



Financial Services Audit Committee Communication

Date: February 21, 2020

To: Great Lakes Water Authority Audit Committee

From: Kim Garland, CPA, Reporting & Compliance Manager

Re: Industrial Pretreatment Program Financial Analysis & Charges Update

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 Oakland Macomb Interceptor Drain Drainage District (OMIDDD) into 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 the conclusion that 25% of current IWC charges related 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 the Agreement will be invoiced for 25% for of the current GLWA IWC charges monthly for Administrative related costs. The services and costs related to

those service relating to the remaining 75% will be billed by the relevant Drainage District monthly.

Implementation Update: The GLWA team worked with the six member partner communities as planned and implemented the new process and charge structure. The process was fully effective in January 2020 with the start of the annual IWC reporting cycle.

Based on meter counts reported for December 2019 and billed in January 2020 the reduction in GLWA IWC revenues for one billing period (one month) was \$20,211. This calculation is shown in **Table 1 - Scope of Impact**.

The analysis compares November IWC invoices to January IWC invoices. The new Admin-Only process was phased in between December and January, so January was the first month in which the impact of all six-member partner communities could be measured. November was the last month in which all six communities were invoiced at the full IWC rate.

The IWC meter counts reported by member communities varies little month to month. As shown in Table 1, across the six-member partner communities there was a total reduction of \$542 due to changes in meter counts. This difference was factored out of the impact analysis to arrive at the true IWC Admin-Only charge impact.

Table 1 - Scope of Impact

Member Partner	November Invoice	January Invoice		Difference due to Monthly Count	IWC Admin-Only Charge Impact
	Full IWC Charges	Full IWC Charges	Admin Only Charges		
Auburn Hills	\$ 18,580	\$ 10,657	\$ 1,883	\$ (390)	\$ 5,649
Clarkson	264	-	66	-	198
Independence	4,718	-	1,163	(68)	3,488
Orion Township	5,244	3,473	442	(5)	1,324
Waterford Township	11,840	-	2,962	(3)	8,875
West Bloomfield	902	-	226	-	677
	\$ 41,549	\$ 14,130	\$ 6,741	\$ (466)	\$ 20,211

The final step in this process will be to post the revised FY 2020 Schedule of Charges will be to the GLWA website (www.glwater.org) as shown in **Table 2 - FY 2020 IWC Charges with Footnote Revision** reflecting the adjusted rates for the six member partner communities.

Table 2 - FY 2020 IWC Charges with 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	TOTAL SUSPENDED SOLIDS (TSS) for concentrations > 350 mg/l	0.499
2	27.04		
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	FATS, OIL AND GREASE (FOG) for concentrations > 100 mg/l	0.473
16	405.60		
18	473.20		
20	540.80		
24	608.40		
30	676.00		
36	743.60	SEPTAGE DISPOSAL FEE Per 500 gallons of disposal	48.00
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.

Future Years' Charges Impact: Moving forward, IWC Admin-Only Charges have been calculated and listed by meter size on the FY 2021 Proposed Charges Schedule. The administrative allocation of 25% remained the same for FY 2021 as the supporting analysis was recently completed. The administrative only percentage will be reviewed with the FY 2020 cost of service study.

Proposed Action: Receive and file this report.