

**Public Hearing
FY 2022 & FY 2023
Biennial Budget and
Charges**

GLWA Board of Directors

February 24, 2021



Financial Plan Schedule

- **11/10/2020** - Capital Improvement Programs (Rollout #1)
- **11/19/2020** - Preliminary Units of Service (Rollout #2)
- **12/18/2020** – Audit Committee (receives long-term forecast; budget discussion draft; charges strategy)
- **1/7/2021** – Preliminary Proposed FY 2022 Budget and Financial Plan and Preliminary Charges (Rollout #3)
- **1/15/2021** – Audit Committee – Budget Review Session #1
- **1/21/2021** – Follow Up Review Session (Rollout #4)
- **1/22/2021** - Audit Committee – Budget Review Session #2
- **1/27/2021** – Board Briefing - Budget, Charges, Financial Plan
- • **2/24/2021** – GLWA Public Hearing; Board action follows on or after this date after Public Hearing conducted
- **7/1/2021** – Effective Date for Charges

Budget Summary Documents



FY 2022 & FY 2023 Biennial Budget and FY 2022 Schedule of Charges

February 17, 2021

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ment budget" is the annual charges for FY 2022 budget of \$6.5 million, or 40% of the total of this One Payer. Highlights for the

use of \$3.1 million include Personnel addition of eight member being in the job as well as increases for Chemicals (\$1.6 million) since the last 3-filities (\$0.5 million)

increase \$2.1 million include Personnel addition of five program to support well as increased chemicals for water based on expected are renewed; and, for equipment and

include Utilities for due to operational reliance; decreased \$2.0 million) due to decreased reliance

Operations Control: vice Operations; ation Technology; and

² Includes the Board of Directors, Chief Executive Officer, Chief Administrative & Compliance Officer, Risk Management & Safety, General Counsel, Public Affairs, Organizational Development, and Financial Services



One Payer Series
Biennial Budget & Five-Year Financial Plan
Operations & Maintenance Budget
FY 2022 through FY 2026
Proposed as of January 15, 2021

on contractors (\$2.8 million) for skilled labor positions (focusing on direct hire) as well as the GLWA team assuming responsibility for an instrumentation maintenance contract thereby allowing the contract to be eliminated.

Centralized Services¹ - increase \$2.5 million
Factors increasing the budget include Information Technology (\$2.6 million) which includes a loss of \$1.4 million in shared service reimbursements as well as \$1.2 million increase for the investment in ERP subscription services and 4 FTEs to manage increasing technology needs. Facility Operations (\$1.1 million) for contractual services which fluctuate depending on equipment repair needs.

Factors decreasing the budget include reducing the Unallocated Reserve (\$0.8 million) for all centralized services in total. The Planning Services Area decreased both their total staffing plan and FTEs to realign with future priorities (\$0.4 million).

Administrative Services² - increase \$3.1 million
Factors increasing are Personnel Costs (\$1.6 million) in Financial Services with 7.75 FTEs for the expanded WRAV oversight, and expanded needs for a contract management team. The Administration & Compliance Officer Area is adding three positions to support organizational wellness and legal services; Supplies & Other (\$0.4 million) for the new warehouse; Contractual Services (\$1.0 million) for the projected increase in business insurance rates.

Staffing & Personnel - The staffing plan (number of positions) is at 1,240, an increase of 21 and full-time equivalents (FTEs) at 1,218.75, an increase of 19.25.

Questions? Contact the Office of the Chief Financial Officer at cfo@glwater.org

One Payer Series
FY 2022 Water & Sewer Service Charges
Proposed as of February 17, 2021

Proposed FY 2022 Water System Charges
The average system charge adjustment for water is a 2.0 percent increase. This is the result of 1) a proposed Water budget increase of 1.2 percent; 2) reduced investment earnings, creating the need for a one percent increase; and 3) an offset of 0.2 percent from the 2019 Contract Alignment Process (CAP). The FY 2022 Units of Service changed for only 10 member partners. This has significantly improved charge stability among member partner communities. The proposed water charges reflect a uniform increase in common to all revenue requirements of 2.58 percent, with an average charge increase of 2.4 percent for the 78 member partners that did not have changes in contractual demand.

Proposed FY 2022 Sewer System Charges
The recently updated Sewer Shares, which were collaboratively established through the Sewer Charges Workgroup, were included in the calculations for all member partners for the proposed FY 2022 charges. The average wholesale sewer charges reflect no change from the existing charges, with the entire system charge adjustment being at 0.2 percent decrease. This outcome is the result of a proposed FY 2022 Sewer budget decrease of 2.0 percent which was offset by 1) the loss of a one-time revenue source in the prior year and 2) reduced investment earnings.

Average System Charge Adjustments

Year	Water	Sewer
2018	1.8%	-0.7%
2019	1.8%	0.1%
2020	0.6%	0.8%
2021	3.2%	2.0%
Five Year Average	1.9%	0.7%



Executive Summary of FY 2022 Budget and Charge Proposals



Three Key Elements to the BUDGET

“BUDGET” = Comprehensive Annual Revenue Requirement

- ✓ Budgeted O&M Expense
- ✓ Master Bond Ordinance Commitments
 - *Projected Debt Service*
 - *“Fixed” Non-Operating Expenses*
 - Pension Reimbursement Obligations;
 - WRAP Deposit;
 - Lease Payment (part of revenue financed capital below);
 - Other Reserve Requirements, etc.
- ✓ Deposit to the Improvement and Extension (I&E) Funds
 - *Revenue Financed Capital Improvements/Paygo Capital*

FY 2022 Budget Proposals

System	Water	Sewer
Overall Revenue Requirement Change	<i>1.2% Increase</i>	<i>2.0% Decrease</i>
O&M Expense Budget	<i>6.1% Increase due primarily to chemical and contractual services and higher allocation of support costs Overall GLWA increase is 2.0%</i>	<i>1.0% Decrease due primarily to chemical and contractual services and lower allocation of support costs Overall GLWA increase is 2.0%</i>
Debt Service	<i>5.4% Decrease as result of 2020 Refinancing savings</i>	<i>1.2% Decrease as result of 2020 Refinancing savings</i>
Other MBO Req'ts	<i>Fixed – no change until FY 2024</i>	<i>Fixed – no change until FY 2024</i>
Baseline Revenue	<i>0.8% Decrease due to lower interest rates and investment earnings, slightly offset by moderate sales increase</i>	<i>1.8% Decrease due to elimination of one time OMID capital contribution and lower interest rates and investment earnings</i>
I&E Fund Deposit (Pay Go Capital)	<i>\$28.1 million = ~ 8.1% of overall revenue Consistent with short term objectives</i>	<i>\$34.6 million = ~ 7.3% of overall revenue Consistent with short term objectives</i>

Water Biennial BUDGET Highlights: Comprehensive Revenue Requirements

Schedule 1A - Water System Revenue Requirements Budget

		Current Year		Biennial Budget					
		FY 2021	FY 2021	FY 2022	FY 2022	FY 2022	FY 2023	FY 2023	FY 2023
Water System Revenue Requirements		Adopted	Estimated	Requested	\$ Change	% Change	Requested	\$ Change	% Change
Revenues									
1	Revenues from Charges	\$336,807,600	\$335,060,200	\$344,206,000	\$ 7,398,400	2.2%	\$354,734,800	\$ 10,528,800	3.1%
2	Other Operating Revenue	-	175,000	175,000	175,000	0.0%	175,000	-	0.0%
3	Non-Operating Revenue	4,834,400	1,276,500	1,046,000	(3,788,400)	-78.4%	1,048,400	2,400	0.2%
4	Total Revenues	341,642,000	336,511,700	345,427,000	3,785,000	1.1%	355,958,200	10,531,200	3.0%
Revenue Requirements									
5	Operations & Maintenance (O&M) Expense	\$137,127,300	\$134,127,300	\$145,333,800	\$8,206,500	6.0%	\$149,545,300	\$4,211,500	2.9%
6	General Retirement System Legacy Pension	6,048,000	6,048,000	6,048,000	-	0.0%	6,048,000	-	0.0%
7	Debt Service	143,189,900	137,436,100	135,481,000	(7,708,900)	-5.4%	146,520,400	11,039,400	8.1%
8	General Retirement System Accelerated Pension	6,268,300	6,268,300	6,268,300	-	0.0%	6,268,300	-	0.0%
9	Water Residential Assistance Program Contribution	1,669,400	1,669,400	1,702,000	32,600	2.0%	1,779,800	77,800	4.6%
10	Lease Payment	22,500,000	22,500,000	22,500,000	-	0.0%	22,500,000	-	0.0%
11	Operating Reserve Deposit	876,600	-	-	(876,600)	-100.0%	-	-	0.0%
12	Improvement & Extension Fund Transfer Pending	23,962,500	28,462,600	28,093,900	4,131,400	17.2%	23,296,400	(4,797,500)	-17.1%
13	Annual Water System Revenue Requirements	\$341,642,000	\$336,511,700	\$345,427,000	\$ 3,785,000	1.1%	\$355,958,200	\$ 10,531,200	3.0%
14	<i>Change in Annual Revenue Requirement</i>				3,785,000	1.1%		10,531,200	3.1%
15	<i>Change Attributable to Non-Charge Revenue (FY 2022 reduction in investment earnings see lines 2&3)</i>				3,613,400	1.1%		(2,400)	0.0%
16	<i>Change Attributable to Sales Revenue (FY 2022 attributable to increased projected Water Sales)</i>				(809,700)	-0.2%		-	0.0%
17	Charge Adjustment (Based on System Charge Adjustment of 2.0%)				6,588,700	2.0%		10,528,800	3.1%

Sewer Biennial BUDGET Highlights: Comprehensive Revenue Requirements

Schedule 1B - Sewer System Revenue Requirements Budget

		Current Year		Biennial Budget					
Sewer System Revenue Requirements		FY 2021 Adopted	FY 2021 Estimated	FY 2022 Requested	FY 2022 \$ Change	FY 2022 % Change	FY 2023 Requested	FY 2023 \$ Change	FY 2023 % Change
Revenues									
1	Revenues from Charges	\$481,162,100	\$475,904,100	\$475,805,700	\$ (5,356,400)	-1.1%	\$489,928,000	\$ 14,122,300	3.0%
2	Other Operating Revenue	-	400,000	400,000	400,000	0.0%	400,000	-	0.0%
3	Non-Operating Revenue	5,589,200	1,046,100	1,010,800	(4,578,400)	-81.9%	1,201,800	191,000	18.9%
4	Total Revenues	486,751,300	477,350,200	477,216,500	(9,534,800)	-2.0%	491,529,800	14,313,300	3.0%
Revenue Requirements									
5	Operations & Maintenance (O&M) Expense	\$184,946,100	\$182,296,000	\$183,099,800	\$ (1,846,300)	-1.0%	\$185,619,000	\$2,519,200	1.4%
6	General Retirement System Legacy Pension	10,824,000	10,824,000	10,824,000	-	0.0%	10,824,000	-	0.0%
7	Debt Service	209,739,900	201,780,500	207,209,500	(2,530,400)	-1.2%	204,566,500	(2,643,000)	-1.3%
8	General Retirement System Accelerated Pension	11,620,700	11,620,700	11,620,700	-	0.0%	11,620,700	-	0.0%
9	Water Residential Assistance Program Contribution	2,415,100	2,415,100	2,345,600	(69,500)	-2.9%	2,457,600	112,000	4.8%
10	Lease Payment	27,500,000	27,500,000	27,500,000	-	0.0%	27,500,000	-	0.0%
11	Operating Reserve Deposit	-	-	-	-	0.0%	-	-	0.0%
12	Improvement & Extension Fund Transfer Pending	39,705,500	40,913,900	34,616,900	(5,088,600)	-12.8%	48,942,000	14,325,100	41.4%
13	Annual Sewer System Revenue Requirements	\$486,751,300	\$477,350,200	\$477,216,500	\$ (9,534,800)	-2.0%	\$491,529,800	\$ 14,313,300	3.0%
14	<i>Change in Annual Revenue Requirement</i>				(9,534,800)	-2.0%		14,313,300	3.0%
15	<i>Change Attributable to Non-Charge Revenue (FY 2022 reduction in investment earnings see lines 2&3)</i>				4,178,400	0.9%		(191,000)	0.0%
16	<i>Change Attributable to Sales Revenue (FY 2022 attributable to elimination of one time OMD Charge)</i>				4,226,100	0.9%		-	0.0%
17	Charge Adjustment (Based on no change in overall charges to "SHARES" Member Partners)				(1,130,300)	-0.2%		14,122,300	3.0%

FY 2022 Charge Proposals

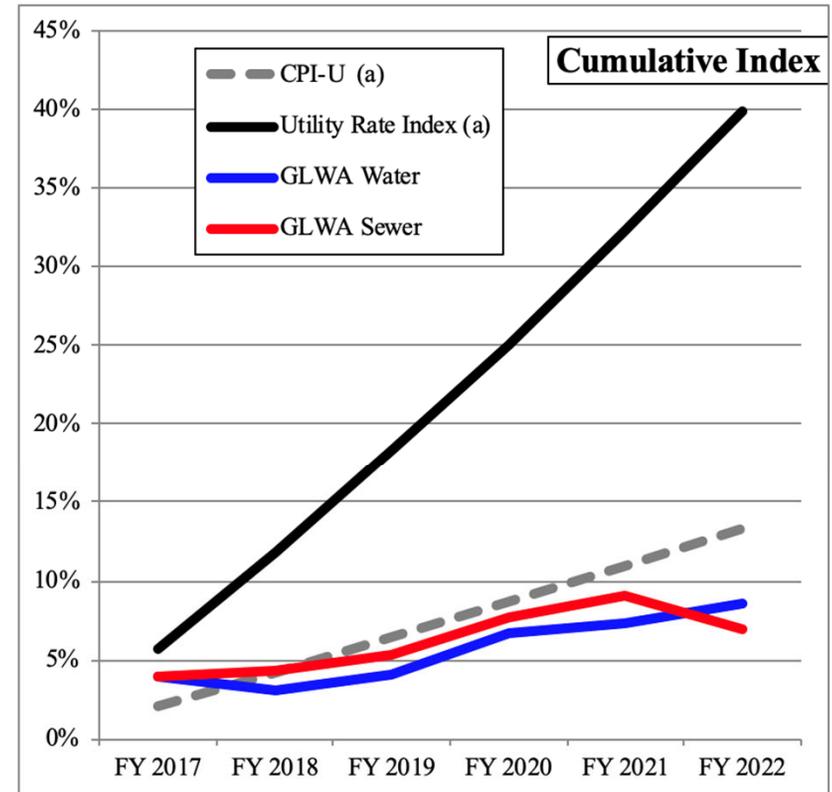
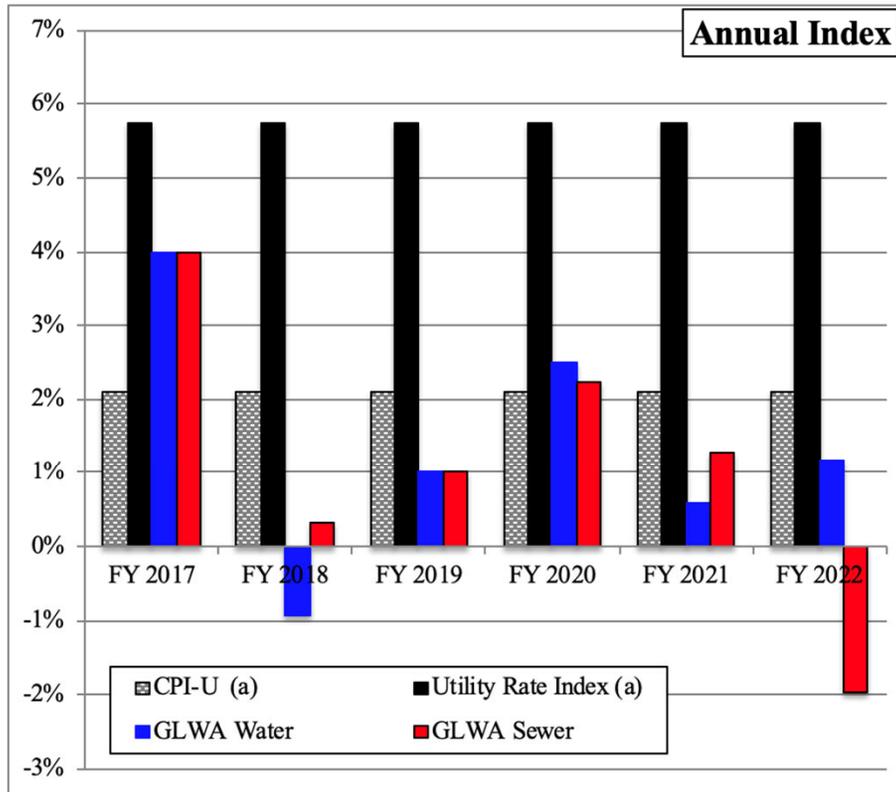
System	Water	Sewer
System Charge Adjustment	2.0% Increase	0.2% Decrease – No overall increase for Member Partner Charges related to SHARES
Charges Strategy	<p><i>Specific cost of service based charge adjustments for the 9 Member Partners with changes in max day or peak hour demands (average decrease of 0.2%)</i></p> <p><i>Uniform increase of ~ 2.4% for other 78 Member Partners</i></p> <p><i>Stability strategy embraces CAP demand changes and Methodology Review, both of which could impact FY 2024 Water Charges</i></p>	<p><i>No overall increase for Member Partner Charges related to SHARES</i></p> <p><i>Impact on Individual Member Partners identical to those presented in November when Board endorsed new SHARES methodology</i></p> <p><i>No Bad Debt expense related to Highland Park included in Charges to Suburban Wholesale Member Partners while continued monitoring of Cumulative Balance</i></p>

GLWA BUDGET Adjustments Compared to Utility Indices

Annual
CPI-U (a)
Utility Rate Index (a)
GLWA Water
GLWA Sewer

Annual Index					
FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
5.8%	5.8%	5.8%	5.8%	5.8%	5.8%
4.0%	-0.9%	1.0%	2.5%	0.6%	1.2%
4.0%	0.3%	1.0%	2.2%	1.3%	-2.0%

Cumulative Index					
FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
2.1%	4.2%	6.4%	8.7%	11.0%	13.3%
5.8%	11.8%	18.3%	25.1%	32.3%	39.9%
4.0%	3.0%	4.1%	6.7%	7.3%	8.5%
4.0%	4.3%	5.4%	7.7%	9.1%	6.9%

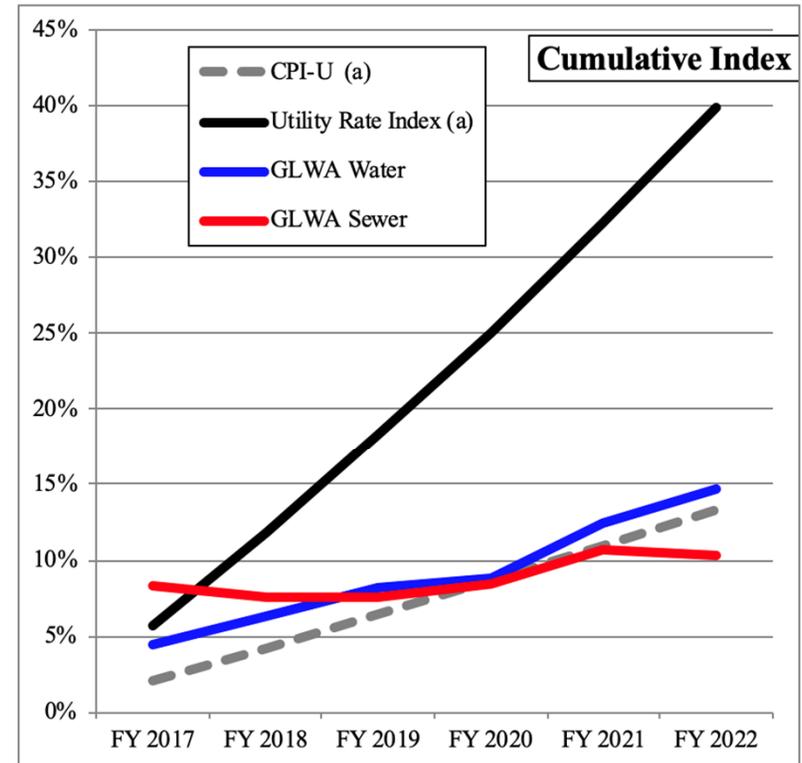
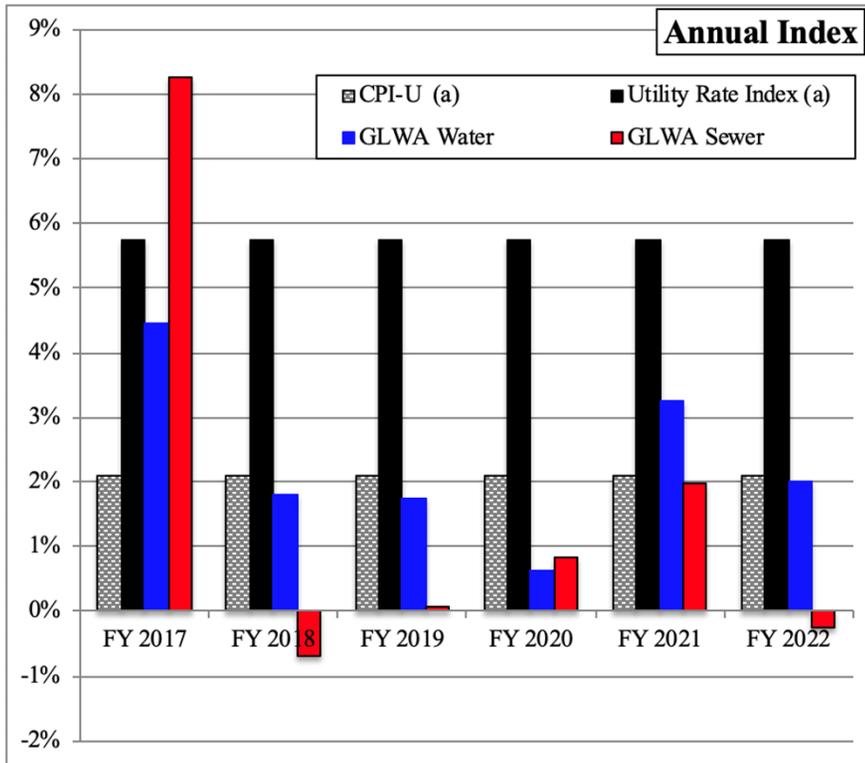


(a) Source: Black & Veatch 50 Largest Cities Rate Survey - 2019 - average 2001-2018

GLWA CHARGE Adjustments Compared to Utility Indices

Annual	Annual Index					
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
CPI-U (a)	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Utility Rate Index (a)	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%
GLWA Water	4.5%	1.8%	1.8%	0.6%	3.2%	2.0%
GLWA Sewer	8.3%	-0.7%	0.1%	0.8%	2.0%	-0.2%

Annual	Cumulative Index					
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
CPI-U (a)	2.1%	4.2%	6.4%	8.7%	11.0%	13.3%
Utility Rate Index (a)	5.8%	11.8%	18.3%	25.1%	32.3%	39.9%
GLWA Water	4.5%	6.3%	8.2%	8.9%	12.4%	14.6%
GLWA Sewer	8.3%	7.5%	7.6%	8.5%	10.6%	10.4%



(a) Source: Black & Veatch 50 Largest Cities Rate Survey - 2019 - average 2001-2018



GLWA
Great Lakes Water Authority

