

Legislation Text

File #: 2020-410, **Version:** 1

Endorsement of the Sewer SHAREs Methodology Update

Agenda of: November 25, 2020

Item No.: **2020-410**

TO: The Honorable
Board of Directors
Great Lakes Water Authority

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

DATE: November 19, 2020

RE: Endorsement of the Sewer SHAREs Methodology Update

MOTION

Upon recommendation of Suzanne Coffey, Chief Planning Officer, The Board of Directors (Board) of the Great Lakes Water Authority (GLWA) **endorses the Sewer SHAREs Methodology Update** and authorizes the CEO to take such other action as may be necessary to accomplish the intent of this vote.

BACKGROUND

The original SHAREs, or percent allocations of revenue requirements to each wastewater member partner, were established via a Rate Simplification initiative that resulted in the FY 2015 wholesale sewer charges. These SHAREs were determined based on flow volume data from FY 2008 through 2012 and an element known as “strength-of-flow”. In 2016, GLWA engaged the Member Partners in a second initiative that continued to examine a variety of parameters in the SHARE methodology, including a focus on the strength-of-flow element. That initiative resulted in a change to basic assumptions relative to strength-of-flow for the FY 2018 charges. With much discussion around the strength-of-flow assumptions, a commitment was made to undertake a third initiative to further consider the elements of the methodology. The work completed to accomplish the third initiative is briefly summarized below.

- We hosted a Symposium on Wastewater Charges in 2018 where GLWA brought in large utilities from across the nation for a two-day event for an information exchange on wastewater charges. The main conclusion was that GLWA’s charges were far more complex than our peers.
- We convened a member partner Sewer SHAREs Workgroup to collaboratively consider a change to the charge methodology. Most notably this group wrestled with the strength-of-flow and sampling elements of the methodology, concluding that further sampling was not prudent and a different approach to strength of flow should be adopted.
- We contracted with an independent charge consultant, Raftelis, to meet with all first-tier member partners,

compile their thoughts, evaluate the current methodology and make recommendations on changes. Their report concluded:

“Minimizing impacts on each Member Partner Community while simplifying the charge methodology was the most important consideration of any proposed change.”

- We convened a smaller member partner working group, Think Tank Group, to wrestle with the more complex elements of the methodology and develop a recommendation. The Think Tank Group accomplished its goal, and its recommendation is contained in its October 20, 2020 memorandum.
- We offered to meet with all first-tier member partners to review the recommendation. Of the 18 member partners, 13 were either on the Think Tank or engaged in emails and meetings since the October 20, 2020 memo was circulated.
- We rolled out the recommendation at the November 19, 2020 Charges Roll Out #2 meeting with overwhelmingly positive responses from those in attendance.

JUSTIFICATION

With extensive collaboration and shared decision-making, GLWA and its member partners have collectively developed a recommended change to the sewer charge methodology known as Sewer SHARES. The method is equitable, simple and provides increased charge stability. Its main elements are illustrated in Table 1 and Figure 1 below. The impact to each member partner’s SHARE is illustrated in Table 2 below. It should be noted that the proposed “All-in SHARE” in Table 2 is what will be applied to future revenue requirements for the next three years at which time inputs to the methodology will be updated and a new set of SHARES will be calculated.

		Allocators		
		Average Volume	Sanitary Volume	CSO
Cost Pools	Water Resource Recovery Facility	50%	50%	
	Conveyance/Collection System	100%		
	Combined Sewer Overflow			100%

Table 1. Proposed Core Methodology

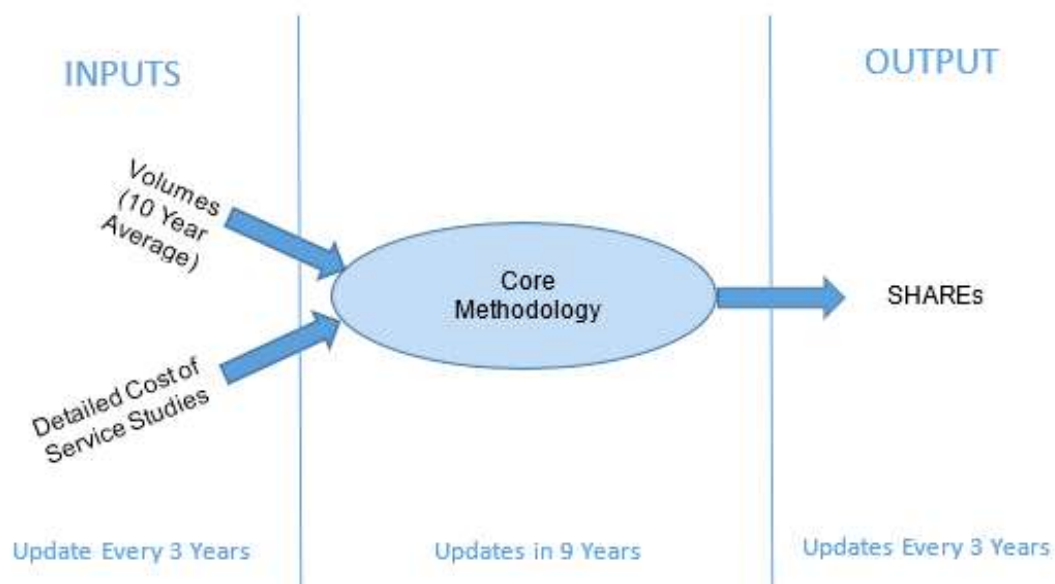


Figure 1. Proposed Inputs and Update Frequencies

	Existing SHARES				Proposed "All in" SHARE (c)	Change in SHARE	
	CTA Treat / Collection Cost Pool (a)	CSO Faci Cost Pool (b)	Suburban Only Cost Pool (b)	"All in" SHARE (b)		Variance	% Variance
1 OMID	16.436%	2.651%	22.182%	14.660%	14.589%	-0.071%	-0.5%
2 Rouge Valley	12.893%	2.956%	20.347%	11.682%	11.804%	0.122%	1.0%
3 Oakland GWK	10.735%	2.256%	18.625%	9.735%	9.788%	0.053%	0.5%
4 Evergreen Farmington	8.378%	1.485%	12.719%	7.521%	7.639%	0.118%	1.6%
5 SE Macomb San Dist	5.910%	1.174%	10.020%	5.345%	5.291%	-0.054%	-1.0%
6 Dearborn	4.518%	1.631%	8.048%	4.194%	4.284%	0.090%	2.1%
7 Grosse Pointe Farms	0.596%	0.504%	1.075%	0.593%	0.580%	-0.013%	-2.2%
8 Grosse Pointe Park	0.435%	0.062%	0.746%	0.390%	0.402%	0.012%	3.1%
9 Melvindale	0.367%	0.074%	0.568%	0.331%	0.332%	0.001%	0.3%
10 Farmington	0.275%	0.052%	0.445%	0.248%	0.253%	0.005%	2.0%
11 Center Line	0.247%	0.055%	0.368%	0.223%	0.220%	-0.003%	-1.3%
12 Allen Park	0.206%	0.031%	0.316%	0.184%	0.179%	-0.005%	-2.7%
13 Highland Park	1.065%	2.065%	2.165%	1.222%	1.144%	-0.078%	-6.4%
14 Hamtramck	0.717%	1.595%	1.764%	0.857%	0.853%	-0.004%	-0.5%
15 Grosse Pointe	0.180%	0.228%	0.417%	0.192%	0.190%	-0.002%	-1.0%
16 Harper Woods	0.051%	0.013%	0.112%	0.047%	0.046%	-0.001%	-2.1%
17 Redford Township	0.045%	0.133%	0.073%	0.057%	0.057%	0.000%	0.0%
18 Wayne County #3	0.007%	0.035%	0.011%	0.011%	0.011%	0.000%	0.0%
19 Subtotal Sub. Wholesale	68.058%	17.000%	100.000%	57.492%	57.662%	0.170%	0.3%
20 Detroit Customers	36.942%	83.000%	0.000%	42.508%	42.338%	-0.170%	-0.4%
21 Total	100.000%	100.000%	100.000%	100.000%	100.000%	0.000%	0.0%

(a) The existing public SHARES reflected proportional allocation factors for CTA revenue requireme CSO and Suburban only costs.

(b) The effect of the prior methodology established SHARES in recognizing the CSO and Suburban pools.

(c) The proposed methodology establishes effective SHARES inclusive of all cost pools.

Table 2. SHARES Development - Impact Summary

BUDGET IMPACT

This cost allocation methodology does not have an impact on the budget.

COMMITTEE REVIEW

This matter was introduced to the Board of Directors at its meeting on October 28, 2020.

SHARED SERVICES IMPACT

This item does not impact the shared services agreement between GLWA and DWSD.