



Legislation Details (With Text)

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**File created:** 2/25/2019      **In control:** Board of Directors Workshop Meeting

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**Title:** Resolution Regarding Approval of FY 2020 Schedule of Service Charges

**Sponsors:** Nicolette Bateson

**Indexes:** Finance

**Code sections:**

**Attachments:** 1. Executive Summary Review of DWSD Preliminary Budget.pdf, 2. Proposed FY 2020 Schedule of Charges 2.15.2019 Two Alternatives.pdf, 3. C2 FINAL APPROVED FY 2020 Charge Schedules 3.21.19.pdf

Date	Ver.	Action By	Action	Result
3/13/2019	1	Board of Directors Workshop Meeting	Approved	Pass
3/7/2019	1	Board of Directors Workshop Meeting	No Action Taken	
2/27/2019	1	Board of Directors	Postponed	Pass

**Resolution Regarding Approval of FY 2020 Schedule of Service Charges**

Agenda of: March 13, 2019  
Item No.: **2019-085**  
Amount: N/A

**TO:** The Honorable  
Board of Directors  
Great Lakes Water Authority

**FROM:** Sue F. McCormick  
Chief Executive Officer  
Great Lakes Water Authority

**DATE:** March 13, 2019

**RE: Resolution Regarding Approval of FY 2020 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 2019-085** with an effective date of July 1, 2019:

- 1) FY 2020 wholesale water service schedule of charges;
- 2) FY 2020 wholesale sewer service schedule of charges;
- 3) FY 2020 City of Detroit allocated wholesale water revenue requirement of \$21,295,500, which is the net of \$41,995,500 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 2020 City of Detroit allocated wholesale sewer revenue requirement of \$185,807,300 which is the net of \$191,323,300 gross revenue requirement less the Ownership Equity Credit of \$5,516,000 in accordance with the WSSA;
- 5) FY 2020 City of Detroit allocated indirect water revenue requirement of \$46,099,200, in accordance with the Regional Water Supply System Lease;
- 6) FY 2020 City of Detroit allocated indirect sewer revenue requirement of \$38,078,700, in accordance with the Regional Sewage Disposal System Lease; and
- 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 water system and sewer 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 2020 and 2021 Biennial Budget and five-year financial plan for FY 2020 to 2024 to the Board at its meeting on January 9, 2019 and an analysis of proposed water and sewer system charges at its January 23, 2019 meeting. A Public Hearing was opened for the FY 2020 Water Service Charges and Sewer Service Charges on February 27, 2019 and held open through March 13, 2019.

### **JUSTIFICATION**

Great Lakes Water Authority (“GLWA”) management and its consultant, The Foster Group, developed a Schedule of Water Service Charges and Sewer Service Charges for FY 2020 including the City of Detroit Revenue Requirement for the water and sewer systems. These charges support the proposed FY 2020 water system revenue requirements budget and the proposed FY 2020 sewer system revenue requirements, respectively. The FY 2020 water and sewer revenue requirements reflect GLWA’s commitment to not only work within, but perform beyond, 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 customer charges and revenue requirements for the City of Detroit are the result of significant customer engagement in the charge setting process to evaluate the appropriate allocation of revenue requirements.

### **BUDGET IMPACT**

The recommended FY 2020 Schedule of Water Service Charges and Sewer Service Charges as presented produces the necessary revenues to fund the FY 2020 Water System and Sewer System Budget.

### **COMMITTEE REVIEW**

The Audit Committee has reviewed the FY 2020 financial plan, including charge setting matters, at its meetings on January 4, 2019, January 18, 2019 and February 15, 2019.

There was no action taken at the February 15, 2019 meeting, but the following topics were discussed related to final considerations related to the charges as we approach the public hearing on February 27, 2019.

#### **Proposed FY 2020 Water Charges**

The proposed FY 2020 water service charges reflect the results of two GLWA and member partner initiatives that were completed during 2018. The first is the Contract Alignment Process (CAP), which aligned the scheduled reopener dates (starting in 2022) for 80 of the 82 GLWA member partners on water model contracts. The second is the Phase 2 update of the Units of Service Study (USS) for GLWA's non-master metered customers as prepared by Black and Veatch. The effect of both the CAP and USS Phase 2 results in the reallocation of units of service among all GLWA water member partners. **The average wholesale water service charge will increase by 0.9 percent for FY 2020.**

#### **Proposed FY 2020 Sewer Charges**

The proposed FY 2020 sewer service charges reflect the revenue requirement impact of the proposed amendment to the Oakland Macomb Interceptor Drain Drainage District ("OMID") service agreement. Under this proposal, OMID will provide all maintenance and financing activities related to the Northeast Sewer Pump Station ("NESPS"). **The average wholesale sewer service charge will decrease by 0.1 percent for FY 2020.**

#### **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 also attached.

**SHARED SERVICES IMPACT**

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

**Great Lakes Water Authority**

**Resolution 2019-085**

**RE: Approval of FY 2020 Schedule of Service Charges**

By Board Member: Abe Munfakh

**Whereas** The Great Lakes Water Authority (“GLWA”) management and its consultant, The Foster Group, have developed the attached Schedule of Water Service Charges and Sewer Service Charges for FY 2020, including the direct and indirect City of Detroit Revenue Requirements for the water and sewer systems, to support the FY 2020 water system and sewer system revenue requirements budget with an effective date of July 1, 2019; and

**Whereas** The FY 2020 water and sewer revenue requirements reflect GLWA’s commitment to work within the four percent limitation outlined in the Memorandum of Understanding; and

**Whereas** A Public Hearing was held for the Water Service Charges and Sewer Service Charges proposed by the GLWA for FY 2020 on February 27, 2019 at 2:00 p.m. and was held open through March 13, 2019; and

**NOW THEREFORE BE IT:**

**RESOLVED** The Great Lakes Water Authority Board approves the proposed:

- 1) FY 2020 wholesale water service schedule of charges;
- 2) FY 2020 wholesale sewer service schedule of charges;
- 3) FY 2020 City of Detroit allocated wholesale water revenue requirement of \$21,295,500, which is the net of \$41,995,500 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 2020 City of Detroit allocated wholesale sewer revenue requirement of \$185,807,300 which is the net of \$191,323,300 gross revenue requirement less the Ownership Equity Credit of \$5,516,000 in accordance with the WSSA;
- 5) FY 2020 City of Detroit allocated indirect water revenue requirement of \$46,099,200, in

accordance with the Regional Water Supply System Lease;

- 6) FY 2020 City of Detroit allocated indirect sewer revenue requirement of \$38,078,700, in accordance with the Regional Water Supply System Lease.

**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 vote.