



## Memorandum

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**To:** Suzanne Coffey, Interim Chief Executive Officer

**From:** Robert Arbaugh, CPA, Financial Planning & Analysis

**CC:** Nicolette Bateson, CPA, Chief Financial Officer & Treasurer  
Navid Mehram, Chief Operating Officer – Wastewater Operations  
Lisa Mancini, Manager – Financial Planning & Analysis

**Date:** February 22, 2022

**RE:** Proposed Contract 2101926 Liquid Chlorine Delivery

**Volume History:** The use of chlorine varies annually, effected by the volume of effluent processed by the Water Resource Recovery Facility (WRRF), and the frequency of wet weather events. The later requiring high dosing of the final effluent due to operational considerations.

As such our use, over the past five fiscal years (July 2016 to June 2021), has fluctuated from a low of 1,388.2 tons in Fiscal 2018 to 1,639.5 tons in Fiscal 2020. The average annual use for this time-period was 1,549.4 tons.

The current fiscal year is developing to be a very wet year. Through January 2022 (seven months) GLWA has consumed 1,285.0 tons of chlorine. With this use the current projection range for Fiscal 2022 is currently from 1,960 tons to 2,420 tons of chlorine.

For budgetary purposes, based upon discussions with operational personnel, the FY 2023 through FY 2027 proposed budgets projected use of 1,640 tons.

**Pricing History:** The pricing for this product, as outlined in the November 3, 2021, memo from Sonya Collins continues to be quite volatile. As of the memo date the price had increased 57.0% from the price in effect as of July 1<sup>st</sup>, 2021. Since that time there have been three additional increases, November 1<sup>st</sup>, January 1<sup>st</sup>, and the current proposed contract price. This current price of \$1,240.00 per ton Vs the price in effect in July 2021, of \$297.20 represents a 317.2% increase.

For budgetary purposes a 15.0% increase had been forecast for the proposed budgets.

**Estimated Cost by Year and Related Estimating Variance:** The table on the following page outlines the impact of the pricing component of this analysis based on the average annual chlorine use of 1,549.4 tons.



## Financial Planning & Analysis Budget Impact Statement

**Great Lakes Water Authority  
Liquid Chlorine Delivery  
Financial Plan Impact**

**Table 1 - Estimated Cost by Year and Related Estimating Variance**

|                          | Budgeted<br>Annual Use<br>(Tons) | Annual Budget                           | Prorated<br>Annual Budget + | Average<br>Annual Use<br>(Tons) | Forecast Based<br>on Average<br>Usage and<br>Proposed<br>Contract Pricing | Financial Plan<br>Amendment |
|--------------------------|----------------------------------|---|-----------------------------|---------------------------------|---|-----------------------------|
| FY 2022 Amended Budget * | 1592                             | 1,269,180                               | 370,180                     | 1,960                           | 708,870   | 338,690                     |
| FY 2023 Financial Plan   | 1640                             | 766,000                                 | 766,000                     | 1,549                           | 1,921,260   | 1,155,260                   |
| FY 2024 Financial Plan   | 1640                             | 766,000                                 | 766,000                     | 1,549                           | 1,921,260   | 1,155,260                   |
| FY 2025 Financial Plan   | 1640                             | 766,000                                 | 766,000                     | 1,549                           | 1,921,260   | 1,155,260                   |
| FY 2026 Financial Plan   | 1640                             | 782,000                                 | 782,000                     | 1,549                           | 1,921,260   | 1,139,260                   |
| FY 2027 Financial Plan   | 1640                             | 782,000                                 | 553,920                     | 1,549                           | 1,360,890   | 806,970                     |
|                          |                                  | <u>\$ 5,131,180</u>                     | <u>\$ 4,004,100</u>         |                                 | <u>\$ 9,754,800</u>   | <u>\$ 5,750,700</u>         |
|                          |                                  | Maximum Contract                        | \$ 10,540,000               |                                 | \$ 10,540,000   |                             |
|                          |                                  | Forecast Variance (positive/(negative)) | <u>\$ (6,535,900)</u>       |                                 | <u>\$ (785,200)</u>   |                             |

\* A subsequent budget amendment is anticipated due to volume variances and pricing increase.  
This forecast budget amendment may range from \$338,690 to \$714,950

+ Proration based on an anticipated March 15, 2022 commencement