

Great Lakes Water Authority

Resolution 2021 - 056

Resolution Adopting the Biennial FY 2022 & FY 2023 Budget

By Board Member: Beverly Walker-Griffea, Ph.D.

- 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 sixth 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 0.7% which equates to an average 1.8% increase in revenues from Water Service Charges and a Regional Sewer System annual revenue requirements budget decrease of 2.3% which equates to an average 1.5% decrease 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 2022 is \$344,030,500 and for FY 2023 is \$354,351,400 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 2022 is \$475,429,200 and for FY 2023 is \$489,692,100 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 2022 is \$143,933,800 and for FY 2023 is \$148,117,300 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 2022 is \$181,299,800 and for FY 2023 is \$183,783,000 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 \$177,845,200 for FY 2022 and \$189,898,800 for FY 2023 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 \$239,010,300 for FY 2022 and \$237,075,200 for FY 2023 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 \$17,006,600 in FY 2022 and \$14,078,600 in FY 2023 for capital outlay in accordance with the 5A – Water Capital Financing Plan: Water Improvement and Extension Fund budget; and
- WHEREAS** The amounts necessary to fund the annual water system capital expenditures of \$134,408,000 in FY 2022 and \$150,535,000 in FY 2023 for the capital improvement plan in accordance with the Schedule 5A – Water Capital Financing Plan: Water Construction Fund budget with those capital amounts reflecting a 75% Capital Spending Ratio applied to FY 2022 and FY 2023 as shown in the proposed FY 2022 through FY 2026 Capital Improvement Plan; and
- WHEREAS** The amounts necessary to fund the annual sewer system capital expenditures of \$15,965,100 in FY 2022 and \$18,211,900 in FY 2023 for the capital outlay in accordance with the 5B – Sewer Capital Financing Plan: Sewer Improvement and Extension Fund budget; and
- WHEREAS** The amounts necessary to fund the annual sewer system capital expenditures of \$79,538,000 in FY 2022 and \$92,393,000 in FY 2023 for the capital improvement plan in accordance with Schedule 5B – Sewer Capital Financing Plan: Sewer Construction Fund budget with those capital amounts reflecting a 75% Capital Spending Ratio applied to FY 2022 and FY 2023 as shown in the proposed FY 2022 through FY 2026 Capital Improvement Plan; and
- WHEREAS** The GLWA Audit Committee began review of the budget and five-year financial plan document developed for FY 2022 through FY 2026 at its meeting on December 18, 2020; with updates at its meetings on January 15, 2021, and January 22, 2021; 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 24, 2021 at 2:00 p.m. via a telephonic Zoom meeting 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 The public hearing was opened on February 24, 2021 and continued through March 24, 2021, at 2:00 p.m.; 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 24, 2021, and continued that hearing through March 24, 2021, to receive public comment regarding the proposed budget for the Fiscal Years 2022 and 2023; and be it further

RESOLVED That the GLWA Board approves the budget for Fiscal Years 2022 and 2023; 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

	Current Year		Biennial Budget					
	FY 2021 Adopted	FY 2021 Estimated	FY 2022 Requested	FY 2022 \$ Change	FY 2022 % Change	FY 2023 Requested	FY 2023 \$ Change	FY 2023 % Change
Water System Revenue Requirements								
Revenues								
Revenues from Charges	\$336,807,600	\$335,060,200	\$342,808,200	\$ 6,000,600	1.8%	\$353,126,600	\$ 10,318,400	3.0%
Other Operating Revenue	-	175,000	175,000	175,000	0.0%	175,000	-	0.0%
Non-Operating Revenue	4,834,400	1,276,500	1,047,300	(3,787,100)	-78.3%	1,049,800	2,500	0.2%
Total Revenues	341,642,000	336,511,700	344,030,500	2,388,500	0.7%	354,351,400	10,320,900	3.0%
Revenue Requirements								
Operations & Maintenance (O&M) Expense	\$137,127,300	\$134,127,300	\$143,933,800	\$6,806,500	5.0%	\$148,117,300	\$4,183,500	2.9%
General Retirement System Legacy Pension	6,048,000	6,048,000	6,048,000	-	0.0%	6,048,000	-	0.0%
Debt Service	143,189,900	137,436,100	135,481,000	(7,708,900)	-5.4%	146,520,400	11,039,400	8.1%
General Retirement System Accelerated Pension	6,268,300	6,268,300	6,268,300	-	0.0%	6,268,300	-	0.0%
Water Residential Assistance Program Contribution	1,669,400	1,669,400	1,705,500	36,100	2.2%	1,756,700	51,200	3.0%
Lease Payment	22,500,000	22,500,000	22,500,000	-	0.0%	22,500,000	-	0.0%
Operating Reserve Deposit	876,600	-	-	(876,600)	-100.0%	-	-	0.0%
Improvement & Extension Fund Transfer Pending	23,962,500	28,462,600	28,093,900	4,131,400	17.2%	23,140,700	(4,953,200)	-17.6%
Annual Water System Revenue Requirements	\$341,642,000	\$336,511,700	\$344,030,500	\$ 2,388,500	0.7%	\$354,351,400	\$ 10,320,900	3.0%

Schedule 1B – Sewer System Revenue Requirements Budget

Sewer System Revenue Requirements	Current Year		Biennial Budget					
	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								
Revenues from Charges	\$481,162,100	\$475,904,100	\$474,005,900	\$ (7,156,200)	-1.5%	\$488,077,800	\$ 14,071,900	3.0%
Other Operating Revenue	-	400,000	400,000	400,000	0.0%	400,000	-	0.0%
Non-Operating Revenue	5,589,200	1,046,100	1,023,300	(4,565,900)	-81.7%	1,214,300	191,000	18.7%
Total Revenues	486,751,300	477,350,200	475,429,200	(11,322,100)	-2.3%	489,692,100	14,262,900	3.0%
Revenue Requirements								
Operations & Maintenance (O&M) Expense	\$184,946,100	\$182,296,000	\$181,299,800	\$ (3,646,300)	-2.0%	\$183,783,000	\$2,483,200	1.4%
General Retirement System Legacy Pension	10,824,000	10,824,000	10,824,000	-	0.0%	10,824,000	-	0.0%
Debt Service	209,739,900	201,780,500	207,209,500	(2,530,400)	-1.2%	204,566,500	(2,643,000)	-1.3%
General Retirement System Accelerated Pension	11,620,700	11,620,700	11,620,700	-	0.0%	11,620,700	-	0.0%
Water Residential Assistance Program Contribution	2,415,100	2,415,100	2,358,300	(56,800)	-2.4%	2,429,000	70,700	3.0%
Lease Payment	27,500,000	27,500,000	27,500,000	-	0.0%	27,500,000	-	0.0%
Operating Reserve Deposit	-	-	-	-	0.0%	-	-	0.0%
Improvement & Extension Fund Transfer Pending	39,705,500	40,913,900	34,616,900	(5,088,600)	-12.8%	48,968,900	14,352,000	41.5%
Annual Sewer System Revenue Requirements	\$486,751,300	\$477,350,200	\$475,429,200	\$ (11,322,100)	-2.3%	\$489,692,100	\$ 14,262,900	3.0%

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

	Current Year		Biennial Budget					
	FY 2021	FY 2021	FY 2022	FY 2022	FY 2022	FY 2023	FY 2023	FY 2023
Combined System Revenue Requirements	Adopted	Estimated	Requested	\$ Change	% Change	Requested	\$ Change	% Change
Revenues								
Revenues from Charges	\$817,969,700	\$810,964,300	\$816,814,100	\$ (1,155,600)	-0.1%	\$841,204,400	\$ 24,390,300	3.0%
Other Operating Revenue	-	575,000	575,000	575,000	0.0%	575,000	-	0.0%
Non-Operating Revenue	10,423,600	2,322,600	2,070,600	(8,353,000)	-80.1%	2,264,100	193,500	9.3%
Total Revenues	828,393,300	813,861,900	819,459,700	(8,933,600)	-1.1%	844,043,500	24,583,800	3.0%
Revenue Requirements								
Operations & Maintenance (O&M) Expense	\$322,073,400	\$316,423,300	\$325,233,600	\$3,160,200	1.0%	\$331,900,300	\$6,666,700	2.0%
General Retirement System Legacy Pension	16,872,000	16,872,000	16,872,000	-	0.0%	16,872,000	-	0.0%
Debt Service	352,929,800	339,216,600	342,690,500	(10,239,300)	-2.9%	351,086,900	8,396,400	2.5%
General Retirement System Accelerated Pension	17,889,000	17,889,000	17,889,000	-	0.0%	17,889,000	-	0.0%
Water Residential Assistance Program Contribution	4,084,500	4,084,500	4,063,800	(20,700)	-0.5%	4,185,700	121,900	3.0%
Lease Payment	50,000,000	50,000,000	50,000,000	-	0.0%	50,000,000	-	0.0%
Operating Reserve Deposit	876,600	-	-	(876,600)	-100.0%	-	-	0.0%
Improvement & Extension Fund Transfer Pending	63,668,000	69,376,500	62,710,800	(957,200)	-1.5%	72,109,600	9,398,800	15.0%
Annual Revenue Requirements	\$828,393,300	\$813,861,900	\$819,459,700	\$ (8,933,600)	-1.1%	\$844,043,500	\$ 24,583,800	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 2022 Water Fund	FY 2022 Sewer Fund	FY 22 Combined (Informational Only)	FY 2023 Water Fund	FY 2023 Sewer Fund	FY 23 Combined (Informational Only)
Revenues							
1	Regional System Wholesale Revenues	\$ 342,808,200	\$ 474,005,900	\$ 816,814,100	\$ 353,126,600	\$ 488,077,800	\$ 841,204,400
2	Local System Revenues	73,264,300	104,684,700	177,949,000	73,964,800	101,441,800	175,406,600
3	Miscellaneous Revenue (Local System)	6,428,400	6,810,800	13,239,200	6,436,500	6,819,200	13,255,700
4	Other Revenue (Regional System)	1,222,300	1,423,300	2,645,600	1,224,800	1,614,300	2,839,100
5	Total Revenues	\$ 423,723,200	\$ 586,924,700	\$ 1,010,647,900	\$ 434,752,700	\$ 597,953,100	\$ 1,032,705,800
Revenue Requirements							
Operations & Maintenance Expense							
6	Regional System Wholesale Expenses	\$ 143,933,800	\$ 181,299,800	\$ 325,233,600	\$ 148,117,300	\$ 183,783,000	\$ 331,900,300
7	Local System Expenses	34,648,600	69,233,000	103,881,600	35,721,600	69,233,000	104,954,600
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	188,902,400	264,212,800	453,115,200	194,158,900	266,696,000	460,854,900
11	Net Revenues after Operations & Maintenance Expense	\$ 234,820,800	\$ 322,711,900	\$ 557,532,700	\$ 240,593,800	\$ 331,257,100	\$ 571,850,900
Debt Service by Lien							
12	Senior Lien Bonds	124,309,700	133,195,700	257,505,400	132,433,500	148,824,800	281,258,300
13	Second Lien Bonds	46,840,400	51,893,000	98,733,400	47,200,100	36,738,500	83,938,600
14	SRF Junior Lien Bonds	6,695,100	53,921,600	60,616,700	10,265,200	51,511,900	61,777,100
15	Total Debt Service	\$ 177,845,200	\$ 239,010,300	\$ 416,855,500	\$ 189,898,800	\$ 237,075,200	\$ 426,974,000
Debt Service Coverage							
	Senior Lien Bonds (11)/(12)	1.89	2.42		1.82	2.23	
16	Second Lien Bonds (11)/[(12)+(13)]	1.37	1.74		1.34	1.79	
17	SRF Junior Lien Bonds (11)/(15)	1.32	1.35		1.27	1.40	

Local System information provided from Detroit Water & Sewerage Department (DWSD) as of February 17, 2021 and amended subsequently due to the GLWA Board action taken at the March 24, 2021 Board meeting

Schedule 5A – Water Capital Financing Plan

Water Improvement & Extension Fund

	Current Year	Biennial Budget	
	FY 2021	FY 2022	FY 2023
Inflows & Outflows	Estimated	Requested	Forecast
Water Improvement & Extension Fund			
Water System Revenue Transfers	\$28,462,600	\$28,093,900	\$23,140,700
Receipt of DWSD Shortfall Loan Interest	-	-	-
Budgeted Capital Outlay	(17,892,000)	(17,006,600)	(14,078,600)
Minimum Transfer to Construction Fund	(11,455,900)	(13,658,100)	(15,055,100)
Additional Transfer to Construction Fund	(35,333,200)	(94,649,900)	(42,209,200)
Increase (Decrease) in I&E Reserves	(\$36,218,500)	(\$97,220,700)	(\$48,202,200)
Beginning Year Net Position	288,752,600	252,534,100	155,313,400
Projected Ending Net Position	\$252,534,100	\$155,313,400	\$107,111,200

Water Construction Fund

	Current Year	Biennial Budget	
	FY 2021	FY 2022	FY 2023
Inflows & Outflows	Estimated	Requested	Forecast
Water Construction Fund			
Bond Proceeds, Net	\$0	\$0	\$192,700,000
Bond Fund Earnings on Investments	62,600	-	202,300
Grant Revenues (DWRF Loans)	45,397,000	26,100,000	16,600,000
Transfers from I&E Fund	46,789,100	108,308,000	57,264,300
Project Expenditures	(113,055,000)	(134,408,000)	(150,535,000)
Increase (Decrease) in Construction Funds	(\$20,806,300)	\$0	\$116,231,600
Beginning Year Net Position	20,806,300	-	-
Projected Ending Net Position	\$0	\$0	\$116,231,600

Schedule 5B – Sewer Capital Financing Plan

Sewer Improvement & Extension Fund

	Current Year	Biennial Budget	
	FY 2021	FY 2022	FY 2023
Inflows & Outflows	Estimated	Requested	Forecast
Sewer Improvement & Extension Fund			
Sewer System Revenue Transfers	\$40,913,900	\$34,616,900	\$48,968,900
Receipt of DWSD Shortfall Loan Interest	1,081,900	406,400	-
Budgeted Capital Outlay	(20,521,300)	(15,965,100)	(18,211,900)
Minimum Transfer to Construction Fund	(9,581,400)	(7,931,300)	(9,145,600)
Additional Transfer to Construction Fund	(39,255,700)	(39,614,700)	(27,213,400)
Increase (Decrease) in I&E Reserves	(\$27,362,600)	(\$28,487,800)	(\$5,602,000)
Beginning Year Net Position (a)	153,727,100	126,364,500	97,876,700
Projected Ending Net Position	\$126,364,500	\$97,876,700	\$92,274,700

(a) Net Position includes DWSD Loan Receivable

Sewer Construction Fund

	Current Year	Biennial Budget	
	FY 2021	FY 2022	FY 2023
Inflows & Outflows	Estimated	Requested	Forecast
Sewer Construction Fund			
Bond Proceeds, Net	\$0	\$0	\$122,200,000
Bond Fund Earnings on Investments	69,800	-	128,300
Grant Revenues (CWRF Loans)	23,586,000	31,992,000	4,122,000
Transfers from I&E Fund	48,837,100	47,546,000	36,359,000
Project Expenditures	(95,804,000)	(79,538,000)	(92,393,000)
Increase (Decrease) in Construction Funds	(\$23,311,100)	\$0	\$70,416,300
Beginning Year Net Position	23,311,100	-	-
Projected Ending Net Position	\$0	\$0	\$70,416,300