



Legislation Text

File #: 2018-790, **Version:** 1

Resolution Adopting the FY 2019 & FY 2020 Biennial Budget

Agenda of: June 20, 2018

Item No.: **2018-790**

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: June 20, 2018

RE: **Resolution Adopting the FY 2019 & FY 2020 Biennial Budget**

MOTION

Upon recommendation of Nicolette Bateson, Chief Financial Officer/Treasurer, The Board of Directors (Board) of the Great Lakes Water Authority (GLWA):

- 1) **Concludes the Public Hearing related to the FY 2019 and FY 2020 Biennial Budget opened on February 28, 2018;**
- 2) **Adopts the attached resolution, 2018-790 adopting the FY 2019 and 2020 Biennial Budget for the GLWA;**
- 3) **Notes that the GLWA By-Laws Article X, Section 5, requires a super-majority affirmative vote of at least five (5) members of the Board is necessary for the approval of the operating budget; and**
- 4) Authorizes the Chief Executive Officer to take such other action as may be necessary to accomplish the intent of this vote. and authorizes the CEO to take such other action as may be necessary to accomplish the intent of this vote.

BACKGROUND

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 the Lease Agreements between the GLWA and the City of Detroit dated June 12, 2015. Section 5.6 of the Lease Agreements require the Authority to adopt a two-year budget for

the Regional Water and Sewer Systems that sets forth budgeted revenues and expenses for each such Fiscal Year.

JUSTIFICATION

The Board has received a proposed Budget for FY 2019 and FY 2020 and it is anticipated that the Public Hearings on the proposed Budget and Schedule of Charges as required by wholesale customer contracts will be closed on June 20, 2018. The Public Hearings were held on February 28, 2018 and have been held open pending resolution of the following key matters.

- 1) Approval of a Memorandum of Understanding (MOU) Term Sheet related to clarification of matters related to the Leases referenced above. Financial aspects of the MOU impacted amounts reflected in the proposed biennial budget which include debt service allocation, funding of reserves pursuant to the Master Bond Ordinance (MBO), and the retail system bad debt reserve for the Detroit Water and Sewerage Department (also referenced as the Local System in the Lease and MBO).
- 2) Recommendation from the CEO to implement a two-year phase-in period for the results of the 2017 Water Units of Service Study after extensive stakeholder input. This represents the "Scenario 2" charges worksheets that were presented to customers in January 2018 (where "Scenario 1" represented a one-year phase-in of the findings).
- 3) Successful customer contract negotiations which resulted in two communities becoming water model contract member partners.

A presentation is attached which further expands on the budget process with related analysis regarding these and other predecessor tasks to complete an aligned budget, charges, and capital improvement plan for the Board's consideration. In addition to the Biennial Budget, the Board is being asked to adopt a Schedule of Charges and a Capital Improvement Plan on June 20, 2018 as these three activities are interdependent.

BUDGET IMPACT

This action establishes a budget.

COMMITTEE REVIEW

The GLWA Audit Committee began review of the budget at its meetings on January 5, 2018, with monthly updates at its regularly scheduled meetings through June 15, 2018.