



FY 2025 & FY 2026
Biennial Budget
and
FY 2025 Schedule of Charges
Communications Toolkit

March 4, 2024

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March 4, 2024

Greetings Member Partner,

Thank you for your continued partnership as we wrap up the annual Charges rollout process for FY 2025. The Great Lakes Water Authority (GLWA) Board of Directors approved the FY 2025 - FY 2026 Biennial Budget and FY 2025 Schedule of Service Charges on February 28, 2024. Having experienced first-hand the challenges of communicating changes in regional charges in my role at GLWA as well as local rates in my previous career as a local government administrator, I know that there can be numerous hurdles to creating a shared understanding of an entire budget and charge/rate-setting process.

That is why I wanted to share this communications toolkit with you. The items in this packet provide simplified graphics and distilled descriptions of the GLWA budget and service charges. These may be helpful when providing information to your governing bodies, internal teams, or the public at-large. These documents can also be found in other various publications, such as the full budget document but are compiled here for ease of access.

In addition to this set of materials I want to also let you know that the Charges Outreach & Modeling team offers, by request, a “Charges 101” training to new (or existing) Member Partner staff who are interested in, or would benefit from, learning more about the GLWA charge-setting process, including a brief introduction to the water and wastewater charges methodologies.

If you have any questions, comments, or ideas for more useful and effective communication assets, please do not hesitate to reach out and let me know. I may be contacted directly at charges@glwater.org.

We are One Water.

Best Regards,

Matt S. Lane

Matthew S. Lane, MPA
Manager- Charges Outreach & Modeling

FY 2025 Service Charges Highlights

The Water and Sewer Service Charges for FY 2025 were adopted by the GLWA Board of Directors on February 28, 2024 following a public hearing.

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. Those 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.

Adopted FY 2025 Water System Charges

The average system charge adjustment for water is a 3.25 percent increase. This is the result of an adopted 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 only changed for three Member Partners (MOD). The 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.

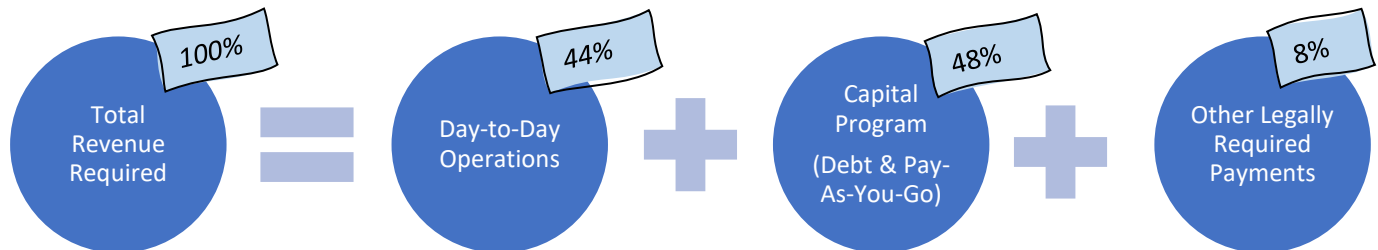
Adopted FY 2025 Sewer System Charges

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

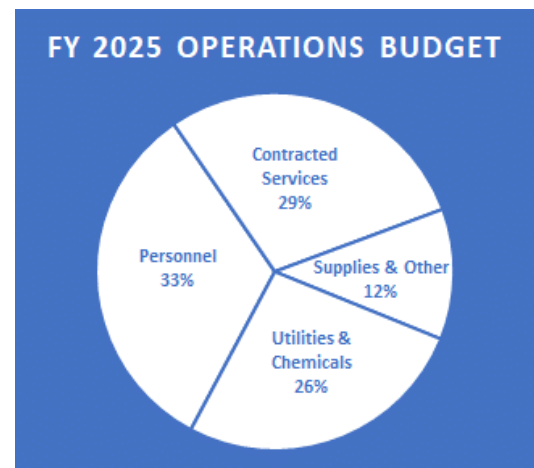
Average System Charge Adjustments

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%

The total budget for a water utility, like the Great Lakes Water Authority (GLWA), is referred to as the “*revenue requirement*.” It tells us *how much revenue / cash is required* to operate and maintain the systems for a given year. The total revenue requirement increased by \$35 million or 4 percent for FY 2025. Three major categories makeup the total revenue requirement of \$906 million.



Day-to-Day Operations includes the personnel, specialty contractual services, utilities, chemicals, and supplies to operate five water treatment plants, the largest single-site water resource recovery facility in North America and all of the systems, processes, and controls to manage the vast regional network. The total FY 2025 Operations & Maintenance Budget is \$399 million, up \$40 million over the previous year. This increase is driven by the economic impact/cost pressure on utilities, chemicals, contractual provisions, as well as filling many vacant positions.



Capital Program costs include making payments on bonded debt, balanced with cash funding, to prevent the utility from maxing out its borrowing capability for future generations. Because many of our assets are underground, it is hard to envision the scope of all capital needs. For perspective, consider that there are 797 miles of transmission main that move treated drinking water from five water treatment plants to the local systems’ distribution network and there are also 207 miles of trunk sewers and interceptors that return wastewater to the water resource recovery facility. The combined total of 1,004 miles equals the driving distance from Detroit to Jacksonville, Florida. Multiple years of significant cost increases in operating and construction costs have constrained funding for capital projects. In order to balance the budget, fewer funds are available annually for debt payments and pay-as-you-go cash funding. As a result, the FY 2025 Capital Program related revenue requirement is \$437 million, a decrease of \$11 million.

Other Legally Required costs of \$70 million include a \$50 million lease payment to the City of Detroit Water & Sewerage Department (DWSD) (restricted for DWSD for capital program needs), legacy pension commitments to the City of Detroit’s General Retirement System, a half of one percent of revenues for the Water Residential Assistant Program (WRAP), and a working capital reserve. The total net increase of \$6 million is largely driven by the increased reserve needs.

Revenue Required from charges is less than the total 4 percent as noted in the introduction. Controlling the system-wide increases to 3.25 percent for water and 3 percent for sewer is achieved with offsetting resources such as investment income.

Questions? Contact the Office of the Chief Financial Officer at cfo@glwater.org

The GLWA operations and maintenance budget accounts for 44% of the total revenue requirement budget for establishing the annual charges for services. Given the magnitude of this charge component, additional information may be of interest to stakeholders.

The remaining 56% of the FY 2025 budget of \$906 million represents financing and legal commitments: debt payments (44%), lease payments (6%), Water Residential Assistance Program (WRAP) (0.5%), legacy pension liabilities (1%) and capital program funding (4%).

Operations & Maintenance (O&M) expenses are \$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.

Wastewater Operations – increase of \$14.3 million Driven by contractual operating services (\$3.3 million) for a facilities maintenance contract and for residual solids disposal; chemicals (\$3.1 million based on price adjustments for chlorine-based products); utility costs (\$2.4 million); supplies & other (\$2.0 million) for reliability maintenance activities. An increase in personnel costs (\$2.7 million) for 11 new positions to insource capital program engineering services (six positions) and for the inclusion sewage conveyance and sewage pumping stations (five positions); unallocated reserve increased (\$1.2 million); offset by a decrease in other items (\$0.4 million).

Centralized Services¹ – increase \$10.1 million This is mainly driven by technology initiatives for new cloud-based Enterprise Resource Planning (ERP) and Enterprise Asset Management (EAM) system implementation costs (\$7.0 million). Systems Control increases include the Emerson Process Management contract (\$2.3 million). The Capital Planning group budget increased to build the Prism Portal and to increase staffing to replace work currently performed by outside vendors (\$0.6 million). Net other general categories increase of (\$0.2 million).

Administrative Services² – increase of \$3.7 million Increases in several areas including: Organizational Development due to training program costs (\$0.3 million); increased insurance premiums (\$2.0 million); CFO Services (\$0.7 million), and other general categories (\$0.7 million).

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¹ Includes the System Resiliency, Planning Services, Systems Control; Facility and Fleet Operations; Field Service Operations; Energy, Research & Innovation; Transformation; Information Technology; and Security & Integrity/HazMat.

² Includes the Board of Directors, Chief Executive Officer, Chief Administrative & Compliance Officer (includes Risk Management & Safety), General Counsel, Public Affairs, Organizational Development, and Financial Services.

MAKING SENSE OF YOUR DOLLARS

Every dollar paid to GLWA for
Water Services provides for...

FY 2025 Water System Budget Infographic

45.5% DEBT SERVICE

45.5¢ ON THE DOLLAR

Physical improvements to GLWA's regional water system and its assets are financed with debt. Debt service principal, interest, and other required deposits are funded monthly.

44.0% OPERATIONS AND MAINTENANCE

44.0¢ ON THE DOLLAR

The cost for people, utilities, chemicals, and services to deliver water of unquestionable quality around-the-clock, every day of the year.

5.9% REGIONAL SYSTEM LEASE

5.9¢ ON THE DOLLAR

This money goes to the Detroit Water and Sewerage Department (DWSD) to pay for GLWA's lease of the regional water system. DWSD uses those funds for improvements to the local system and to pay debt related to capital improvements.

1.9% REVENUE FINANCED CAPITAL

1.9¢ ON THE DOLLAR

To lower the debt burden, GLWA sets aside money each year from revenues to pay for capital improvements in future years. This pay-as-you-go approach eliminates the need to pay interest on debt in future years and improves financial resiliency.

1.6% RECEIVING FUND WORKING CAPITAL

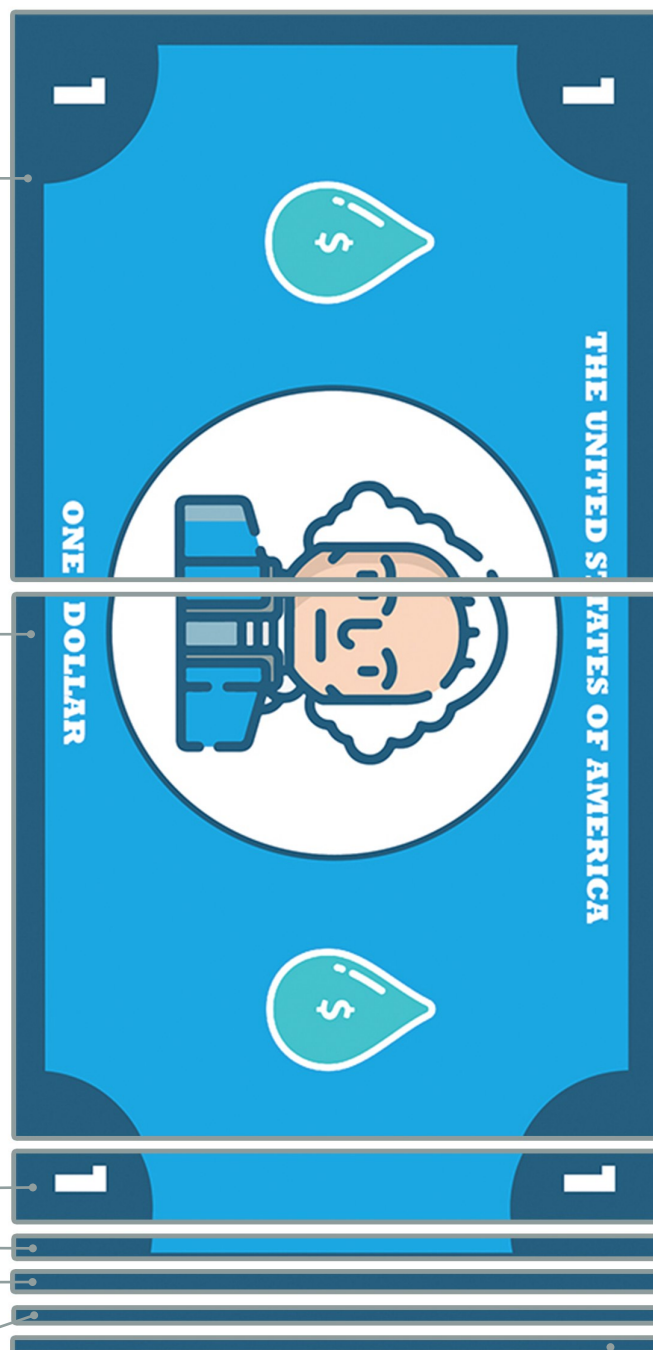
1.6¢ ON THE DOLLAR

The amount required to maintain sufficient liquidity in the Master Bond Ordinance Receiving Fund.

0.6% CLOSED PENSION

0.6¢ ON THE DOLLAR

GLWA inherited a portion of the city of Detroit's pension plan expense for employees and retirees that maintained the water system before GLWA was formed. Over time, the annual payment will decrease.



WRAP (WATER RESIDENTIAL ASSISTANCE PROGRAM)

0.5% **0.5¢ ON THE DOLLAR**

Half a percent of GLWA's revenue goes straight to funding WRAP, making it the only sustainably-funded assistance program in the country. WRAP provides not only financial assistance, but also conservation education and minor plumbing repairs and replacements.

Note: Percentages based on FY 2025 adopted budget.



MAKING SENSE OF YOUR DOLLARS

Every dollar paid to GLWA for **Wastewater Services** provides for...

FY 2025 Wastewater System Budget Infographic

44.0% OPERATIONS AND MAINTENANCE

44.0¢ ON THE DOLLAR

The cost for people, utilities, chemicals, and services to deliver effective and efficient wastewater services around-the-clock, every day of the year.

43.5% DEBT SERVICE

43.5¢ ON THE DOLLAR

Physical improvements to GLWA's regional wastewater system and its assets are financed with debt. Debt service principal, interest, and other required deposits are funded monthly.

5.4% REVENUE FINANCED CAPITAL

5.4¢ ON THE DOLLAR

To lower the debt burden, GLWA sets aside money each year from revenues to pay for capital improvements in future years. This pay-as-you-go approach eliminates the need to pay interest on debt in future years and improves financial resiliency.

5.3% REGIONAL SYSTEM LEASE

5.3¢ ON THE DOLLAR

This money goes to the Detroit Water and Sewerage Department (DWSD) to pay for GLWA's lease of the regional wastewater system. DWSD uses those funds for improvements to the local system and to pay debt related to capital improvements.

0.9% CLOSED PENSION

0.9¢ ON THE DOLLAR

GLWA inherited a portion of the city of Detroit's pension plan expense for employees and retirees that maintained the water system before GLWA was formed. Over time, the annual payment will decrease.

0.5% WRAP (WATER RESIDENTIAL ASSISTANCE PROGRAM)

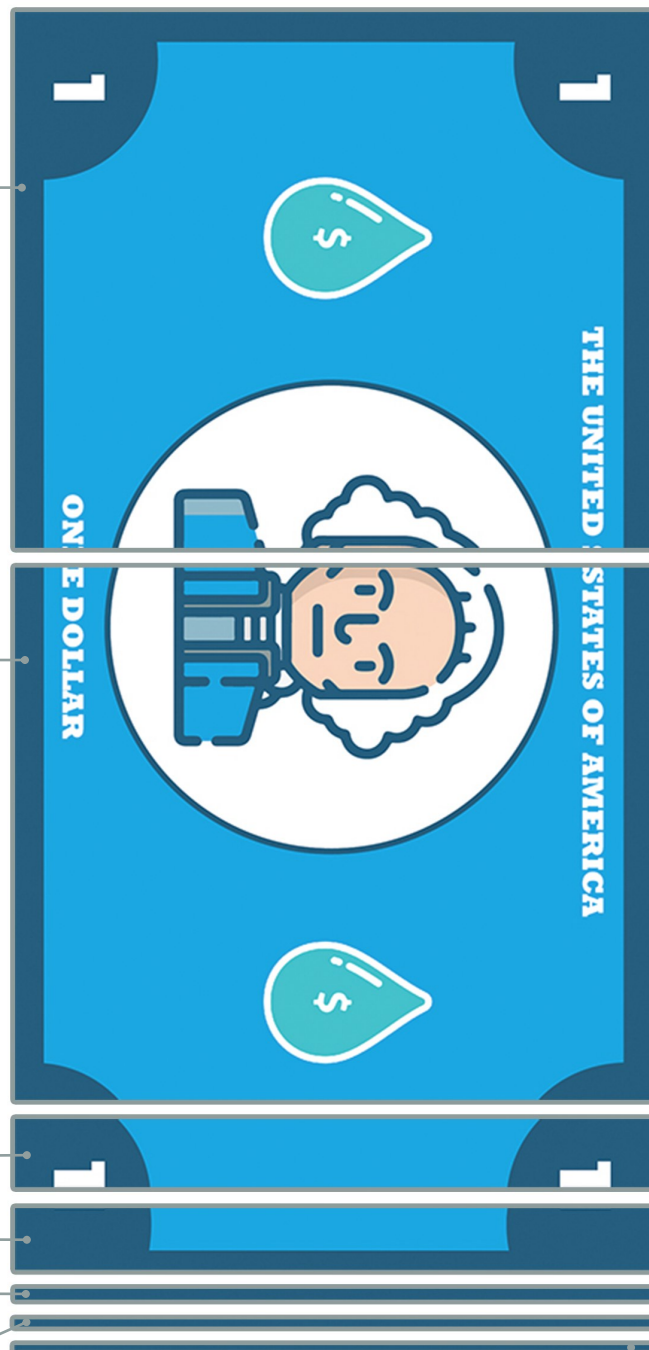
0.5¢ ON THE DOLLAR

Half a percent of GLWA's revenue goes straight to funding WRAP, making it the only sustainably-funded assistance program in the country. WRAP provides not only financial assistance, but also conservation education and minor plumbing repairs and replacements.

0.4% RECEIVING FUND WORKING CAPITAL

0.4¢ ON THE DOLLAR

The amount required to maintain sufficient liquidity in the Master Bond Ordinance Receiving Fund.



Note: Percentages based on FY 2025 adopted budget.

MAKING SENSE OF YOUR DOLLARS

Every dollar paid to GLWA for combined **Water and Wastewater Services** provides for...

FY 2025 Water and Wastewater Combined Budget Infographic

44.3% DEBT SERVICE

44.3¢ ON THE DOLLAR

Physical improvements to GLWA's regional water and wastewater system assets are financed with debt. Debt service principal, interest and other required deposits are funded monthly.

44.0% OPERATIONS AND MAINTENANCE

44.0¢ ON THE DOLLAR

The cost for people, utilities, chemicals, and services to deliver water of unquestionable quality and effective and efficient wastewater services around-the-clock, every day of the year.

5.5% REGIONAL SYSTEM LEASE

5.5¢ ON THE DOLLAR

This money goes to the Detroit Water and Sewerage Department (DWSD) to pay for GLWA's lease of the regional water and wastewater systems. DWSD uses those funds for improvements to the local system and to pay debt related to capital improvements.

3.9% REVENUE FINANCED CAPITAL

3.9¢ ON THE DOLLAR

To lower the debt burden, GLWA sets aside money each year from revenues to pay for capital improvements in future years. This pay-as-you-go approach eliminates the need to pay interest on debt in future years and improves financial resiliency.

1.0% RECEIVING FUND WORKING CAPITAL

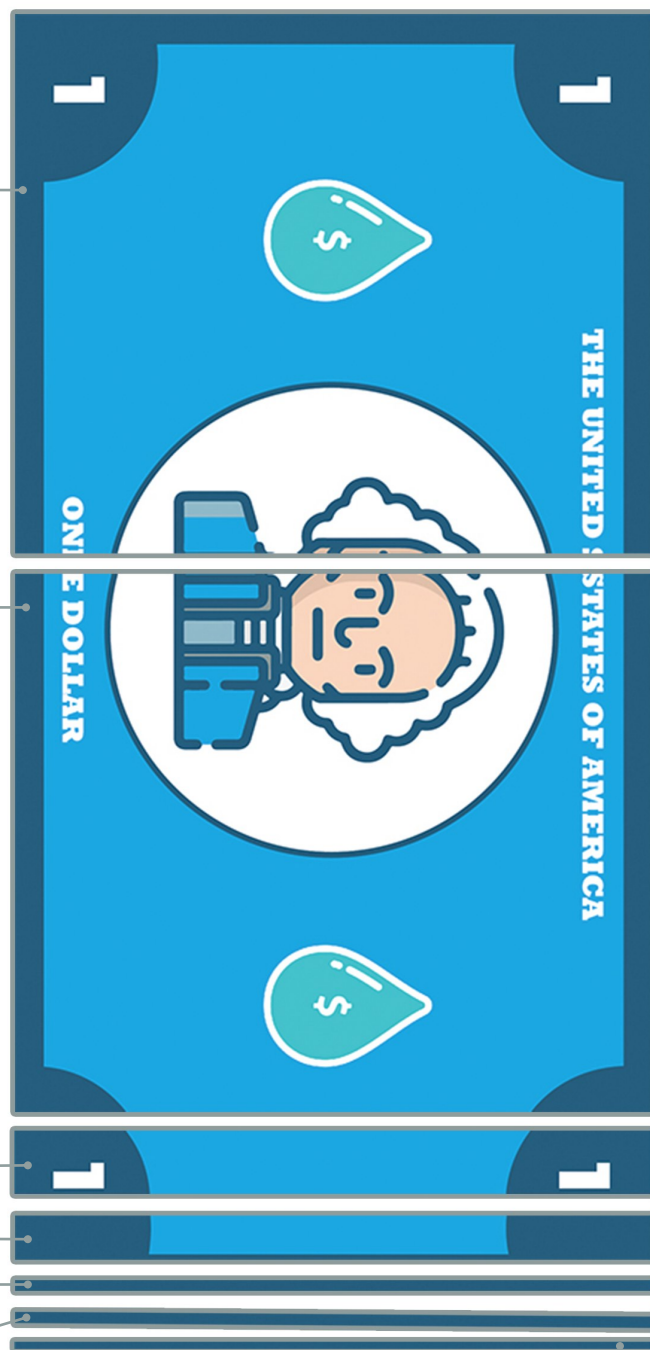
1.0¢ ON THE DOLLAR

The amount required to maintain sufficient liquidity in the Master Bond Ordinance Receiving Fund.

0.8% CLOSED PENSION

0.8¢ ON THE DOLLAR

GLWA inherited a portion of the city of Detroit's pension plan expense for employees and retirees that maintained the water system before GLWA was formed. Over time, the annual payment will decrease.



WRAP (WATER RESIDENTIAL ASSISTANCE PROGRAM)

0.5%

0.5¢ ON THE DOLLAR

Half a percent of GLWA's revenue goes straight to funding WRAP, making it the only sustainably-funded assistance program in the country. WRAP provides not only financial assistance, but also conservation education and minor plumbing repairs and replacements.

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