

Memorandum

To: HONORABLE BOARD OF DIRECTORS

From: Suzanne R. Coffey, P.E., CEO

CC: William M. Wolfson, CACO

Date: August 8, 2022

RE: **EXPLANATION OF CEO August 2022 KPIs “RED, YELLOW, GREEN” REPORT**

OVERVIEW Last month there were five “yellow” indicators. This month there are four “yellow” and two “red” indicators.

Last month we added a new slide on the organizations staffing metrics. This month we added “red, yellow and green” indicators for that metric. For this measure to be “green” GLWA staffing count, excluding interns and apprentices, must be between an increase of 5 team members (EEs) and a decrease of 3 team members. For the measure to be “yellow” there must be an increase of more than 5 team members or a decrease of between 3 and 5 team members. For the measure to be “red” there must be a decrease of greater than 5 team members. This month the measure is “red” with a net decrease (12 hires and 19 separations) of 6 team members.

Similarly, the measure of quarterly staffing retention is “red” for the second quarter of calendar year 2022. In order for this measure to be “Green” GLWA’s retention rate must exceed the average retention rate for the service sector. For the calendar year quarter ending June 30, 2022, GLWA’s retention rate was 94.1% slightly below the service sector average of 94.96%. This is reflective of the historically tight labor market.

GLWA is hopeful that having current signed Collective Bargaining Agreements with all its unions with adjustments to certain job classifications as well as the receipt of annual merit adjustments effective July 1, 2022, will help reduce the number of separations. Similarly, GLWA is hopeful that recent changes to the style and content of its job postings will help to increase the number of new hires, impacting both of these measures

Our first “yellow” indicator relates to the reliability of wholesale water and sewer revenue projection. For the last seven months this measure has been “yellow”. It is “yellow” again

this month. For this measure to return to “green,” water system wholesale billed revenues will equal at least 100% of the budgeted amount. Last month we reported data from April 2022 and the measure was “yellow” with billed revenues at 98.2 % of budgeted charge revenue. This month we reported data from May 2022 and the measure remains “yellow” with billed revenues slightly improving to 98.5 % of budgeted charge revenue. This result is consistent with our preliminary analysis that predicted continued improvements anticipated for this area. GLWA believes it has addressed any remaining, performance shortfall through 3rd and 4th quarter budget amendments.

Our second “yellow” indicator is the measure of the ratio of operable valves to valves assessed. Last month this indicator was also “yellow”. The goal for this metric is 100% of GLWA valves are operational. Last month we reported that 81 % of GLWA valves assessed were operational. This month the percentage of operational valves has slightly decreased to 80.6%. As previously stated, it is not unreasonable to expect this indicator to remain “yellow” for the foreseeable future underscoring the value of this project.

Our third “yellow” indicator relates to GLWA’s total CIP spend. For this measure to be “green” GLWAs must expend at least 80% of its approved capital spending plan. Last month we reported data from May 2022 and the indicator was “yellow” at 79%. This month the indicator remains “yellow” and continues at 79%. We continue to believe this slight underperformance is due to supply chain issues, the need to rebid a project, and the adjustments made to other system projects to allow for repairs and operations related to the 14-mile main break, and continued wet weather challenges. GLWA also recognize that there is growing pressure on the supply change and are planning for future impacts and will continue to monitor causation and performance in this area with an eye on intermediate adjustments to the CIP.

Last month our performance on capital projects for the water system was 88% of the approved capital spending plan and this month it remains at 88%. For wastewater capital projects the performance last month was just below 62 % of the approved capital spending plan and this month it is 62 %.

Our fourth “yellow” indicator relates to our network up-time percentage. For this metric to be “green” the network must be up at least 99.98% of the time Last month the indicator was “yellow” with an uptime of 99.96% This month our network up time improved to 99.97% causing the indicator to remain “yellow.” During this period GLWA again experienced downtime due to power outages at an effluent building and the Southwest Water Treatment Plant. Although GLWA will continue to monitor this issue, given the very slight decline, we do not feel additional action is necessary at this time.

SPECIFIC RED AND YELLOW MEASURES ON FOLLOWING PAGE:

EUM Attribute	Measure	Significance	Criteria		Status
Financial Viability	Water system wholesale billed revenues will meet or exceed budgeted amount	Methods for establishing revenue projections are reliable	Green Yellow Red	100% 85% - 99% <85%	Yellow

Explanation and Responsive Actions: This measure relates to the reliability of wholesale water and sewer revenue projection. For this measure to remain “green” water system wholesale billed revenues will equal at least 100% of the budgeted amount. Last month we reported data from April 2022 and the measure was “yellow” with billed revenues at 98.2 % of budgeted charge revenue. This month we reported data from May 2022 and the measure remains “yellow” with billed revenues slightly improving to 98.5 % of budgeted charge revenue. This result is consistent with our preliminary analysis that predicted continued improvements anticipated for this area. GLWA believes it has addressed any remaining, performance shortfall through 3rd and 4th quarter budget amendments.

EUM Attribute	Measure	Significance	Criteria		Status
Infrastructure Strategy and Performance	Water - 100% of GLWA valves assessed are operational	Reduced risk of unplanned downtime and service interruption	Green Yellow Red	>90% 80% - 90% <80%	Yellow

Explanation and Responsive Actions: Our valve assessment project measure remains “yellow” this month but has slightly declined from the previous month. As the Board is aware, under this project, valves are currently defined in one of three categories – minor repair, rehabilitation, or replacement. Where the valve ultimately ends up is determined at the end of the project which means that a valve can go from minor repair to rehabilitated during the contract and may be operational by the end of the contract period.

EUM Attribute	Measure	Significance	Criteria		Status
Enterprise Resiliency	Total CIP spend 80% or greater than approved spending plan	Method for establishing spending is aligned with budgeted revenue	Green Yellow Red	>80% 70-80% < 70%	Yellow

Explanation and Responsive Actions: For this measure to be “green” GLWA’s capital spending must be 80% or greater of the approved spending plan. This month the CIP spend metric was again “yellow” remaining at 79% of the spending plan. The underperformance was primarily driven by underperformance on sewer lateral asset capital projects. GLWA believes this slight underperformance is due to supply chain issues, the need to rebid a project, adjustments to system projects to allow for repairs and operations related to the 14-mile main break to be completed, as well as continued wet weather challenges. GLWA will continue to monitor causation and performance in this area. GLWA also recognize that there is growing pressure on the supply change and are planning for future impacts and will continue to monitor causation and performance in this area with an eye on intermediate adjustments to the CIP.

EUM Attribute	Measure	Significance	Criteria		Status
Enterprise Resiliency	All GLWA sites with Wide Area Network connections will have 100% availability	Network connectivity promotes employee productivity	Green Yellow Red	>99.98% 99.50% - 99.98% <99.50%	Yellow

Explanation and Responsive Actions: This month our network was up 99.97% of the time, slightly below the 99.98 % goal. During this period GLWA again experienced downtime due to power outages at an effluent building and the Southwest Water Treatment Plant. The IT Group is evaluating affected locations to determine what, if anything is needed to improve performance.

EUM Attribute	Measure	Significance	Criteria	Status
Employee and Leadership Development	GLWA's employee retention rate will exceed the 94.9 % industry average rate	Organizational development employee retention	<i>Green = higher retention rate Yellow = industry average retention rate Red = lower retention rate</i>	RED
Employee and Leadership Development	GLWA's staffing levels will remain constant or experience modest growth	Organizational development employee retention. Volatility of the labor market.	<i>Green= 0 - +3 EEs or -3 EEs Yellow = > +5 EEs or - 3 to 5EEs Red = -5EEs</i>	RED

Explanation and Responsive Actions:

The first measure tracks GLWA's retention statistics in relationship to the service sector. In order for this measure to be "Green" GLWA's retention rate must exceed the average retention rate for the service sector. For the calendar year quarter ending June 30, 2022, GLWA's retention rate was 94.1% slightly below the service sector average of 94.96%. This is reflective of the historically tight labor market.

The second measure tracks monthly staffing. For this measure to be "green" GLWA staffing count, excluding interns and apprentices, must be between an increase of 5 team members (EEs) and a decrease of 3 team members. For the measure to be "yellow" there must be an increase of more than 5 team members or a decrease of between 3 and 5 team members. For the measure to be "red" there must be a decrease of greater than 5 team members. This month the measure is "red" with a net decrease (12 hires and 19 separations) of 6 team members.

For both these measures, GLWA is hopeful that having current signed Collective Bargaining Agreements with all its unions with adjustments to certain job classifications as well as the receipt of annual merit adjustments effective July 1, 2022, will help reduce the number of separations. Similarly, GLWA is hopeful that recent changes to the style and content of its job postings will help to increase the number of new hires.