



## Financial Services Audit Committee Communication

**Date:** April 26, 2022

**To:** Great Lakes Water Authority Audit Committee

**From:** Nicolette N. Bateson, CPA, Chief Financial Officer & Treasurer

**Re:** Post Meeting Appendix – April 2022

The following documents found in this Appendix provide support for recent requests made of Financial Area staff or as referenced at public meetings.

- 1) *DWSRF Loan 7548-01 DWSD Lead Service Line Replacement – Funding Status:* an update on funding for this loan through the Michigan Finance Authority and progress made between EGLE and DWSD regarding loan forgiveness and initial limitations on funding by service line.
- 2) *Board Member Inquiry – KPI Revenue & Collection Reporting for Flint & Dearborn:* a response to a Board Member inquiry on this topic presented at the April 13 GLWA Board of Directors workshop.
- 3) *GLWA Underwriter Cost Proposal Summary:* an outline of proposed fees by the three firms requesting consideration for Senior Manager in GLWA's upcoming bond transaction. This summary by GLWA's financial advisor was presented during the April 22 Audit Committee meeting to support the committee discussion. GLWA staff committed to distributing the document following the meeting.



**Financial Services**  
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## Memorandum

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**Date:** April 13, 2022

**To:** Nicolette Bateson, CPA, Chief Financial Officer & Treasurer

**From:** Kim Garland, CPA, Financial Services Area Chief of Staff

**RE:** DWSRF Loan 7548-01 DWSD Lead Service Line Replacement – Funding Status

I reported to you on March 23 that DWSD Drinking Water Revolving Fund (DWSRF) Loan 7548-01 supporting local system Lead Service Line Replacements (LSLR) qualified through EGLE for 100% loan forgiveness of \$10 million project under a Booker grant. However, we were made aware at that time that the loan forgiveness only covered up to \$5,000 per LSLR.

DWSD had found that actual bids associated with this work are averaging \$9,000 per 1” service line, requiring DWSD to fund the difference through other sources. As discussed previously, DWSD and EGLE did explore options to help overcome this funding issue. Steps taken include the following.

1. As of April 8, 2022, we were informed that EGLE leadership has eliminated the \$5,000/lead service line limit. The \$10 million in loan forgiveness via Booker grant funding will remain simply as the maximum funding limit.
2. As of April 11, 2022, DWSD leadership has communicated that they will be submitting a construction estimate revision to EGLE to reduce the scope of the current project (WS-721) bringing it within the \$10 million grant amount awarded.

EGLE issued the order of approval on this project April 8, 2022. Final loan closing is scheduled for May 4, 2022. This process is required despite the fact that the loan principal will be forgiven as drawdowns occur.

## Memorandum

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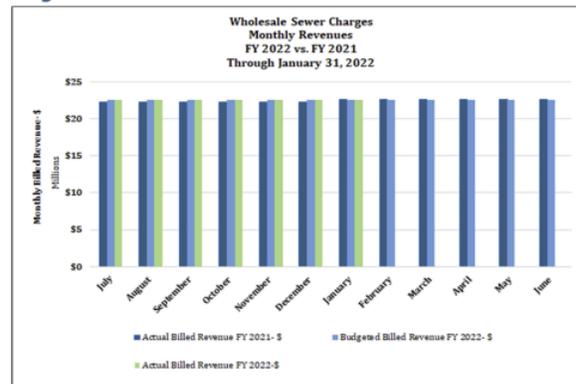
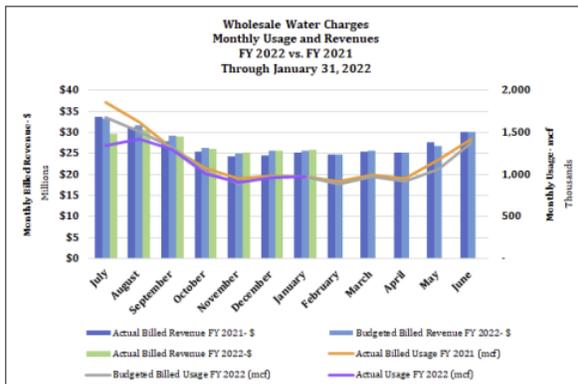
**To:** Nicolette Bateson, CPA, Chief Financial Officer & Treasurer

**From:** Kim Garland, CPA, Financial Services Area Chief of Staff

**RE:** Board Member Inquiry – KPI Revenue & Collection Reporting for Flint & Dearborn

At today’s Board Meeting, Director Baker inquired on whether the impact of Flint’s water testing and the Dearborn contract dispute were reflected in the Water Revenue projection provided. I understood the question to be based on the following Key Performance Indicator (KPI):

### Financial Viability – Reliability of Wholesale Water and Sewer Revenue Projections



Wholesale Water System billed revenues for FY 2022 are at 97.6% of original, budgeted charge revenue and actual usage at 94.4% of original, budgeted usage through January 2022. Billed revenue for FY 2022 was 0.2% lower compared to the same period in FY 2021.

Wholesale Sewer System billed revenues for FY 2022 are at 100% of original budgeted charge revenue (based on the full fixed monthly charge) through January 2022. Billed revenue for FY 2022 was 1.1% higher compared to the same period in FY 2021.

**CEO Priority KPI Performance Criteria:** Water system wholesale monthly billed revenues will meet or exceed budgeted amount. (Green = 100%; Yellow= 90-99%; Red = <90%)

**Commentary:** This KPI is yellow. The budget impact of this under performance has been addressed in the first quarter budget amendments. The current water revenue variance is a \$4.7 million shortfall from the adopted budget. To date, budget amendments (\$2.4 million) and confirmed billing adjustments (\$0.5 million) reduce that variance to \$1.8 million. The remaining variance will continue to be evaluated.

The data underlying this KPI is also presented as part of the monthly financial report to the Audit Committee and is based on this table from the Wholesale Billings, Receivables, and Collections section of the report (the table below will be presented with the January report presented to the Audit Committee on April 22):

**Table 1 – FY 2022 Wholesale Water Billings Report**

WHOLESALE WATER CHARGES								
Month (1)	FY 2022 Charges (3)		FY 2022 - Actual		FY 2022 - Variance		FY 2021 - Actuals	
	Volume	Revenue	Volume	Revenue (2)	Volume	Revenue	Volume	Revenue
	Mcf	\$	Mcf	\$	Mcf	\$	Mcf	\$
July	1,677,100	33,302,700	1,342,686	29,642,785	(334,414)	(3,659,915)	1,862,791	33,583,619
August	1,509,200	31,598,500	1,417,142	30,604,230	(92,058)	(994,270)	1,622,324	31,230,027
September	1,316,400	29,141,000	1,298,750	29,065,588	(17,650)	(75,412)	1,313,440	27,836,560
October	1,034,000	26,280,800	1,006,217	26,123,483	(27,783)	(157,317)	1,070,660	25,454,840
November	896,800	25,001,500	905,525	25,117,181	8,725	115,681	956,542	24,390,303
December	972,100	25,612,000	958,879	25,542,432	(13,221)	(69,568)	981,770	24,600,202
January	972,000	25,650,600	979,803	25,791,405	7,803	140,805	969,483	25,235,130
February	884,400	24,852,700					920,467	24,794,259
March	979,500	25,678,200					1,001,073	25,450,418
April	914,000	25,117,700					954,308	25,140,003
May	1,059,200	26,721,900					1,181,186	27,569,969
June	1,374,300	30,029,900					1,424,230	30,066,884
<b>Total</b>	<b>13,589,000</b>	<b>328,987,500</b>	<b>7,909,002</b>	<b>191,887,103</b>	<b>(468,598)</b>	<b>(4,699,997)</b>	<b>14,258,274</b>	<b>325,352,214</b>
Subtotals ytd	8,377,600	196,587,100	7,909,002	191,887,103	(468,598)	(4,699,997)		
Achievement of Original Plan			94.41%	97.61%				
1st Quarter Budget Amendments	(220,000)	(2,400,000)			220,000	2,400,000		
Billing Adjustments			65,470	544,190	65,470	544,190		
Revised Subtotal	8,157,600	194,187,100	7,974,472	192,431,293	(183,128)	(1,755,807)		
Achievement of Amended Plan			97.76%	99.10%				

(1) Figures are stated as "Service Months"; that is, July figures represent bills issued in August, etc.

(2) Water Revenues differ from Table 1A because amounts are reduced by the monthly payment to the City of Flint for a license to raw water rights under the Flint Raw Water Contract in Table 1A

(3) Charges are based on the approved FY 2022 water supply system charge schedule.

This table and the underlying actual FY 2022 data does reflect the reduction in volume and revenue resulting from Flint’s testing of their emergency connection through GCDC. However, budget amendments for water revenue of \$2.4 million to date were in response to the lower volume experienced in July & August. So budgeted and amended revenue projections do not yet reflect any impact of that Flint testing activity.

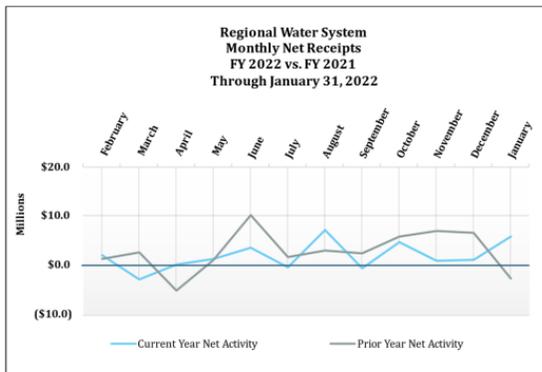
In addition to the testing of their emergency water connection, Flint also has an ongoing billing issue with GLWA regarding an oversized meter (FL-01) at the Flint main water connection with GLWA. Both Flint and GLWA are aware of this issue and have been working through a resolution process which is two-fold. First, Flint and GLWA have determined that Flint was underbilled because of the meter being too large for the current usage and implemented a rebilling and payment plan adjust for that underbilling. Second, a project to replace that meter was targeted to take place while the emergency water connection was

being tested. Therefore, because these billing adjustments will be made before June 30, 2022 we have factored that additional revenue (\$544k) into the projection above. This along with anticipated increases in usage during the Spring will allow us to better gauge if further budget amendments will be required.

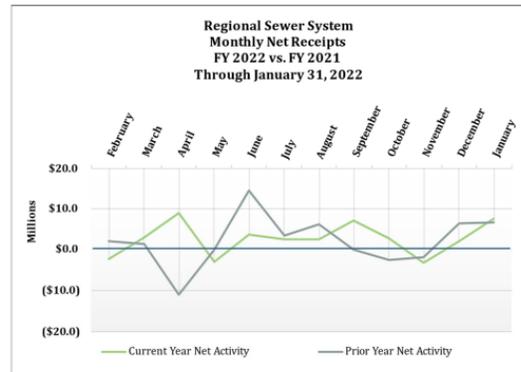
On the other hand, the matter of the City of Dearborn and their contract dispute has not impacted revenues as GLWA continues to invoice the City based on the charge schedule approved by the GLWA Board. The City of Dearborn dispute is a cash receipt and collection issue for GLWA. That dispute had a more significant impact in FY 2021 when the short payments were \$430k monthly. In FY 2022, the monthly short payment associated with their contract dispute is \$64k. The impact of that short payment of cash would be reflected in this KPI associated with net cash receipts but has had no significant impact to date for FY 2022.

## Financial Viability – GLWA Regional System Net Receipts

*For the purposes of this reporting, Net Receipts equals cash collections less Master Bond Ordinance (MBO) disbursements.  
The black line in the charts below at zero highlights the minimum goal for net receipts.  
While this measure may vary monthly based on billing and collection cycles,  
cumulative positive net receipts supports long-term financial sustainability.*



Regional Water System net receipts for the month of January 2022 exceeded required MBO disbursements by \$725 thousand. This equates to an 11% surplus of net monthly receipts over required disbursements or \$20.3 million year-to-date.



Regional Sewer System net receipts for the month of January 2022 exceeded required MBO disbursements by \$7.4 million. This equates to an 8% surplus of net monthly receipts over required disbursements or \$21.1 million year-to-date.



**Great Lakes Water Authority  
Underwriter Proposal Summary  
Summary of Fee Proposals**

	Average Takedown (\$/bond) (1)	Est. Takedown (\$ (1)	Management Fee (\$/bond)	Est. Management Fee (\$)	Est. Expenses (\$ (2)	Total Fees Including Expenses (\$/bond)	Est. Total Fees (\$)	Points Awarded
Wells Fargo	2.25	659,000	-	-	33,000	2.36	692,000	10.00
Goldman Sachs	2.50	733,000	-	-	32,000	2.61	765,000	9.05
Siebert Williams Shank & Co.	2.50	733,000	-	-	82,000	2.78	815,000	8.49

Notes:

(1) Estimated takedowns rounded to nearest thousand and are based on estimated base case financing. Assumes issued without bond insurance.

(2) Estimated expenses rounded to nearest thousand and exclude Underwriter's Counsel.

(3) All firms proposed same takedowns for insured or uninsured bonds.

(4) Base case financing assumed as par of 293.065m (Assumes proceeds of: 175.8m for Water; 137.8m for Sewer; 17.985m in Sewer Refunded Par)

Amortization Shown Below:

1	21,460,000
2	4,360,000
3	4,575,000
4	4,805,000
5	5,045,000
6	5,295,000
7	5,560,000
8	5,840,000
9	6,130,000
10	6,440,000
11	6,760,000
12	7,100,000
13	7,455,000
14	7,825,000
15	8,215,000
16	8,630,000
17	9,060,000
18	9,515,000
19	9,990,000
20	10,490,000
21	11,010,000
22	11,565,000
23	12,140,000
24	12,750,000
25	13,385,000
26	14,055,000
27	14,760,000
28	15,495,000
29	16,270,000
30	17,085,000