

Great Lakes Water Authority

Resolution 2020 - xxx

Resolution Adopting the Biennial FY 2021 & FY 2022 Budget

By Board Member: _____

WHEREAS The Great Lakes Water Authority (“GLWA” or the “Authority”) assumed the operation of the regional water and sewer systems on January 1, 2016 (the “Effective Date”) pursuant to Water System and Sewer System Lease Agreements between the GLWA and the City of Detroit dated June 12, 2015; and

WHEREAS In accordance with the by-laws of the GLWA, the Board shall adopt a two-year (Biennial) operating budget for the Regional Water and Sewer Systems; and

WHEREAS The Authority, through the terms of the Leases, committed to an annual increase in revenue requirement budget of no more than 4% though the fiscal year ending June 30, 2025; and

WHEREAS The GLWA Board is now adopting its fifth fiscal year budget demonstrating its ability to achieve and excel in meeting that commitment with a Regional Water System annual revenue requirement budget increase of 1.1% which equates to an average 2.4% increase in revenues from Water Service Charges and a Regional Sewer System annual revenue requirements budget increase of 2.5% which equates to an average 3.2% increase in revenues from Sewer Service Charges; and

WHEREAS The budgeted expenses for each such Fiscal Year shall equal the sum of the Projected expenses and revenue requirements for the Regional Water System and the Regional Sewer System for each such Fiscal Year; and

WHEREAS The budgeted annual revenue requirements for the Regional Water System for FY 2021 is \$343,409,900 and for FY 2022 is \$353,712,300 as shown on “Schedule 1A – Water System Revenue Requirements” of the budget document; and

WHEREAS The budgeted annual revenue requirements for the Regional Sewer System for FY 2021 is \$492,602,100 and for FY 2022 is \$507,380,100 as shown on “Schedule 1B – Sewer System Revenue Requirements” of the budget document; and

WHEREAS The operations and maintenance budget for the Regional Water System for FY 2021 is \$137,127,300 and for FY 2022 is \$139,642,500 as shown on

“Schedule 1A – Water System Revenue Requirements” of the budget document; and

WHEREAS The operations and maintenance budget for the Regional Sewer System for FY 2021 is \$184,946,100 and for FY 2022 is \$188,934,600 as shown on Schedule 1B – Sewer System Revenue Requirements” of the budget document; and

WHEREAS The amounts necessary to pay the principal of and interest on all Regional Water System bonds and to restore any reserves therefore established in the Master Bond ordinance is \$185,464,400 for FY 2021 and \$186,234,800 for FY 2022 as shown on “Schedule 4 - Debt Service Coverage Calculations Consistent with the Master Bond Ordinance” of the budget document; and

WHEREAS The amounts necessary to pay the principal of and interest on all Regional Sewer System bonds and to restore any reserves therefore established in the Master Bond Ordinance is \$241,569,300 for FY 2021 and \$247,618,300 for FY 2022 as shown on “Schedule 4 - Debt Service Coverage Calculations Consistent with the Master Bond Ordinance” of the budget document; and

WHEREAS The amounts necessary to fund the annual water system capital expenditures of \$110,673,000 in FY 2021 and \$134,939,000 in FY 2022 for the capital improvement plan in accordance with the Schedule 5C - Water Construction Bond Fund budget with those capital amounts reflecting a 75% Capital Spending Ratio applied to FY 2021 and FY 2022 as shown in the proposed FY 2021 through FY 2025 Capital Improvement Plan; and

WHEREAS The amounts necessary to fund the annual sewer system capital expenditures of \$82,979,000 in FY 2021 and \$84,568,000 in FY 2022 for the capital improvement plan in accordance with Schedule 5D - Sewer Construction Bond Fund budget with those capital amounts reflecting a 75% Capital Spending Ratio applied to FY 2021 and FY 2022 as shown in the proposed FY 2021 through FY 2025 Capital Improvement Plan; and

WHEREAS The amounts necessary to fund the annual water system capital expenditures of \$17,892,000 in FY 2021 and \$13,760,200 in FY 2022 for capital outlay in accordance with the 5A - Water Improvement and Extension Fund budget; and

WHEREAS The amounts necessary to fund the annual sewer system capital expenditures of \$20,481,100 in FY 2021 and \$15,794,700 in FY 2022 for the capital outlay in accordance with the 5B - Sewer Improvement and Extension Fund budget; and

WHEREAS The GLWA Audit Committee began review of the budget and five-year financial plan document developed for FY 2021 through FY 2025 at its

meeting on December 19, 2019; with updates at its meetings on January 27, 2020, and February 21, 2020; and

WHEREAS The GLWA Board conducted a public hearing on the proposed budget in accordance with the provisions of Public Act No. 43 of the Acts of the State Legislature of 1963 (“Budget Hearings of Local Governments”); and

WHEREAS A notice for the public hearing on the proposed budget scheduled for February 26, 2020 at 2:00 pm at the Water Board Building, 735 Randolph, Detroit, Michigan was published in The Detroit Legal News announcing a public hearing on the budget in addition to posting the notice and proposed budget on glwater.org/financials; and

WHEREAS An affirmative vote of 5 Board Members is necessary for the adoption of this Resolution,

NOW THEREFORE BE IT:

RESOLVED That the GLWA Board conducted a public hearing on February 26, 2020 to receive public comment regarding the proposed budget for the Fiscal Years 2021 and 2022; and be it further

RESOLVED That the GLWA Board approves the budget for Fiscal Years 2021 and 2022; and be it finally

RESOLVED That the Chief Executive Officer, and the Chief Financial Officer/Treasurer are authorized to take such other action as may be necessary to accomplish the intent of this resolution.

Schedule 1A - Water System Revenue Requirements Budget

Water System Revenue Requirements	Current Year		Biennial Budget					
	FY 2020 Adopted	FY 2020 Estimated	FY 2021 Requested	FY 2021 \$ Change	FY 2021 % Change	FY 2022 Requested	FY 2022 \$ Change	FY 2022 % Change
Revenues								
11 Revenues from Charges	\$ 330,580,000	\$ 326,215,000	\$ 338,575,500	\$ 7,995,500	2.4%	\$ 349,850,200	\$ 11,274,700	3.3%
10.1 Non-Operating Revenue	9,084,200	5,732,100	4,834,400	(4,249,800)	-46.8%	3,862,100	(972,300)	-20.1%
Total Revenues	339,664,200	331,947,100	343,409,900	3,745,700	1.1%	353,712,300	10,302,400	3.0%
Revenue Requirements								
1 Operations & Maintenance (O&M) Expense	\$131,490,500	\$131,490,500	\$137,127,300	\$5,636,800	4.3%	\$139,642,500	\$2,515,200	1.8%
2 General Retirement System Legacy Pension	6,048,000	6,048,000	6,048,000	-	0.0%	6,048,000	-	0.0%
3 Debt Service Allocation	137,557,600	137,581,000	143,189,900	5,632,300	4.1%	141,151,000	(2,038,900)	-1.4%
4 General Retirement System Accelerated Pension	6,268,300	6,268,300	6,268,300	-	0.0%	6,268,300	-	0.0%
5 Water Residential Assistance Program Contribution	1,698,300	1,698,300	1,678,000	(20,300)	-1.2%	1,768,600	90,600	5.4%
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	30,125,500	22,385,000	25,721,800	(4,403,700)	-14.6%	35,495,500	9,773,700	38.0%
8 Operating Reserve Deposit	3,976,000	3,976,000	876,600	(3,099,400)	-78.0%	838,400	(38,200)	-4.4%
9 Extraordinary Repair & Replacement Deposit	-	-	-	-	NA	-	-	NA
Annual Budgeted Revenue Requirements	\$ 339,664,200	\$ 331,947,100	\$ 343,409,900	\$ 3,745,700	1.1%	\$ 353,712,300	\$ 10,302,400	3.0%

Schedule 1B - Sewer System Revenue Requirements Budget

Sewer System Revenue Requirements	Current Year		Biennial Budget					
	FY 2020 Adopted	FY 2020 Estimated	FY 2021 Requested	FY 2021 \$ Change	FY 2021 % Change	FY 2022 Requested	FY 2022 \$ Change	FY 2022 % Change
Revenues								
11 Revenues from Charges	\$ 471,874,500	\$ 471,874,500	\$ 487,012,900	\$ 15,138,400	3.2%	\$ 501,966,100	\$ 14,953,200	3.1%
10.1 Non-Operating Revenue	8,730,800	5,051,500	5,589,200	(3,141,600)	-36.0%	5,414,000	(175,200)	-3.1%
Total Revenues	480,605,300	476,926,000	492,602,100	11,996,800	2.5%	507,380,100	14,778,000	3.0%
Revenue Requirements								
1 Operations & Maintenance (O&M) Expense	\$187,057,200	\$187,057,200	\$184,946,100	\$ (2,111,100)	-1.1%	\$188,934,600	\$3,988,500	2.2%
2 General Retirement System Legacy Pension	10,824,000	10,824,000	10,824,000	-	0.0%	10,824,000	-	0.0%
3 Debt Service	215,738,800	213,802,800	209,739,900	(5,998,900)	-2.8%	215,438,500	5,698,600	2.7%
4 General Retirement System Accelerated Pension	11,620,700	11,620,700	11,620,700	-	0.0%	11,620,700	-	0.0%
5 Water Residential Assistance Program Contribution	2,403,000	2,403,000	2,444,200	41,200	1.7%	2,536,900	92,700	3.8%
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	25,461,600	23,718,300	45,527,200	20,065,600	78.8%	49,195,900	3,668,700	8.1%
8 Operating Reserve Deposit	-	-	-	-	NA	1,329,500	1,329,500	NA
9 Extraordinary Repair & Replacement Deposit	-	-	-	-	NA	-	-	NA
Annual Budgeted Revenue Requirements	\$ 480,605,300	\$ 476,926,000	\$ 492,602,100	\$ 11,996,800	2.5%	\$ 507,380,100	\$ 14,778,000	3.0%

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

Combined System Revenue Requirements	Current Year		Biennial Budget					
	FY 2020 Adopted	FY 2020 Estimated	FY 2021 Requested	FY 2021 \$ Change	FY 2021 % Change	FY 2022 Requested	FY 2022 \$ Change	FY 2022 % Change
Revenues								
11 Revenues from Charges	\$ 802,454,500	\$ 798,089,500	\$ 825,588,400	\$ 23,133,900	2.9%	\$ 851,816,300	\$ 26,227,900	3.2%
10.1 Non-Operating Revenue	17,815,000	10,783,600	10,423,600	(7,391,400)	-41.5%	9,276,100	(1,147,500)	-11.0%
Total Revenues	820,269,500	808,873,100	836,012,000	15,742,500	1.9%	861,092,400	25,080,400	3.0%
Revenue Requirements								
1 Operations & Maintenance (O&M) Expense	\$318,547,700	\$318,547,700	\$322,073,400	\$3,525,700	1.1%	\$328,577,100	\$6,503,700	2.0%
2 General Retirement System Legacy Pension	16,872,000	16,872,000	16,872,000	-	0.0%	16,872,000	-	0.0%
3 Debt Service	353,296,400	351,383,800	352,929,800	(366,600)	-0.1%	356,589,500	3,659,700	1.0%
4 General Retirement System Accelerated Pension	17,889,000	17,889,000	17,889,000	-	0.0%	17,889,000	-	0.0%
5 Water Residential Assistance Program Contribution	4,101,300	4,101,300	4,122,200	20,900	0.5%	4,305,500	183,300	4.4%
6 Lease Payment to Local System	50,000,000	50,000,000	50,000,000	-	0.0%	50,000,000	-	0.0%
7 Improvement & Extension Fund Allocation	55,587,100	46,103,300	71,249,000	15,661,900	28.2%	84,691,400	13,442,400	18.9%
8 Operating Reserve Deposit	3,976,000	3,976,000	876,600	(3,099,400)	-78.0%	2,167,900	1,291,300	147.3%
9 Extraordinary Repair & Replacement Deposit	-	-	-	-	NA	-	-	NA
Annual Budgeted Revenue Requirements	\$ 820,269,500	\$ 808,873,100	\$ 836,012,000	\$ 15,742,500	1.9%	\$ 861,092,400	\$ 25,080,400	3.0%

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 2021 Water Fund	FY 2021 Sewer Fund	(Informational Only)	FY 2022 Water Fund	FY 2022 Sewer Fund	(Informational Only)
Revenues							
1	Regional System Wholesale Revenues	\$ 338,575,500	\$ 487,012,900	\$ 825,588,400	\$ 349,850,200	\$ 501,966,100	\$ 851,816,300
2	Local System Revenues	72,850,000	99,303,900	172,153,900	74,795,700	110,569,600	185,365,300
3	Miscellaneous Revenue (Local System)	6,149,100	5,634,700	11,783,800	6,149,100	5,634,700	11,783,800
4	Non-Operating Revenue (Regional System)	4,834,400	5,589,200	10,423,600	3,862,100	5,414,000	9,276,100
5	Total Revenues	\$ 422,409,000	\$ 597,540,700	\$ 1,019,949,700	\$ 434,657,100	\$ 623,584,400	\$ 1,058,241,500
Revenue Requirements							
Operations & Maintenance Expense							
6	Regional System Wholesale Expenses	\$ 137,127,300	\$ 184,946,100	\$ 322,073,400	\$ 139,642,500	\$ 188,934,600	\$ 328,577,100
7	Local System Expenses	36,471,300	71,101,900	107,573,200	37,556,300	73,200,700	110,757,000
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	183,918,600	269,728,000	453,646,600	187,518,800	275,815,300	463,334,100
11	Net Revenues after Operations & Maintenance Expense	\$ 238,490,400	\$ 327,812,700	\$ 566,303,100	\$ 247,138,300	\$ 347,769,100	\$ 594,907,400
Debt Service by Lien							
12	Senior Lien Bonds	131,142,700	132,686,600	263,829,300	133,759,600	144,396,600	278,156,200
13	Second Lien Bonds	49,280,800	54,642,000	103,922,800	44,683,600	48,104,300	92,787,900
14	SRF Junior Lien Bonds	5,040,900	54,240,700	59,281,600	7,791,600	55,117,400	62,909,000
15	Total Debt Service	\$ 185,464,400	\$ 241,569,300	\$ 427,033,700	\$ 186,234,800	\$ 247,618,300	\$ 433,853,100
Debt Service Coverage							
16	Senior Lien Bonds $(11)/(12)$	1.82	2.47		1.85	2.41	
17	Second Lien Bonds $(11)/[(12)+(13)]$	1.32	1.75		1.38	1.81	
18	SRF Junior Lien Bonds $(11)/(15)$	1.29	1.36		1.33	1.40	

Schedule 5A - Water Improvement & Extension Fund

Inflows & Outflows	Current Year	Biennial Budget	
	FY 2020 Estimated	FY 2021 Requested	FY 2022 Forecast
Water Improvement & Extension Fund			
Water System Revenue Transfers	\$22,385,000	\$25,721,800	\$35,495,500
Receipt of DWSD Shortfall Loan	-	-	-
Grant Revenues	-	-	-
Earnings on Investments, Net	-	-	-
Capital Outlay	(10,125,300)	(17,892,000)	(13,760,200)
Revenue Financed Capital - Strategic	(50,000,000)	(75,000,000)	(85,000,000)
Increase (Decrease) in I&E Reserves	(\$37,740,300)	(\$67,170,200)	(\$63,264,700)
Beginning Year Balance	264,584,900	226,844,600	159,674,400
Projected Ending Balance	\$226,844,600	\$159,674,400	\$96,409,700

Schedule 5B - Sewer Improvement & Extension Fund

Inflows & Outflows	Current Year	Biennial Budget	
	FY 2020 Estimated	FY 2021 Requested	FY 2022 Forecast
Sewer Improvement & Extension Fund			
Sewer System Revenue Transfers	\$23,718,300	\$45,527,200	\$49,195,900
Receipt of DWSD Shortfall Loan	19,288,300	19,288,300	8,705,000
Grant Revenues	-	-	-
Earnings on Investments, Net	-	-	-
Capital Outlay	(20,122,200)	(20,481,100)	(15,794,700)
Revenue Financed Capital - Strategic	(25,000,000)	(50,000,000)	(35,000,000)
Increase (Decrease) in I&E Reserves	(\$2,115,600)	(\$5,665,600)	\$7,106,200
Beginning Year Balance	96,648,700	94,533,100	88,867,500
Projected Ending Balance	\$94,533,100	\$88,867,500	\$95,973,700

Schedule 5C - Water Construction Bond Fund

Inflows & Outflows	Current Year	Biennial Budget	
	FY 2020 Estimated	FY 2021 Requested	FY 2022 Forecast
Water Construction Bond Fund			
Bond Proceeds, Net	\$0	\$0	\$0
Earnings on Investments, Net	1,131,300	820,400	376,100
Transfer from Improvement & Extension Fund	50,000,000	75,000,000	85,000,000
Contributions In Aid of Construction	-	-	-
Grant Revenues (DWRF Loans)	12,898,300	12,365,800	16,590,200
Project Expenditures	(70,930,700)	(110,673,000)	(134,939,000)
Increase (Decrease) in Construction Funds	(\$6,901,100)	(\$22,486,800)	(\$32,972,700)
Beginning Year Balance	92,331,900	85,430,800	62,944,000
Projected Ending Balance	\$85,430,800	\$62,944,000	\$29,971,300

Schedule 5D - Sewer Construction Bond Fund

Inflows & Outflows	Current Year	Biennial Budget	
	FY 2020 Estimated	FY 2021 Requested	FY 2022 Forecast
Sewer Construction Bond Fund			
Bond Proceeds, Net	\$0	\$0	\$0
Earnings on Investments, Net	706,800	553,900	441,100
Transfer from Improvement & Extension Fund	25,000,000	50,000,000	35,000,000
Contributions In Aid of Construction	-	-	-
Grant Revenues (CWRF Loans)	40,505,000	33,200,000	15,112,000
Project Expenditures	(94,826,000)	(82,979,000)	(84,568,000)
Increase (Decrease) in Construction Funds	(\$28,614,200)	\$774,900	(\$34,014,900)
Beginning Year Balance	82,031,700	53,417,500	54,192,400
Projected Ending Balance	\$53,417,500	\$54,192,400	\$20,177,500