



Financial Services Audit Committee Communication

Date: December 6, 2019

To: Great Lakes Water Authority Audit Committee

From: Jon Wheatley, Public Finance Manager

Re: FY 2021 Charges Rollout Update

Background: Over the next few months, the Great Lakes Water Authority (GLWA) will host its annual charges rollout meetings for Fiscal Year 2021. During these meetings GLWA will present and discuss how our capital improvement plan (CIP) and Budget form the basis for GLWA's proposed Revenue Requirements and how the Units of Service for each of our members is used to determine each members' charges in alignment with the Service Agreements.

Rollout Meeting #1: Water and Sewer Capital Improvement Plan on November 15, 2019

- ✓ The Draft 1 CIP was presented. The CIP was developed within a dollar scope that aligns with GLWA's ten-year financial plan presented to the Audit Committee in October 2019.

Rollout Meeting #2: November 21, 2019, Units of Service

- ✓ **Sewer:** There was not a presentation on the Sewer Shares Update for FY 2021. This is because as the Sewer Shares Workgroup recommended to the GLWA Board of Directors that the Sewer Shares remain unchanged for FY 2021 as it works to update the methodology for FY 2022.
- ✓ **Water:** Key take-aways from the water presentation:
 - FY 2019 wholesale master metered water sales volumes indicate were materially lower than recent years, particularly in "peak" months.
 - Total (including non-master metered) FY 2021 projected sales volumes are approximately 3.5% lower than the FY 2020 figures.
 - All else being equal, this will create a negative budgeted revenue variance of approximately 1.4% for FY 2021.
 - Commodity sales account for 40% of budgeted revenue

- The Contract Alignment Process (“CAP”) effective in FY 2020 does not create any modified “demand related” allocation of costs of service to Customers.

Upcoming: Rollout Meeting #3 (Proposed FY 2021 Revenue Requirements)

- Thursday, January 9, 2020
- [VisTaTech Center Schoolcraft College](#) (18600 Haggerty Rd., Livonia, MI)
- Water: 10:30 a.m. - 12:00 p.m.
- Lunch Briefing: 12:00 p.m. - 12:30 p.m.
- Sewer: 12:30 p.m. - 2:00 p.m.

Upcoming: Rollout Meeting #4 (Proposed FY 2021 Service Charges)

- Thursday, January 23, 2020
- Location: TBD
- Sewer: 11:00 a.m. - 12:00 p.m.
- Lunch: 12:00 - 12:30 p.m.
- Water: 12:30 p.m. - 2:00 p.m.
- Optional one-on-one round table discussions for individual member partners regarding their proposed charge sheets: 2:00 p.m. - 2:30 p.m.

Budget Impact: The results of the CIP, Units of Service, Revenue Requirements and Service Charges presented at these meetings will be incorporated into the FY 2021 – FY 2025 financial plan and proposed FY 2021 service charges which will be presented to the Board of Directors at a public hearing on February 26, 2020.

Proposed Action: Receive and file this report.