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The Board of Water Commissioners for the City of Detroit Water and Sewerage Department approves the proposed two-year operating budgets for Fiscal Years 2025-26 and 2026-27 for the Water Operating Fund in the amounts of \$149,172,400 and \$156,948,900, respectively, and for the Sewage Disposal Operating Fund in the amounts of \$372,141,400 and \$389,220,200, respectively; and further authorizes the Director and Chief Financial Officer to take such other action as may be necessary to accomplish the intent of this vote.

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Agenda of March 19, 2025

Item No.

Fiscal Year 2026 and Fiscal Year 2027 Water Supply and Sewage Disposal Operating Budgets

TO: The Honorable
Board of Water Commissioners
City of Detroit, Michigan

FROM: Gary Brown, Director
Detroit Water and Sewerage Department

Date: March 19, 2025

RE: **Resolution Adopting the Biennial Fiscal Year 2026 and Fiscal Year 2027 Operating Budgets for the Water Supply and Sewage Disposal Systems**

MOTION

Upon recommendation of Istakur Rahman, Chief Financial Officer of the Detroit Water and Sewerage Department, the Board of Water Commissioners for the City of Detroit Water and Sewerage Department approves the proposed two-year operating budgets for Fiscal Years 2025-26 and 2026-27 for the Water Operating Fund in the amounts of \$149,172,400 and \$156,948,900, respectively, and for the Sewage Disposal Operating Fund in the amounts of \$372,141,400 and \$389,220,200, respectively; and further authorizes the Director and Chief Financial Officer to take such other action as may be necessary to accomplish the intent of this vote

WHEREAS The Great Lakes Water Authority (“GLWA”) assumed operation of the regional water and sewer systems and the Detroit Water and Sewerage Department (“DWSD”) continued operation of the retail water and sewer systems on January 1, 2016 pursuant to Lease Agreements between GLWA and the City of Detroit dated June 12, 2015.

WHEREAS In accordance with the Lease Agreements, the Detroit Board of Water Commissioners shall adopt a two year (Biennial) operating budget for the Water Supply and Sewage Disposal systems; and

WHEREAS The Fiscal Year 2025-26 and Fiscal Year 2026-27 budgets have been prepared in accordance using the contractual (lease) basis of accounting; and

WHEREAS The budgeted expenses for each such Fiscal Year are equal to the sum of the projected operating expenses and other revenue requirements for the Water Supply System and the Sewage Disposal System for each such Fiscal Year; and

WHEREAS The budgeted annual revenue requirement for the Water Supply System for Fiscal Year 2026 is \$149,172,400 and for Fiscal Year 2027 is \$156,948,900; and

WHEREAS The budgeted annual revenue requirement for the Sewage Disposal System for Fiscal Year 2026 is \$372,141,400 and for Fiscal Year 2027 is \$389,220,200;

NOW THEREFORE BE IT:

RESOLVED That the Detroit Board of Water Commissioners approves the attached Biennial Budgets for Fiscal Years 2026 and 2027; and be it finally

RESOLVED That the Director, and the Chief Financial Officer are authorized to take such other action as may be necessary to accomplish the intent of this resolution.

Final Proposed Biennial Budgets for Fiscal Years 2026 and 2027
Water Operating Fund - Fund 5720

	Fiscal Years	
	2025-26	2026-27
<u>REVENUES</u>		
<u>Operating Revenues</u>		
Commodity Sales	\$ 111,097,500	\$ 117,218,200
Service Charges	26,750,500	28,311,600
Fireline Charges	2,292,100	2,331,100
Penalties, Fees, Permits and Other Revenue	5,124,000	5,329,000
Total Retail Revenue	145,264,100	153,189,900
Shared Service Revenue	1,177,500	1,200,000
Total Water Operating Revenues	146,441,600	154,389,900
 <u>Non-Operating Revenues</u>		
GLWA's Share of Legacy Costs	2,730,800	2,559,000
Total Water Operating Fund Revenues	\$ 149,172,400	\$ 156,948,900
 <u>Expenses</u>		
<u>Departmental (Direct) Expenses</u>		
Administration	\$ 824,000	\$ 857,000
Operations	28,666,100	29,812,800
Compliance	14,822,400	15,415,300
Finance	6,549,000	6,810,900
Total Departmental (Direct) Expenses	50,861,500	52,896,000
 <u>Non-Departmental (Indirect) Expenses</u>		
Bad Debt Expense	15,979,100	16,850,900
Wholesale Charges	30,028,800	33,032,500
Obligation to GLWA	33,438,800	33,438,800
Post Bifurcation Debt Service	11,755,300	11,977,900
Pension	1,891,600	1,891,600
Series B and C Notes	2,767,600	2,474,500
WRAP Contribution	945,400	994,600
Revenue Financed Capital	1,504,300	3,392,100
Total Non-Departmental (Indirect) Expenses	98,310,900	104,052,900
 Total Water Operating Fund Expenses	 \$ 149,172,400	 \$ 156,948,900

Final Proposed Biennial Budgets for Fiscal Years 2026 and 2027
Sewer Operating Fund - Fund 5820

	Fiscal Years	
	2025-26	2026-27
<u>REVENUES</u>		
<u>Operating Revenue</u>		
Commodity Sales	\$ 133,510,800	\$ 139,949,300
Service Charges	16,383,500	17,173,600
Drainage Fees/Highway Drainage	205,371,800	215,275,700
Penalties, Fees, Permits and Other Revenue	8,320,000	8,652,800
Total Retail Revenue	363,586,100	381,051,400
Shared Service Revenue	1,322,500	1,322,500
Total Sewer Operating Revenues	364,908,600	382,373,900
 <u>Non-Operating Revenues</u>		
GLWA's Share of Legacy Costs	5,632,800	5,246,300
IWC Charges	1,600,000	1,600,000
Total Sewer Revenues	\$ 372,141,400	\$ 389,220,200
 <u>Expenses</u>		
<u>Departmental (Direct) Expenses</u>		
Administration	\$ 925,600	\$ 962,700
Operations	30,595,400	31,819,300
Compliance	20,683,000	21,510,300
Finance	9,222,800	9,591,700
Total Departmental (Direct) Expenses	61,426,800	63,884,000
 <u>Non-Departmental (Indirect) Expenses</u>		
Bad Debt Expense	51,883,800	54,367,500
Wholesale Charges	215,324,400	226,454,600
Obligation to GLWA	26,271,500	26,271,500
Post Bifurcation Debt Service	5,978,100	6,142,100
Pension	2,507,500	2,507,500
Series B and C Notes	4,612,700	4,124,100
Industrial Waste Charges	1,600,000	1,600,000
WRAP Contribution	1,427,500	1,490,800
Revenue Financed Capital	1,109,100	2,378,100
Total Non-Departmental (Indirect) Expenses	310,714,600	325,336,200
 Total Sewer Operating Fund Expenses	 \$ 372,141,400	 \$ 389,220,200