



Office of the Chief Executive
735 Randolph Street, Suite 1900
Detroit, Michigan 48226

January 26, 2018

To Our Water Member:

On behalf of the Great Lakes Water Authority (GLWA), we invite you to the Board of Directors' Public Hearing on the proposed FY 2019 wholesale water service charges scheduled for **2:00 p.m. on Wednesday, February 28, 2018 at 735 Randolph, 5th Floor Board Room, Detroit, Michigan 48226.**

This hearing will provide GLWA an opportunity to present the Authority's budget which encompasses the Capital Improvement Program (CIP), estimated sales volume and other factors that serve as the basis for the proposed revenue requirements and schedule of charges for FY 2019. This hearing also provides an opportunity for our member partners to comment or submit questions in writing related to the proposed charges. All comments or questions raised during the hearing will receive a written response.

The Memorandum of Understanding (MOU), signed in September 2014, and which created GLWA, established a fundamental goal to limit annual budget ("BUDGET")¹ increases to no more than 4 percent for each of the first 10 years of the Authority's operation. This commitment was carried forward into the subsequent 40-year lease agreement (Lease) between the City of Detroit and GLWA. **The FY 2019 Water BUDGET honors this 4 percent commitment with a proposed increase of 2 percent from FY 2018.** The percentage change for your community will vary from two percent based on your calculated revenue requirement.

In preparation for the FY 2019 charges, Black & Veatch conducted a non-master metered customer Units of Service Study (USS). The effect of the USS results in a reallocation of units of service among all GLWA water members. The GLWA is considering two approaches to implement the results of the USS. As a result, attached are two alternative charge sheets for your organization's proposed service charges for FY 2019. The difference between the two alternatives is a one-year versus a two-year phase-in implementation of the USS findings. The final implementation of the USS will be determined by the GLWA Board as part of the charges approval process. Changes in service charges among member partners may vary in order to meet their unique revenue requirements.

GLWA staff is available to answer any questions by contacting the Financial Services Group at (313) 224-4771, or via email at Jonathan.Wheatley@glwater.org. Please note that the

¹ The annual BUDGET (i.e. "revenue requirement") includes operation and maintenance expense, debt service, non-operating expenses and revenue financed capital

proposed charges are subject to change after the public hearing and subsequent deliberation by the GLWA Board.

Below are links to three videos GLWA has produced which are designed to inform local elected officials, staff and residents on GLWA's budget and service charges:

Introduction to GLWA Charges and Community Rates:

<http://bit.ly/2Eg4l6J>

The ABC's of Water Charges:

<http://bit.ly/2DFWnlh>

From Budgets to Customer Sewer and Water Charges:

<http://bit.ly/2DCDkyy>

Our primary objective continues to be one of providing our member partners with wholesale water and wastewater services of unquestionable quality at fair and equitable charges. We are committed to exceeding our member partners' expectations. We thank you for working collaboratively with GLWA in the wholesale member engagement process, and look forward to seeing you at the public hearing on February 28, 2018.

Sincerely,



Sue F. McCormick
Chief Executive Officer
Great Lakes Water Authority