

Legislation Text

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PROPOSED FY 2021 AND FY 2022 BIENNIAL BUDGET REQUEST

Agenda of: January 8, 2020

Item No.: **2020-006**

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: January 8, 2020

RE: PROPOSED FY 2021 AND FY 2022 BIENNIAL BUDGET REQUEST

MOTION

Upon recommendation of Nicolette N. Bateson, Chief Financial Officer/Treasurer, the Board of Directors (Board) of the Great Lakes Water Authority (GLWA), **receives, files, and refers the proposed FY 2021 and FY 2022 biennial budget and related five-year financial plan to the Audit Committee;** and authorizes the CEO to take such other action as may be necessary to accomplish the intent of this vote.

BACKGROUND

Development, and related Audit Committee discussion of the proposed FY 2021 and FY 2022 biennial budget and related five-year financial plan has begun. Materials from the December 19, 2019 Audit Committee meeting related to the biennial budget and five-year plan are attached. A summary presentation will be provided to the Board of Directors at the meeting on January 8, 2020. GLWA's revenue charges consultant will also provide a brief presentation that links the proposed budget to member partner charges. The latter topic will be the focus of a presentation to the Board on January 22, 2020.

Highlights of the proposed budget include the following.

1. Water system total revenue requirement budget increase request of 1.1%

- a. Key driver of increase is related to operations and maintenance expense
2. Sewer system total revenue requirement budget increase request of 3.0%
 - a. Key driver of increase is related to increasing debt service coverage
3. Much of the entity-wide FY 2021 budget of \$838 million is fixed commitments:
Debt service at 41%
Operations & Maintenance (O&M) expense at 38%
Capital funding 10%
Lease payment at 6%
Legacy liabilities at 4%
Other (including the Water Residential Assistance Program) at 1%
4. The second year of the biennial budget reflects a 3% increase overall.
5. The revenue requirement for FY 2021 is based upon a capital spend ratio of 75% with an increase to 85% for FY 2022.
6. The impact of three full years of audited results provided a solid foundation for the preparation of the upcoming budgets.

JUSTIFICATION

The efforts toward a final budget, charges, and capital financing plan are scheduled for a detail review by the Audit Committee at its regular meeting on January 17, 2020.

BUDGET IMPACT

This action is a step toward establishment of a new budget with an effective date of July 1, 2020.

COMMITTEE REVIEW

The next Audit Committee review is scheduled for January 17, 2020.