



Legislation Details (With Text)

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Title: Resolution Regarding Approval of the FY 2025 Schedule of Service Charges
Sponsors: Nicolette Bateson
Indexes: Finance
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Attachments: 1. 6C3 2024-044 Charges Resolution, 2. 6C4 FY 2025 Water Charge Schedule, 3. 6C5 FY 2025 Sewer Charge Schedule, 4. 6C6 FY 2025 Sewer Industrial Charge Schedule

Date	Ver.	Action By	Action	Result
2/28/2024	1	Board of Directors	Approved	Pass
2/9/2024	1	Audit Committee	Recommended for Approval	Pass

Resolution Regarding Approval of the FY 2025 Schedule of Service Charges

Agenda of: February 28, 2024
Item No.: **2024-044**
Amount: N/A

TO: The Honorable
Board of Directors
Great Lakes Water Authority

FROM: Suzanne R. Coffey P.E.
Chief Executive Officer
Great Lakes Water Authority

DATE: February 28, 2024

RE: Resolution Regarding Approval of the FY 2025 Schedule of Service Charges

MOTION

Upon recommendation of Nicolette Bateson, Chief Financial Officer/Treasurer, the Board of Directors (Board) of the Great Lakes Water Authority, **approves the following actions, which require a supermajority affirmative vote of at least five (5) members of the Board, and the attached Resolution 2024-044** with an effective date of July 1, 2024:

- 1) FY 2025 water supply system service schedule of wholesale charges;

- 2) FY 2025 sewage disposal system service schedule of wholesale charges;
- 3) FY 2025 City of Detroit allocated wholesale water revenue requirement of \$27,094,800, which is the net of \$47,794,800 gross revenue requirement less the Ownership Equity Credit of \$20,700,000 pursuant to the terms of the Water and Sewer Services Agreement (WSSA);
- 4) FY 2025 City of Detroit allocated wholesale sewer revenue requirement of \$205,924,800 which is the net of \$211,440,800 gross revenue requirement less the Ownership Equity Credit of \$5,516,000 in accordance with the WSSA;
- 5) FY 2025 City of Detroit allocated indirect water revenue requirement of \$49,108,500, in accordance with the Regional Water Supply System Lease;
- 6) FY 2025 City of Detroit allocated indirect sewer revenue requirement of \$34,873,500, in accordance with the Regional Sewage Disposal System Lease;
- 7) authorizes the Chief Executive Officer to take such other action as may be necessary to accomplish the intent of this vote.

BACKGROUND

Pursuant to the Regional Water Supply System and Regional Sewage Disposal System leases signed between the Great Lakes Water Authority (GLWA/Authority) and the City of Detroit, the GLWA began operations of the regional water supply and sewage disposal system on January 1, 2016. Consistent with the terms of those leases, the Authority shall, for each fiscal year, fix and approve rates and charges to its customers in an amount that is expected to produce revenues sufficient to satisfy the Authority revenue requirement. The attached, proposed schedule of charges meets that requirement.

Leading up to this charge recommendation, staff presented the proposed FY 2025 and 2026 Biennial Budget and five-year financial plan for FY 2025 through 2029 and an analysis of proposed water and sewer system charges at its January 24, 2024 Board meeting. A Public Hearing was opened for the FY 2025 Water Supply System Service Charges and Sewage Disposal System Service Charges on February 28, 2024.

JUSTIFICATION

Great Lakes Water Authority ("GLWA") management and its consultant, The Foster Group, developed a proposed Schedule of Water Supply System Service Charges and Sewage Disposal System Service Charges for FY 2025 including the City of Detroit Revenue Requirement for the water and sewer systems. These charges support the proposed FY 2025 water system revenue requirement budget and the proposed FY 2025 sewer system revenue requirement budget, respectively. The FY 2025 water and sewer revenue requirements reflect GLWA's commitment to work within the four percent revenue requirement budget limitation outlined in the September 9, 2014 Memorandum of Understanding that resulted in the establishment of the Great Lakes Water Authority. The proposed wholesale service charges and revenue requirement for the City of Detroit are the result of significant

member partner engagement in the charge setting process to evaluate the appropriate allocation of revenue requirements.

Proposed FY 2025 Water Charges

The proposed FY 2025 water service charges reflect a proposed FY 2025 Water budget increase of 4.0 percent along with increased investment earnings and reduction in estimated sales volumes. **Therefore, the average water system charges increase will be 3.25 percent.**

Proposed FY 2025 Sewer Charges

The proposed FY 2025 sewer service charges reflect a proposed FY 2025 Sewer budget increase of 4.0 percent along with the increased investment earnings and reduction in estimated industrial surcharges. **Therefore, the average sewer system charges increase will be 3.00 percent.**

BUDGET IMPACT

The recommended FY 2025 Schedule of Water Supply System Service Charges and Sewage Disposal System Service Charges as presented produces the necessary revenues to fund the FY 2025 Water System and Sewer System Budget.

Coordination with DWSD's Budget - Under the terms of the lease agreements and related financial commitments, key inputs are required from DWSD. An analysis of the DWSD budget inputs and related reconciliation based upon some of the changes above is reflected in the attached schedules.

COMMITTEE REVIEW

The Audit Committee has reviewed the FY 2025 financial plan, including charge setting matters, at its meetings on December 15, 2023 and February 9, 2024. On February 9, 2024, the Audit Committee unanimously recommended that the Board of Directors adopts the resolution related to the FY 2025 and FY 2026 Budget and related FY 2025 Schedule of Service Charges as presented on February 9, 2024, subject to public comment at the public hearing to be held on February 28, 2024.

SHARED SERVICES IMPACT

This item does not impact the Shared Services Agreement between the GLWA and the City of Detroit.