



Proposed
FY 2020 & FY 2021
Biennial Budget

February 15, 2019



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

Notice is hereby given that the Great Lakes Water Authority Board of Directors will hold a Public Hearing on the FY 2020 and FY 2021 Biennial budget. **DATE: Wednesday, February 27, 2019**

TIME: 2:00 p.m.

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

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

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

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

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

Schedule 1A - Water System Revenue Requirements Budget

Water System Revenue Requirements	Current Year		Biennial Budget					
	FY 2019 Adopted	FY 2019 Amended	FY 2020 Requested	FY 2020 \$ Change	% Change	FY 2021 Requested	FY 2021 \$ Change	FY 2021 % Change
Revenues								
11 Revenues from Charges	\$ 327,563,900	\$ 327,563,900	\$ 331,160,700	\$ 3,596,800	1.1%	\$ 345,917,300	\$ 14,756,600	4.5%
11.1 Revenues from Internal Charges			1,438,000	1,438,000	NA	1,502,100	64,100	4.5%
10.1 Non-Operating Revenue	3,836,600	9,425,400	9,084,200	5,247,600	136.8%	7,930,800	(1,153,400)	-12.7%
Total Revenues	331,400,500	336,989,300	341,682,900	10,282,400	3.1%	355,350,200	13,667,300	4.0%
Revenue Requirements								
1 Operations & Maintenance (O&M) Expense	\$121,562,600	\$121,562,600	\$133,490,500	\$11,927,900	9.8%	\$136,160,300	\$2,669,800	2.0%
2 O&M Legacy Pension Allocation	6,048,000	6,048,000	6,048,000	-	0.0%	6,048,000	-	0.0%
3 Debt Service Allocation	134,214,600	131,241,800	137,557,600	3,343,000	2.5%	150,314,300	12,756,700	9.3%
4 Accelerated Legacy Pension Allocation	6,268,300	6,268,300	6,268,300	-	0.0%	6,268,300	-	0.0%
5 Water Residential Assistance Program	1,673,400	1,673,400	1,743,900	70,500	4.2%	1,776,800	32,900	1.9%
6 Lease Payment to Local System I&E Account	22,500,000	22,500,000	22,500,000	-	0.0%	22,500,000	-	0.0%
7 Improvement & Extension Fund Allocation	39,133,600	47,695,200	30,098,600	(9,035,000)	-23.1%	31,392,600	1,294,000	4.3%
8 Operating Reserve Deposit	-	-	3,976,000	3,976,000	NA	889,900	(3,086,100)	-77.6%
9 Extraordinary Repair & Replacement Deposi	-	-	-	-	NA	-	-	NA
Annual Budgeted Revenue Requirements	\$ 331,400,500	\$ 336,989,300	\$ 341,682,900	\$ 10,282,400	3.1%	\$ 355,350,200	\$ 13,667,300	4.0%

Schedule 1B - Sewer System Revenue Requirements Budget

Sewer System Revenue Requirements	Current Year		Biennial Budget					
	FY 2019 Adopted	FY 2019 Amended	FY 2020 Requested	FY 2020 \$ Change	FY 2020 % Change	FY 2021 Requested	FY 2021 \$ Change	FY 2021 % Change
Revenues								
11 Revenues from Charges <i>(prior to adjustment)</i>	\$ 465,585,100	\$ 465,585,100	\$ 474,092,200	\$ 8,507,100	1.8%	\$ 493,104,100	\$ 19,011,900	4.0%
Regional Bad Debt True-Up Adjustment	1,871,300	1,871,300	-	(1,871,300)	-100.0%	-	-	NA
Subtotal Revenues from Charges	467,456,400	467,456,400	474,092,200	6,635,800	1.4%	493,104,100	19,011,900	4.0%
10.1 Non-Operating Revenue	4,570,900	8,750,000	8,730,800	4,159,900	91.0%	9,031,700	300,900	3.4%
Total Revenues	472,027,300	476,206,400	482,823,000	10,795,700	2.3%	502,135,800	19,312,800	4.0%
Revenue Requirements								
1 Operations & Maintenance (O&M) Expense	\$191,079,400	\$191,079,400	\$187,968,700	\$ (3,110,700)	-1.6%	\$191,728,100	\$3,759,400	2.0%
2 O&M Legacy Pension Allocation	10,824,000	10,824,000	10,824,000	-	0.0%	10,824,000	-	0.0%
3 Debt Service Allocation	214,600,700	208,389,200	215,738,800	1,138,100	0.5%	216,181,700	442,900	0.2%
4 Accelerated Legacy Pension Allocation	11,620,700	11,620,700	11,620,700	-	0.0%	11,620,700	-	0.0%
5 Water Residential Assistance Program	2,374,100	2,374,100	2,464,400	90,300	3.8%	2,510,700	46,300	1.9%
6 Lease Payment to Local System	27,500,000	27,500,000	27,500,000	-	0.0%	27,500,000	-	0.0%
7 Improvement & Extension Fund Allocation	12,157,100	22,547,700	26,706,400	14,549,300	119.7%	40,517,500	13,811,100	51.7%
8 Operating Reserve Deposit	-	-	-	-	NA	1,253,100	1,253,100	NA
9 Extraordinary Repair & Replacement Deposit	-	-	-	-	NA	-	-	NA
Annual Budgeted Revenue Requirements	470,156,000	474,335,100	482,823,000	12,667,000	2.7%	502,135,800	19,312,800	4.0%
I&E Fund Allocation - Regional Bad Debt True-Up Adj.	1,871,300	1,871,300	-	(1,871,300)	-100.0%	-	-	NA
Adjusted Annual Revenue Requirements	\$ 472,027,300	\$ 476,206,400	\$ 482,823,000	\$ 10,795,700	2.3%	\$ 502,135,800	\$ 19,312,800	4.0%

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

Sewer System Revenue Requirements	Current Year		Biennial Budget					
	FY 2019 Adopted	FY 2019 Amended	FY 2020 Requested	FY 2020 \$ Change	FY 2020 % Change	FY 2021 Requested	FY 2021 \$ Change	FY 2021 % Change
Revenues								
11 Revenues from Charges <i>(prior to adjustment)</i>	\$ 793,149,000	\$ 793,149,000	\$ 805,252,900	\$ 12,103,900	1.5%	\$ 839,021,400	\$ 33,768,500	4.2%
11.1 Revenues from Internal Charges			\$ 1,438,000	\$ 1,438,000	NA	\$ 1,502,100	\$ 64,100	4.5%
Regional Bad Debt True-Up Adjustment	1,871,300	1,871,300	-	(1,871,300)	-100.0%	-	-	NA
Subtotal Revenues from Charges	795,020,300	795,020,300	806,690,900	11,670,600	1.5%	840,523,500	33,832,600	4.2%
10.1 Non-Operating Revenue	8,407,500	18,175,400	17,815,000	9,407,500	111.9%	16,962,500	(852,500)	-4.8%
Total Revenues	803,427,800	813,195,700	824,505,900	21,078,100	2.6%	857,486,000	32,980,100	4.0%
Revenue Requirements								
1 Operations & Maintenance (O&M) Expense	\$312,642,000	\$312,642,000	\$321,459,200	\$8,817,200	2.8%	\$327,888,400	\$6,429,200	2.0%
2 O&M Legacy Pension Allocation	16,872,000	16,872,000	16,872,000	-	0.0%	16,872,000	-	0.0%
3 Debt Service Allocation	348,815,300	339,631,000	353,296,400	4,481,100	1.3%	366,496,000	13,199,600	3.7%
4 Accelerated Legacy Pension Allocation	17,889,000	17,889,000	17,889,000	-	0.0%	17,889,000	-	0.0%
5 Water Residential Assistance Program	4,047,500	4,047,500	4,208,300	160,800	4.0%	4,287,500	79,200	1.9%
6 Lease Payment to Local System I&E Account	50,000,000	50,000,000	50,000,000	-	0.0%	50,000,000	-	0.0%
7 Improvement & Extension Fund Allocation	51,290,700	70,242,900	56,805,000	5,514,300	10.8%	71,910,100	15,105,100	26.6%
8 Operating Reserve Deposit	-	-	3,976,000	3,976,000	NA	2,143,000	(1,833,000)	-46.1%
9 Extraordinary Repair & Replacement Deposit	-	-	-	-	NA	-	-	NA
Annual Budgeted Revenue Requirements	801,556,500	811,324,400	824,505,900	22,949,400	2.9%	857,486,000	32,980,100	4.0%
I&E Fund Allocation - Regional Bad Debt True-Up Adj.	1,871,300	1,871,300	-	(1,871,300)	-100.0%	-	-	NA
Adjusted Annual Revenue Requirements	\$ 803,427,800	\$ 813,195,700	\$ 824,505,900	\$ 21,078,100	2.6%	\$ 857,486,000	\$ 32,980,100	4.0%

There is no Schedule 3 for purposes of the Budget Resolution.

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

Flow of Funds Basis		FY 2020 Water Fund	FY 2020 Sewer Fund	FY 20 Combined (Informational Only)	FY 2021 Water Fund	FY 2021 Sewer Fund	FY 21 Combined (Informational Only)
Revenues							
1	Regional System Wholesale Revenues	\$ 332,598,700	\$ 474,092,200	\$ 806,690,900	\$ 347,419,400	\$ 493,104,100	\$ 840,523,500
2	Local System Revenues	73,985,800	106,009,200	179,995,000	75,873,300	125,417,700	201,291,000
3	Miscellaneous Revenue (Local System)	2,200,000	500,000	2,700,000	2,200,000	500,000	2,700,000
4	Non-Operating Revenue (Regional System)	9,083,300	8,730,600	17,813,900	7,930,800	9,031,700	16,962,500
5	Total Revenues	<u>\$ 417,867,800</u>	<u>\$ 589,332,000</u>	<u>\$ 1,007,199,800</u>	<u>\$ 433,423,500</u>	<u>\$ 628,053,500</u>	<u>\$ 1,061,477,000</u>
Revenue Requirements							
Operations & Maintenance Expense							
6	Regional System Wholesale Expenses (a)	\$ 133,490,500	\$ 187,968,700	\$ 321,459,200	\$ 136,160,300	\$ 191,728,100	\$ 327,888,400
7	Local System Expenses	36,654,600	72,472,800	109,127,400	37,764,000	74,627,200	112,391,200
8	GRS Pension allocable to Regional System	6,048,000	10,824,000	16,872,000	6,048,000	10,824,000	16,872,000
9	GRS Pension allocable to Local System	4,272,000	2,856,000	7,128,000	4,272,000	2,856,000	7,128,000
10	Total Operations & Maintenance Expense	<u>180,465,100</u>	<u>274,121,500</u>	<u>454,586,600</u>	<u>184,244,300</u>	<u>280,035,300</u>	<u>464,279,600</u>
11	Net Revenues after Operations & Maintenance Expense	<u>\$ 237,402,700</u>	<u>\$ 315,210,500</u>	<u>\$ 552,613,200</u>	<u>\$ 249,179,200</u>	<u>\$ 348,018,200</u>	<u>\$ 597,197,400</u>
Debt Service by Lien							
12	Senior Lien Bonds	123,909,900	148,568,300	272,478,200	130,866,400	139,541,600	270,408,000
13	Second Lien Bonds	47,849,300	45,878,900	93,728,200	49,280,800	54,642,100	103,922,900
14	SRF Junior Lien Bonds	2,909,100	52,941,400	55,850,500	12,084,700	53,651,700	65,736,400
15	Total Debt Service	<u>\$ 174,668,300</u>	<u>\$ 247,388,600</u>	<u>\$ 422,056,900</u>	<u>\$ 192,231,900</u>	<u>\$ 247,835,400</u>	<u>\$ 440,067,300</u>
Debt Service Coverage (a)							
15	Senior Lien Bonds (11)/(12)	1.92	2.12		1.90	2.49	
16	Second Lien Bonds (11) / [(12)+(13)]	1.38	1.62		1.38	1.79	
17	SRF Junior Lien Bonds (11) / (15)	1.36	1.27		1.30	1.40	

Schedule 5A - Water Improvement & Extension Fund

Inflows & Outflows	Current Year	Biennial Budget		Forecast		
	FY 2019 Projected	FY 2020 Requested	FY 2021 Requested	FY 2022 Forecast	FY 2023 Forecast	FY 2024 Forecast
Fund						
Water System Revenue Transfers	\$47,695,200	\$30,098,600	\$31,392,600	\$45,274,100	\$49,446,900	\$67,336,100
Grant Revenues	-	-	-	-	-	-
Earnings on Investments, Net	-	-	-	-	-	-
Capital Outlay	(22,133,400)	(10,125,300)	(9,235,300)	(8,223,000)	(4,460,400)	(4,798,300)
Revenue Financed Capital - Strategic	(13,172,000)	(45,000,000)	(75,000,000)	(100,000,000)	(43,000,000)	(49,000,000)
Increase (Decrease) in I&E Reserves	\$12,389,800	(\$25,026,700)	(\$52,842,700)	(\$62,948,900)	\$1,986,500	\$13,537,800
Beginning Year Balance	220,475,500	232,865,300	207,838,600	154,995,900	92,047,000	94,033,500
Projected Ending Balance	\$232,865,300	\$207,838,600	\$154,995,900	\$92,047,000	\$94,033,500	\$107,571,300

Schedule 5B - Sewer Improvement & Extension Fund

Inflows & Outflows	Current Year	Biennial Budget		Forecast		
	FY 2019 Projected	FY 2020 Requested	FY 2021 Requested	FY 2022 Forecast	FY 2023 Forecast	FY 2024 Forecast
Sewer Improvement & Extension Fund						
Sewer System Revenue Transfers	\$24,419,000	\$26,706,400	\$40,517,500	\$46,034,700	\$65,614,400	\$90,590,000
Grant Revenues	-	-	-	-	-	-
Earnings on Investments, Net	-	-	-	-	-	-
Capital Outlay	(5,957,000)	(20,122,200)	(19,875,600)	(24,692,200)	(8,812,400)	(10,881,900)
Revenue Financed Capital - Specific	-	-	-	-	-	-
Revenue Financed Capital - Strategic	(8,312,000)	-	(10,000,000)	(20,000,000)	(60,000,000)	(80,000,000)
Increase (Decrease) in I&E Reserves	\$10,150,000	\$6,584,200	\$10,641,900	\$1,342,500	(\$3,198,000)	(\$291,900)
Beginning Year Balance	68,931,000	79,081,000	85,665,200	96,307,100	97,649,600	94,451,600
Projected Ending Balance	\$79,081,000	\$85,665,200	\$96,307,100	\$97,649,600	\$94,451,600	\$94,159,700

Schedule 5C - Water Construction Bond Fund

Inflows & Outflows	Current Year	Biennial Budget		Forecast		
	FY 2019 Projected	FY 2020 Requested	FY 2021 Requested	FY 2022 Forecast	FY 2023 Forecast	FY 2024 Forecast
Water Construction Bond Fund						
Bond Proceeds, Net	\$0	\$ -	\$0	\$ 58,280,000	\$54,520,000	\$63,920,000
Earnings on Investments, Net	2,857,500	1,487,700	258,300	-	188,900	73,200
Transfer from Improvement & Extension Fund	13,172,000	45,000,000	75,000,000	100,000,000	43,000,000	49,000,000
Grant Revenues	-	5,531,000	18,367,000	24,115,000	29,615,000	29,994,000
Project Expenditures	(66,038,000)	(107,435,300)	(124,949,300)	(136,946,300)	(126,754,500)	(143,149,500)
Increase (Decrease) in Construction Funds	(50,008,500)	(55,416,600)	(31,324,000)	45,448,700	569,400	(162,300)
Beginning Year Balance	140,732,200	90,723,700	35,307,100	3,983,100	49,431,800	50,001,200
Projected Ending Balance	\$90,723,700	\$35,307,100	\$3,983,100	\$49,431,800	\$50,001,200	\$49,838,900

Schedule 5D - Sewer Construction Bond Fund

Inflows & Outflows	Current Year	Biennial Budget		Forecast		
	FY 2019 Projected	FY 2020 Requested	FY 2021 Requested	FY 2022 Forecast	FY 2023 Forecast	FY 2024 Forecast
Sewer Construction Bond Fund						
Bond Proceeds, Net	\$0	\$ 78,960,000	\$81,780,000	\$ 90,240,000	\$60,160,000	\$16,920,000
Earnings on Investments, Net	1,351,800	41,100	119,300	99,300	489,300	1,041,000
Transfer from Improvement & Extension Fund	8,312,000	-	10,000,000	20,000,000	60,000,000	80,000,000
Grant Revenues	55,213,000	29,342,000	8,280,000	1,343,000	-	-
Project Expenditures	(105,183,000)	(121,110,000)	(99,322,500)	(112,632,800)	(119,538,000)	(97,619,300)
Increase (Decrease) in Construction Funds	(40,306,200)	(12,766,900)	856,800	(950,500)	1,111,300	341,700
Beginning Year Balance	102,506,300	62,200,100	49,433,200	50,290,000	49,339,500	50,450,800
Projected Ending Balance	\$62,200,100	\$49,433,200	\$50,290,000	\$49,339,500	\$50,450,800	\$50,792,500