



May 12, 2016

REGARDING: FY 2017 Approved Wholesale Sewage Schedule of Charges

On May 11, 2016, the Great Lakes Water Authority (GLWA) Board of Directors approved a schedule of wholesale sewage charges for Fiscal Year 2017.

You may recall that the initial average charge adjustment proposed in January 2016 was 5.2 percent. This reflected a budget increase of 4 percent in addition to a 1.5 percent increase for recovery of Highland Park's outstanding bad debt from unpaid sewer system charges.¹ These increases were offset by a 0.3 percent adjustment in miscellaneous revenue and other items.

The schedule of charges approved on May 11, 2016, however reflects an increase of 4.9 percent compared to the current charges. This revision is due to the GLWA board's decision to spread the recovery of bad debt over an extended period of time (reducing the 1.5 percent Highland Park adjustment to 1.2 percent). It is with moderate optimism that our renewed recovery efforts as well as our ongoing efforts to work with Highland Park on operations issues will improve their payment performance. The goal is to eliminate the burden being placed on the other suburban communities.

The table below recaps the revenue charge increase.

<u>Category</u>	<u>Adjustment</u>
Budget Variance	4.00%
Highland Park Bad Debt Recovery (a)	1.20%
Miscellaneous Revenue and Other	-0.30%
Total Charge Adjustment	4.90%

(a) Bad Debt True-up for FY 2013, 2014 and 2015 recovered over five years.

The FY 2017 schedule of charges applicable to your organization is indicated on the enclosed document. This schedule of charges will apply to services provided beginning July 1, 2016 and will be effective on all bills rendered by GLWA as of August 1, 2016.

¹ Recovery of wholesale customer bad debt in this manner has been in place as a result of rate settlement agreements in existence since 1995.

² The GLWA Board of Director sent a letter to Governor Rick Snyder regarding the City of Highland Park. This letter can be found in the GLWA Board meeting minutes of April 13, 2016. Available online at www.glwater.org/wp-content/uploads/2016/04/041316-Approved-Workshop-Meeting-Minutes.pdf



It should be noted that wholesale sewage charges continue to consist entirely of fixed monthly charges, as established by the “rate simplification” initiative adopted by the City of Detroit Water and Sewerage (DWSD) Board of Water Commissioners in November 2013. A Sewer Shares Assessment Team has been formed for the purpose of updating the assumptions in the share calculations, and it is anticipated the team will have its evaluations completed by December 31, 2016. That shares assessment is facilitated by the wholesale customer outreach team. All meeting notes and materials are available through the “Customer Outreach Portal” on our website at glwater.org.

The new schedule of charges (attached) also includes increases to Industrial Waste Control (IWC) charges (2.7%) and Pollutant Surcharges (3%).

The budgetary increase of four percent is consistent with the terms of the Memorandum of Understanding (MOU) and Lease Agreement that established the Authority. Our pledge is to you is to continue to control the budget within a 4 percent ceiling to mitigate increases in future system revenue charges. Cost containment initiatives continue to be a top priority for GLWA.

Since the stand-up of the GLWA on January 1, 2016, we have been working diligently to complete the bifurcation of the GLWA regional system and the DWSD local system. One of primary efforts over the past five months has been the completion of GLWA’s inaugural financial plan, including its first biennial budget, its first capital improvement plan and its first schedule of wholesale customer charges. The evolution of these documents can be found on both the Audit Committee and Capital Improvement Committee pages at glwater.org.

I want to extend my thanks once again to the Wastewater Steering Committee for their efforts and to your representatives who participated in the Customer Outreach Program. The approval of this inaugural charge schedule represents the successful results of this continued collaborative process with representatives of our suburban wholesale and Detroit retail customers and the input we received as part of that process.

It continues to be our pleasure to provide you these services. If you have any questions regarding the upcoming changes in rates and charges, or other related matters in this letter, please contact Jon Wheatley, Public Finance Manager at (313) 224-4771.

Sincerely yours,

Sue F. McCormick
Chief Executive Officer

Enclosures

Great Lakes Water Authority
Proposed FY 2017 Sewage Disposal System
Schedule of Wholesale Monthly Charges and
Total Revenue Requirement for the Detroit Customer Class
Effective July 1, 2016

		Fixed Monthly Charge \$/mo
<u>Suburban Wholesale</u>		
1	OMID	5,802,300
2	Rouge Valley	4,623,900
3	Oakland GWK	3,806,900
4	Evergreen Farmington	2,681,600
5	NE Wayne Co	2,010,000
6	Dearborn	1,633,600
7	Grosse Pointe Farms	222,300
8	Grosse Pointe Park	135,500
9	Melvindale	115,100
10	Farmington	92,500
11	Center Line	77,200
12	Allen Park	56,000
13	Highland Park	484,900
14	Hamtramck	340,500
15	Grosse Pointe	78,500
16	Harper Woods	20,000
17	Redford Township	21,700
18	Wayne County #3	3,900
		Annual Revenue Requirement \$
<u>Allocated Detroit Annual Revenue Requirement</u>		
19	Wholesale Revenue Requirements (a)	187,304,100
20	Indirect Retail Revenue Requirements (b)	31,367,700
21	Direct Retail Revenue Requirements (c)	41,535,500
22	Total	----- 260,207,300

(a) Reflects Great Lakes Water Authority (GLWA) wholesale amounts only.

(b) Reflects amounts allocable to the Detroit Local System which are subject to the GLWA Master Bond Ordinance flow of funds.

(c) Reflects amounts allocable to the Local System, for which GLWA transfers monies to DWSD.

Great Lakes Water Authority
Proposed FY 2017 Sewage Disposal System Service Charge Schedule
Industrial Waste Control Charges and Pollutant Surcharges
Effective July 1, 2016

Industrial Waste Control Charges	
<u>Meter Size - inches</u>	<u>Charge \$/mo</u>
5/8	5.65
3/4	8.48
1	14.13
1-1/2	31.08
2	45.20
3	81.93
4	113.00
6	169.50
8	282.50
10	395.50
12	452.00
14	565.00
16	678.00
18	791.00
20	904.00
24	1,017.00
30	1,130.00
36	1,243.00
48	1,356.00

Pollutant Surcharges	
<u>Pollutant</u>	<u>Charge \$/lb</u>
BIOCHEMICAL OXYGEN DEMAND (BOD) for concentrations > 275 mg/l	0.491
TOTAL SUSPENDED SOLIDS (TSS) for concentrations > 350 mg/l	0.498
PHOSPHORUS (P) for concentrations > 12 mg/l	7.346
FATS, OIL AND GREASE (FOG) for concentrations > 100 mg/l	0.473
SEPTAGE DISPOSAL FEE \$ per 500 gallons of disposal	47.00