



Financial Services Audit Committee Communication

Date: October 18, 2019

To: Great Lakes Water Authority Audit Committee

From: Kim Garland, CPA, Reporting & Compliance Manager

Re: Industrial Pretreatment Program Financial Analysis & Charges

Background: On October 8, 2019 the Great Lakes Water Authority Board of Directors approved an Industrial Pretreatment Program (IPP) Agreement ('Agreement') between GLWA and the City of Pontiac Wastewater Treatment Facility Drainage District (COPWTFDD) and the Clinton River Water Resource Recovery Facility Drainage District (CRWRRFDD).

Oakland County has a wastewater interceptor system known as the Clinton-Oakland Sewage Disposal System (COSDS). This system collects wastewater from municipalities in the central and eastern portion of Oakland County and delivers it to both above referenced Drainage Districts and the Oakland Macomb Interceptor Drain Drainage District (OMIDDD).

The OMIDDD has an agreement with GLWA for wastewater services. This includes conveyance to, and treatment at, GLWA's Water Resource Recovery Facility (WRRF) which allows for a portion of the wastewater flow in the COSDS interceptor that is diverted, such that it is delivered to the WRRF in Pontiac and the remaining flow travels downstream to the OMIDDD to the GLWA collection system and is delivered to GLWA's WRRF. It should be noted that at the diversion point, most of the flow is diverted to the WRRF in Pontiac.

This flow diversion results in overlapping service areas and creates a geographic area that is governed by two IPPs with differing requirements and IPP rules. This Agreement addresses that overlap by dividing the IPP program into an administrative component (for reporting and oversight functions) and field work-only component (mainly sampling and testing).

Charges Impact: The GLWA Financial Services Area (FSA) in coordination with the Industrial Waste Control (IWC) team and The Foster Group (TFG) reviewed the costs associated with the each of the two components of the IPP. A detailed analysis of historical costs and budgeted expenses led to a conclusion that 25% of current IWC charges relate to administrative cost components and 75% relate to field work components.

The intent of the Agreement is that Industrial Waste Control customers that fall within the geographical area defined in this Agreement will therefore be invoiced for 25% of the current GLWA IWC charges monthly and 75% by the relevant Drainage District monthly.

It is anticipated that less than \$182,000 of GLWA's overall IWC annual revenues will be impacted by this change when implemented. A summary of the potential impact is shown in Table 1 – Scope of Impact Analysis. The actual amount will not be known until the specific meters impacted are identified by each of the six member partner communities.

Process Rollout: GLWA will work with the six member partner communities impacted to facilitate the implementation and rollout of this Agreement. FSA will revise the IWC count sheets provided by member partners monthly to allow for two, meter count columns—one for Admin-only meters and one for standard customer meters. Each of the six, member partner communities will need to conduct an initial review of the addresses for each IWC customer to determine which fall within the defined geographic area specified in the Agreement. The six, member partner communities will then report these two counts monthly. GLWA will continue to provide one bill inclusive of charges for full-service IWC meters and those for Admin-only meters within the geographic area identified in the Agreement. A process rollout timeline is included as Table 2 – Proposed Rollout Timeline. This table highlights target completion dates for the FSA team pending resolution of any rollout issues related to GLWA Operations.

A revised FY 2020 Schedule of Charges will be presented to the Audit Committee for consideration in November 2019 with proposed Board approval in December 2019 for the revision to the current IWC Schedule of Charges as demonstrated in Table 3 - FY 2020 IWC Charges. This agenda item will include a draft resolution for review and potential presentation to the GLWA Board of Directors at their first meeting in December 2019.

Future Years' Charges Impact: Moving forward, GLWA will include review of this allocation and its impact into the annual Cost of Service study. The annual allocation will be updated as needed and continue to be footnoted on the IWC charge sheet.

Proposed Action: Receive and file this report.

Table 1 – Scope of Impact Analysis

Member Partner	Oct 2018 Count of Meter Size	Estimated FY2019 Monthly Revenue by Meter Size	Estimated FY2020 Monthly Revenue by Meter Size	Estimated FY 2020 Admin- Only @ 25% - Potential Impact	Estimated FY 2020 Field Work-Only Fee @ 75% - Potential Impact
Auburn Hills	192	\$6,554.11	\$6,231.03	\$1,557.76	\$4,673.27
1"	22	\$195.58	\$185.90	\$46.48	\$139.43
1.5"	32	\$625.92	\$594.88	\$148.72	\$446.16
10"	1	\$248.84	\$236.60	\$59.15	\$177.45
2"	64	\$1,820.16	\$1,730.56	\$432.64	\$1,297.92
3"	45	\$2,319.75	\$2,205.45	\$551.36	\$1,654.09
3/4"	12	\$64.08	\$60.84	\$15.21	\$45.63
4"	14	\$995.40	\$946.40	\$236.60	\$709.80
6"	1	\$106.64	\$101.40	\$25.35	\$76.05
8"	1	\$177.74	\$169.00	\$42.25	\$126.75
Clarkston	33	\$167.08	\$158.86	\$39.72	\$119.15
1"	3	\$26.67	\$25.35	\$6.34	\$19.01
1.5"	1	\$19.56	\$18.59	\$4.65	\$13.94
3/4"	10	\$53.40	\$50.70	\$12.68	\$38.03
5/8"	19	\$67.45	\$64.22	\$16.06	\$48.17
Independence	22	\$442.70	\$420.81	\$105.20	\$315.61
1"	1	\$8.89	\$8.45	\$2.11	\$6.34
1.5"	2	\$39.12	\$37.18	\$9.30	\$27.89
2"	5	\$142.20	\$135.20	\$33.80	\$101.40
3"	1	\$51.55	\$49.01	\$12.25	\$36.76
3/4"	11	\$58.74	\$55.77	\$13.94	\$41.83
4"	2	\$142.20	\$135.20	\$33.80	\$101.40
Orion	42	\$650.64	\$618.54	\$154.64	\$463.91
1"	10	\$88.90	\$84.50	\$21.13	\$63.38
1.5"	9	\$176.04	\$167.31	\$41.83	\$125.48
2"	12	\$341.28	\$324.48	\$81.12	\$243.36
3/4"	3	\$16.02	\$15.21	\$3.80	\$11.41
5/8"	8	\$28.40	\$27.04	\$6.76	\$20.28
Waterford	1209	\$12,446.26	\$11,835.07	\$2,958.77	\$8,876.30
1"	300	\$2,667.00	\$2,535.00	\$633.75	\$1,901.25
1.5"	116	\$2,268.96	\$2,156.44	\$539.11	\$1,617.33
2"	127	\$3,611.88	\$3,434.08	\$858.52	\$2,575.56
3"	17	\$876.35	\$833.17	\$208.29	\$624.88
4"	5	\$355.50	\$338.00	\$84.50	\$253.50
5/8"	641	\$2,275.55	\$2,166.58	\$541.65	\$1,624.94
6"	2	\$213.28	\$202.80	\$50.70	\$152.10
8"	1	\$177.74	\$169.00	\$42.25	\$126.75
West Bloomfield	51	\$972.45	\$924.43	\$231.11	\$693.32
1"	13	\$115.57	\$109.85	\$27.46	\$82.39
1.5"	11	\$215.16	\$204.49	\$51.12	\$153.37
2"	11	\$312.84	\$297.44	\$74.36	\$223.08
3"	4	\$206.20	\$196.04	\$49.01	\$147.03
3/4"	7	\$37.38	\$35.49	\$8.87	\$26.62
4"	1	\$71.10	\$67.60	\$16.90	\$50.70
5/8"	4	\$14.20	\$13.52	\$3.38	\$10.14
Monthly Totals	1549	\$21,233.24	\$20,188.74	\$5,047.19	\$15,141.56
Potential Annual Impact					\$181,698.66
FY 2019 Total IWC Revenue					\$9,059,024.37

Table 2 – Proposed Rollout Timeline

Key Steps	Timeframe	Target Completion Date
1. Identify Member Partner team members to confirm impacted customers/meters	2 weeks	11/1/2019
2. Train Member Partner billing contacts on new IWC count forms and process	1 month	11/30/2019
3. Integrate new IWC Admin-Only counts and process into IWC bills for December	1 month	12/31/2019

Table 3 - FY 2020 IWC Charges with Proposed Footnote Revision

Great Lakes Water Authority - FY 2020 Sewage Disposal System
Industrial Specific Retail Sewer Charges
Approved by the GLWA Board on March 13, 2019

Industrial Waste Control Charges		Pollutant Surcharges	
Meter Size - inches	Charge \$/mo	Pollutant	Charge \$/lb
5/8	3.38	BIOCHEMICAL OXYGEN DEMAND (BOD) for concentrations > 275 mg/l	0.491
3/4	5.07		
1	8.45		
1-1/2	18.59		
2	27.04	TOTAL SUSPENDED SOLIDS (TSS) for concentrations > 350 mg/l	0.499
3	49.01		
4	67.60		
6	101.40		
8	169.00	PHOSPHORUS (P) for concentrations > 12 mg/l	7.354
10	236.60		
12	270.40		
14	338.00		
16	405.60	FATS, OIL AND GREASE (FOG) for concentrations > 100 mg/l	0.473
18	473.20		
20	540.80		
24	608.40		
30	676.00	SEPTAGE DISPOSAL FEE Per 500 gallons of disposal	48.00
36	743.60		
48	811.20		

Note: On October 8, 2019 the GLWA Board of Directors approved an Agreement between the Great Lakes Water Authority, the City of Pontiac Wastewater Treatment Facility Drainage District, and the Clinton River Water Resource Recovery Facility Drainage District which allowed for the application of an 'administrative-only' IWC charge of 25% to be applied to a specific geographic range of Industrial Waste Control customers. The remainder of the Industrial Pretreatment Program charges for these customers will be applied by the agreed-upon entity performing the associated field services. This allocation will be revisited as part of the annual cost of service study.