



Legislation Details (With Text)

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On agenda: 3/24/2021 **Final action:** 3/24/2021
Title: Resolution Regarding Approval of FY 2022 Schedule of Service Charges
Sponsors: Nicolette Bateson
Indexes: Finance
Code sections:
Attachments: 1. 2021-055 FY 2022 Board Resolution Charges 4.07.pdf, 2. FINAL Approved FY 2022 Charge Schedules 4.14.2021

Date	Ver.	Action By	Action	Result
3/24/2021	1	Board of Directors	Approved	Pass
3/10/2021	1	Board of Directors Workshop Meeting	Postponed	Pass
2/24/2021	1	Board of Directors	Referred	

Resolution Regarding Approval of FY 2022 Schedule of Service Charges

Agenda of: February 24, 2021, March 10, 2021, March 24, 2021
Item No.: **2021-055**
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: February 24, 2021

RE: Resolution Regarding Approval of FY 2022 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 2021-055** with an effective date of July 1, 2021:

- 1) FY 2022 wholesale water service schedule of charges;
- 2) FY 2022 wholesale sewer service schedule of charges;
- 3) FY 2022 City of Detroit allocated wholesale water revenue requirement of \$21,697,300, which is the net of \$42,397,300 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 2022 City of Detroit allocated wholesale sewer revenue requirement of \$188,662,200 which is the net of \$194,178,200 gross revenue requirement less the Ownership Equity Credit of \$5,516,000 in accordance with the WSSA;
- 5) FY 2022 City of Detroit allocated indirect water revenue requirement of \$51,734,700, in accordance with the Regional Water Supply System Lease;
- 6) FY 2022 City of Detroit allocated indirect sewer revenue requirement of \$39,233,900, in accordance with the Regional Sewage Disposal System Lease;
- 7) If the proposed amended service contracts with the cities of Grosse Pointe Park and Northville are approved by the Board on this same date, the administration is authorized to adjust the schedule of charges and budget accordingly; and
- 8) 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 2022 and 2023 Biennial Budget and five-year financial plan for FY 2022 to 2026 and an analysis of proposed water and sewer system charges at its January 27, 2021 meeting. A Public Hearing was opened for the FY 2022 Water Service Charges and Sewer Service Charges on February 24, 2021 and was held open until March 24, 2021.

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 2022 including the City of Detroit Revenue Requirement for the water and sewer systems. These charges support the

proposed FY 2022 water system revenue requirements budget and the proposed FY 2022 sewer system revenue requirements, respectively. The FY 2022 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.

At the Public Hearing on February 24, 2021, the Board referred the proposed FY 2022 Water Service Charges and Sewer Service charges to the Audit Committee for its regularly scheduled meeting on February 26, 2021. Special Audit Committee meetings were held on March 8, 2021 and March 15, 2021 to continue discussion and review of the proposed service charges.

BUDGET IMPACT

The recommended FY 2022 Schedule of Water Service Charges and Sewer Service Charges as presented produces the necessary revenues to fund the FY 2022 Water System and Sewer System Budget.

It should be noted that proposed amended service contracts with the cities of Grosse Pointe Park and Northville are being brought to the board on the same date as this action item. If those amendments are approved, it is recommended that the administration be authorized to adjust the schedule of charges and budget accordingly.

COMMITTEE REVIEW

The Audit Committee has reviewed the FY 2022 financial plan, including charge setting matters, at its meetings on December 18, 2020, January 15, 2021, January 22, 2021, and as noted above in the Justification section.

Proposed FY 2022 Water Charges

The proposed FY 2022 water service charges reflect a proposed Water budget increase of 0.7 percent, reduced investment earnings, creating the need for a 1.1 percent increase and an offset of 0.2 percent from increased estimated sales volumes. As a result of the 2018 Contract Alignment Process (CAP), the FY 2022 Units of Service changed for only 11 member partners. **Therefore, the average water system charges increase will be 1.5 percent.**

Proposed FY 2022 Sewer Charges

The proposed FY 2022 sewer service charges reflect a proposed FY 2022 Sewer budget decrease of 2.3 percent which was offset by the loss of a one-time revenue source in the prior year and reduced investment earnings. **Therefore, the average sewer system charges decrease will be 0.6**

percent.

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.