	22,500,000	-	0.0%	22,500,000	-	0.0%
11	Operating Reserve Deposit	876,600	-	-	(876,600)	-100.0%	-	-	0.0%
11	Improvement & Extension Fund Transfer Pending	23,962,500	28,462,600	28,093,900	4,131,400	17.2%	23,296,400	(4,797,500)	-17.1%
13	Annual Water System Revenue Requirements	\$341,642,000	\$336,511,700	\$345,590,500	\$3,948,500	1.2%	\$355,958,200	\$10,367,700	3.0%
14	Change in Annual Revenue Requirement				3,948,500	1.2%	10,367,700	3.0%	
15	Change Attributable to Non-Charge Revenue (FY 2022 reduction in investment earnings see lines 2&3)				3,613,400	1.1%	(2,500)	0.0%	
16	Change Attributable to Sales Revenue (FY 2022 attributable to increased projected Water Sales)				(809,700)	-0.2%	-	0.0%	
17	Charge Adjustment (Based on System Charge Adjustment of 2.0%)				6,752,200	2.0%	10,365,200	3.0%	

# Sewer Biennial BUDGET Highlights: Comprehensive Revenue Requirements

## Schedule 1B - Sewer System Revenue Requirements Budget

		Current Year (a)		Biennial Budget					
		FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Department Requested	FY 2022 Dollar Variance	FY 2022 Percent Variance	FY 2023 Department Requested	FY 2023 Dollar Variance	FY 2023 Percent Variance
	Sewer System Revenue Requirements								
	Revenues								
1	Revenues from Charges	\$481,162,100	\$ 475,904,300	\$ 475,802,600	\$ (5,359,500)	-1.1%	\$ 489,927,900	\$ 14,125,300	3.0%
2	Other Operating Revenue	-	400,000	400,000	400,000	0.0%	400,000	-	0.0%
3	Non-Operating Revenue	5,589,200	1,045,900	1,010,800	(4,578,400)	-81.9%	1,201,900	191,100	18.9%
4	Total Revenues	486,751,300	477,350,200	477,213,400	(9,537,900)	-2.0%	491,529,800	14,316,400	3.0%
	Revenue Requirements								
5	Operations & Maintenance (O&M) Expense	\$184,946,100	\$182,296,000	\$183,096,700	\$ (1,849,400)	-1.0%	\$185,619,000	\$2,522,300	1.4%
6	General Retirement System Legacy Pension	10,824,000	10,824,000	10,824,000	-	0.0%	10,824,000	-	0.0%
7	Debt Service	209,739,900	201,780,500	207,209,500	(2,530,400)	-1.2%	204,566,500	(2,643,000)	-1.3%
8	General Retirement System Accelerated Pension	11,620,700	11,620,700	11,620,700	-	0.0%	11,620,700	-	0.0%
9	Water Residential Assistance Program Contribution	2,415,100	2,415,100	2,345,600	(69,500)	-2.9%	2,457,600	112,000	4.8%
10	Lease Payment	27,500,000	27,500,000	27,500,000	-	0.0%	27,500,000	-	0.0%
11	Operating Reserve Deposit	-	-	-	-	0.0%	-	-	0.0%
11	Improvement & Extension Fund Transfer Pending	39,705,500	40,913,900	34,616,900	(5,088,600)	-12.8%	48,942,000	14,325,100	41.4%
14	Annual Sewer System Revenue Requirements	\$486,751,300	\$ 477,350,200	\$ 477,213,400	\$ (9,537,900)	-2.0%	\$ 491,529,800	\$ 14,316,400	3.0%
15	Change in Annual Revenue Requirement				(9,537,900)	-2.0%		14,316,400	3.0%
16	Change Attributable to Non-Charge Revenue (FY 2022 reduction in investment earnings see lines 2&3)				4,178,400	0.9%		(191,100)	0.0%
17	Change Attributable to Sales Revenue (FY 2022 attibutable to elimiantion of one time OMID Charge)				4,226,100	0.9%		-	0.0%
18	Charge Adjustment (Based on no change in overall charges to "SHAREs" Member Partners)				(1,133,400)	-0.2%		14,125,300	3.0%



# Four Operating Categories

## Schedule 2 - Operations & Maintenance Expense

	Current Year		Biennial Budget					
Operating Area	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Department Requested	FY 2022 Dollar Variance	FY 2022 Percent Variance	FY 2023 Department Requested	FY 2023 Dollar Variance	FY 2023 Percent Variance
A Water System Operations	\$71,966,400	\$70,819,800	\$74,976,500	\$ 3,010,100	4.2%	\$77,470,200	\$2,493,700	3.3%
B Sewer System Operations	115,676,400	114,975,100	113,609,000	(2,067,400)	-1.8%	115,616,600	2,007,600	1.8%
C Centralized Services	102,721,300	100,338,400	105,205,200	2,483,900	2.4%	106,275,000	1,069,800	1.0%
D Administrative Services	31,709,300	30,290,100	34,803,300	3,094,000	9.8%	35,802,500	999,200	2.9%
<b>Total</b>	<b>\$322,073,400</b>	<b>\$ 316,423,400</b>	<b>\$ 328,594,000</b>	<b>\$ 6,520,600</b>	<b>2.0%</b>	<b>\$335,164,300</b>	<b>\$ 6,570,300</b>	<b>2.0%</b>

System	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Department Requested	FY 2022 Dollar Variance	FY 2022 Percent Variance	FY 2023 Department Requested	FY 2023 Dollar Variance	FY 2023 Percent Variance
Water	\$137,127,300	\$134,127,300	145,497,300	\$8,370,000	6.1%	149,545,300	\$4,048,000	2.8%
Wastewater	184,946,100	182,296,100	183,096,700	(1,849,400)	-1.0%	185,619,000	2,522,300	1.4%
<b>Total</b>	<b>\$322,073,400</b>	<b>\$ 316,423,400</b>	<b>\$ 328,594,000</b>	<b>\$ 6,520,600</b>	<b>2.0%</b>	<b>\$335,164,300</b>	<b>\$ 6,570,300</b>	<b>2.0%</b>

## Financial Plan Highlights

System	Water	Sewer
<b>Theme</b>	<i>Capital and O&amp;M Pressures</i>	<i>Long-term Sustainability in Sight</i>
<b>Annual Revenue Requirement Increase Limit</b>	3% (less than the 4% Promise)	3% (less than the 4% Promise)
<b>Capital Spending Ratio</b>	Assuming a 75% of CIP Spend Rate	Assuming a 75% of CIP Spend Rate
<b>Reliance on Debt for Capital</b>	<i>More</i>	<i>Less</i>
<b>Debt Service Coverage Ratios</b>	<i>Declines</i>	<i>Improves</i>
<b>Risks that we are managing</b>	Increased Capital vs. 3% Assumption Increased Regulatory Requirements Legacy Pension	Increased Regulatory Requirements Legacy Pension

## Financial Plan Highlights - continued

System	Water	Sewer
<b>O&amp;M Biennial Budget Forecast - FY 2022 &amp; FY 2023</b>	<p><i>Overall increase of 6.1% for FY 2022 and 2.8% for FY 2023</i></p> <p><i>Reflects budgetary pressure on chemical and contractual services at the Water Treatment Plants</i></p> <p>Moderate shift in focus of Systems Planning activities from Sewer to Water</p> <p>Adjustments to Unallocated Reserves to reflect recent performance</p>	<p><i>Overall decrease of 1% for FY 2022 and a 1.4% increase for FY 2023</i></p> <p><i>Reflects budgetary savings in utilities and contractual services at the WRRF</i></p> <p>Moderate shift in focus of Systems Planning activities from Sewer to Water</p> <p>Adjustments to Unallocated Reserves to reflect recent performance</p>
<b>O&amp;M Forecast for FYs 2024 - 2026</b>	<p><i>Approximately annual increases of 2.0%</i></p>	<p><i>Approximately annual increases of 2.0%</i></p>

## Financial Plan Highlights - continued

System	Water	Sewer
<b>Debt Service – Biennial Budget FY 2022 &amp; FY 2023</b>	<p><i>Debt Service will decline in FY 2022 and increase in FY 2023</i></p> <p><i><u>FY 2022 \$7.8 million lower than approved FY 2021 Budget due to savings from Series 2020 Refinancing</u></i></p> <p><i>FY 2023 will increase by \$11.0 million due to progress on DWRP Funded CIP projects and forecasted Revenue Bond Sale</i></p>	<p><i>Debt Service will decline in both FY 2022 and FY 2023</i></p> <p><i><u>FY 2022 \$2.5 million lower than approved FY 2021 Budget due to savings from Series 2020 Refinancing</u></i></p> <p><i>FY 2023 will decrease by \$2.6 million due to existing debt structure, which offsets new debt service on CWRP Funded CIP projects and forecasted Revenue Bond Sale</i></p>
<b>Debt Service – Forecast for FYs 2024 – 2026</b>	<p><i>Continued steady increases to support additional forecasted bond sales and DWRP activity</i></p> <p><i>Forecasted FY 2026 Debt Service is \$33 million (24%) higher than Amended FY 2021 Budget</i></p>	<p><i>Relatively minor increases</i></p> <p><i>Forecasted FY 2026 Debt Service is less than \$5 million (~ 5%) higher than Amended FY 2021 Budget</i></p>

## Financial Plan Highlights - continued

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



## Financial Plan Highlights - continued

System	Water	Sewer
<b>I&amp;E Funding Biennial Budget FY 2022 &amp; FY 2023</b>	<i>FY 2022 Deposit to I&amp;E Fund for “pay go” CIP Financing Slightly lower than FY 2021 Amended Budget for FY 2022 Declines by \$4.8 million in FY 2023 as new debt service occurs</i>	Deposit to I&E Fund for “pay go” CIP Financing <i>\$5.1 million lower than FY 2021 Amended Budget for FY 2022</i> Reflects elimination of OMID capital contribution revenue, which was included as FY 2021 budgeted revenue @ \$5.96 million <i>Increases by \$14.3 million due to moderate growth in O&amp;M Budget and debt service decline</i>
<b>I&amp;E Funding</b> <i>Forecast for FYs 2024 - 2026</i>	<i>Returns to Amended FY 2021 Budget level in FY 2024 Moderate increases in FY 2025 and FY 2026 FY 2026 amount is only ~ \$4 million greater than Amended FY 2021 Budget level</i>	<i>Significant growth as debt service and other MBO requirements are steady FY 2026 amount is more than double than Amended FY 2021 Budget level</i>

## Staffing Level – From 2016 Launch to Now

- ✓ GLWA's Inaugural Bond transaction was launched in the “start up” calendar year. The Official Statement dated *October 1, 2016* notes “The fiscal year 2017 budget provides for 1,105 FTE positions of which 110 are budgeted to be staffed through services contracts.”
- ✓ The FY 2022 proposed budget identifies 1,219 FTEs.
- ✓ Why the shift over six years? A combination of:
  - 1) insourcing where more cost-effective (i.e. Hazmat);
  - 2) expanded services (training institute); and
  - 3) workforce development to reduce serious labor market risk (apprentices matched one-on-one with existing team members).
- ✓ Past, Present, Future View:

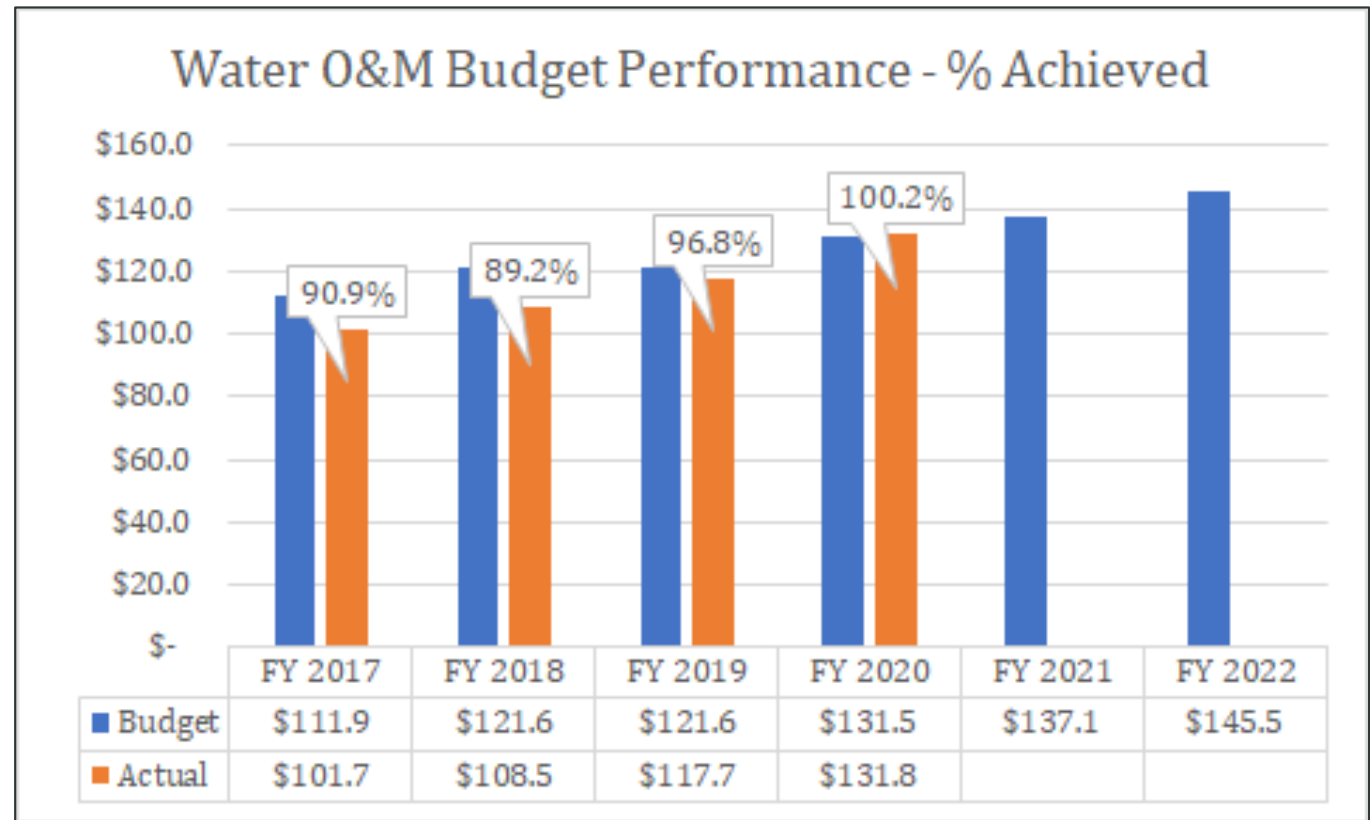
Status	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Positions Filled at Year-end	881	968	1,024	1,059		
FTEs Budgeted	1,106	1,168	1,171	1,187	1,200	1,219

# Operations & Maintenance Budget Trends



# Water Operations and Maintenance (O&M) Expense

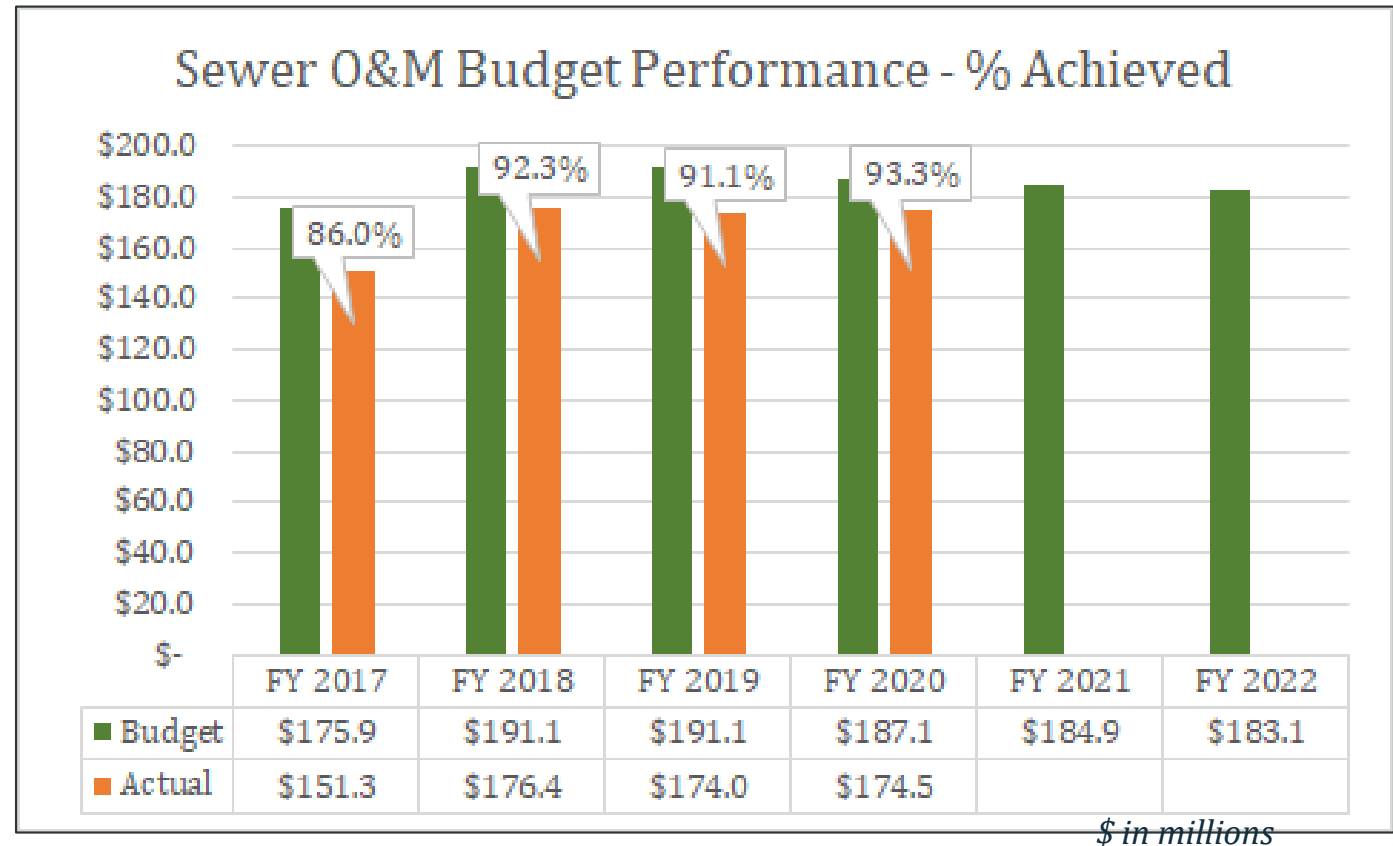
- ✓ Continued refinement of budget planning and execution from first full fiscal year to present.
- ✓ Majority of costs are non-discretionary.
- ✓ **Fours years of trend information supports budget requests.**



*\$ in millions*

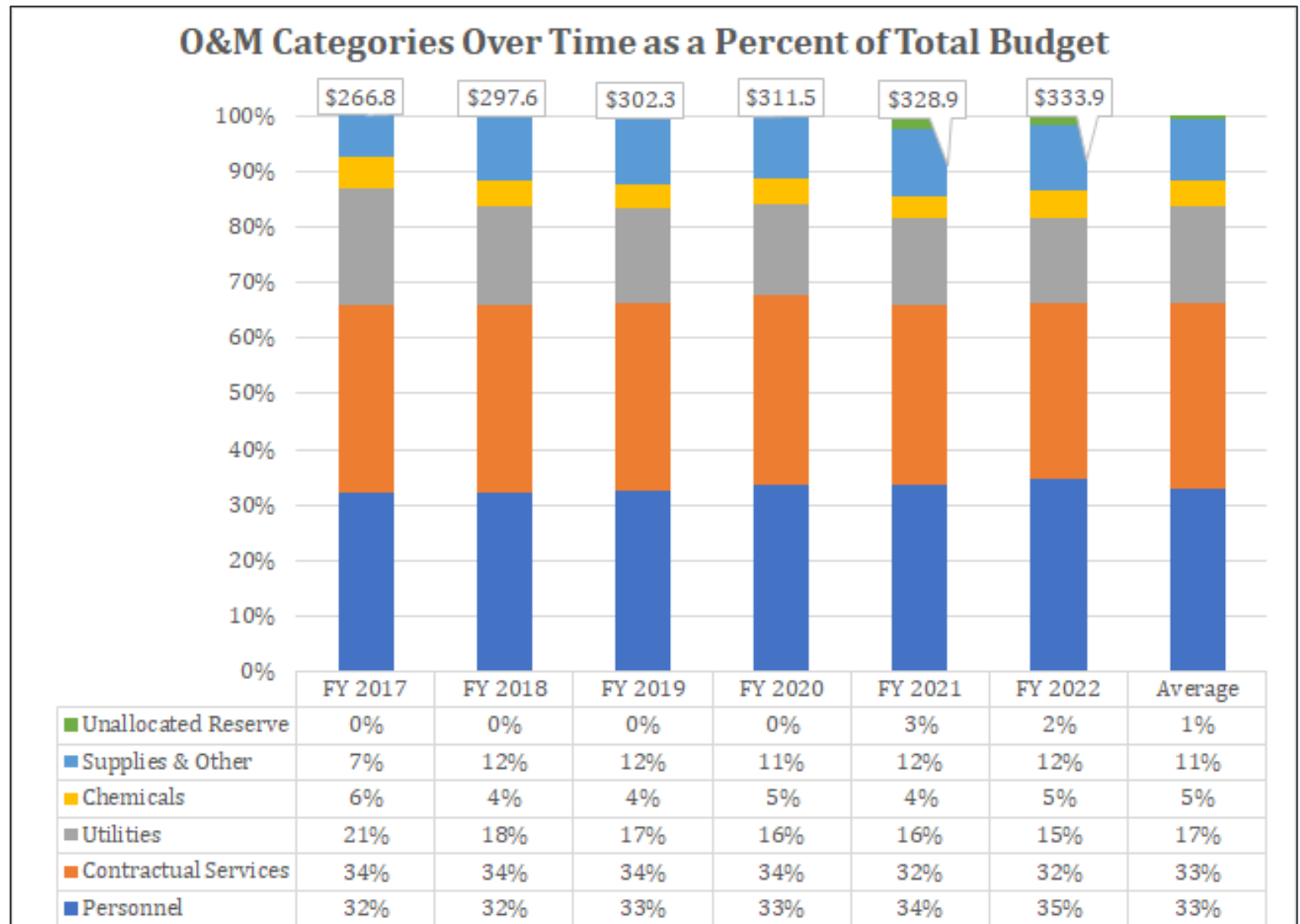
# Sewer Operation and Maintenance (O&M) Expense

- ✓ Continued refinement of budget planning and execution from first full fiscal year to present.
- ✓ Majority of costs are non-discretionary.
- ✓ Four years of trend information supports *a budget decrease without compromising system needs.*



## Expense Types are Stable Year over Year

- ✓ Variances are generally less than 3% of total budget – result of smoothing out O&M initiatives.
- ✓ An outcome of multi-year budgeting.
- ✓ Steady foundation for plan.



# Annual Operating Budget Check-in with the Chief Operating Officers

*What's On Their Mind As We Prepared the  
Operating Budget for the Next Two Years*



## **Cheryl Porter, COO** **Water & Field Services**

*Operational Discussion of the  
Proposed Budget*





# Strategic Water Operations Initiatives

- **Maintain 100% water quality compliance**  
Delivery of pure, safe drinking water is an essential to GLWA's mission.
- **Restructuring Water Production**  
Continue implementation of 2015 Water Master Plan Update; specifically, those aspects which address production capacity.
- **Improve Capital Project Delivery**  
Sustain water treatment operations and transmission by effective and efficient delivery of capital investments.
- **Transmission Assessment & Rehabilitation**  
Complete the designs and begin construction of water mains.
- **Improve Operational Reliability through Automation and Equipment Maintenance**
  - Plan implementation of water automation.
  - Support asset management to improve maintenance activities.

# Tactical Water Budget Issues

**The biennial operations and maintenance budget reflects an overall increase in FY 2022 of \$3.0 million, or 4.2%. Key factors that impact FY 2022 include the following.**

**Chemicals** - Prices have increased since the last contract renewal. The water treatment quality has been based on a three-year rolling average. Updated assumptions for usage and pricing are based on the most recent information for all chemicals (\$1.6 million).

Expense Category	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Forecasted Budget *	FY 2022 Department Requested	FY 2023 Department Requested
4.1 Chemicals	5,340,800	4,804,700	5,088,800	5,569,400	5,053,900	6,463,975	6,662,600	6,662,600

\*Forecasted Budget reflects an increase related to current contract pricing.

# Water Operations Budget Highlights (cont'd)

**Utilities – Electricity** - Energy consumption fluctuates from year to year and is dependent on flow rate, total pressure, climate, and overall pump efficiency (\$603,200).

Expense Category	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Forecasted Budget *	FY 2022 Department Requested	FY 2023 Department Requested
3.1 Electric	26,839,800	25,439,600	24,391,800	26,112,000	24,417,800	25,814,730	25,021,000	25,021,000

\*Forecasted Budget reflects an increase based on average of current usage.

# Water Operations Personnel Highlights

**Personnel** - Expenses increased due to the adjustment of benefits to reflect the current rate increases as well as additional positions (\$963,137). It should be noted that the provision for wage and benefit adjustments is included in the annual unallocated O&M reserve.

- New management professional and team leader positions are being added to improve operational efficiency. This higher level of expertise is necessary to support the increasing demand for additional workload requirements.
- Recruiting and developing talent is a high priority for GLWA. For this reason, several new positions are added to support the existing Maintenance Technician Apprenticeship/Training programs through Focus Hope. The investment in this program will enable GLWA to develop a workforce for positions which have been challenging to recruit and fill.

Expense Category	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Forecasted Budget *	FY 2022 Department Requested	FY 2023 Department Requested
2.0 Personnel	15,468,300	17,554,200	19,349,000	20,747,300	20,765,100	21,411,881	21,728,237	21,836,998

\*Forecasted Budget reflects an increase related to current salaries and benefit rates.

# Water Operations Personnel Highlights (cont'd)

Team	Prior Year FY 2017 Staffing Plan	Prior Year FY 2018 Staffing Plan	Prior Year FY 2019 Staffing Plan	Prior Year FY 2020 Staffing Plan	Current Year FY 2021 Staffing Plan	FY 2022 Staffing Plan	FY 2022 Staffing Plan Variance	FY 2023 Staffing Plan	FY 2024 Staffing Plan	FY 2025 Staffing Plan	FY 2026 Staffing Plan
<b>Water System Operations</b>	<b>187.00</b>	<b>209.00</b>	<b>224.00</b>	<b>224.00</b>	<b>227.00</b>	<b>235.00</b>	<b>8.00</b>	<b>235.00</b>	<b>235.00</b>	<b>235.00</b>	<b>235.00</b>
Chief Operating Officer - Water Operations & Field Services	2.00	2.00	2.00	2.00	3.00	3.00	0.00	3.00	3.00	3.00	3.00
Water Director	3.00	7.00	9.00	9.00	11.00	13.00	2.00	13.00	13.00	13.00	13.00
Water Engineering	23.00	19.00	24.00	24.00	23.00	23.00	0.00	23.00	23.00	23.00	23.00
Water Quality	15.00	18.00	26.00	26.00	26.00	26.00	0.00	26.00	26.00	26.00	26.00
<b>Subtotal Water Treatment Plants</b>	<b>144.00</b>	<b>163.00</b>	<b>163.00</b>	<b>163.00</b>	<b>164.00</b>	<b>170.00</b>	<b>6.00</b>	<b>170.00</b>	<b>170.00</b>	<b>170.00</b>	<b>170.00</b>
Water Works Park	30.00	36.00	37.00	37.00	35.00	36.00	1.00	36.00	36.00	36.00	36.00
Springwells Water Plant	32.00	35.00	35.00	36.00	36.00	37.00	1.00	37.00	37.00	37.00	37.00
Northeast Water Plant	26.00	32.00	32.00	30.00	32.00	33.00	1.00	33.00	33.00	33.00	33.00
Southwest Water Plant	27.00	29.00	29.00	30.00	30.00	33.00	3.00	33.00	33.00	33.00	33.00
Lake Huron Water Plant	29.00	31.00	30.00	30.00	31.00	31.00	0.00	31.00	31.00	31.00	31.00

After increase in FY 2022, the staffing level is steady.

Recruiting challenges in our service sector continue to be a priority.

Future workforce development initiatives will continue to be explored.

## Navid Mehram, PE, COO Wastewater Services

*Operational Discussion of the  
Proposed Budget*



# Strategic Wastewater Initiatives

- ✓ Safeguarding the publics' health and the environment
- ✓ Monitoring and improving the reliability of processing equipment
- ✓ Continuing to build a reliable workforce
- ✓ Optimizing the Biosolid Dryer Facility
- ✓ Upgrading Instrumentation and Control Systems
- ✓ Continuing the efforts towards optimization of our operations through innovation

# Tactical Wastewater Budget Highlights

The biennial budget reflects a reduction for in FY 2022, decreasing \$1,850,600 or 1.6%. Key factors that impact this change include the following.

- ✓ Staffing increased
- ✓ Natural gas decreased
- ✓ Operational water decreased
- ✓ Bulk chemicals increased
- ✓ Supplies & Other increased
- ✓ Contractual services decreased
- ✓ Contribution to Unallocated Reserve decreased



# Wastewater Operations Budget Highlights

## (continued)

### *Biennial Budget Request by Expense Category*

Expense Category	FY 2020 Actual	FY 2021 Adopted Budget	FY 2021 Activity as of 09.30.2020	FY 2022 Department Requested	FY 2022 Dollar Variance	FY 2022 Percent Variance	FY 2023 Department Requested
2.0 Personnel	\$ 36,296,300	\$ 37,871,500	\$ 8,781,507	\$ 39,231,314	\$ 1,359,814	3.6%	\$ 40,535,251
3.1 Electric	12,340,800	12,538,000	2,966,098	12,618,400	80,400	0.6%	12,848,200
3.2 Gas	4,160,900	5,491,000	821,202	4,706,200	(784,800)	-14.3%	4,742,500
3.3 Sewage Service	1,539,200	1,417,500	381,060	1,452,393	34,893	2.5%	1,480,000
3.4 Water Service	3,110,500	3,880,100	654,102	3,131,300	(748,800)	-19.3%	3,164,500
4.1 Chemicals	8,672,400	8,365,900	2,258,574	9,381,700	1,015,800	12.1%	9,510,100
4.2 Supplies & Other	15,210,200	13,344,400	3,777,377	15,282,336	1,937,936	14.5%	14,917,876
4.3 Contractual Services	23,732,500	26,663,100	6,070,300	23,865,438	(2,797,662)	-10.5%	23,957,078
5.1 Capital Program							
Allocation	(1,183,400)	(1,325,800)	(252,388)	(1,292,696)	33,104	-2.5%	(1,313,031)
5.2 Shared Services	(482,400)	(157,400)	(39,355)	(160,400)	(3,000)	1.9%	(163,700)
6.0 Capital Outlay		-	67,926	-	-	n/a	-
7.0 Unallocated Reserve		4,603,900	-	2,625,615	(1,978,285)	-43.0%	3,176,227
<b>Grand Total</b>	<b>\$ 103,397,000</b>	<b>\$ 112,692,200</b>	<b>\$ 25,486,403</b>	<b>\$ 110,841,600</b>	<b>\$ (1,850,600)</b>	<b>-1.6%</b>	<b>\$ 112,855,000</b>

## Capital Finance Plan

*For Reference - Aligns with Financial Plan  
Presentation Slides*



# Water Biennial BUDGET Highlights: Capital Financing Plan

## Schedule 5A - Water Capital Financing Plan

### Water Construction Fund

	Current Year	Biennial Budget		Forecast		
	FY 2021 Estimated	FY 2022 Department Requested	FY 2023 Department Requested	FY 2024 Department Requested	FY 2025 Department Requested	FY 2026 Department Requested
<b>Inflows &amp; Outflows</b>						
<b>Water Construction Fund</b>						
Bond Proceeds, Net	\$0	\$0	\$192,700,000	\$0	\$183,300,000	\$0
Bond Fund Earnings on Investments	62,600	-	202,300	674,100	356,700	984,600
Grant Revenues (DWRFL Loans)	45,397,000	26,100,000	16,600,000	16,600,000	16,600,000	15,810,000
Transfers from I&E Fund	50,139,100	110,481,000	57,280,300	19,597,900	22,705,900	23,837,000
Project Expenditures	(114,559,000)	(136,581,000)	(150,551,000)	(149,390,000)	(128,214,000)	(136,823,000)
Increase (Decrease) in Construction Funds	(18,960,300)	\$0	\$116,231,600	(\$112,518,000)	\$94,748,600	(\$96,191,400)
Beginning Year Balance	18,960,300	-	-	116,231,600	3,713,600	98,462,200
<b>Projected Ending Balance</b>	<b>\$0</b>	<b>\$0</b>	<b>\$116,231,600</b>	<b>\$3,713,600</b>	<b>\$98,462,200</b>	<b>\$2,270,800</b>

### Water Improvement & Extension Fund

	Current Year	Biennial Budget		Forecast		
	FY 2021 Estimated	FY 2022 Department Requested	FY 2023 Department Requested	FY 2024 Department Requested	FY 2025 Department Requested	FY 2026 Department Requested
<b>Inflows &amp; Outflows</b>						
<b>Water Improvement &amp; Extension Fund</b>						
Water System Revenue Transfers	\$28,462,600	\$28,093,900	\$23,296,400	\$28,357,400	\$31,287,900	\$32,356,700
Receipt of DWSD Shortfall Loan	-	-	-	-	-	-
Budgeted Capital Outlay	(17,892,000)	(17,006,600)	(14,078,600)	(8,759,500)	(8,582,000)	(8,519,700)
Minimum Transfer to Construction Fund	(11,455,900)	(13,658,100)	(15,055,100)	(14,939,000)	(12,821,400)	(13,682,300)
Additional Transfer to Construction Fund	(38,683,200)	(96,822,900)	(42,225,200)	(4,658,900)	(9,884,500)	(10,154,700)
Increase (Decrease) in I&E Reserves	(\$39,568,500)	(\$99,393,700)	(\$48,062,500)	\$0	\$0	\$0
Beginning Year Balance	277,024,700	237,456,200	138,062,500	90,000,000	90,000,000	90,000,000
<b>Projected Ending Balance</b>	<b>\$237,456,200</b>	<b>\$138,062,500</b>	<b>\$90,000,000</b>	<b>\$90,000,000</b>	<b>\$90,000,000</b>	<b>\$90,000,000</b>

# Sewer Biennial BUDGET Highlights: Capital Financing Plan

## Schedule 5B - Sewer Capital Financing Plan Sewer Construction Fund

	Current Year	Biennial Budget		Forecast		
	FY 2021 Estimated	FY 2022 Department Requested	FY 2023 Department Requested	FY 2024 Department Requested	FY 2025 Department Requested	FY 2026 Department Requested
<b>Inflows &amp; Outflows</b>						
<b>Sewer Construction Fund</b>						
Bond Proceeds, Net	\$0	\$0	\$122,200,000	\$0	\$108,100,000	\$0
Bond Fund Earnings on Investments	69,800	-	128,300	408,400	218,300	539,500
Grant Revenues (CWRP Loans)	23,586,000	31,992,000	4,122,000	-	-	-
Transfers from I&E Fund	51,020,500	47,321,000	35,422,000	53,437,400	72,055,300	81,027,400
Project Expenditures	(95,814,000)	(79,313,000)	(91,456,000)	(120,972,000)	(129,713,000)	(131,850,000)
Increase (Decrease) in Construction Funds	(21,137,700)	\$0	\$70,416,300	(\$67,126,200)	\$50,660,600	(\$50,283,100)
Beginning Year Balance	21,137,700	-	-	70,416,300	3,290,100	53,950,700
<b>Projected Ending Balance</b>	<b>\$0</b>	<b>\$0</b>	<b>\$70,416,300</b>	<b>\$3,290,100</b>	<b>\$53,950,700</b>	<b>\$3,667,600</b>

## Sewer Improvement & Extension Fund

	Current Year	Biennial Budget		Forecast		
	FY 2021 Estimated	FY 2022 Department Requested	FY 2023 Department Requested	FY 2024 Department Requested	FY 2025 Department Requested	FY 2026 Department Requested
<b>Inflows &amp; Outflows</b>						
<b>Sewer Improvement &amp; Extension Fund</b>						
Sewer System Revenue Transfers	\$40,913,900	\$34,616,900	\$48,942,000	\$61,417,300	\$79,165,400	\$88,659,300
Receipt of DWSD Shortfall Loan	19,288,300	8,705,000	-	-	-	-
Budgeted Capital Outlay	(20,521,300)	(15,965,100)	(18,211,900)	(7,979,900)	(7,110,100)	(7,631,900)
Minimum Transfer to Construction Fund	(9,581,400)	(7,931,300)	(9,145,600)	(12,097,200)	(12,971,300)	(13,185,000)
Additional Transfer to Construction Fund	(41,439,100)	(39,389,700)	(26,276,400)	(41,340,200)	(59,084,000)	(67,842,400)
Increase (Decrease) in I&E Reserves	(\$11,339,600)	(\$19,964,200)	(\$4,691,900)	\$0	\$0	\$0
Beginning Year Balance	125,995,700	114,656,100	94,691,900	90,000,000	90,000,000	90,000,000
<b>Projected Ending Balance</b>	<b>\$114,656,100</b>	<b>\$94,691,900</b>	<b>\$90,000,000</b>	<b>\$90,000,000</b>	<b>\$90,000,000</b>	<b>\$90,000,000</b>

## Benchmarking

*Checking in -  
Goals Set, Goals Met*



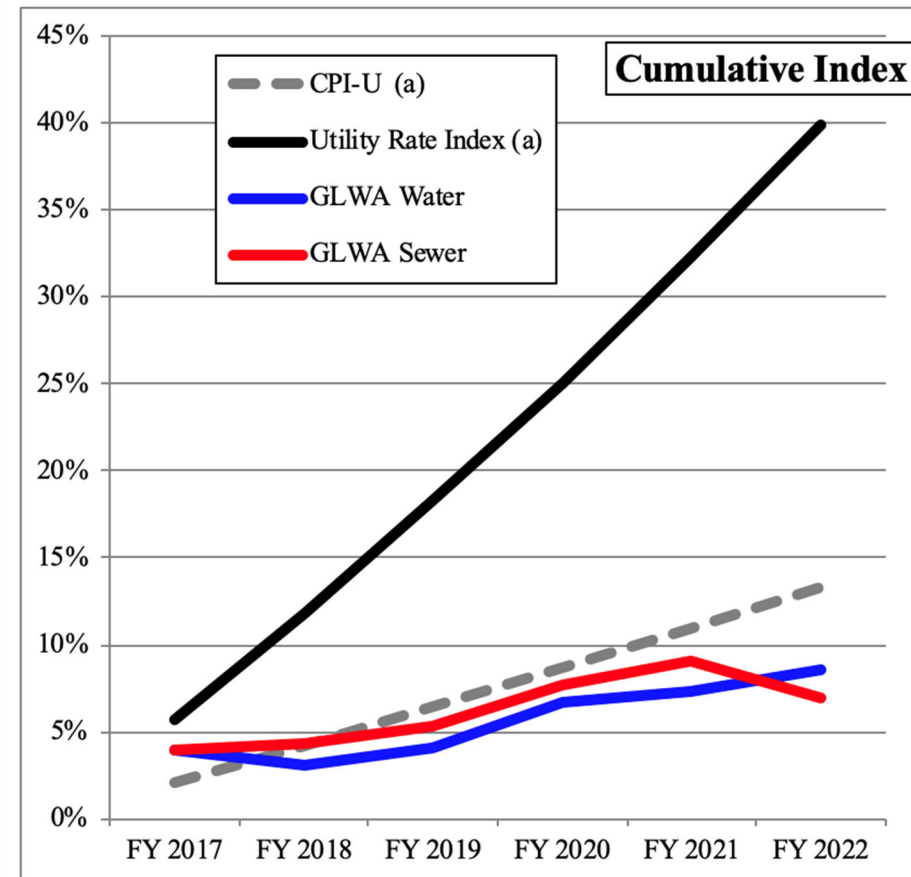
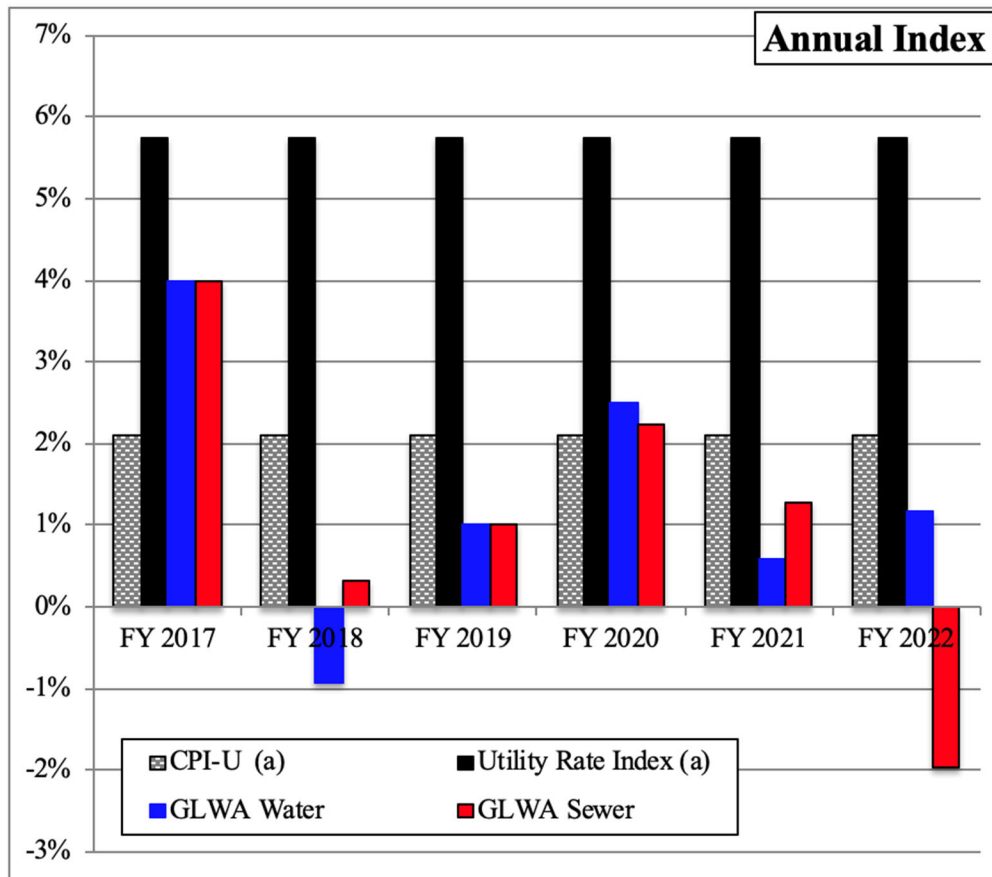


# GLWA BUDGET Adjustments Compared to Utility Indices

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

Annual Index					
FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
5.8%	5.8%	5.8%	5.8%	5.8%	5.8%
4.0%	-0.9%	1.0%	2.5%	0.6%	1.2%
4.0%	0.3%	1.0%	2.2%	1.3%	-2.0%

Cumulative Index					
FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
2.1%	4.2%	6.4%	8.7%	11.0%	13.3%
5.8%	11.8%	18.3%	25.1%	32.3%	39.9%
4.0%	3.0%	4.1%	6.7%	7.3%	8.5%
4.0%	4.3%	5.4%	7.7%	9.1%	6.9%

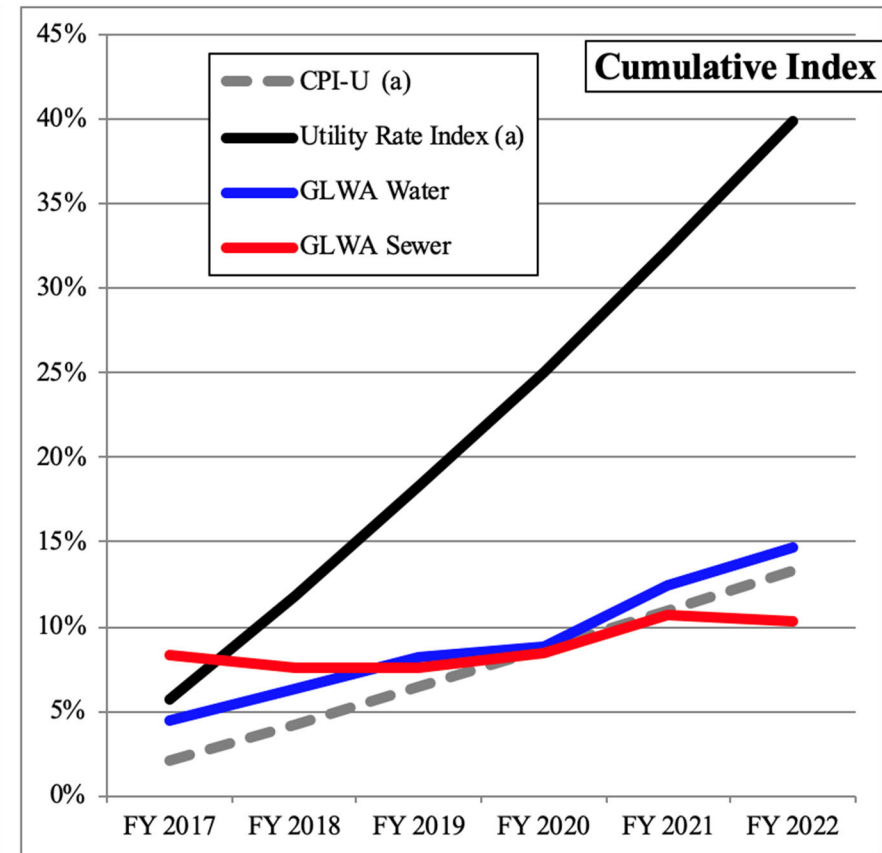
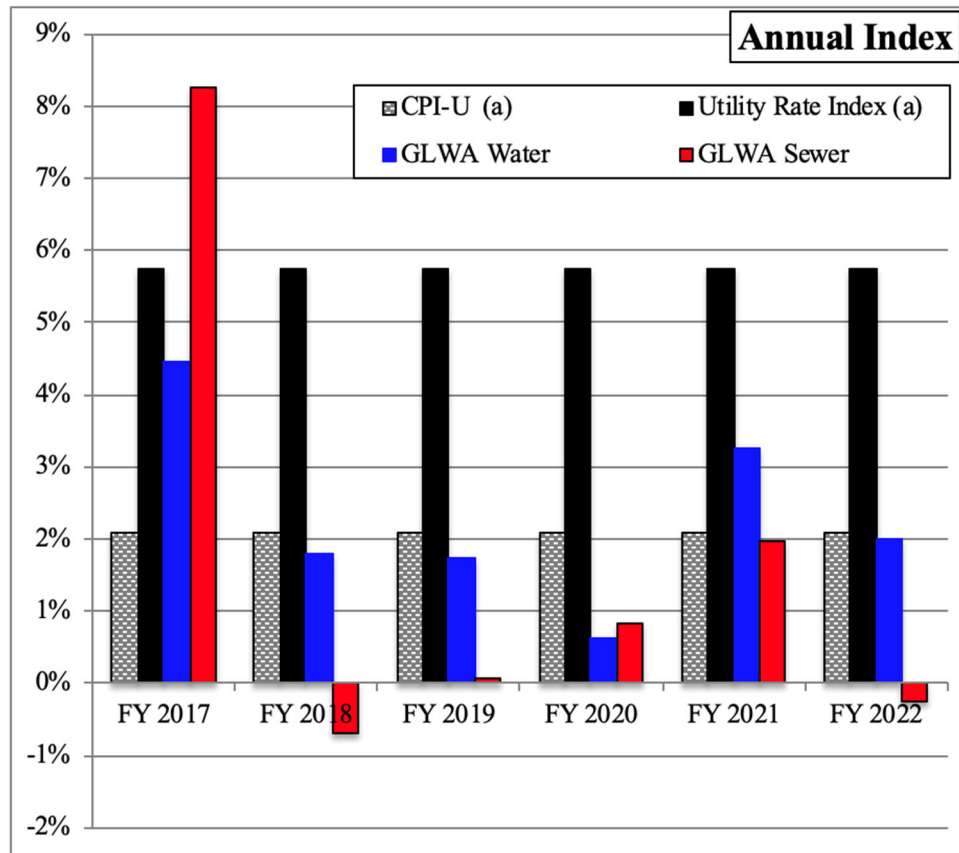


# GLWA CHARGE Adjustments Compared to Utility Indices

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

Annual Index					
FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
5.8%	5.8%	5.8%	5.8%	5.8%	5.8%
4.5%	1.8%	1.8%	0.6%	3.2%	2.0%
8.3%	-0.7%	0.1%	0.8%	2.0%	-0.2%

Cumulative Index					
FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
2.1%	4.2%	6.4%	8.7%	11.0%	13.3%
5.8%	11.8%	18.3%	25.1%	32.3%	39.9%
4.5%	6.3%	8.2%	8.9%	12.4%	14.6%
8.3%	7.5%	7.6%	8.5%	10.6%	10.4%





**GLWA**

*Great Lakes Water Authority*



## Water Charges Q&A



# FY 2022 Water System Charge Adjustment

**Proposed FY 2022 Water System Charge Adjustment is a 2.0% 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 varies
- ✓ This is projected to produce a \$6.75 million revenue increase and becomes the foundational assumption for the rest of the budgeted revenue requirements
- ✓ Resulting plan reflects:
  - *A negative investment earnings budget variance of \$3.6 million*
  - *A positive sales (volume) revenue budget variance of \$0.8 million*
  - *An overall budgeted revenue requirement increase of \$3.9 million*
  - *Budgeted contributions to I&E are less than the amended FY 2021 Budget by \$370K*

## Proposed FY 2022 Water Service Charge Summary

- ✓ Implement specific cost of service study adjustments for the 9 Member Partners whose demands were **modified** for FY 2022
  - *5 out of cycle contract reopeners*
  - *1 old, unique contract*
  - *3 Non Master Metered Member Partners*
    - *Average CTA revenue requirement change for the “Mod” class is a 0.3% decrease and charge adjustment is a 0.2% decrease*
- ✓ Treat remaining 79 Member Partners as “No Mod” class
  - ✓ Uniform CTA revenue requirement change is 2.59% and charge adjustment is ~ 2.4%

# Proposed FY 2022 Water Service Charge Summary Developments

- ✓ Review indicated that the originally proposed charges did not fully implement the intended methodology regarding “meter related” units of service (distance and elevation)
- ✓ Updated proposals reflect recalculations to embrace intended methodology
- ✓ Impact is very minor – proposed charge adjustments to 38 of the 79 “No Mod” Member Partners are reduced by approximately 0.02% - unchanged for the other 41
- ✓ Proposed charges to the “Mod” class are not changed from original proposals
- ✓ Creates a revenue reduction of ~ \$50,000 (0.01%)

# Water Member Partner Individual Meetings: Key Themes

- ✓ Over the past two weeks 11 Water Member Partners scheduled and participated in individual meetings to discuss charge proposals specific to their communities
- ✓ General themes of the discussions include interest in better understanding of:
  - *Charge methodology and community specific charge calculations;*
  - *CAP model contract Appendix B schedule & process and process for potential “interim” adjustments;*
  - *Schedule / scope for Water charges methodology review;*
  - *History / rationale for DWSD Ownership Benefit;*
  - *History / rationale for Flint / KWA Debt Service credit;*
  - *Highland Park payment history and charge treatment*

# DWSD Ownership Benefit – Water From the GLWA / Detroit Lease

## SECTION 5.6 Adoption of Budget; Establishment of Rates for Use of Leased Water Facilities.

(b) The Authority shall for each Fiscal Year fix and approve rates and charges to its customers in an amount that is expected to produce Revenues sufficient to satisfy the Authority Revenue Requirement. In connection with the determination by the Authority of the rates and charges applicable to Retail Water Customers in the City for such Fiscal Year, the City shall receive a credit in the amount of \$20,700,000, representing the return on equity to the City for the Water System in recognition of the City's ownership of the Water System and support of the rate structure for the Water System.



# Flint / KWA Debt Service Credit – Water From the GLWA / Flint Service Agreement

12.05 Credits to Wholesale Billing Account Resulting from Trust Account Payments. Customer is obligated to make, or cause to be made, payments to GLWA, KWA and GCDC under the terms of trust accounts established pursuant to the terms of Exhibit C (“Trust Agreement”) of the Master Agreement (“Trust Accounts”). If Customer timely and fully pays, directly or via the Trust Accounts, its monthly amounts (i) due to GLWA for water supplied under this Contract, which includes the Pass-Through Charges from GCDC that are assessed on a direct pass through basis from GLWA to Customer pursuant to Section 7.01; however for purposes of this Section, amounts due will be considered timely and fully paid if Customer has deposited funds as provided in Section 12.02 equal to the Pass-Through Charges from GCDC and the balance of the monthly amounts due to GLWA on such bill that is not in dispute, and (ii) due to KWA for KWA Designated Debt Service (as such term is defined in the Trust Agreement), then GLWA shall in the current or subsequent month issue a credit to Customer’s wholesale billing account equal to the lesser of (y) the KWA Designated Debt Service paid by or on behalf of Customer through the Trust Agreement or (z) in the event of any bond issue not consented to by GLWA under Section 26.01, when such consent is required, the debt service payment currently scheduled as set forth in the Trust Agreements, all under (ii) above.



**GLWA**

*Great Lakes Water Authority*



## Sewer Charges Q&A



# FY 2022 Sewer System Charge Adjustment

## Proposed FY 2022 Sewer *System Charge Adjustment* is a 0.2% decrease

- ✓ This is the result of a commitment to hold overall charge revenue recovered via SHARES at the same level as the existing charges
- ✓ Charge Adjustments for individual Member Partners will vary based on new SHARES
- ✓ Resulting plan reflects:
  - *A negative budgeted revenue variance of \$5.96 million related to the end of the recognition of the OMID contribution to meet revenue requirements*
  - *The preliminary decision to not include any bad bad Highland Park debt expense in the FY 2022 charges to suburban wholesale Member Partners*
  - *A negative investment earnings budget variance of \$4.2 million*
  - *An overall budgeted revenue requirement decrease of \$9.5 million*
  - *Budgeted contributions to I&E are lower than the amended FY 2021 Budget by \$6.3 million*

## FY 2022 Sewer Service Charge Strategy

- ✓ No change in overall revenue produced from existing SHAREs to Member Partners
- ✓ Specific Member Partner impacts mirror estimated results from SHAREs rolled out in November
- ✓ Continue “holiday” from recovery of Highland Park bad debt expense in charges to suburban wholesale Member Partners
  - *Continue to track pending final true up*
- ✓ Update Industrial Surcharge Rates to reflect Cost of Service Study results
  - *Recent adjustments had been “across the board” pending review of SHAREs Strength of Flow assumptions*

# Sewer Member Partner Individual Meetings

## Key Themes

- ✓ Over the past two weeks 4 Sewer Member Partners scheduled and participated in individual meetings to discuss charge proposals specific to their communities
- ✓ General themes of the discussions include interest in better understanding of:
  - *Charge methodology and community specific charge calculations;*
  - *Schedule for future SHARE modifications;*
  - *Process for interim SHARE modifications for specific Member Partner specific adjustments;*
  - *History / rationale for DWSD Ownership Benefit;*
  - *Highland Park payment history and charge treatment*

# DWSD Ownership Benefit – Sewer From the GLWA / Detroit Lease

## SECTION 5.6 Adoption of Budget; Establishment of Rates for Use of Leased Sewer Facilities.

(b) The Authority shall for each Fiscal Year fix and approve rates and charges to its customers in an amount that is expected to produce Revenues sufficient to satisfy the Authority Revenue Requirement. In connection with the determination by the Authority of the rates and charges applicable to Retail Sewer Customers in the City for such Fiscal Year, the City shall receive a credit in the amount of \$5,516,000, representing the amount due to the City pursuant to a settlement relating to the Sewer System in recognition of the City's ownership of the Sewer System and support of the rate structure for the Sewer System.

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

## EXHIBIT B-V

### Modified List of Relevant Ratemaking Terms

#### B. Revenue Requirements

##### 3. Bad Debt Expense.

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

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

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





# Procurement Pipeline


 Great Lakes Water Authority (313) 964-9157 [www.glwater.org](http://www.glwater.org)

January 2021 - Volume 23

Welcome to the January edition of *The Procurement Pipeline*, a monthly newsletter designed to provide informative updates on doing business with the Great Lakes Water Authority (GLWA).

## Business Inclusion and Diversity (B.I.D.) Program Launch on February 1, 2021

GLWA is committed to fostering the success of small, women-owned, and minority-owned businesses as well as those that operate from an economically disadvantaged location within the GLWA service area. In service to this commitment, we are excited to announce that the new Business Inclusion and Diversity (B.I.D.) Program, initiated and approved by the GLWA Board of Directors, will formally launch on February 1, 2021.

The Phase I launch of the B.I.D. Program in February 2021 will focus on the core program criteria and its impact on procurement submittals. The Phase II launch, beginning in July 2021, will feature expanded outreach and recruitment efforts. This gradual rollout will enable GLWA to learn, receive feedback, and refine our processes to ensure that the B.I.D. Program's intent to serve the small and disadvantaged business vendor community is executed efficiently and effectively.

Questions about the B.I.D. Program should be directed to [GLWAVendorOutreach@glwater.org](mailto:GLWAVendorOutreach@glwater.org).

## COVID-19 Vaccines and the Vendor Community

The state of Michigan has begun distributing COVID-19 vaccines through a multi-phased plan. Based on the [COVID-19 Vaccination Interim Prioritization Guidance](#), water and wastewater professionals are eligible to receive the vaccine in Phase 1-C.

Though GLWA will **not** require vaccinations for the vendor community, we do strongly encourage that all onsite vendor personnel obtain the vaccine. Please note that vaccinated personnel must continue to adhere to established access requirements and safety protocols: wearing face masks, washing hands regularly, and maintaining social distance.

If you are interested in receiving the vaccine, we recommend that you routinely check your local health department's website for information on when you are eligible to do so. Furthermore, if you have any questions or concerns about receiving the vaccine, the links below provide credible facts about the vaccine to help inform your decision.

- ✓ [Not Sure About the COVID-19 Vaccine? Get the Facts, Then Decide](#) (from University of Michigan)
- ✓ [What You Should Know about the COVID-19 Vaccine](#) (from City of Detroit)

Additional questions regarding this matter may be sent to [procurement@glwater.org](mailto:procurement@glwater.org).

## Procurement Process Update: Contracts

In an effort to enable work on projects to begin more quickly, GLWA Procurement has adopted template contracts that conform to service sector standards in public procurement. ***Beginning February 1, 2021, GLWA will now require that vendors agree to the terms and conditions listed in the solicitation without edits or redlines.*** The acceptance of GLWA's terms and conditions will be required by all vendors doing business with GLWA. Any exceptions to these terms and conditions will automatically deem vendors' proposal or bid submission non-responsive. Vendors may use the open question and answer period to submit their contract-related questions and GLWA will respond through a posted addendum by the solicitation deadline. We appreciate the vendor community's cooperation with this procurement process update and request that any further inquiries be directed to the Buyer listed on the GLWA solicitation.

## What's Coming Down the Pipe?

**Current Solicitations:** Be sure to register in [Bonfire](#) for new solicitations and contract award information. **Upcoming Procurements: Next Three to Nine Months** - See page 2

**Visit GLWA online!** See the Vendors page at [www.glwater.org](http://www.glwater.org) or contact us via email at [procurement@glwater.org](mailto:procurement@glwater.org).



## Upcoming Solicitations January 2021

Category	Description	Budget Estimate
<b>Water System (next three months)</b>		
Maintenance Services	5-Year Sludge Removal and Disposal Services at Northeast, Springwell's & Southwest Water Plants	\$55,000,000
Maintenance Services	Skilled Trades Contract	TBD
Engineering	North Service Center Pumping Station Improvements (CIP #132016)	\$10,000,000
Field Services	Water Transmission Main, Valve, and Urgent and Emergency Repairs (CIP #170504)	\$15,000,000
Construction	Phase II – 14 Mile Transmission Loop Project (CIP #122013)	\$91,000,000
Construction	NEWTP Flocculator Improvements (CIP #112006)	\$11,000,000
Design	LHWTP Flocculator Improvements (CIP #111012)	\$3,000,000
Construction	Springwells Water Treatment Plant Medium Voltage Electrical System Replacement (CIP #114002 Project B)	\$30,000,000
Design Build	Belle Isle Seawall Rehabilitation (CIP #116005)	\$1,740,000
CMAR	96-Inch Water Transmission Main Relocation Project, Construction Manager-At-Risk	\$150,000,000
Construction	Complex B Thickened Waste Activated Sludge (TWAS) Piping Reconfiguration (JOC)	TBD
<b>Wastewater System (next three months)</b>		
Construction	Rehabilitation of Outfalls – Phase III(B-39)	\$7,000,000
Construction	Rehabilitation of Woodward Sewer (CIP #260207)	\$26,000,000
Maintenance	UPS Maintenance and Repair Services (CSO/WRRF)	\$1,564,050
Design	Control System Upgrade – St. Aubin, Leib, and 7 Mile CSO Facilities	TBD
Construction	WRRF Seagull Habitat Modification	TBD
Construction	Oakwood HVAC Improvements (CIP #260618) (CSO)	TBD
Professional Services	Development of CAD and Engineering Standards (TOES)	TBD
Professional Services	Virtual Tour and Laser Scanning Services	TBD
Construction	Connor Creek Dike Improvements (CIP #260621) (CSO)	TBD
<b>Water System (next four to nine months)</b>		
Design Build	WTP Ovation Workstation Upgrade Project (CIP #170303)	TBD
Design	Reservoir Inspection, Design and Construction Administration	\$4,000,000
<b>Wastewater System (next four to nine months)</b>		
Design	St. Aubin Disinfection and Screening Improvements (CIP #260617) (CSO)	TBD
Maintenance	Low-Voltage Wiring	\$7,500,000
Design	Leib Screening & Disinfection Facility Improvements for Meldrum Diversion (CIP #274001) (CSO)	TBD
Design	Oakwood CSO Facility Improvements for NWI Diversion (CIP #278001) (CSO)	TBD
Design	Pilot Netting Facility Project (CIP #270001) (CSO)	TBD
Design Build	Baby Creek Outfall Improvements Projects (CIP #277001)	TBD
Construction	Rehabilitation of CSO Outfall Backwater Gates	\$5,000,000
Construction	CSO Generator Improvements (Controls upgrades, Generator modifications) (CSO)	TBD
Construction	Hubbell Southfield CSO Basin Pipe Hanger Replacement	TBD
<b>Enterprise (next four to nine months)</b>		
Information Technology	Project Management Information System	TBD

Vendors should continue to monitor [Bonfire](#) for solicitation updates.

**WRRF:** Water Resource Recovery Facility

**CSO:** Combined Sewer Overflow