



Legislation Details (With Text)

File #: 2022-072 **Version:** 1 **Name:**

Type: Resolution **Status:** Passed

File created: 2/18/2022 **In control:** Board of Directors

On agenda: 2/23/2022 **Final action:** 2/23/2022

Title: Resolution Regarding Approval of FY 2023 Schedule of Service Charges

Sponsors: Nicolette Bateson

Indexes: Finance

Code sections:

Attachments: , , ,

Date	Ver.	Action By	Action	Result
2/23/2022	1	Board of Directors	Approved	Pass

Resolution Regarding Approval of FY 2023 Schedule of Service Charges

Agenda of: February 23, 2022
Item No.: **2022-072**
Amount: N/A

TO: The Honorable
Board of Directors
Great Lakes Water Authority

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

DATE: February 23, 2022

RE: Resolution Regarding Approval of FY 2023 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 2022-022** with an effective date of July 1, 2022:

- 1) FY 2023 wholesale water service schedule of charges;
- 2) FY 2023 wholesale sewer service schedule of charges;
- 3) FY 2023 City of Detroit allocated wholesale water revenue requirement of \$22,985,900, which

is the net of \$43,685,900 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 2023 City of Detroit allocated wholesale sewer revenue requirement of \$191,042,200 which is the net of \$196,558,200 gross revenue requirement less the Ownership Equity Credit of \$5,516,000 in accordance with the WSSA;
- 5) FY 2023 City of Detroit allocated indirect water revenue requirement of \$52,205,100, in accordance with the Regional Water Supply System Lease;
- 6) FY 2023 City of Detroit allocated indirect sewer revenue requirement of \$39,357,300, in accordance with the Regional Sewage Disposal System Lease;
- 8) authorizes the Interim 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 2023 and 2024 Biennial Budget and five-year financial plan for FY 2023 through 2027 and an analysis of proposed water and sewer system charges at its January 26, 2022 Board meeting. A Public Hearing was opened for the FY 2023 Water Service Charges and Sewer Service Charges on February 23, 2022.

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 2023 including the City of Detroit Revenue Requirement for the water and sewer systems. These charges support the proposed FY 2023 water system revenue requirements budget and the proposed FY 2023 sewer system revenue requirements, respectively. The FY 2023 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.

Proposed FY 2023 Water Charges

The proposed FY 2023 water service charges reflect a proposed Water budget increase of 3.5 percent along with reduced investment earnings and decreased estimated sales volumes. Therefore, the proposed average water system charges increase will be 3.7 percent.

Proposed FY 2023 Sewer Charges

The proposed FY 2023 sewer service charges reflect a proposed FY 2023 Sewer budget increase of 1.3 percent along with the reinstatement of the Highland Park Bad Debt adjustment and reduced investment earnings. Therefore, the proposed average sewer system charges increase will be 2.4 percent.

BUDGET IMPACT

The recommended FY 2023 Schedule of Water Service Charges and Sewer Service Charges as presented produces the necessary revenues to fund the FY 2023 Water System and Sewer System Budget.

COMMITTEE REVIEW

The Audit Committee has reviewed the FY 2023 financial plan, including charge setting matters, at its meetings on December 17, 2021, January 21, 2022, and February 11, 2022, and as noted above in the Justification section.

At the Audit Committee meeting on February 11, 2022, the administration presented a revised budget and charges proposal which achieved the following.

1. \$5.9 million reduction in the FY 2023 Sewer System Revenue Requirements Budget. This results in a sewer system revenue requirement increase of 1.25% rather than 2.5%.
2. The corresponding impact on FY 2023 charges is a reduction from a 3.7% systemwide increase to a 2.4% systemwide increase.

The GLWA Audit Committee reviewed the revised, proposed charges along with the budget and supplemental analysis at the meetings noted above. On February 11, 2022, the Audit Committee unanimously recommended that the Board of Directors adopts the FY 2023 Schedule of Charges reflecting the revisions presented on February 11, 2022, subject to public comment at the public hearing to be held on February 23, 2022.

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.

SHARED SERVICES IMPACT

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