



FY 2025 Charges Rollout Meeting #3

January 11, 2024

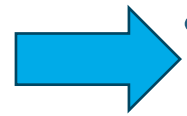


Charges Rollout Season

Overall Budget & Charges Timing – To Date

- Friday, September 8, 2023 – Internal Deadline for Cost Center Budget Request
- Tuesday, September 12, 2023 – Capital Planning Committee – Preliminary CIP Spend Update and Presentation – Actual, Forecasted, and Proposed
- Wednesday, September 13, 2023 – Board of Directors Meeting
 - Economic Outlook Task Force Report – Quarterly Update
 - Budget and Charges Briefing
- Thursday, October 19, 2023 - Charges Rollout #1 – CIP Version 1.0
- Tuesday, November 14, 2023 - Charges Rollout #2 - Units of Service
- Thursday, November 30, 2023 – Pencils Down to Compile Proposed Materials
- Friday, December 15, 2023 – Audit Committee - Proposed Budget and Related Charges Strategy ([12.15.2023 Draft 1](#) available online)

Overall Budget & Charges Timing - January



- Thursday, January 11, 2024 – Charges Rollout #3 – Proposed Charges and Introduction of Proposed Budget
 - Note: Cost of Service Study dated December 29, 2023 posted [online](#) on January 9, 2024
- GLWA “Office Hours” to review Charge related material with individual Member Partner representatives
 - 1/16/2024 (all day)
 - 1/17/2024 (morning only)
 - 1/22/2024 (all day)
- Thursday, January 18, 2024 – Charges Rollout #4 – Feedback on Charges, Office Hours Q&A, and Further Review of Proposed Budget
- Wednesday, January 24, 2024 - GLWA Board Briefing – Budget & Charges

Overall Budget & Charges Timing – February+

- ★ Wednesday, February 28, 2024 (Tentative) – Board Meeting
 - Public Hearing FY 2025 & FY 2026 Biennial Budget
 - Public Hearing FY 2025 Schedule of Revenues and Charges
 - Proposed Adoption of FY 2025 & FY 2026 Biennial Budget (subject to public comment)
 - Proposed Approval of the FY 2025 & FY 2026 Biennial Budget (subject to public comment)
 - Proposed Approval of FY 2025–2029 Capital Improvement Plan
- Tentative weekly Board meeting dates if budget and charges not approved in February 2024
 - Thursday, March 7, 2024
 - Wednesday, March 13, 2024
 - Thursday, March 21, 2024
 - Wednesday, March 27, 2024
- Monday, July 1, 2024 – Effective date of budget, charges, and capital plan

Executive Summary - Charges Rollout #3

Three Key Takeaways

- 1. Charges:** The System-Wide Charges Revenue Increase is 3.25 Percent for Water and 3.0 Percent for Sewer – Well Below the Rate of Inflation.
- 2. Sewer SHARES:** The FY 2025 Sewer Charges are being updated for the first time in 3 years and the resulting changes in individual Member Partner Charge adjustments (generally) reflect moderate variances from the System-Wide adjustment of 3.0%.
- 3. Simplified Water Charge Methodology:** The FY 2025 Water Charges embrace the recently endorsed “10/50/40 with Delivery Factor” methodology. Charge adjustments for all but 3 Member Partners are uniform and approximate the System-Wide increase of 3.25%.

Charge Adjustments Well Below Inflation

- Since FY 2018, GLWA's average combined Water and Sewer Charge adjustments have been less than $\frac{1}{2}$ of inflationary increases, as measured by the CPI-U
 - *1.7% Average Charge increase vs 3.5% inflation*
- Future Charge Adjustments are *forecasted* to increase to “correct the over-delivery of the 4% Promise” to achieve improved sustainability for GLWA's Water and Sewer Systems
 - *These projected increases are forecasts – and not part of any formal charge proposals for FY 2025*

Proposed System Charge Adjustments

- Proposed increase on overall Budgeted Revenue Requirements is 4.0% for both the Water and Sewer Systems
 - *Last year of the “4% Promise”*
- Increased budgeted investment earnings help offset a portion of the Budget Increase
- Lower forecasted Water Sales require ~ .8% increase in Water Charges
- Proposed System Charge Adjustments:
 - **3.25%** for Water
 - **3.0%** for Sewer

	Water System		Sewer System	
	<u>Adjustment</u>	<u>Charge Impact</u>	<u>Adjustment</u>	<u>Charge Impact</u>
Revenue Requirement Increase	\$14.81	4.1%	\$20.03	4.1%
Increased Investment Earnings	(6.0)	-1.7%	(5.6)	-1.1%
Decreased Sales Revenue	<u>3.0</u>	<u>0.8%</u>	<u>0.4</u>	<u>0.1%</u>
Wholesale Charge Adjustment	\$11.80	3.25%	\$14.79	3.00%

Sewer SHARES Updated for the First Time Since FY 2022

- Sewer SHARES are being updated for the FY 2025 Sewer Charges
 - *First update since FY 2022*
- SHARE update reflects two separate analysis:
 - *Updated Units of Service from Flow Balance – new 10-year data period from FY 2014 through FY 2023 (Drop off FY 2013)*
 - *FY 2025 Cost of Service Study*
- The Sewer Charge impact for most Member Partners varies from a decrease of less than 1% to an increase of less than 5%
 - *There are some unique exceptions*

Water Charge Methodology has been Simplified – Generally Stable Charge Adjustments

- 3 Member Partners have modified Contract Demands since original Units of Service were presented in November
 - *These “MOD” Customers will receive charge reductions that total ~ 11% as a class*
- All other “No MOD” Member Partners will receive a uniform wholesale charge increase of 3.33%
 - *Total effective charge increase is 3.06% after recognition of fixed contractual adjustments*
- Water Charge Calculations embrace the new simplified methodology
 - *10/50/40 Commodity/Max Day/Peak Hour Cost Pools*
 - *Water Delivery Factor replaces Distance and Elevation*

Proposed FY 2025 and FY 2026 Budget & Five-Year Financial Plan Update

What is GLWA's "Financial Plan"?

What is GLWA's financial plan?

The financial plan is a set of documents that transparently charts the financial course on a path of long-term sustainability.

Why focus on a long-term plan?

Decisions made decades ago impact today; decisions we make today impact future generations. This is the basis for achieving affordability.

What goes into a financial plan?

Extensive input, analysis, and collaboration by subject matter experts that span finance, engineering, legal, and operations, both internal and external to GLWA.

What are the Financial Plan Documents?

- ✓ FY 2025 & FY 2026 Biennial Budget and Five-Year Plan (FY 2025 – FY 2029)
- ✓ Ten Year Financial Plan through FY 2034
- ✓ FY 2025 – FY 2029 Five Year Capital Improvement Plan
- ✓ FY 2025 Water & Sewer Cost of Service Study and Charges Report from The Foster Group
- ✓ Fall 2023 bond official statements
- ✓ FY 2023 Audited & Internal Financial Reports
- ✓ *Related support documents submitted to the Board and the Monthly Audit Committee*

Proposed FY 2025 + Financial Plan: Key Highlights

1. Comprehensive Data Available
2. Commitment to GLWA's Values
3. Operations & Maintenance Budget – Dynamic Increases & Decreases
4. FY 2025 Charges Proposal – Water
5. FY 2025 Charges Proposal – Sewer
6. Ten Year Plan - Continuing Capital and O&M Pressures
7. GLWA Bond Ratings 2023 Upgrades & Savings– Goal Achieved
8. Key Assumptions – Beyond Our Control
9. Key Assumptions - Things We Can Control
10. Yes, Our Sector has Challenges; We are Prepared to Address

#1 – Comprehensive Data Available

- ✓ **Internal:** Matured organization with strong working relationship between Financial Planning & Analysis with operations and administration
- ✓ **External:** Ongoing economic scan of the environment in which we operate - Economic Outlook Task Force initially presented to Board in November 2022 with ongoing quarterly updates
- ✓ **The Facts:** Recently completed “clean” audit report issued
 - ✓ *Preliminary FY 2023 year-end report in September aligned with final audit report*
 - ✓ *Operations & Maintenance actual overall within 0.22% of budget*

How did the FY 2023 Operating Expense Budget perform?

- ✓ Audited results of \$361 million were materially consistent with the preliminary FY 2023 results distributed in October 2023 of \$358 million – difference is largely due to an estimated accrual for an unbilled amount from a vendor.
- ✓ **Overall, GLWA operated within 0.22% of amended budget.**
- ✓ Contractual services over budget due to increases in SCADA maintenance and repairs contracts, grounds, transmission mains and specialized service contracts.
- ✓ Utilities are over budget due to increased usage and rates as well as meter repair and replacement resulting in more accurate billing.
- ✓ Chemicals are exceeded budget due to price increases.

SCHEDULE OF OPERATING EXPENSES FOR COMBINED WATER AND SEWER OPERATIONS FUNDS - BUDGET TO ACTUAL
For the Year Ended June 30, 2023

	Original Budget	Final Amended Budget	Actual	Variance Over (Under) Amended Budget	Percent Over (Under) Amended Budget
Operating Expenses					
Personnel	\$ 122,144,300	\$ 116,145,400	\$ 114,808,018	\$ (1,337,382)	-1.15%
Contractual services	104,579,200	106,625,000	109,703,247	3,078,247	2.89%
Utilities	51,007,400	74,621,700	77,276,536	2,654,836	3.56%
Chemicals	16,118,600	29,524,800	30,542,063	1,017,263	3.45%
Supplies and other expenses	34,911,800	34,968,700	34,571,711	(396,989)	-1.14%
Capital program allocation	(4,376,200)	(2,135,300)	(2,189,642)	(54,342)	2.54%
Intergovernmental reimbursements	(2,925,000)	(1,570,800)	(4,247,812)	(2,677,012)	170.42%
Centralized services allocation	-	-	-	-	0.00%
Administrative services allocation	-	-	-	-	0.00%
Unallocated reserve	7,440,200	1,496,800	-	(1,496,800)	-100.00%
Total operating expenses before depreciation and amortization financial reporting basis	328,900,300	359,676,300	360,464,121	787,821	
SBITA	-	704,400	704,318	(82)	0.00%
Warehouse lease	-	489,500	489,546	46	0.01%
TOTAL OPERATING EXPENSES BUDGET BASIS	\$ 328,900,300	\$ 360,870,200	\$ 361,657,985	\$ 787,785	0.22%

Source: FY 2023 ACFR Page 112



SCADA: System Control and Data Acquisition
SBITA: Subscription-Based Information Technology Arrangements

How did the FY 2023 Water System Revenue Requirements perform?

	Adopted Budget	Amended Budget	Actual	Variance Over (Under) Amended Budget
Revenues				
Revenue from charges				
Suburban wholesale customers [1]	\$ 331,962,000	\$ 333,856,300	\$ 334,141,233	\$ 284,933
Local system charges	22,985,900	22,834,300	22,834,300	-
Total revenue from charges	<u>354,947,900</u>	<u>356,690,600</u>	<u>356,975,533</u>	<u>284,933</u>
Other revenue [2]	175,000	995,000	1,378,706	383,706
Investment earnings [3]				
Restricted			3,660,022	
Unrestricted			5,501,592	
Total Investment earnings	<u>948,700</u>	<u>9,670,200</u>	<u>9,161,614</u>	<u>(508,586)</u>
Total Revenues	<u>\$ 356,071,600</u>	<u>\$ 367,355,800</u>	<u>\$ 367,515,853</u>	<u>\$ 160,053</u>
Revenue Requirements				
Operations and maintenance [4]	144,847,700	156,747,700	154,327,770	(2,419,930)
General Retirement System legacy pension	6,048,000	6,048,000	6,048,000	-
Debt service	150,337,100	150,055,300	150,055,300	-
General Retirement System accelerated pension	6,268,300	6,268,300	6,268,300	-
Water Residential Assistance Program contribution	1,770,500	1,770,500	1,770,500	-
Extraordinary Repair & Replacement Reserve Fund	-	200,000	2,200,000	2,000,000
Regional system lease	22,500,000	22,500,000	22,500,000	-
Transfer to the Improvement & Extension Fund	24,300,000	23,766,000	23,766,000	-
Total Revenue Requirements	<u>\$ 356,071,600</u>	<u>\$ 367,355,800</u>	<u>\$ 366,935,870</u>	<u>\$ (419,930)</u>
Revenue Requirement Variance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 579,983</u>	<u>\$ 579,983</u>

- ✓ Revenue Requirements are the basis for establishing Member Partner Charges
- ✓ The goal is to net to zero as the “bottom line”
- ✓ To extent there is a positive variance, those funds support an improve financial position for subsequent years
- ✓ **The net positive variance of \$580 thousand is within 0.2% of the adopted budget of \$356 million**
- ✓ This schedule also shows that GLWA met all of its financial and contractual commitments for the General Retirement System legacy pension, Water Residential Assistance Program, Regional System Lease
- ✓ All debt payments were made as required

Source: FY 2023 ACFR page 113

How did the FY 2023 Sewer System Revenue Requirements perform?

	Adopted Budget	Amended Budget	Actual	Variance Over (Under) Amended Budget
Revenues				
Revenue from charges				
Suburban wholesale customers	\$ 275,403,500	\$ 274,907,200	\$ 275,917,502	\$ 1,010,302
Local system charges	191,042,200	191,042,200	191,042,200	-
Industrial waste control	8,420,000	8,420,000	8,393,103	(26,897)
Pollutant surcharges	4,950,800	4,950,800	4,894,567	(56,233)
Total revenue from charges	479,816,500	479,320,200	480,247,372	927,172
Other revenue [1]	400,000	2,355,000	4,901,316	2,546,316
Investment earnings [2]				
Restricted			4,102,394	
Unrestricted			8,395,898	
Total Investment earnings	1,155,600	13,532,100	12,498,292	(1,033,808)
Total Revenues	\$ 481,372,100	\$ 495,207,300	\$ 497,646,980	\$ 2,439,680
Revenue Requirements				
Operations and maintenance [3]	184,052,600	204,122,500	207,330,215	3,207,715
General Retirement System legacy pension	10,824,000	10,824,000	10,824,000	-
Debt service	205,638,100	212,509,100	212,669,100	160,000
General Retirement System accelerated pension	11,620,700	11,620,700	11,620,700	-
Water Residential Assistance Program contribution	2,394,200	2,394,200	2,394,200	-
Regional system lease	27,500,000	27,500,000	27,500,000	-
Transfer to the Improvement & Extension Fund	39,342,500	26,236,800	26,236,800	-
Total Revenue Requirements	\$ 481,372,100	\$ 495,207,300	\$ 498,575,015	\$ 3,367,715
Revenue Requirement Variance	\$ -	\$ -	\$ (928,035)	\$ (928,035)

- ✓ Revenue Requirements are the basis for establishing Member Partner Charges
- ✓ The goal is to net to zero as the “bottom line”
- ✓ To extent there is a positive variance, those funds support an improved financial position for subsequent years
- ✓ **The net negative variance of \$928 thousand is within 0.2% of the adopted budget of \$481.3 million**
- ✓ This schedule also shows that GLWA met all of its financial and contractual commitments for the General Retirement System legacy pension, Water Residential Assistance Program, Regional System Lease
- ✓ All debt payments were made as required; the variance is due to estimates related to timing

Source: FY 2023 ACFR page 114

#2 – FY 2025 Budget Overall: Goals Set -> Goals Met

- ✓ **The Promise:** Able to deliver an overall financial plan for FY 2025 and FY 2025 that holds revenue requirement increases below the 4% Promise
- ✓ **Charges:** Resulting FY 2025 proposed charge adjustments reflect constraints within the goal to maintain stability for Member Partners
- ✓ **Sustainability & Affordability:** Facilitates progress towards long-term sustainability and affordability objectives
- ✓ **Quality:** Provides for progress on key initiatives that ensures the quality and reliability of our services and the impact on the environment

#3 – Operation & Maintenance Budget: Navigating Dynamic Increases & Decreases

- ✓ Recently completed FY 2024 Budget Amendments
 - ✓ Based on events in FY 2024 First Quarter through September 2023
 - ✓ Presented to Audit Committee and Board of Directors in December 2023
- ✓ Water System Revenues - *\$4.0 Million Decrease*
 - ✓ Reduced water sales in the cool, wet first quarter of FY 2024
- ✓ Water System O&M Expenses - *\$10.2 Million Increase*
 - ✓ Examples: Utilities \$3.7M for electric (kWh charge increase), Chemicals \$1.0M
- ✓ Sewer System O&M Expenses - *\$14.5 million Increase*
 - ✓ Examples: Utilities \$4.5M (water meters repaired/replaced at the WRRF and related rate increase), Chemicals \$1.6M, Repairs \$1.5M

#4 – FY 2025 Water Charges Summary

(more detail in subsequent slides)

- ✓ Proposed FY 2025 Water System Charge Adjustment is a 3.25% increase
 - ✓ System Charge Adjustment = the amount by which revenues from existing charges must be adjusted to meet budgeted revenue requirements
 - ✓ Charge Adjustments for individual Member Partners are generally stable at the System average, although 3 Member Partners are receiving charge reductions related to amended contract demands
 - ✓ This is projected to produce a \$11.8 million revenue increase and becomes the foundational assumption for the rest of the budgeted revenue requirements
 - ✓ NO amounts included in Water Charges related to Highland Park bad debt expense matter
- ✓ Resulting plan reflects:
 - ✓ An overall budgeted revenue requirement increase of \$14.8 million (4.0%)
 - ✓ A negative sales (volume) revenue budget variance of \$3.0 million (requires additional 0.83% increase)
 - ✓ A positive investment earnings and miscellaneous revenue budget variance of \$6.0 million (addresses ~1.66% of the budget increase)
 - ✓ \$16.8 million increase in budgeted Operating Expenses compared to the original FY 2024 Budget
 - ✓ \$15.8 million increase in budgeted Debt Service
 - ✓ Budgeted contributions to Working Capital Reserve and I&E Fund are *lower* than the original FY 2024 Budget by \$16.7 million
 - ✓ Capital Spend Rate Assumption of 100%

#5 – FY 2025 Sewer Charges Summary

(more detail in subsequent slides)

- ✓ Proposed FY 2025 Sewer System Charge Adjustment is a 3.0% increase
 - ✓ System Charge Adjustment = the amount by which revenues from existing charges must be adjusted to meet budgeted revenue requirements
 - ✓ Charge Adjustments for individual Member Partners vary, as Sewer SHARES are being updated for the first time since FY 2022 - the overall impacts are **generally** not materially different than the System average
 - ✓ This is projected to produce a \$14.8 million revenue increase and becomes the foundational assumption for the rest of the budgeted revenue requirements
 - ✓ NO amounts included in Sewer Charges related to Highland Park bad debt expense matter
- ✓ Resulting plan reflects:
 - ✓ An overall budgeted revenue requirement increase of \$20.0 million (4.0%)
 - ✓ A positive investment earnings and miscellaneous revenue budget variance of \$5.6 million (addresses ~ 1.0% of the budget increase)
 - ✓ \$23.2 million increase in budgeted Operating Expenses compared to the original FY 2024 Budget
 - ✓ \$2.0 million reduction in budgeted Debt Service
 - ✓ Budgeted contributions to I&E are *effectively equal* to the original FY 2024 Budget
 - ✓ Capital Spend Rate Assumption of 100%

#6 – Ten Year Plan: Continuing Capital and O&M Pressures

4% Promise on Annual Budget Increases “Sunsets” after FY 2025 – What’s next?

- ✓ Balancing foundational values, bondholder commitments, responsible system management, and affordability
- ✓ While the pace of recent cost increases may slow down, there is a new, significantly higher operating and capital expense category baseline. This may necessitate revenue requirement (budget) increases of:
 - ✓ 7.5% from FY 2026 thru 2029 and 6.0% thereafter thru FY 2034 for Water
 - ✓ 5.5% from FY 2026 thru 2029 and 4.0% thereafter thru FY 2034 for Sewer
- ✓ Translating those budget realities to charge increases relies on other sources of revenue / expense reduction / cost avoidance strategies
- ✓ Long-term Plan Risks to Watch: Capital program priority shifts, increased regulatory demands

Ten-Year Forecast Executive Summary

Scenarios	Water	Sewer
2015 Lease Feasibility Forecast – Assumes Maintenance of Projected DSC ratios of >1.70	Assumed achievement of 1.72 by FY 2020, inherently establishes minimum future expectation	Assumed achievement of 1.77 by FY 2020, inherently establishes minimum future expectation
February 2023 Forecast – Desired minimum DSC of 1.5 by FY 2028; 1.8 by FY 2033	Requires <u>6%</u> Budget increase in FY 2026 thru FY 2033;	Requires <u>5.0%</u> Budget increase in FY 2026 thru FY 2028; <u>3.0%</u> thereafter
October 2023 Forecast Update – Desired minimum DSC of 1.5 by FY 2028; 1.8 by FY 2033	Requires <u>7.5%</u> Budget increase in FY 2026 thru FY 2029; <u>6.0%</u> thereafter	Requires <u>5.5%</u> Budget increase in FY 2026 thru FY 2029; <u>4.0%</u> thereafter

Debt Service Coverage (DSC) is an overall measure of financial health that captures annual performance and funding reserves for financial resiliency. It is a key metric for bondholders and rating agencies with stated minimum levels in the Master Bond Ordinance.

Note: The annual % Budget increases indicated above refer to changes in annual budgeted revenue requirements, which is the index for which the 4% Promise applies. Actual changes in average charges will vary depending on changes in sales volumes and investment income.

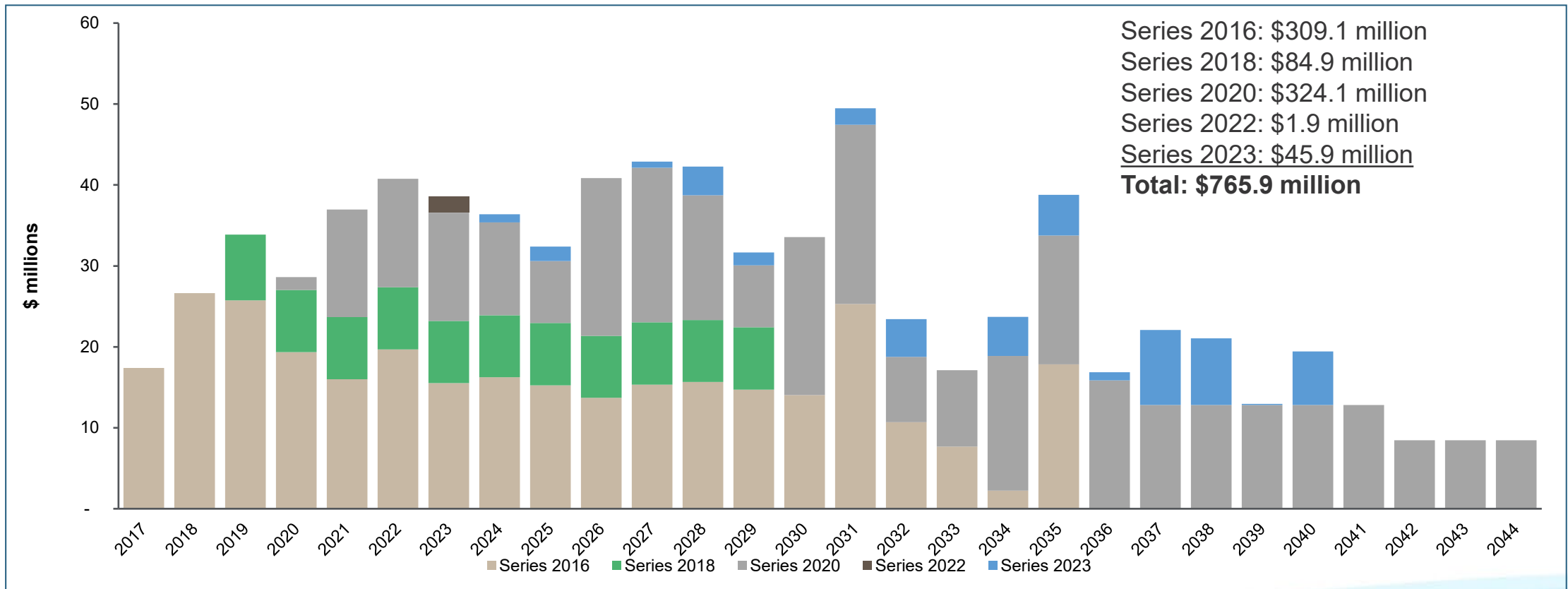
#7 – GLWA Bond Rating Upgrades & Savings: Goals Achieved

- ✓ Fall 2023 Bond Tender & Refunding Program and New Money Transaction
- ✓ **Rating agency upgrades** were achieved from both Moody's (Water and Sewer) and Fitch (Sewer)
- ✓ Achieved all-in cost of new money borrowing consistent with prior issues during a period of increasing interest rates and volatile market: **4.64%** for each of the Water System and the Sewer System (\$150M for water system; \$100M for sewer system)
- ✓ Orders from 80 unique institutional investors totaling \$8.1 billion for \$513 million in bonds available (**14.7 times**), including 57 investors that did not participate in GLWA's 2022 transactions
- ✓ Level of interest enabled GLWA to reduce yields on the date of the sale by an average of nearly 0.15% from preliminary morning levels, **reducing** total debt service by a net present value of approximately **\$7.5 million**

Bond Ratings & Savings - continued

- ✓ Robust tender participation of 35% generates **cash flow** tender refunding **savings of \$45.9 million through 2040** (net present value of \$28.8 million or 8.0% of refunded par)
- ✓ Series 2023 bond structures aligned new money debt service and tender refunding savings to **lessen budget burden new debt for next ten years**
- ✓ Positive Bond Rating Agency Actions Commentary
 - ✓ Rationale for the upgrades is outlined in the reports from each rating agency. Moody's credit opinion noted, "GLWA has effectively balanced its hefty capital needs with an affordable rate structure, stable operating performance, consistent debt service coverage and good liquidity for systems since its inception in 2016."

History of Debt Service Savings Since GLWA Standup



#8 – Key Assumptions: Things Beyond our Control

- ✓ Economic impact on investment portfolio
- ✓ Debt refunding opportunities
- ✓ Cost of borrowing / rising interest rates
- ✓ State / federal funding
- ✓ Construction cost increases
- ✓ New regulatory requirements
- ✓ Labor market
- ✓ Climate change and related programmatic requirements

#9 – Key Assumptions: Things We Can Control

- ✓ Manage the capital spending priorities
- ✓ Continue to seek other funding opportunities
- ✓ Manage the pace of change
- ✓ Plan, plan, plan – financial, operational, and capital; multiple scenarios
- ✓ Strategic focus on resiliency via operational and financial flexibility to navigate those things that are beyond our control

#10 – Yes, Our Sector has Challenges; We are Prepared to Address

- ✓ Maintenance intensive industry requiring continual reinvestment of capital
- ✓ Declining use of potable water and the associated reduced demand
- ✓ Regulatory concerns for both the Water and the Wastewater Systems
- ✓ Affordability

Common Theme – uncertainty and higher costs continue to be experienced – any “hedge” on uncertainty impacts affordability

GLWA Average System Charge Adjustments

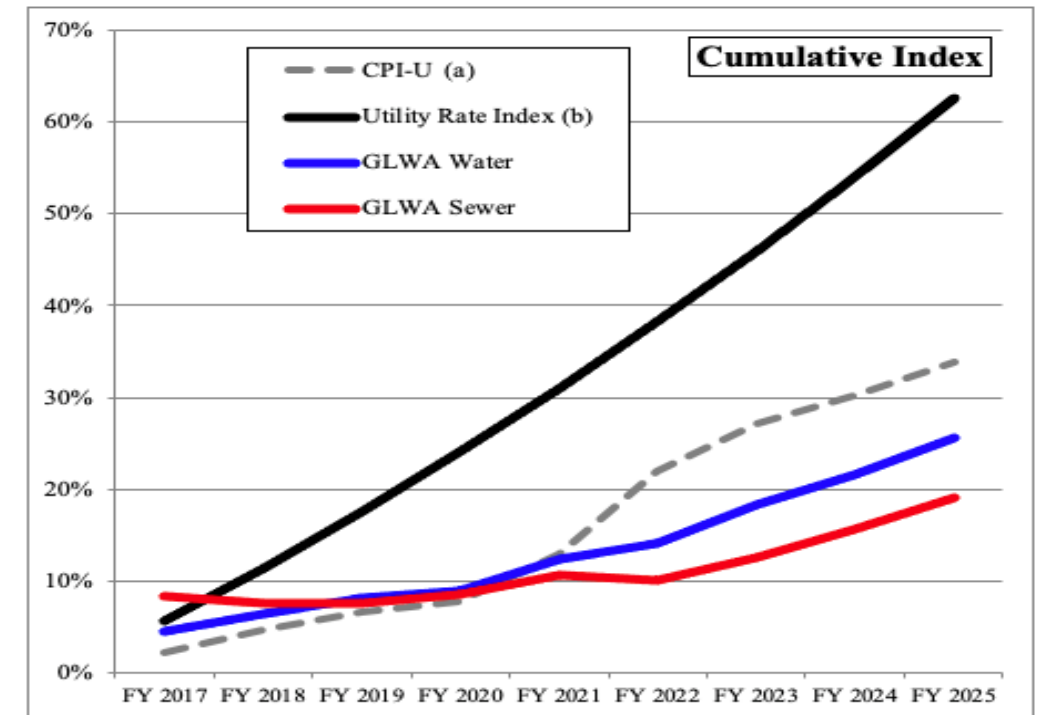
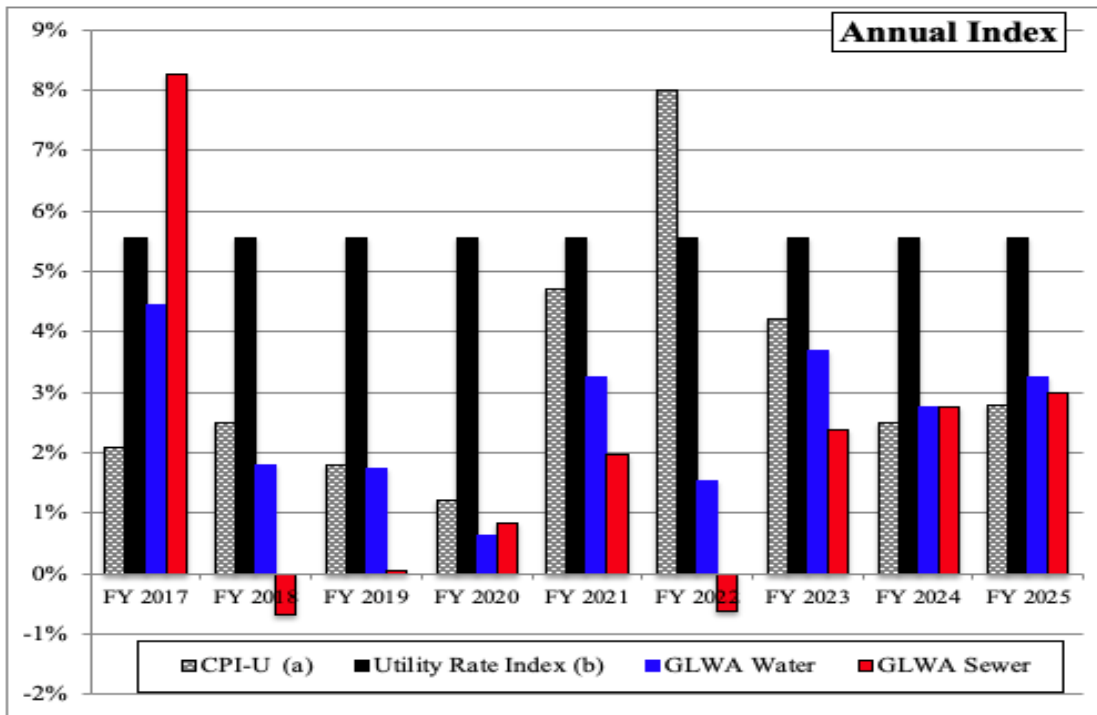
Average System Charge Adjustments

Year	Water	Sewer
2018	1.8%	-0.7%
2019	1.8%	0.1%
2020	0.6%	0.8%
2021	3.2%	2.0%
2022	1.5%	-0.6%
2023	3.7%	2.4%
2024	2.75%	2.75%
2025	3.25%	3.0%
8-Year Average	2.3%	1.2%

GLWA CHARGE Adjustments Compared to Utility Indices

Annual	Annual Index									Average Annual
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	
CPI-U (a)	2.1%	2.5%	1.8%	1.2%	4.7%	8.0%	4.2%	2.5%	2.8%	3.3%
Utility Rate Index (b)	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%
GLWA Water	4.5%	1.8%	1.8%	0.6%	3.2%	1.5%	3.7%	2.75%	3.25%	2.6%
GLWA Sewer	8.3%	-0.7%	0.1%	0.8%	2.0%	-0.6%	2.4%	2.75%	3.00%	2.0%
GLWA Overall	6.7%	0.3%	0.7%	0.7%	2.5%	0.3%	2.9%	2.8%	3.1%	2.2%

Cumulative Index	Cumulative Index								
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
CPI-U (a)	2.1%	4.7%	6.5%	7.8%	12.9%	21.9%	27.0%	30.2%	33.9%
Utility Rate Index (b)	5.6%	11.4%	17.6%	24.1%	31.0%	38.3%	46.0%	54.1%	62.6%
GLWA Water	4.5%	6.3%	8.2%	8.9%	12.4%	14.1%	18.3%	21.6%	25.5%
GLWA Sewer	8.3%	7.5%	7.6%	8.5%	10.6%	9.9%	12.6%	15.6%	19.1%
GLWA Overall	6.7%	7.0%	7.8%	8.6%	11.3%	11.6%	14.9%	18.0%	21.7%



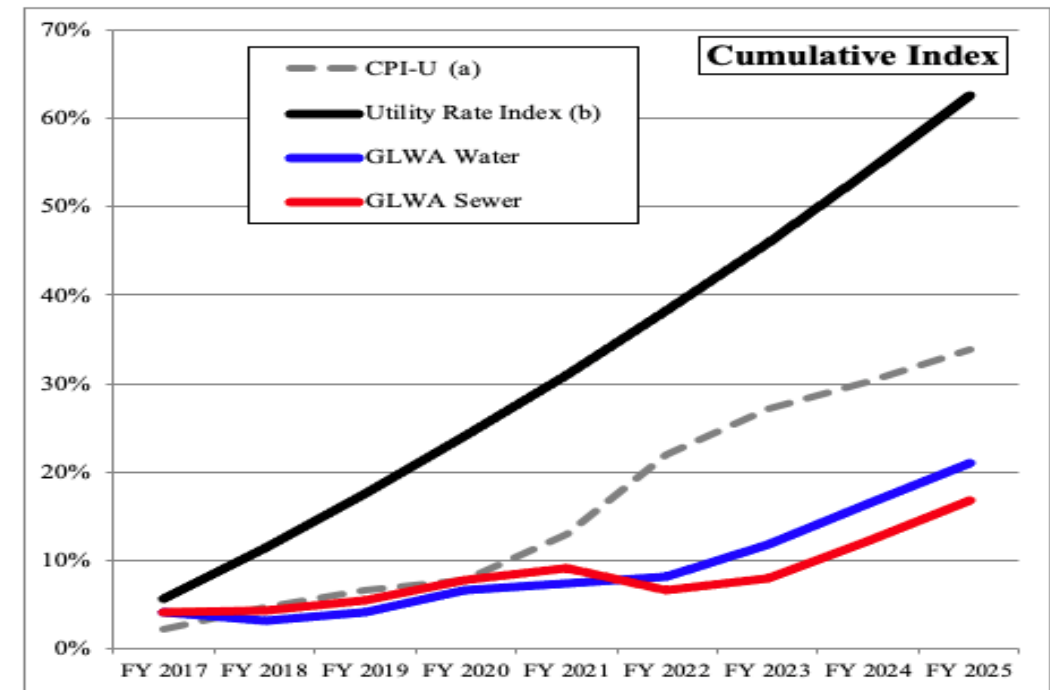
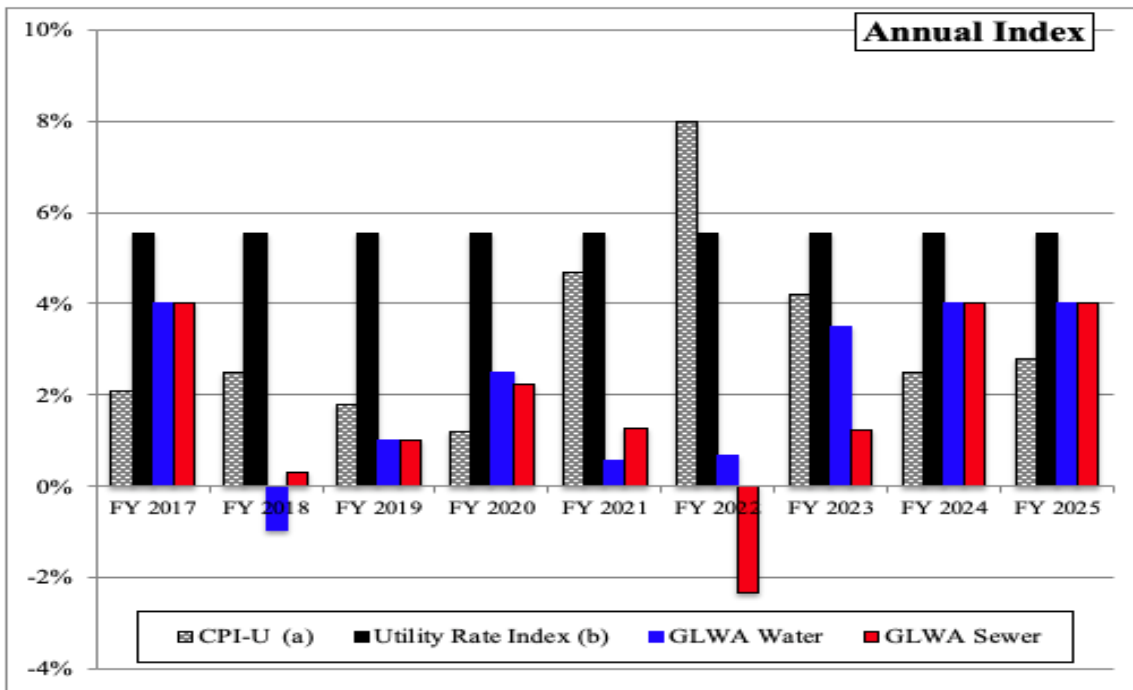
(a) Source: Bureau of Labor Statistics, CPI-U, All items in U.S. city average, all urban consumers, not seasonally adjusted (calendar year), FY 2024 and FY 2025 estimated by Economic Outlook Task Force

(b) Source: Black & Veatch 50 Largest Cities Rate Survey - 2021 - average 2001-2020

GLWA BUDGET Adjustments Compared to Utility Indices

Annual	Annual Index									Average Annual
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	
CPI-U (a)	2.1%	2.5%	1.8%	1.2%	4.7%	8.0%	4.2%	2.5%	2.8%	3.3%
Utility Rate Index (b)	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%
GLWA Water	4.0%	-0.9%	1.0%	2.5%	0.6%	0.7%	3.5%	4.0%	4.0%	2.1%
GLWA Sewer	4.0%	0.3%	1.0%	2.2%	1.3%	-2.3%	1.3%	4.0%	4.0%	1.7%
GLWA Overall	4.0%	-0.2%	1.0%	2.3%	1.0%	-1.1%	2.2%	4.0%	4.0%	1.9%

Annual	Cumulative Index								
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
CPI-U (a)	2.1%	4.7%	6.5%	7.8%	12.9%	21.9%	27.0%	30.2%	33.9%
Utility Rate Index (b)	5.6%	11.4%	17.6%	24.1%	31.0%	38.3%	46.0%	54.1%	62.6%
GLWA Water	4.0%	3.0%	4.1%	6.7%	7.3%	8.0%	11.8%	16.3%	20.9%
GLWA Sewer	4.0%	4.3%	5.4%	7.7%	9.1%	6.5%	7.9%	12.2%	16.7%
GLWA Overall	4.0%	3.8%	4.8%	7.3%	8.3%	7.2%	9.5%	13.9%	18.4%



(a) Source: Bureau of Labor Statistics, CPI-U, All items in U.S. city average, all urban consumers, not seasonally adjusted (calendar year), FY 2024 and FY 2025 estimated by Economic Outlook Task Force

(b) Source: Black & Veatch 50 Largest Cities Rate Survey - 2021 - average 2001-2020

Transparency in the Budgeting Process

- ✓ Proposed Budget and Charges Analysis presented to Audit Committee on December 15, 2023 posted on GLWA website
- ✓ One Pager Series
- ✓ Cost of Service Study posted on GLWA website
- ✓ Always seeking feedback on what communication materials are helpful

GLWA
Great Lakes Water Authority

One Pager Series
FY 2025 Operations & Maintenance Budget Analysis
As Proposed December 15, 2023

Wastewater Operations - increase of \$14.4 million Driven by contractual operating services (\$3.3 million) for a facility maintenance contract and for residual disposal; chemicals (\$3.1 million base price adjustments for chlorine products); utility costs (\$2.4 million); & other (\$2.0 million) for maintenance activities. An increase in personnel costs (\$2.5 million) for positions to insource capital engineering services (six positions) inclusion sewage conveyance pumping stations (five positions) reserve increased (\$1.2 million) decrease in other items (\$0.2 million).

Centralized Services - increase of \$1.9 million This is mainly driven by the cost for new cloud-based Planning (ERP) and Management (EAM) systems (\$7.0 million). Other costs include the Emergency Response contract (\$2.3 million), the Emergency Response Portal and to increase currently performing (0.2 million). Net of other items of (\$0.2 million).

Administrative - increase of \$1.9 million Includes five additional Development on-board increase CFO salary category. Quarterly Performance

The remaining 56% of the FY 2025 budget of \$906 million represents financing and legal commitments: debt payments (44%), lease payments (5%), Water Residential Assistance Program (WRAP) (0.5%), legacy pension liabilities (1%) and capital program funding (5%).

For the proposed budget, Operations & Maintenance (O&M) expenses \$399 million of the total budget for FY 2025. Compared to FY 2024, this is an increase of 11.2%.

Staffing & Personnel The staffing plan is at 1,356 (increase of 38), with Full-time Equivalents (FTE) at 1,203 (increase of 50). The increase in FTEs beyond the number of new positions reflects budgeting at a fractional percentage when a position has not been filled.

Water Operations - increase of \$11.9 million Driven by personnel (\$2.4 million) due to the filling of key positions (Water Engineering Life Cycle Project Managers, Water Quality Investigators, and apprentices within several Water Treatment Plants), there is an increase of nine FTEs. Other increases include electrical costs for Treatment Plant and Pump Stations (\$4.9 million); Supplies & Other (\$0.8 million); Contractual Services due to Mobile Dredging activities (\$0.9 million); Chemicals (\$1.3 million); All other categories decreased (\$0.2 million). Unallocated reserves increased (\$1.8 million) to accommodate for inflationary factors.

GLWA
Great Lakes Water Authority

One Pager Series
FY 2025 Water & Sewer Service Charges
As Proposed December 15, 2023

FY 2025 Service Charges Highlights
Preliminary proposed Water and Sewer Charges for FY 2025 have been presented to the GLWA Audit Committee. This is the first step in a review process that will include a Public Hearing before the GLWA Board of Directors on February 28, 2024.

Charges are Based on Four Key Elements.

- 1) Budget:** The daily costs to provide service (such as the people, utilities, chemicals, contractors, and materials to operate plants and maintain the pipes), the lease payment for the regional system, Water Residential Assistance Program (WRAP) funding, debt service, legacy pension and capital project funding. The budget is also known as the "revenue requirement" as it defines the amount of revenue required to run the utility.
- 2) Capital Improvement Plan (CIP):** Annually the GLWA's engineers evaluate the physical improvement needs of the regional systems. These needs are funded by a combination of cash on hand and debt.
- 3) Units of Service (UOS):** Quantifies each community's service needs based on engineering studies, metering data, and other criteria. Each member partner is assigned an allocation of the annual revenue requirement based on their relative use of the system. For the water system, this includes the amount of water purchased each year and contracted demands during peak periods. For the sewer system, each member partner's SHARE is based on contributed wastewater.
- 4) Cost of Service Study (COS):** The inputs from the three sources above are applied to an agreed upon charges methodology to allocate the revenue requirement (i.e., budget) by functional categories (such as purification for the water system or sludge disposal for the sewer system) and then allocated to each customer. The outcome is the charge calculation for each member partner.

Looking for more information? Visit us online at www.glwawater.org

Proposed FY 2025 Water System Charges
The average system charge adjustment for water is a 3.25 percent increase. This is the result of a proposed Water budget increase of 4.0 percent offset by 0.75 percent reflecting the net effect of a) increased investment earnings and b) reductions in estimated sales volumes. As a result of the 2022 Contract Alignment Process (CAP), the FY 2025 Units of Service (MOD). Proposed charges for these three Member Partners have been calculated using the new simplified Water Charge Methodology. There are no significant variances from the system-wide charge (after consideration of contract adjustments) increase of 3.06 percent for the remaining 85 (No MOD) Member Partners.

Proposed FY 2025 Sewer System Charges
The average system charge adjustment for sewer is a 3.0 percent increase. This is the result of a proposed Sewer budget increase of 4.0 percent offset by increased investment earnings which funds 1.0 percent of the proposed budget increase. The proposed FY 2023 flow balance data is updated to include average for the FY 2025 Units of Service, and the updated COS. These proposed SHARES are scheduled to remain in effect until the Sewer SHARES are updated for FY 2028.

Year	Water	Sewer
2018	1.8%	-0.7%
2019	1.8%	-0.1%
2020	0.6%	0.8%
2021	3.2%	-0.6%
2022	1.5%	2.4%
2023	3.7%	2.75%
2024	2.75%	3.0%
2025	3.25%	3.0%
6-Year Average	2.3%	1.2%

Core Financial Plan Schedules

Core GLWA Budget Schedules

Water Revenue Requirement

Schedule 1A – Water System Revenue Requirement Biennial Budget

	FY 2023 Actual	FY 2024 Adopted Budget	FY 2024 Estimated Budget	FY 2025 Department Requested	FY 2025 Dollar Variance	FY 2025 Percent Variance	FY 2026 Department Requested	FY 2026 Dollar Variance	FY 2026 Percent Variance
Water System Revenue Requirement									
Revenues									
Revenues from Charges									
Suburban Wholesale Customers	\$334,141,200	\$340,540,600	\$336,540,600	\$347,758,000	\$ 7,217,400	2.1%	\$372,639,700	\$ 24,881,700	7.2%
Local System Charges	22,834,300	25,537,200	25,537,200	27,094,800	1,557,600	6.1%	30,730,900	3,636,100	13.4%
Total Revenue from Charges	356,975,500	366,077,800	362,077,800	374,852,800	8,775,000	2.4%	403,370,600	28,517,800	7.6%
Other Revenue	1,378,700	175,000	440,000	400,000	225,000	128.6%	400,000	-	0.0%
Investment Earnings									
Investment Earnings - Unrestricted	5,501,600	3,067,000	8,530,200	6,692,200	3,625,200	118.2%	7,606,400	914,200	13.7%
Investment Earnings - Restricted for Debt Service	3,660,000	994,700	3,531,500	3,182,100	2,187,400	219.9%	2,634,600	(547,500)	-17.2%
Total Investment Earnings	9,161,600	4,061,700	12,061,700	9,874,300	5,812,600	143.1%	10,241,000	366,700	3.7%
Total Revenues	\$367,515,800	\$370,314,500	\$374,579,500	\$385,127,100	\$ 14,812,600	4.0%	\$414,011,600	\$ 28,884,500	7.5%
Revenue Requirements									
Operations & Maintenance (O&M) Expense	\$154,327,800	\$152,906,400	\$163,100,500	\$169,625,000	\$ 16,718,600	10.9%	\$176,410,000	\$ 6,785,000	4.0%
General Retirement System Legacy Pension	6,048,000	-	-	-	-	0.0%	-	-	0.0%
Debt Service	150,055,300	159,482,800	162,634,000	175,300,800	15,818,000	9.9%	186,537,300	11,236,500	6.4%
General Retirement System Accelerated Pension	6,268,300	3,395,500	1,505,500	2,283,300	(1,112,200)	-32.8%	2,252,200	(31,100)	-1.4%
Water Residential Assistance Program Contribution	1,770,500	1,851,600	1,851,600	1,947,800	96,200	5.2%	2,070,100	122,300	6.3%
Extraordinary Repair & Replacement Deposit	2,200,000	-	-	-	-	0.0%	-	-	0.0%
Regional System Lease	22,500,000	22,500,000	22,500,000	22,500,000	-	0.0%	22,500,000	-	0.0%
Receiving Fund Working Capital Requirement	-	-	-	6,200,000	6,200,000	0.0%	5,700,000	(500,000)	0.0%
Improvement & Extension Fund Transfer Pending	23,766,000	30,178,200	22,987,900	7,270,200	(22,908,000)	-75.9%	18,542,000	11,271,800	155.0%
Annual Water System Revenue Requirements	\$366,935,900	\$370,314,500	\$374,579,500	\$385,127,100	\$ 14,812,600	4.0%	\$414,011,600	\$ 28,884,500	7.5%



Core GLWA Budget Schedules

Operating Expense Summary

Schedule 2A – Operations & Maintenance Expense by Expense Category (Water and Sewer Combined) – Biennial Budget

Operations & Maintenance Expense	FY 2023	FY 2024	FY 2024	FY 2025	FY 2025	FY 2025	FY 2026	FY 2026	FY 2026
	Actual	Adopted Budget	Amended Budget	Department Requested	Dollar Variance	Percent Variance	Department Requested	Dollar Variance	Percent Variance
2.1 Salaries & Wages	\$ 70,113,800	\$ 74,765,400	\$ 74,935,400	\$ 81,643,800	\$ 6,878,400	9.2%	\$ 92,188,200	\$ 10,544,400	12.9%
2.2 Workforce Development	1,413,900	1,391,500	1,391,500	2,105,000	713,500	51.3%	2,326,400	221,400	10.5%
2.3 Overtime	8,570,400	7,383,000	7,453,000	8,074,200	691,200	9.4%	8,955,900	881,700	10.9%
2.4 Employee Benefits	24,789,400	28,218,500	28,263,500	30,347,300	2,128,800	7.5%	34,551,400	4,204,100	13.9%
2.5 Transition Services	9,920,100	9,128,700	9,128,700	8,198,000	(930,700)	-10.2%	8,292,000	94,000	1.1%
Total Personnel Costs	114,807,600	120,887,100	121,172,100	130,368,300	9,481,200	7.8%	146,313,900	15,945,600	12.2%
3.1 Electric	48,176,300	42,820,200	46,769,200	49,020,700	6,200,500	14.5%	49,611,600	590,900	1.2%
3.2 Gas	10,821,600	10,168,000	9,865,000	7,000,000	(3,168,000)	-31.2%	7,137,700	137,700	2.0%
3.3 Sewage Service	3,051,900	2,563,100	2,872,800	2,980,100	417,000	16.3%	2,980,700	600	0.0%
3.4 Water Service	15,228,000	7,843,900	12,108,500	11,601,700	3,757,800	47.9%	11,603,700	2,000	0.0%
Total Utility Costs	77,277,800	63,395,200	71,615,500	70,602,500	7,207,300	11.4%	71,333,700	731,200	1.0%
4.1 Chemicals	30,542,200	30,451,800	33,108,600	34,834,900	4,383,100	14.4%	35,299,600	464,700	1.3%
4.2 Supplies & Other	34,491,700	31,371,200	40,013,700	40,357,200	8,986,000	28.6%	37,595,300	(2,761,900)	-6.8%
4.3 Contractual Services	109,703,700	106,889,200	111,763,400	114,508,700	7,619,500	7.1%	118,918,000	4,409,300	3.9%
5.1 Capital Program Allocation	(2,189,600)	(4,232,700)	(4,232,700)	(4,581,800)	(349,100)	8.2%	(6,687,100)	(2,105,300)	45.9%
5.2 Shared Services	(3,270,200)	(1,655,800)	(1,655,800)	(2,279,500)	(623,700)	37.7%	(2,342,100)	(62,600)	2.7%
5.5 Intergovernmental Agreement	(977,600)	-	-	(638,200)	(638,200)	100.0%	-	638,200	-100.0%
6.0 Capital Outlay	1,273,900	2,648,300	2,648,300	3,181,500	533,200	20.1%	2,586,300	(595,200)	-18.7%
7.0 Unallocated Reserve	-	8,795,800	8,795,800	12,205,400	3,409,600	38.8%	11,483,800	(721,600)	-5.9%
Total Other Categories	169,574,100	174,267,800	190,441,300	197,588,200	23,320,400	13.4%	196,853,800	(734,400)	-0.4%
Grand Total	\$ 361,659,500	\$ 358,550,100	\$ 383,228,900	\$ 398,559,000	\$ 40,008,900	11.2%	\$ 414,501,400	\$ 15,942,400	4.0%

Core GLWA Budget Schedules

Sewer Revenue Requirement

Schedule 1C – Sewer System Revenue Requirement Biennial Budget

	FY 2023 Actual	FY 2024 Adopted Budget	FY 2024 Estimated Budget	FY 2025 Department Requested	FY 2025 Dollar Variance	FY 2025 Percent Variance	FY 2026 Department Requested	FY 2026 Dollar Variance	FY 2026 Percent Variance
Sewer System Revenue Requirement									
Revenues									
Revenues from Charges									
Suburban Wholesale Customers	\$275,917,500	\$282,687,600	\$282,687,600	\$287,074,800	\$ 4,387,200	1.6%	\$302,551,200	\$ 15,476,400	5.4%
Local System Charges	191,042,200	196,569,600	196,569,600	206,366,400	9,796,800	5.0%	218,013,000	11,646,600	5.6%
Industrial Waste Control Charges	8,393,100	8,584,200	8,584,200	8,719,300	135,100	1.6%	9,198,600	479,300	5.5%
Pollutant Surcharges	4,894,600	5,328,300	5,328,300	5,434,400	106,100	2.0%	5,733,100	298,700	5.5%
Total Revenue from Charges	480,247,400	493,169,700	493,169,700	507,594,900	14,425,200	2.9%	535,495,900	27,901,000	5.5%
Other Revenue	4,901,300	400,000	717,000	700,000	300,000	75.0%	700,000	-	0.0%
Investment Earnings									
Investment Earnings - Unrestricted	8,395,900	5,567,000	13,399,700	10,495,700	4,928,700	88.5%	11,624,800	1,129,100	10.8%
Investment Earnings - Restricted for Debt Service	4,102,400	1,490,300	2,657,600	1,861,500	371,200	24.9%	1,467,300	(394,200)	-21.2%
Total Investment Earnings	12,498,300	7,057,300	16,057,300	12,357,200	5,299,900	75.1%	13,092,100	734,900	5.9%
Total Revenues	\$497,647,000	\$500,627,000	\$509,944,000	\$520,652,100	\$ 20,025,100	4.0%	\$549,288,000	\$ 28,635,900	5.5%
Revenue Requirements									
Operations & Maintenance (O&M) Expense	\$207,330,200	\$205,643,700	\$220,128,400	\$228,934,000	\$ 23,290,300	11.3%	\$238,091,400	\$ 9,157,400	4.0%
General Retirement System Legacy Pension	10,824,000	-	-	-	-	0.0%	-	-	0.0%
Debt Service	212,669,100	228,328,300	231,781,500	226,279,400	(2,048,900)	-0.9%	226,618,700	339,300	0.1%
General Retirement System Accelerated Pension	11,620,700	6,479,300	3,096,800	4,846,300	(1,633,000)	-25.2%	4,776,300	(70,000)	-1.4%
Water Residential Assistance Program Contribution	2,394,200	2,503,100	2,503,100	2,651,700	148,600	5.9%	2,746,400	94,700	3.6%
Regional System Lease	27,500,000	27,500,000	27,500,000	27,500,000	-	0.0%	27,500,000	-	0.0%
Receiving Fund Working Capital Requirement	-	-	-	2,300,000	2,300,000	0.0%	3,600,000	1,300,000	0.0%
Improvement & Extension Fund Transfer Pending	26,236,800	30,172,600	24,934,200	28,140,700	(2,031,900)	-6.7%	45,955,200	17,814,500	63.3%
Annual Sewer System Revenue Requirements	\$498,575,000	\$500,627,000	\$509,944,000	\$520,652,100	\$ 20,025,100	4.0%	\$549,288,000	\$ 28,635,900	5.5%

Core GLWA Budget Schedules

Operating Expense Summary

Schedule 2C – Operations & Maintenance Biennial Budget by Service Area

Operating Area	FY 2023 Actual	FY 2024 Adopted Budget	FY 2024 Amended Budget	FY 2025 Department Requested	FY 2025 Dollar Variance	FY 2025 Percent Variance	FY 2026 Department Requested	FY 2026 Dollar Variance	FY 2026 Percent Variance
A Water System Operations	\$ 86,771,900	\$ 82,732,800	\$ 87,738,200	\$ 94,669,900	\$ 11,937,100	14.4%	\$ 97,884,000	\$ 3,214,100	3.4%
B Wastewater System Operations	139,525,100	132,934,300	141,655,800	147,245,100	14,310,800	10.8%	154,308,800	7,063,700	4.8%
C Centralized Services	100,031,200	106,900,500	116,537,400	116,980,200	10,079,700	9.4%	120,417,000	3,436,800	2.9%
D Administrative & Other Services	35,329,800	35,982,500	37,297,500	39,663,800	3,681,300	10.2%	41,891,600	2,227,800	5.6%
Grand Total	\$361,658,000	\$358,550,100	\$383,228,900	\$398,559,000	\$ 40,008,900	11.2%	\$414,501,400	\$ 15,942,400	4.0%

Schedule 2E – Operations & Maintenance Expense by Fund with Centralized & Administrative Services Allocated – Biennial Budget

System	FY 2023 Actual	FY 2024 Adopted Budget	FY 2024 Amended Budget	FY 2025 Department Requested	FY 2025 Dollar Variance	FY 2025 Percent Variance	FY 2026 Department Requested	FY 2026 Dollar Variance	FY 2026 Percent Variance
Water System	\$154,327,800	\$152,906,400	\$163,100,500	\$169,625,000	\$ 16,718,600	10.9%	\$176,410,000	\$ 6,785,000	4.0%
Sewer (Wastewater) System	207,330,200	205,643,700	220,128,400	228,934,000	23,290,300	11.3%	238,091,400	9,157,400	4.0%
Grand Total	\$361,658,000	\$358,550,100	\$383,228,900	\$398,559,000	\$ 40,008,900	11.2%	\$414,501,400	\$ 15,942,400	4.0%

Proposed FY 2025 Water Charges

FY 2025 Water Charges Report

- December 29, 2023 “FY 2025 Cost of Service Study and Service Charge Recommendations” Memorandum Report (Addresses both Water and Sewer Charges)
- Contains Appendices:
 - A. December 12, 2023 memorandum: “Proposed FY 2025 Water and Sewer Charges”
 - B. December 21, 2023 memorandum: “FY 2025 Cost of Service and Charges Study - Detailed Cost Allocation Schedules”
 - C. December 21, 2023 memorandum: “SHAREs Period Memo – FY 2025 SHAREs Calculations” (*Sewer*)
 - D. November 8, 2023 memorandum: “Preliminary FY 2025 Water Units of Service”
 - E. November 13, 2023 memorandum: “Simplified Water Charge Methodology: 10/50/40 + Water Delivery Factors”
 - F. November 13, 2023 memorandum: “Impact of Updated Flow Balance Data on Calculation of FY 2025 Sewer SHAREs”

Proposed Water System Charge Adjustment

- Proposed increase on overall Budgeted Revenue Requirements is 4.0%
 - *Last year of the “4% Promise”*
- Increased budgeted investment earnings help offset a portion of the Budget Increase
- Lower forecasted Water Sales require ~ .8% increase in Charges
- Proposed System Charge Adjustment = **3.25%**

	Approved FY 2024 <u>Budget</u> \$	Recommended FY 2025 <u>Budget</u> \$	<u>Variance</u> \$	<u>% Variance</u>	<u>Charge Impact</u> ~ <i>Baseline Rev</i>
Revenue Requirement	370,314,500	385,127,100	14,812,600	4.0%	4.08%
Investment Earnings / Misc Revenue	4,236,700	10,276,600	6,039,900	142.6%	-1.66%
Baseline Charge Revenue	366,077,800	363,051,300	(3,026,500)	-0.8%	0.83%
System Charge Adjustment		11,799,200			3.25%

FY 2025 Water Charges Summary

- 3 Member Partners have modified Contract Demands since original Units of Service were presented in November
 - *Grosse Pointe Shores - interim reopener*
 - *Highland Park – recognition of Term Sheet*
 - *Romeo – corrected Contract Demands*
- These 3 Member Partners are being treated as “MOD” customers and their proposed charges reflect specific cost of service study results
- The other 85 Member Partners are being treated as “No MOD” customers and their proposed charges reflect a uniform application of the class average charge adjustment

FY 2025 Water Charges Summary

- The FY 2025 Cost of Service Study embraces the Simplified Water Charge Methodology
 - *10/50/40 Commodity/Max Day/Peak Hour Cost Pools*
 - *Water Delivery Factor replaces Distance and Elevation*
 - *See Appendix E of Cost of Service Study Report for detailed discussion*
- The new methodology received a consensus approval at the December 5 One Water Partnership meeting
- This only directly impacts the 3 “MOD” Member Partner charges whose peak demands are changing outside the normal 4-year CAP reset cycle, since the others receive a class average charge adjustment
 - *Next scheduled CAP reopener will impact FY 2028 Water Charges*

Contractual Water Revenue Requirement Adjustments

- In addition to the Wholesale Revenue Requirement, Proposed Member Partner Water Charges include:
 - *\$20.7 million annually related to the Detroit Ownership Adjustment Established by the Lease;*
 - *\$6.65 million annually to fund Flint’s share of KWA Debt Service, with which GLWA obtains Raw Water Rights;*
- These amounts are fixed, and therefore the overall “Charge Adjustment” from the other Member Partners (as a group) is lower than the “Wholesale Charge Adjustment” of 3.25%, and the 3.33% for the “No MOD” Customer Class

	Wholesale Charge <u>Adjustment</u>	<i>Final</i> Charge <u>Adjustment *</u>
MOD Customers (3)	-10.84%	-11.07%
No MOD Customers (83 *)	3.33%	3.06%
System Total (86 *)	3.25%	2.97%

* Excludes Flint and Detroit, since the fixed Contract Adjustments impact their relative charge adjustments

FY 2025 Water Charges Summary

- To reiterate . . .
- ALL 85 “No Mod” Water Member Partners are receiving a proposed **uniform** Wholesale Charge increase of 3.33%
- After consideration of contract adjustments for the DWSD Ownership Adjustment and the Flint KWA Debt Service Adjustment, the effective charge increase is 3.06%
- Flint and Detroit’s charge adjustments are slightly higher, since the contract adjustments are fixed and not subject to Budget adjustments

Water Charge Calculation Worksheet Illustration

- The fixed contractual adjustments add ~ 8.1% to the FY 2025 Wholesale Revenue Requirements:
 - ~ 6.3% for the *Detroit Ownership Adjustment*;
 - ~ 1.8% for the *Flint KWA Debt Service Adjustment*
- These adjustments are “fixed” and don’t vary with the Wholesale Revenue Requirement
 - *They are 6.5% + 1.9% = 8.4% in the FY 2024 Charges*
- Which is why the uniform “Total Average Charge Adjustment” is lower than the “Wholesale Charge Adjustment”

Water Charge Calculation Worksheet Illustration

FY 2025 Wholesale Water Service Charge Schedule Calculation *

SOCWA

	(1)	(2)	(3)	(4)				
	FY 2025			FY 2025				
	Wholesale	Detroit	Flint KWA	TOTAL				
	Revenue	Ownership	Debt Service	Revenue				
PROPOSED	<u>Requirements</u>	<u>Adjustment</u>	<u>Adjustment</u>	<u>Requirements</u>				
EFFECTIVE JULY 1, 2024 FOR ALL BILLS	\$	\$	\$	\$				
ISSUED ON OR AFTER AUGUST 1, 2024								
Revenue Requirement Analysis Summary								
1	Proforma FY 2025 Revenue - Existing Charges	24,638,800	6.5%	468,700	1.9%	26,714,200	8.4%	~ Increase over Wholesale
2	System Charge Adjustment - Index (a)	3.33%	0.0%	-0.7%	3.06%			See Table 3 from COS Study
3	System Charge Adjustment - Amount	<u>819,600</u>	<u>400</u>	(3,300)	<u>816,700</u>			
4	Allocated FY 2025 Revenue Requirements	25,458,400	6.3%	465,400	1.8%	27,530,900	8.1%	Ties to Table 6 from COS Study
FY 2025 Service Charge Schedule								
5	Total Amount Required from Charges					27,530,900		
6	Fixed Monthly Charges @		60%			16,518,500		\$1,376,500 per month
7	Commodity Charges @		40%	1,234,200		11,012,900		\$8.92 per Mcf *

* Commodity Revenue Requirement adjusted to match 12 "rounded" monthly payments

(a) Uniform adjustment for the 85 "No MOD" Member Partner whose demand units of service are unchanged from FY 2024. See Page 2.



- Flint is allocated 2.9% of the Wholesale Revenue Requirement, so net effect of Flint's participation in the GLWA System is a 1.1% charge benefit to all other Member Partners



Water Charge Calculation Worksheet Illustration

FY 2025 Wholesale Water Service Charge Schedule Calculation *

SOCWA

	(1)	(2)	(3)	(4)
	Existing FY 2024 Charges	Proposed FY 2025 Charges	Variance	% Variance
Charge Comparison				
8 Fixed Monthly Charge - \$/month	1,342,700	1,376,500	33,800	2.5%
9 Commodity Charge - \$/Mcf	8.59	8.92	0.33	3.8%
10 Projected FY 2025 Sales - Mcf	1,234,200	1,234,200	0	0.0%
11 Projected FY 2025 Revenue - \$	26,714,200	27,527,100	812,900	3.0%
12 Average Unit Cost - \$/Mcf	21.64	22.30	0.66	3.04% - matches Line 2 (minor rounding ~)
Charge Adjustment Summary				
13 Baseline Revenue	26,714,200			From Line 1, Column (4)
14 Wholesale Revenue Requirement Adjustment	819,600	3.1%	Line (14) / Line (13)	
15 Change in Detroit Ownership Adjustment	400	0.0%	Line (15) / Line (13)	
16 Change in Flint/KWA Debt Service Adjustment	(3,300)	0.0%	Line (16) / Line (13)	
17 Total Charge Adjustment	816,700	3.06%	Line (17) / Line (13)	
18 FY 2025 Revenue Requirement	27,530,900			

Water Charge Calculation Worksheet Illustration

"One Pager" Simplified FY 2025 Water Charge Calculations

	(1)	(2)	(3)	(4)	(5)
	<u>Total System</u>	<u>MOD Customer Class</u>			<u>All Other Members</u> <i>(1) - (2) - (3) - (4)</i>
		<u>Grosse Pt Shores</u>	<u>Highland Park</u>	<u>Romeo</u>	
<u>Baseline Units of Service Data</u>					
1 Commodity - <i>mgd</i>	358.72	0.39	1.58	0.060	356.69
2 Max Day Demand - <i>mgd</i>	746.43	1.43	2.40	0.253	742.35
3 Peak Hour Demand - <i>mgd</i>	951.28	2.19	2.46	0.451	946.18
<u>Cost Pool Shares</u>					
4 Commodity	100.000%	0.109%	0.440%	0.017%	99.434%
5 Max Day Demand	100.000%	0.192%	0.322%	0.034%	99.453%
6 Peak Hour Demand	100.000%	0.230%	0.259%	0.047%	99.464%
<u>Cost Pool Weights</u>					
7 Commodity	10.0%	10.0%	10.0%	10.0%	10.0%
8 Max Day Demand	50.0%	50.0%	50.0%	50.0%	50.0%
9 Peak Hour Demand	40.0%	40.0%	40.0%	40.0%	40.0%
10 Unadjusted Wholesale Share	100.000%	0.199%	0.308%	0.038%	99.455%
11 Water Delivery Factor	<i>1.000</i>	<i>0.875</i>	<i>0.786</i>	<i>1.352</i>	<i>1.001</i>
12 Adjusted Wholesale Share	100.000%	0.174%	0.242%	0.051%	99.533%
13 Allocated Wholesale Revenue Requirement - \$	374,850,500	651,900	908,200	190,500	373,099,900
14 Proforma Wholesale Revenue - \$	363,051,600	668,900	1,073,500	221,100	361,088,100
15 Adjustment Required - \$	11,798,900	(17,000)	(165,300)	(30,600)	12,011,800
16 Adjustment Required - %	3.25%	-2.54%	-15.40%	-13.84%	3.33% <i>(a)</i>

(a) Ties to COS Study Table 5

Proposed FY 2025 Sewer Charges

FY 2025 Sewer Charges Report

- December 29, 2023 “FY 2025 Cost of Service Study and Service Charge Recommendations” Memorandum Report (Addresses both Water and Sewer Charges)
- Contains Appendices:
 - A. December 12, 2023 memorandum: “Proposed FY 2025 Water and Sewer Charges”
 - B. December 21, 2023 memorandum: “FY 2025 Cost of Service and Charges Study - Detailed Cost Allocation Schedules”
 - C. December 21, 2023 memorandum: “SHAREs Period Memo – FY 2025 SHAREs Calculations” (*Sewer*)
 - D. November 8, 2023 memorandum: “Preliminary FY 2025 Water Units of Service”
 - E. November 13, 2023 memorandum: “Simplified Water Charge Methodology: 10/50/40 + Water Delivery Factors”
 - F. November 13, 2023 memorandum: “Impact of Updated Flow Balance Data on Calculation of FY 2025 Sewer SHAREs”

Proposed Sewer System Charge Adjustment

- Proposed increase on overall Budgeted Revenue Requirements is 4.0%
 - *Last year of the “4% Promise”*
- Increased budgeted investment earnings help offset ~ 1.0% of the Budget Increase
- Proposed System Charge Adjustment = **3.0%**

	Approved FY 2024 <u>Budget</u> \$	Recommended FY 2025 <u>Budget</u> \$	<u>Variance</u> \$	<u>% Variance</u>	<u>Charge Impact</u> ~ <i>Baseline Rev</i>
Revenue Requirement	500,627,000	520,652,100	20,025,100	4.0%	4.06%
Investment Earnings / Misc Revenue	7,457,300	13,061,800	5,604,500	75.2%	-1.14%
Baseline Charge Revenue	493,169,700	492,805,200	(364,500)	-0.1%	0.07%
System Charge Adjustment		14,785,100			3.00%

FY 2025 Sewer Charges Summary: Customer Class Definitions

- “M” Customer Class = those communities whose wastewater contributions are fully metered by what was formerly referred to as “billing meters”
 - *Major County Districts and certain other communities*
 - *Grosse Pointe now included in this class as 5 years of metered data is available*
- “D+” Customer Class = Detroit plus certain other inner ring communities whose wastewater is not fully metered
 - *Primarily Detroit, Highland Park, Hamtramck*
 - *Small portion of Dearborn is unmetered but flows are reallocated to the M class*

FY 2025 Sewer Charges Summary

- Sewer SHAREs are being updated for the FY 2025 Sewer Charges
 - *First update since FY 2022*
- SHARE update reflects two separate analysis:
 - *Updated Units of Service from Flow Balance – new 10-year data period from FY 2014 through FY 2023 (Drop off FY 2013)*
 - *FY 2025 Cost of Service Study*
- Units of Service were presented in November
 - *Introduced a new approach for allocating amongst the **D+** customer class*
 - *One change being proposed for Grosse Pointe – discussed on subsequent slide*
- Cost of Service Study published this week
- **Note: Units of Service *have been modified* based on late breaking new information – minor changes are reflected herein**

FY 2025 Sewer Charges Summary: Flow Balance Updates

- As presented in November, the proposed Sewer SHAREs are based on a 10-years of flow balance data from FY 2014 through FY 2023
 - ***Data presented in November has been updated to correct flow balance calculations for certain customers***
- Existing SHAREs were based on 7-years of data from FY 2013 – FY 2019
- The FY 2020 - FY 2023 flow balance data indicates moderate decreases for the Total System
 - ***2.2% decrease in Sanitary***
 - ***1.6% decrease in Non-Sanitary***
 - ***1.8 decrease overall***
- However there is a moderate increase in non-sanitary flow for the **M** class, while those for **D+** have declined

FY 2025 Sewer Charges Summary: Flow Balance Updates

- Increase in relative non-sanitary flow volumes for **M** Member Partner class (compared to **D+** class) results in:
 - *Moderate increase in calculated **M** SHARES, and*
 - *Corresponding moderate reduction in calculated **D+** SHARES*
- Increase amongst **M** Member Partner Class varies moderately, based on their specific flow data
 - *Grosse Pointe is an exception – see subsequent slide*
- The allocation amongst **D+** Member Partners varies a bit more, as a new approach is being proposed for allocations amongst that group
 - *Allocation of “common” non-sanitary flow reduction based on inventory of “common use” sewers in each community, based on the annual flow balances*

FY 2025 Sewer Charges Summary: Cost of Service Study Impacts

- Operating Budget increases in utilities and commodities shift allocation towards WRRF Cost Pool and Sanitary Volume allocation
- But recognition of new analysis of asset data shifts capital cost recovery towards CSO 83/17 Cost Pool
- Overall combined result is to shift allocation from Conveyance to CSO 83/17

	<u>FY 2022</u>	<u>FY 2025</u>	<u>Change</u>
<u>TOTAL Revenue Req'ts</u>			
WRRF <i>(50% San / 50% Total Volume)</i>	65.8%	64.7%	-1.1%
Conveyance <i>(100% Total Volume)</i>	20.9%	19.2%	-1.6%
CSO 83/17	13.4%	16.1%	2.7%
Sanitary Volume	32.5%	32.5%	0.0%
Total Volume	54.0%	51.5%	-2.5%
CSO 83/17	13.5%	16.0%	2.5%

FY 2025 Sewer Charges Summary: Cost of Service Study Impacts

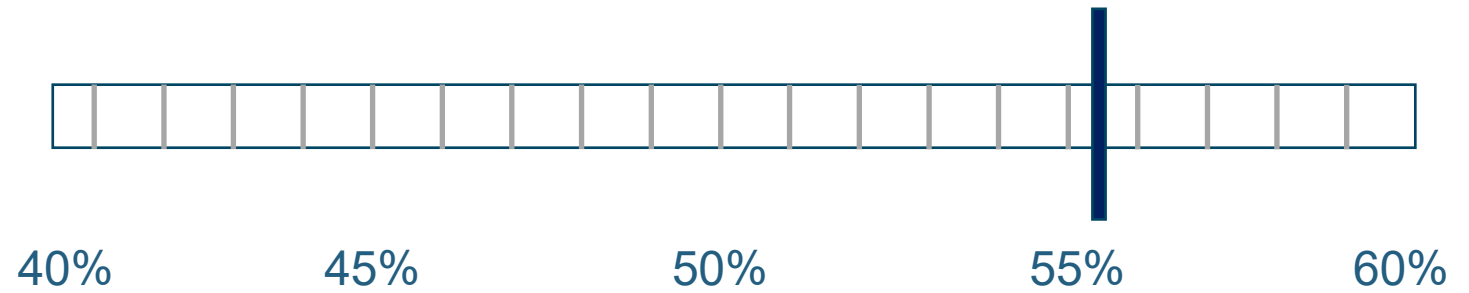
- Analysis of Asset Data for capital cost allocation:
 - *Assigns 80% of the FY 2015 Oakwood CSO / Lift Station asset to the CSO 83/17 Cost Pool*
 - **Direction on how to treat this project is listed as “TBD” in foundational documents**
 - *Treats 5 construction work in progress (CWIP) projects that Member Partner representatives questioned re: “Conveyance” Cost Pool projects as TBD*
 - **As such they have no impact on the FY 2025 Charges**
- Grosse Pointe flow balance data represents an average of their effective existing data and the new 5-year average provided by their sewer meter pending additional data review by the parties
 - *Assumes annual interim reopeners during the next 3-year SHARE period, with potential for true up adjustments*
 - *Reduces Grosse Pointe’s SHARE increase from **56%** to **28%***

FY 2025 Sewer Charges Summary: Cost of Service Study Impacts

- DWSD Ownership Adjustment remains fixed
 - *Slightly lower charge adjustment for all other Member Partners than the “Wholesale” Charge Adjustment*
- A new final adjustment is necessary to reflect budgeted Green Infrastructure costs
 - *Operating expense payment to DWSD reflecting 17% of their \$2 million annual expenditure on Green Infrastructure initiatives (\$347,000 in FY 2025 Budget)*
 - *Initially assigned as a CSO 83/17 Cost Pool revenue requirement*
 - *Final adjustment deducts the \$288,000 originally allocated to Detroit and reallocates it to the other Member Partners based on their relative 17% share*

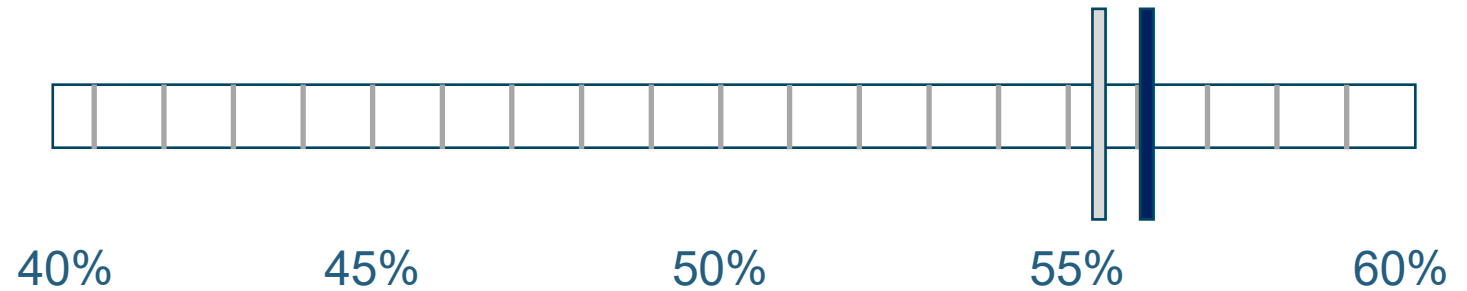
Sewer SHARE Movements

- Current SHARES = 55.55% of Revenue Requirements to M Class



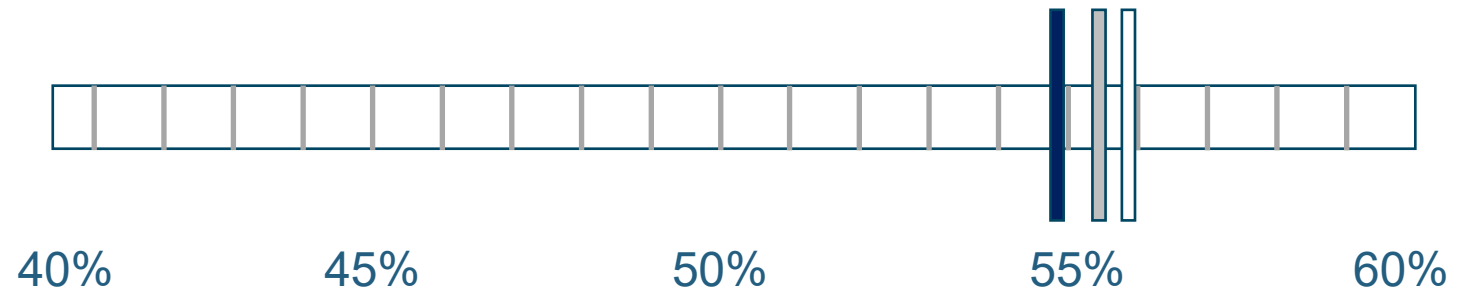
Sewer SHARE Movements

- Current SHARES = 55.55% of Revenue Requirements to M Class
- Updated Flow Balance Data shifts ~ **0.5%** SHARE towards M Class (~**0.9%** charge adj)



Sewer SHARE Movements

- Current SHARES = 55.55% of Revenue Requirements to M Class
- Updated Flow Balance Data shifts ~ **0.5%** SHARE towards M Class (~**0.9%** charge adj)
- Cost of Service Study Results shift ~ 1.1% of costs back towards D+ (~**2.2%** charge adj)
- Combined Impact = **0.7%** move to D+ (~**1.1%** charge adj)



FY 2025 SHARE Calculation Summary

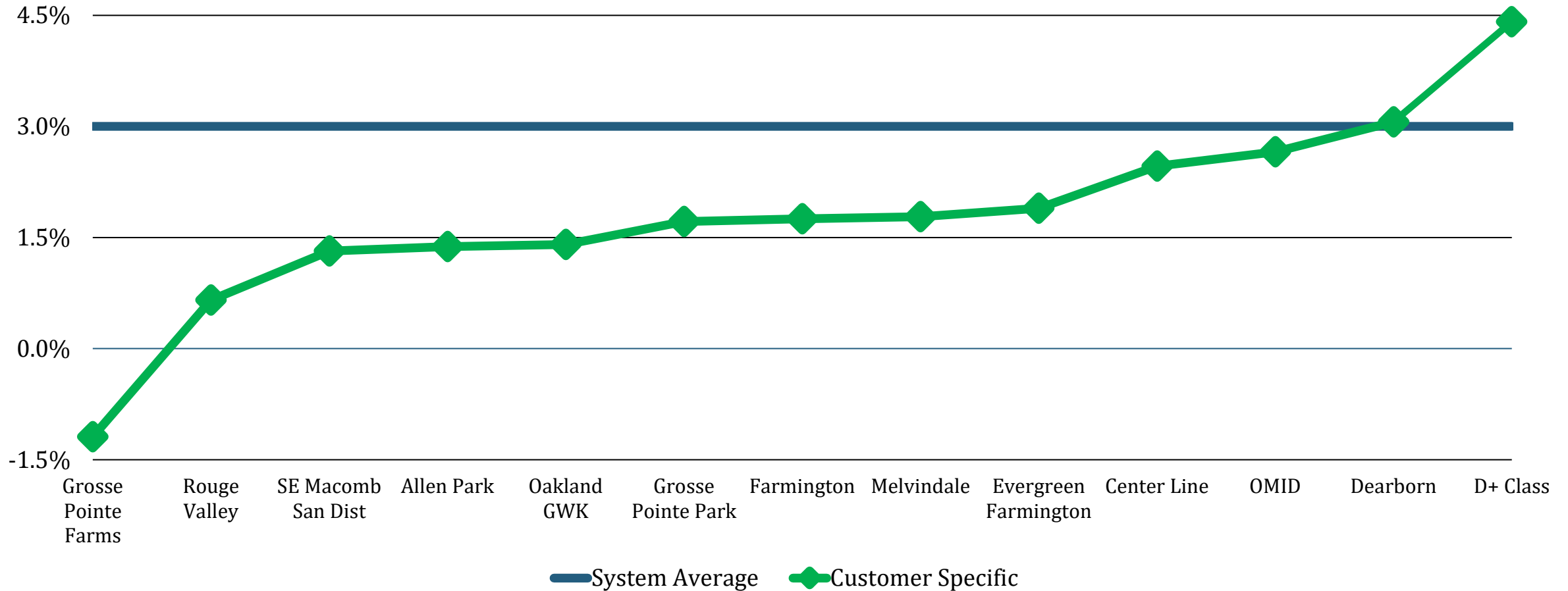
	<u>M Class</u>	<u>D+ Class</u>
Impact of Flow Balance Update	0.9%	-1.1%
Impact of Cost of Service Study	-2.0%	2.5%
Combined Impact	-1.1%	1.4%

FY 2025 Sewer Charges Summary

- As in Water, the fixed nature of the DWSD Ownership Adjustment, and the other final adjustment, results in a slightly lower charge adjustment for all other Member Partners than the “Wholesale” Charge Adjustment
 - The difference is much less due to the smaller size of the Sewer DWSD Ownership Adjustment*

	<u>Wholesale Charge Adjustment</u>	<u>Final Charge Adjustment</u>
Grosse Pointe	32.2%	32.6%
Other M Class Customers	1.7%	1.8%
M Class Total	1.8%	1.9%
Detroit	4.8%	4.8%
Other D+ Customers	-2.9%	-2.3%
D+ Class Total	4.4%	4.4%
System Total	3.0%	3.0%

FY 2025 Sewer Charge Adjustment Summary



• Excludes Grosse Pointe and does not reflect individual D+ Member Partners



Sewer Charge Calculation Worksheet Illustration

FY 2025 Wholesale Sewer Service Charge Schedule Calculation *Revised 1/10/24* *

Evergreen Farmington

	(1)	(2)	(3)	(4)	(5)	
PROPOSED EFFECTIVE JULY 1, 2024 FOR ALL BILLS ISSUED ON OR AFTER AUGUST 1, 2024	Existing	Index	Index	Proposed	FY 2025	
	FY 2024	Adjustment	Adjustment	FY 2025	Fixed	
	<u>Charges</u>	<u>Adjustment</u>	<u>Adjustment</u>	<u>Charges</u>	<u>Monthly Charge</u>	
	\$	%	\$	\$	\$	
<u>Revenue Requirement Analysis Summary</u>						
1 Wholesale Revenue Requirements for SHARES	477,314,000	3.0%	14,151,200	491,465,200		See Table 2
2 Evergreen Farmington SHARE - %	7.639%	-1.1%	-0.082%	7.557%		(a)
3 Evergreen Farmington Allocated Wholesale Rev Req't	36,462,000	1.9%	678,000	37,140,000	3,095,000	
4 Detroit Ownership Adjustment	730,800	0.2%	1,600	732,400	61,000	
5 Green Infrastructure Reallocation	NA	NA	25,100	25,100	2,100	
6 Adjusted Allocated Wholesale Revenue Req'ts	37,192,800	1.9%	704,700	37,897,500	3,158,100	
	<u>Contributed</u>	<u>Sanitary</u>	<u>CSO</u>	<u>TOTAL</u>		
	<u>Volume</u>	<u>Volume</u>	<u>Allocation</u>			
7 Evergreen Farmington Unit Share	7.555%	10.549%	1.485%			
8 Cost Pool Allocation Weighting	51.5%	32.5%	16.0%	100.0%		See Table 2
9 Evergreen Farmington SHARE	3.891%	3.428%	0.238%	7.557%		Ln 8 x Ln 9

Sewer Charge Calculation Worksheet Illustration

FY 2025 Wholesale Sewer Service Charges - SHARE Change Analysis *Revised 1/10/24*

Evergreen Farmington

Flow Balance Impact on SHARES				
<u>Unit of Service Share</u>	<u>Existing SHARES</u>	<u>Calculated SHARES</u>	<u>Variance</u>	<u>% Variance</u>
1 Total Contributed Volume Share	7.46%	7.56%	0.09%	1.2%
2 Sanitary Volume Share	10.50%	10.55%	0.05%	0.5%
3 CSO 83/17 Share	1.49%	1.49%	0.00%	0.0%
<u>Cost Pool Weighted Share</u>				
4 Total Contributed Volume Share	4.03%	4.08%	0.05%	1.2%
5 Sanitary Volume Share	3.41%	3.43%	0.02%	0.5%
6 CSO 83/17 Share	<u>0.20%</u>	<u>0.20%</u>	<u>0.00%</u>	0.0%
7 SHARE - <i>Flow Volume</i> Impacts Only	7.64%	7.71%	0.07%	0.9%
Cost of Service Study Impact on SHARES				
	<u>Flow Calculated SHARES</u>	<u>Proposed SHARES</u>	<u>Variance</u>	<u>% Variance</u>
<u>Cost Pool Weights</u>				
8 WRRF	65.8%	64.7%	-1.1%	-1.7%
9 Conveyance	20.9%	19.2%	-1.6%	-7.7%
10 CSO 83/17	<u>13.4%</u>	<u>16.1%</u>	<u>2.7%</u>	20.2%
11 Total	100.0%	100.0%	0.0%	0.0%
12 Total Contributed Volume	54.0%	51.5%	-2.5%	-4.6%
13 Sanitary Volume	32.5%	32.5%	0.0%	0.0%
14 CSO 83/17	13.5%	16.0%	<u>2.5%</u>	18.5%
15 Total	100.0%	100.0%	0.0%	0.0%
<u>Cost Pool Weighted Share (a)</u>				
16 Total Contributed Volume Share	4.08%	3.89%	-0.19%	-4.6%
17 Sanitary Volume Share	3.43%	3.43%	0.00%	0.0%
18 CSO 83/17 Share	<u>0.20%</u>	<u>0.24%</u>	<u>0.04%</u>	18.5%
19 SHARE - <i>Cost of Service Study</i> Impacts Only	7.71%	7.56%	-0.15%	-2.0%
20 Total SHARE	7.639%	7.557%	-0.082%	-1.1%

FY 2025 Sewer Charges Summary: Industrial Specific Charges

- FY 2025 Industrial Specific Charges have been updated based on results of the Cost of Service Study
 - *Prior two years such charges were adjusted based on System Charge Adjustment*
- Industrial Waste Control Charges increase by 2.2%, less than the System Charge Adjustment
 - *See Table 10*
- Pollutant Surcharges in total increase by 8.3%
 - *See Table 5*
 - *Varies by individual pollutant*
 - *Primarily the result of reduction in reported level of influent loadings, increasing the unit costs*

Pollutant Surcharge Update – Kim Garland, Deputy CFO

- GLWA is streamlining the Pollutant Surcharge billing process.
- Beginning in **March 2024**, GLWA is implementing a portal for submitting Pollutant Surcharge meter read information.
- This new portal will eliminate the need to email electronic forms.
- The GLWA Billing team will contact member partners currently submitting pollutant surcharge data about the rollout and training opportunities in **February 2024**.
- For immediate inquiries, please contact our GLWA Billing Team at billing@glwater.org or 313-965-9775.

The screenshot shows a web application titled "Pollutant Surcharge Management". The interface includes the GLWA logo and "Great Lakes Water Authority" text. The main content area displays "US ECOLOGY MICHIGAN" and "CO". A "Customer Details" sidebar shows "Customer Reference ID: 400", "Address: 6520 GEORGIA ST", and "Cycle: PS2". The main form has four input fields: "Meter ID" (AT0000008024), "Current Read" (empty), "Meter UoM" (CCF), and "Current Read Date" (1/10/2024). At the bottom, there are four buttons: "Submit", "Attachment", "Clear", and "View History".

GLWA is Offering “Office Hours”

- To review Charge related material with individual Member Partner representatives – Charges Worksheets and General Discussion
 - 1/16/2024 (all day)
 - 1/17/2024 (morning only)
 - 1/22/2024 (all day)
- Members may sign up at <https://www.signupgenius.com/go/10C0D44A5AD2EA0FEC16-46042540-glwamember> OR contacting GLWA at Outreach@glwater.org

Discussion