



Date: February 24, 2023

To: Great Lakes Water Authority Audit Committee

From: Lisa L. Mancini, Financial Planning & Analysis Manager

Re: FY 2023 Second Quarter Budget Amendments through December 31, 2022, and Proposed Budget Amendment Resolution

Background: In accordance with the budget amendment policy, articles, and by-laws for the Great Lakes Water Authority, a quarterly budget amendment report is presented for review by the Audit Committee. When budget amendments are required at the appropriation level as defined by the corresponding fiscal year budget adoption resolution, the Audit Committee will review the proposed budget amendments and forward to the Board of Directors with a recommendation.

Analysis: Highlights of the FY 2023 second quarter budget amendments include the following.

- A. Net increase to the Water System revenues of \$3.5 million (Table 1A)
 - \$2.8 million revenue increase – Investment earnings adjustment based on revised interest rates provided by the Authority’s investment advisor have been applied to the cashflow forecast related to the FY 2024 budget preparation.
 - \$0.7 million revenue increase – Other earnings adjustment based on activity to date for energy rebates, radio tower lease payments received, scrap metal sales, grants (apprentice program, EGLE Watershed Council, and FEMA COVID-19), and other miscellaneous receipts. The source of revenue for this category fluctuates from year to year.

- B. There is an increase to the Water Operations & Maintenance (O&M) Expense of \$4.3 million. (Table 1A). The primary drivers for this increase are as follows.
 - Chemicals - \$4.7 million increase – Chemical costs, primarily Chlorine, Phosphoric Acid, and Hydrofluorosilicic Acid (Fluoride), have incurred significant cost increases due to supply issues.
 - Utilities - Electric - \$1.2 million increase – This is related to the increase to the charge for kWh.

- Personnel - \$2.8 million decrease - The decrease is primarily due to the timing of filling vacant positions, especially those that are hard to fill in this tight labor market.
- Capital Program Allocation - \$0.7 million increase – This is the portion of Personnel costs which are attributed to the Capital Improvement Plan. The amount in this category is shown as negative as this is a “contra” account which represents an offset to the Personnel costs section of the O&M budget. The adjustment to the Capital Program Allocation budget is related to the adjustment to the Personnel costs referenced in the bullet point above.
- Supplies & Other - \$0.5 million increase – This increase is primarily due to maintenance needs at the water plants and pumping stations.
- The Water System Operations Unallocated Reserves, at the time of the FY 2023 budget adoption, was at \$2.3 million. This amount is insufficient to cover the increases noted in the bullet points above.

C. Net increase to the Sewer System revenues of \$6.9 million (Table 1B)

- \$1.4 million revenue increase – This represents the current estimate of payments that will be received from Highland Park under the reinforced judgement. The original budget assumed no payments from Highland Park.
- \$4.8 revenue increase – Investment earnings adjustment based on revised interest rates provided by the Authority’s investment advisor have been applied to the cashflow forecast related to the September 2022 bond transaction.
- \$0.8 million revenue increase – Other earnings adjustment based on activity to date for energy rebates, lease payments received for easements, scrap metal sales, grants (EGLE Watershed Council and FEMA COVID-19), and other miscellaneous receipts. The source of revenue for this category fluctuates from year to year.

D. There is an increase to the Sewer Operations & Maintenance Expense of \$8.4 million. (Table 1B). The primary drivers for this increase are as follows.

- Utilities - \$8.4 million increase – Water Service is the primary driver in this category with an increase of \$8.1 million. Meters have been repaired and replaced at the WRRF (Water Resource Recovery Facility) and bills which had previously contained estimated readings are now being received with actual readings. The actual readings are coming in higher than the estimated readings. In addition, a new water billing structure was implemented in early FY 2023 which has resulted in an increase in the water billing rate. Bills reflecting the new billing rate had not begun to be received until after the first quarter FY 2023 budget amendment had been presented. The wastewater

facilities impacted by this rate increase are the WRRF, Oakwood Combined Sewer Overflow, and the Biosolids Dryer Facility (BDF).

- The Wastewater System Operations Unallocated Reserves, at the time of the FY 2023 budget adoption, was at \$3.1 million. This amount was significantly reduced for the first quarter FY 2023 budget amendment and is insufficient to cover the increase noted in the bullet point above.

- E. Construction Funds - Grant Revenues (SRF Loans) (Tables 4A and 4B) - The amount budgeted for draws of State Revolving Fund (SRF) Loans for both the water (\$44.0 million decrease) and sewer (\$10.3 million decrease) construction funds have been adjusted to reflect the timing of project design and construction activity.

- F. Construction Funds – Bond Fund Earnings on Investments (Tables 4A and 4B) – The amounts budgeted for investment earnings have been increased for both the water (\$3.7 million) and sewer (\$3.9 million) construction funds for the September 2022 bond transaction.

- G. Construction Funds – Capital Improvement Plan (CIP) (Tables 4A and 4B) - The Capital Spending Ratio for the water capital improvement plan is forecasted to increase from 100.0% to 116.2% which equates to \$31.4 million. The Capital Spending Ratio for the sewer capital improvement plan was increased from 100.0% to 110.7% which equates to \$13.5 million. These adjustments were based on a review of the spend projections for FY 2023 (revised since the FY 2023-FY 2027 CIP was approved by the Board on February 22, 2022) and discussions with project personnel as well as the rising costs of materials and labor and are reflected in the summary tables of the discussion draft 2 Capital Improvement Plan 2024-2028 which was presented at the Capital Planning Committee meeting on January 18, 2023 [Discussion Draft 2 - CIP FY 2024-2028](#).

The attached budget amendment report is organized in the following manner.

1. Appropriation Level - Revenue Requirement - Water and Sewer Systems

- A. *Water System General Operating Fund*
- B. *Sewer System General Operating Fund*
- C. *Total Operating Fund Level – Water System and Sewer System (Supplemental Information)*
- D. *Enterprise-wide Core Groups (Supplemental Information)*
- E. *Enterprise-wide Operations & Maintenance Account Type (Supplemental Information)*

F. Unallocated Reserve by Core Group (Supplemental Information)

2. Appropriation Level – Debt Service – Water and Sewer Systems

- A. Water System Debt Service Coverage Calculation*
- B. Sewer System Debt Service Coverage Calculation*

3. Appropriation Level – Improvement & Extension Fund – Water and Sewer Systems

- A. Water System Improvement & Extension Fund*
- B. Sewer System Improvement & Extension Fund*

4. Appropriation Level – Construction Fund – Water and Sewer Systems

- A. Water System Construction Fund*
- B. Sewer System Construction Fund*

A budget amendment resolution reflecting the budget amendments is attached.



Quarterly Budget Amendment Report
 FY 2023 Ending December 31, 2022

Table 1A - Appropriation Level - Revenue Requirement – Water System General Operating

	FY 2023 Board Adopted Budget	Total 1st Quarter FY 2023 Amendments	Total 2nd Quarter FY 2023 Amendments	FY 2023 Amended Budget	FY 2023 Activity Thru 12/31/2022
Water System					
Revenues					
Suburban Wholesale Customer Charges	\$ 333,219,000	\$ (1,105,700)	\$ -	\$ 332,113,300	\$ 173,030,500
Less: Bad Debt Expense	(1,257,000)	-	-	\$ (1,257,000)	-
Retail Service Charges	22,985,900	(151,600)	-	22,834,300	11,442,400
Investment Earnings	948,700	5,921,200	2,800,300	9,670,200	2,574,200
Other Revenues	175,000	-	700,000	875,000	829,300
Total Revenues	\$ 356,071,600	\$ 4,663,900	\$ 3,500,300	\$ 364,235,800	\$ 187,876,400
Revenue Requirements					
Operations & Maintenance Expense	\$ 144,847,700	\$ -	\$ 4,300,000	\$ 149,147,700	\$ 76,173,200
General Retirement System Legacy Pension	6,048,000	-	-	6,048,000	3,024,000
Debt Service	150,337,100	490,200	(772,000)	150,055,300	76,396,700
General Retirement System Accelerated Pension	6,268,300	-	-	6,268,300	3,134,100
Extraordinary Repair & Replacement Deposit	-	-	-	-	-
Water Residential Assistance Program Contribution	1,770,500	-	-	1,770,500	885,300
Regional System Lease	22,500,000	-	-	22,500,000	11,250,000
DWSD Budget Shortfall Pending	-	-	-	-	-
Improvement & Extension Fund Transfer Pending	24,300,000	4,173,700	(27,700)	28,446,000	14,236,800
Total Revenue Requirements	\$ 356,071,600	\$ 4,663,900	\$ 3,500,300	\$ 364,235,800	\$ 185,100,100
Net Actual to Date	\$ -	\$ -	\$ -	\$ -	\$ 2,776,300



Quarterly Budget Amendment Report
 FY 2023 Ending December 31, 2022

Appropriation Level – Revenue Requirement – Water System General Operating Budget Amendment Explanation	
Revenues	
Suburban Wholesale Customer Charges	<i>No budget amendment is required.</i>
Bad Debt	<i>No budget amendment is required.</i>
Retail Services Charges	<i>No budget amendment is required.</i>
Investment Earnings	<i>The increase is based on the revised interest rates which have been applied to the cashflow forecast related to the FY 2024 budget preparation.</i>
Other Revenues	<i>The budget amendment proposed is based on activity to date for energy rebates, radio tower lease payments received, scrap metal sales, grants (apprentice program, EGLE Watershed Council, and FEMA COVID-19), and other miscellaneous receipts. This source of revenue fluctuates from year to year.</i>
Revenue Requirements (Expenditures)	
Operations & Maintenance Expense	<i>The Water O&M budget is being increased by \$4.3 million to cover the shortfall projected for FY 2023 (details can be found in the Highlights section beginning on the first page of this document).</i>
General Retirement System Legacy Pension	<i>No budget amendment is required. Budget and funding are on a fixed schedule.</i>
Debt Service	<i>The decrease is due to the revision of the SRF schedules (timing of the draws).</i>
General Retirement System Legacy Pension – Accelerated Payment	<i>No budget amendment is required. Budget and funding are on a fixed schedule.</i>
Extraordinary Repair & Replacement Deposit	<i>No budget amendment is required. This is a formulaic requirement in the Master Bond Ordinance. Based on adopted and amended budget, no adjustment is required.</i>
Water Residential Assistance Program Contribution	<i>No budget amendment is required. Budget is fixed at time of budget adoption.</i>



Quarterly Budget Amendment Report
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Appropriation Level – Revenue Requirement – Water System General Operating Budget Amendment Explanation	
Regional System Lease	<i>No budget amendment is required. Lease payment is established in accordance with terms of the lease.</i>
DWSD Budget Shortfall Pending	<i>No budget amendment is proposed at this time.</i>
Improvement & Extension Fund Transfer Pending	<i>Represents annual funding for pay-as-you-go capital improvement program. Budget amendments to revenues, bad debt, investment earnings, debt service, and DWSD budget shortfall affect this line item.</i>



Quarterly Budget Amendment Report
 FY 2023 Ending December 31, 2022

Table 1B - Appropriation Level - Revenue Requirement – Sewer System General Operating

Sewer System	FY 2023 Board Adopted Budget	Total 1st Quarter FY 2023 Amendments	Total 2nd Quarter FY 2023 Amendments	FY 2023 Amended Budget	FY 2023 Activity Thru 12/31/2022
Revenues					
Suburban Wholesale Customer Charges	\$ 280,824,000	\$ (5,416,800)	\$ -	\$ 275,407,200	\$ 137,722,900
Less: Bad Debt Expense	(5,420,500)	3,020,500	1,400,000	(1,000,000)	-
Retail Service Charges	191,042,200	-	-	191,042,200	95,521,100
Industrial Waste Control Charges	8,420,000	-	-	8,420,000	4,185,500
Pollutant Surcharges	4,950,800	-	-	4,950,800	2,524,500
Investment Earnings	1,155,600	7,615,600	4,760,900	13,532,100	3,854,900
Other Revenues	400,000	-	770,000	1,170,000	960,500
Total Revenues	\$ 481,372,100	\$ 5,219,300	\$ 6,930,900	\$ 493,522,300	\$ 244,769,400
Revenue Requirements					
Operations & Maintenance Expense	\$ 184,052,600	\$ 10,769,900	\$ 8,400,000	\$ 203,222,500	\$ 99,278,000
General Retirement System Legacy Pension	10,824,000	-	-	10,824,000	5,412,000
Debt Service	205,638,100	5,717,100	1,153,900	212,509,100	106,058,100
General Retirement System Accelerated Pension	11,620,700	-	-	11,620,700	5,810,400
Extraordinary Repair & Replacement Deposit	-	-	-	-	-
Water Residential Assistance Program Contribution	2,394,200	-	-	2,394,200	1,197,100
Regional System Lease	27,500,000	-	-	27,500,000	13,750,000
DWSD Budget Shortfall Pending	-	-	-	-	-
Improvement & Extension Fund Transfer Pending	39,342,500	(11,267,700)	(2,623,000)	25,451,800	14,037,400
Total Revenue Requirements	\$ 481,372,100	\$ 5,219,300	\$ 6,930,900	\$ 493,522,300	\$ 245,543,000
Net Actual to Date	\$ -	\$ -	\$ -	\$ -	\$ (773,600)



Quarterly Budget Amendment Report
 FY 2023 Ending December 31, 2022

Appropriation Level – Revenue Requirement – Sewer System General Operating Budget Amendment Explanation	
Revenues	
Suburban Wholesale Customer Charges	<i>No budget amendment is required.</i>
Bad Debt	<i>The increase represents the current estimate of payments that will be received from Highland Park under the reinforced judgement. The original budget assumed no payments from Highland Park.</i>
Retail Services Charges	<i>No budget amendment is required.</i>
Industrial Waste Control Charges	<i>No budget amendment is required.</i>
Pollutant Surcharges	<i>No budget amendment is required.</i>
Investment Earnings	<i>The increase is based on the revised interest rates which have been applied to the cashflow forecast related to the FY 2024 budget preparation.</i>
Other Revenues	<i>The budget amendment proposed is based on activity to date for energy rebates, lease payments received for easements, scrap metal sales, grants (EGLE Watershed Council and FEMA COVID-19), and other miscellaneous receipts. This source of revenue fluctuates from year to year.</i>
Revenue Requirements (Expenditures)	
Operations & Maintenance Expense	<i>The Sewer O&M budget is being increased by \$8.4 million to cover the additional shortfall projected for FY 2023 (details can be found in the Highlights section beginning on the first page of this document).</i>
General Retirement System Legacy Pension	<i>No budget amendment is required. Budget and funding are on a fixed schedule.</i>
Debt Service	<i>The increase is due to the revision of the SRF schedules (decrease due to timing of the draws) as well as the increase in the variable rate on the 2006D Bonds.</i>



Quarterly Budget Amendment Report
FY 2023 Ending December 31, 2022

Appropriation Level – Revenue Requirement – Sewer System General Operating Budget Amendment Explanation	
General Retirement System Legacy Pension – Accelerated Payment	<i>No budget amendment is required. Budget and funding are on a fixed schedule.</i>
Extraordinary Repair & Replacement Deposit	<i>No budget amendment is required. This is a formulaic requirement in the Master Bond Ordinance. Based on adopted and amended budget, no adjustment is required.</i>
Water Residential Assistance Program Contribution	<i>No budget amendment is required. Budget is fixed at time of budget adoption.</i>
Regional System Lease	<i>No budget amendment is required. Lease payment is established in accordance with terms of the lease.</i>
DWSD Budget Shortfall Pending	<i>No budget amendment is proposed at this time.</i>
Improvement & Extension Fund Transfer Pending	<i>Represents annual funding for pay-as-you-go capital improvement program. Budget amendments to revenues, bad debt, investment earnings, debt service, and DWSD budget shortfall affect this line item.</i>



Quarterly Budget Amendment Report
 FY 2023 Ending December 31, 2022

Table 1C - Supplemental Information – Operating Fund Level - Water System and Sewer System

System	FY 2023 Board Adopted Budget	Total 1st Quarter FY 2023 Amendments	Total 2nd Quarter FY 2023 Amendments	FY 2023 Amended Budget	FY 2023 Activity Thru 12/31/2022
Water System	\$ 144,847,700	\$ -	\$ 4,300,000	\$ 149,147,700	\$ 76,173,200
Sewer System	184,052,600	10,769,900	8,400,000	203,222,500	99,278,000
Total	\$ 328,900,300	\$ 10,769,900	\$ 12,700,000	\$ 352,370,200	\$ 175,451,200

Totals may be off due to rounding.

As shown in the table above, there are no budget amendments for transfers of resources between the water and sewer funds. It is unforeseen that such an amendment would occur as each system is accounted for as a stand-alone entity. The purpose of this table is to transparently report that funds from one system do not provide budget support to the other system.



Quarterly Budget Amendment Report
 FY 2023 Ending December 31, 2022

Table 1D - Supplemental Information - Enterprise-wide Core Groups

O&M Major Budget Categories (Core Groups)	FY 2023 Board Adopted Budget	Total 1st Quarter FY 2023 Amendments	Total 2nd Quarter FY 2023 Amendments	FY 2023 Amended Budget	FY 2023 Activity Thru 12/31/2022
A Water System Operations	\$ 76,518,200	\$ -	\$ 4,300,000	\$ 80,818,200	\$ 42,087,100
B Wastewater System Operations	113,197,500	10,769,900	8,400,000	132,367,400	67,179,600
C Centralized Services	104,502,900	-	-	104,502,900	49,314,700
D Administrative & Other Services	34,681,700	-	-	34,681,700	16,869,800
Total	\$ 328,900,300	\$ 10,769,900	\$ 12,700,000	\$ 352,370,200	\$ 175,451,200

Totals may be off due to rounding.

A subset of the operating funds are core groups that account for A) direct cost of water operations, B) direct cost of sewer operations, C) centralized services (E.g., field services, security, information technology, facilities, and fleet), D) administrative services (E.g., finance, public affairs, general counsel, and organizational development). The costs of the latter two categories are allocated to the water and sewer systems based upon an internal cost allocation plan that is performed on an annual basis.

Through the second quarter FY 2023, there are no amendments that cross the core groups.

For A-Water System Operations, the Water O&M budget is being increased \$4.3 million and for B-Wastewater System Operations, the Sewer O&M budget is being further increased \$8.4 million to cover the shortfalls projected for FY 2023 (details can be found in the Highlights section beginning on the first page of this document).

For more activity within these groups, see *Supplemental Information - Enterprise-wide Operations & Maintenance Department and Account Level Amendments (Addendum 1)*.



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Table 1E - Supplemental Information - Enterprise-wide Operations & Maintenance Account Type

O&M Expense Categories (Account Type)	FY 2023 Board Adopted Budget	Total 1st Quarter FY 2023 Amendments	Total 2nd Quarter FY 2023 Amendments	FY 2023 Amended Budget	FY 2023 Activity Thru 12/31/2022
Personnel Costs	\$ 122,144,300	\$ (367,200)	\$ (2,774,800)	\$ 119,002,300	\$ 58,408,000
Utilities	51,007,400	4,910,100	9,597,700	65,515,200	35,947,500
Chemicals	16,118,600	7,663,000	4,694,300	28,475,900	14,880,100
Supplies & Other	34,911,800	-	209,700	35,121,500	16,406,400
Contractual Services	104,579,200	1,413,300	(14,200)	105,978,300	51,355,600
Capital Program Allocation	(4,376,200)	-	740,000	(3,636,200)	(926,400)
Shared Services	(2,925,000)	1,424,100	-	(1,500,900)	(620,000)
Unallocated Reserve	7,440,200	(4,273,400)	247,300	3,414,100	-
Total	\$ 328,900,300	\$ 10,769,900	\$ 12,700,000	\$ 352,370,200	\$ 175,451,200

Totals may be off due to rounding.

The table above presents the Operations & Maintenance budget by the major expense categories (account type).

For additional detail and the explanation of the key changes to the FY 2023 budget within these categories, see *Supplemental Information - Enterprise-wide Operations & Maintenance Department and Account Level Amendments (Addendum 1)*.

For an additional view of the Operations & Maintenance budget by expense category (account type) and by departmental level, see *Supplemental Information - Enterprise-wide Operations & Maintenance Account Type and Departmental Level Amendments (Addendum 2)*.



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 FY 2023 Ending December 31, 2022

Table 1F - Supplemental Information - Unallocated Reserve by Core Group

O&M Unallocated Reserves	FY 2023 Board Adopted Budget	Total 1st Quarter FY 2023 Amendments	Total 2nd Quarter FY 2023 Amendments	FY 2023 Amended Budget
Water System Operations	\$ 2,284,700	\$ -	\$ (9,300)	\$ 2,275,400
Wastewater System Operations	3,055,500	(3,055,200)	302,600	302,900
Centralized Services	1,600,000	(1,218,200)	-	381,800
Administrative & Other Services	500,000	-	(46,000)	454,000
Total	\$ 7,440,200	\$ (4,273,400)	\$ 247,300	\$ 3,414,100

Totals may be off due to rounding.

An Unallocated Reserve account is established for each of the four core groups. Budget is assigned to these accounts to cover expenditures not known at the time the budget is developed (merit increases, fluctuations within maintenance contracts and usage of utilities and chemicals, projects and initiatives not planned at the time the initial budget was developed, etc.). It is GLWA’s internal budget directive for each area, group, and team to manage their needs to an amount within the initial budget. If required, an amendment is made from the unallocated reserve. If an area does not require as much funding as was established in the original budget, that department’s budgeted expenses are reduced, and the unallocated reserve is increased.

For additional information on the FY 2023 changes to the unallocated reserve, see *Supplemental Information - Enterprise-wide Operations & Maintenance Department and Account Level Amendments (Addendum 1)*.



Quarterly Budget Amendment Report
FY 2023 Ending December 31, 2022

Table 2A - Appropriation Level – Debt Service Coverage Calculation – Water System

Water System - Debt Service Coverage Calculation	FY 2023 Adopted Budget	1st Quarter FY 2023 Amendments Regional System	Final Adjustment to FY 2023 Local System Budget	FY 2023 Amended Budget	2nd Quarter FY 2023 Amendments Regional System	2nd Quarter FY 2023 Amendments Local System	FY 2023 Amended Budget
Revenues							
1 Regional System Wholesale Revenues	\$ 354,947,900	\$ (1,257,300)	\$ -	\$ 353,690,600	\$ -	\$ -	\$ 353,690,600
2 Local System Revenues	70,104,100	-	18,061,300	88,165,400	-	-	88,165,400
3 Miscellaneous Revenue (Local System)	3,900,000	-	800	3,900,800	-	-	3,900,800
4 Non-Operating Revenue (Regional System)	1,123,700	5,921,200	-	7,044,900	3,500,300	-	10,545,200
5 Total Revenues	\$ 430,075,700	\$ 4,663,900	\$ 18,062,100	\$ 452,801,700	\$ 3,500,300	\$ -	\$ 456,302,000
Revenue Requirements							
Operations & Maintenance Expense							
6 Regional System Wholesale Expenses	\$ 144,847,700	\$ -	\$ -	\$ 144,847,700	\$ 4,300,000	\$ -	\$ 149,147,700
7 Local System Expenses	30,490,000	-	12,091,600	42,581,600	-	-	42,581,600
8 GRS Pension allocable to Regional System	6,048,000	-	-	6,048,000	-	-	6,048,000
9 GRS Pension allocable to Local System	4,272,000	-	-	4,272,000	-	-	4,272,000
10 Total Operations & Maintenance Expense	185,657,700	-	12,091,600	197,749,300	4,300,000	-	202,049,300
11 Net Revenues after Operations & Maintenance Expense	\$ 244,418,000	\$ 4,663,900	\$ 5,970,500	\$ 255,052,400	\$ (799,700)	\$ -	\$ 254,252,700
Debt Service by Lien							
12 Senior Lien Bonds	\$ 135,939,700	\$ (2,166,600)	\$ -	\$ 133,773,100	\$ -	\$ -	\$ 133,773,100
13 Second Lien Bonds	47,200,100	2,917,100	-	50,117,200	-	-	50,117,200
14 SRF Junior Lien Bonds	10,061,800	(258,900)	-	9,802,900	(772,000)	(156,500)	8,874,400
15 Total Debt Service	\$ 193,201,600	\$ 491,600	\$ -	\$ 193,693,200	\$ (772,000)	\$ (156,500)	\$ 192,764,700
Debt Service Coverage							
16 Senior Lien Bonds (11)/(12)	1.80	0.06	0.04	1.91	(0.01)	0.00	1.90
17 Second Lien Bonds (11)/[(12)+(13)]	1.33	0.02	0.03	1.39	(0.00)	0.00	1.38
18 SRF Junior Lien Bonds (11)/(15)	1.27	0.02	0.03	1.32	(0.00)	0.00	1.32

* Rows highlighted in light grey in the above table are designed to align with the DWSD Budget. The approved GLWA budget was based on preliminary DWSD budget information.

** Total Debt Service, highlighted in dark grey (Row 15) in the above table, is adopted by the GLWA Board.



Quarterly Budget Amendment Report
 FY 2023 Ending December 31, 2022

Appropriation Level - Debt Service - Water System Debt Service Coverage Calculation Budget Amendment Explanation	
Total Debt Service	<i>For purposes of Debt Service coverage, we look at the combined Regional and Local (DWSD) revenue less operations & maintenance (O&M) expense to determine net revenues to calculate the Debt Service Coverage. The Board adopts the Debt Service amount shown on line 15 of the Water System Debt Service Coverage Calculation table on the previous page. This is the amount necessary to pay the principal of and interest on all Regional Water System bonds and to restore any reserves therefore established in the Master Bond Ordinance.</i>



Quarterly Budget Amendment Report
FY 2023 Ending December 31, 2022

Table 2B - Appropriation Level – Debt Service Coverage Calculation – Sewer System

Sewer System - Debt Service Coverage Calculation	FY 2023 Adopted Budget	1st Quarter FY 2023 Amendments Regional System	Final Adjustment to FY 2023 Local System Budget	FY 2023 Amended Budget	2nd Quarter FY 2023 Amendments Regional System	2nd Quarter FY 2023 Amendments Local System	FY 2023 Amended Budget
Revenues							
1 Regional System Wholesale Revenues	\$ 479,816,500	\$ (2,396,300)	\$ -	\$ 477,420,200	\$ 1,400,000	\$ -	\$ 478,820,200
2 Local System Revenues	96,467,800	-	(17,897,700)	78,570,100	-	-	78,570,100
3 Miscellaneous Revenue (Local System)	7,640,000	-	(1,300)	7,638,700	-	-	7,638,700
4 Non-Operating Revenue (Regional System)	1,555,600	7,615,600	-	9,171,200	5,530,900	-	14,702,100
5 Total Revenues	\$ 585,479,900	\$ 5,219,300	\$ (17,899,000)	\$ 572,800,200	\$ 6,930,900	\$ -	\$ 579,731,100
Revenue Requirements							
Operations & Maintenance Expense							
6 Regional System Wholesale Expenses	\$ 184,052,600	\$ 10,769,900	\$ -	\$ 194,822,500	\$ 8,400,000	\$ -	\$ 203,222,500
7 Local System Expenses	63,390,000	-	(11,993,600)	51,396,400	-	-	51,396,400
8 GRS Pension allocable to Regional System	10,824,000	-	-	10,824,000	-	-	10,824,000
9 GRS Pension allocable to Local System	2,856,000	-	-	2,856,000	-	-	2,856,000
10 Total Operations & Maintenance Expense	261,122,600	10,769,900	(11,993,600)	259,898,900	8,400,000	-	268,298,900
11 Net Revenues after Operations & Maintenance Expense	\$ 324,357,300	\$ (5,550,600)	\$ (5,905,400)	\$ 312,901,300	\$ (1,469,100)	\$ -	\$ 311,432,200
Debt Service by Lien							
12 Senior Lien Bonds	\$ 149,780,900	\$ 1,749,800	\$ -	\$ 151,530,700	\$ 1,664,100	\$ -	\$ 153,194,800
13 Second Lien Bonds	36,738,500	3,108,600	-	39,847,100	-	-	39,847,100
14 SRF Junior Lien Bonds	51,084,400	891,300	-	51,975,700	(510,200)	(110,700)	51,354,800
15 Total Debt Service	\$ 237,603,800	\$ 5,749,700	\$ -	\$ 243,353,500	\$ 1,153,900	\$ (110,700)	\$ 244,396,700
Debt Service Coverage							
16 Senior Lien Bonds (11)/(12)	2.17	(0.06)	(0.04)	2.06	(0.03)	0.00	2.03
17 Second Lien Bonds (11)/[(12)+(13)]	1.74	(0.07)	(0.03)	1.63	(0.02)	0.00	1.61
18 SRF Junior Lien Bonds (11)/(15)	1.37	(0.06)	(0.02)	1.29	(0.01)	0.00	1.27

* Rows highlighted in light grey in the above table are designed to align with the DWSD Budget. The approved GLWA budget was based on preliminary DWSD budget information.

** Total Debt Service, highlighted in dark grey (Row 15) in the above table, is adopted by the GLWA Board.



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Appropriation Level - Debt Service - Sewer System Debt Service Coverage Calculation Budget Amendment Explanation	
Total Debt Service	<i>For purposes of Debt Service coverage, we look at the combined Regional and Local (DWSD) revenue less operations & maintenance (O&M) expense to determine net revenues to calculate the Debt Service Coverage. The Board adopts the Debt Service amount shown on line 15 of the Sewer System Debt Service Coverage Calculation table on the previous page. This is the amount necessary to pay the principal of and interest on all Regional Sewer System bonds and to restore any reserves therefore established in the Master Bond Ordinance.</i>



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Table 3A - Appropriation Level – Improvement & Extension Fund – Water System

Water Improvement & Extension Fund	FY 2023 Board Adopted Budget	Total 1st Quarter FY 2023 Amendments	Total 2nd Quarter FY 2023 Amendments	FY 2023 Amended Budget	FY 2023 Activity Thru 12/31/2022
Revenues					
Water System Transfers In from General Operating	\$ 24,300,000	\$ 4,173,700	\$ (27,700)	\$ 28,446,000	\$ 14,236,800
Earnings on Investments (b)	-	1,888,200	880,500	2,768,700	258,700
Net Use (Increase) of Reserves (a)	19,888,000	(15,409,100)	6,817,200	11,296,100	-
Total Revenues	\$ 44,188,000	\$ (9,347,200)	\$ 7,670,000	\$ 42,510,800	\$ 14,495,500
Expenditures					
Water System Revenue Transfers Out (b)	\$ -	\$ 1,888,200	\$ 880,500	\$ 2,768,700	\$ 666,600
Capital Spending - Other	-	-	-	-	-
Capital Outlay	15,452,600	-	-	15,452,600	5,414,500
Revenue Financed Capital - Transfer to Construction Fund	28,735,400	(11,235,400)	6,789,500	24,289,500	(9,728,100)
Total Expenditures	\$ 44,188,000	\$ (9,347,200)	\$ 7,670,000	\$ 42,510,800	\$ (3,647,000)
<i>(a) Beginning Net Position</i>	\$ 110,185,500	\$ (15,685,500)	\$ -	\$ 94,500,000	
<i>Net (Use) Increase of Reserves</i>	\$ (19,888,000)	\$ 15,409,100	\$ (6,817,200)	\$ (11,296,100)	
<i>Projected Ending Net Position</i>	\$ 90,297,500	\$ (276,400)	\$ (6,817,200)	\$ 83,203,900	

(a) The beginning net position reflects an estimated unaudited net position as of 6.30.2022 based on estimated activity at the time of budget approval. This figure will continue to change as the audit process ensues.

(b) Note: As outlined in the Master Bond Ordinance, the investment earnings in the I&E Fund are transferred to the Receiving Fund. The impact is to reduce revenue required from charges when calculating the annual Revenue Requirement budget.



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Appropriation Level – Improvement & Extension Fund – Water System Budget Amendment Explanation	
Revenues	
Transfers In from General Operating	<i>The proposed budget amendment is to match the amount available for transfer from the FY 2023 revenue requirement based upon general operating fund performance. (see I&E Fund Transfer Pending line on the Appropriation Level-Revenue Requirement-Water System General Operating table).</i>
Earnings on Investments	<i>The increase is based on the revised interest rates. There is a corresponding transfer of earnings back to the general operating fund as allowed by the Master Bond Ordinance. The net effect on the I&E Fund is zero as the earnings are budgeted and accounted for in the operating fund to lower revenue requirement for charges.</i>
Net Use (Source) of Reserves	<i>This amount represents the net amount of revenues less expenses. A negative amount represents an increase in reserves from current year activity rather than a use of reserves.</i>
Expenditures	
Water System Revenue Transfers Out (Earnings on Investments)	<i>The increase is based on the revised interest rates. This line offsets Earnings on Investments and represents the transfer of earnings back to the general operating fund as allowed by the Master Bond Ordinance. Any variance in activity between the two lines represents a timing difference.</i>
Capital Spending - Other	<i>No budget amendment is required. This line represents an adjustment to the projects in the Board adopted capital improvement plan (CIP) that do not meet the criteria for debt financing.</i>
Capital Outlay	<i>No budget amendment is required.</i>
Revenue Financed Capital – Transfer to Construction Fund	<i>The proposed budget amendment reflects a rebalancing of use of I&E and Construction funds for Capital Projects.</i>



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Table 3B - Appropriation Level - Improvement & Extension Fund – Sewer System

Sewer Improvement & Extension Fund	FY 2023 Board Adopted Budget	Total 1st Quarter FY 2023 Amendments	Total 2nd Quarter FY 2023 Amendments	FY 2023 Amended Budget	FY 2023 Activity Thru 12/31/2022
Revenues					
Sewer System Transfers In from General Operating	\$ 39,342,500	\$ (11,267,700)	\$ (2,623,000)	\$ 25,451,800	\$ 14,037,400
Receipt of DWSD Shortfall Loan Interest	-	-	-	-	-
Earnings on Investments (b)	-	2,016,500	1,379,200	3,395,700	769,600
Net Use (Increase) of Reserves (a)	5,549,500	8,322,800	(13,781,700)	90,600	-
Total Revenues	\$ 44,892,000	\$ (928,400)	\$ (15,025,500)	\$ 28,938,100	\$ 14,807,000
Expenditures					
Sewer System Revenue Transfers Out (b)	\$ -	\$ 2,016,500	\$ 1,379,200	\$ 3,395,700	\$ 694,800
Capital Spending - Other	-	2,389,700	-	2,389,700	-
Capital Outlay	18,447,100	-	(1,904,700)	16,542,400	6,571,700
Revenue Financed Capital - Transfer to Construction Fund	26,444,900	(5,334,600)	(14,500,000)	6,610,300	(5,740,300)
Total Expenditures	\$ 44,892,000	\$ (928,400)	\$ (15,025,500)	\$ 28,938,100	\$ 1,526,200
<i>(a) Beginning Net Position</i>	\$ 93,214,400	\$ 11,085,600	\$ -	\$ 104,300,000	
<i>Net (Use) Increase of Reserves</i>	(5,549,500)	(8,322,800)	13,781,700	(90,600)	
<i>Projected Ending Net Position</i>	\$ 87,664,900	\$ 2,762,800	\$ 13,781,700	\$ 104,209,400	

- (a) The beginning net position reflects an estimated unaudited net position as of 6.30.2022 based on estimated activity at the time of budget approval. This figure will continue to change as the audit process ensues.
- (b) Note: As outlined in the Master Bond Ordinance, the investment earnings in the I&E Fund are transferred to the Receiving Fund. The impact is to reduce revenue required from charges when calculating the annual Revenue Requirement budget.



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Appropriation Level – Improvement & Extension Fund – Sewer System Budget Amendment Explanations	
Revenues	
Transfers In from General Operating	<i>The proposed budget amendment is to match the amount available for transfer from the FY 2023 revenue requirement based upon general operating fund performance. (see I&E Fund Transfer Pending line on the Appropriation Level-Revenue Requirement-Sewer System General Operating table).</i>
Receipt of DWSD Shortfall Loan Interest	<i>No budget amendment is required. This line represents the interest earnings on Notes Receivable, when applicable, for DWSD Sewer System Shortfall to the payment schedule.</i>
Earnings on Investments	<i>The increase is based on the revised interest rates. There is a corresponding transfer of earnings back to the general operating fund as allowed by the Master Bond Ordinance. The net effect on the I&E Fund is zero as the earnings are budgeted and accounted for in the operating fund to lower revenue requirement for charges.</i>
Net Use (Source) of Reserves	<i>This amount represents the net amount of revenues less expenditures. A negative amount represents an increase in reserves from current year activity rather than a use of reserves.</i>
Expenditures	
Sewer System Revenue Transfers Out (Earnings on Investments)	<i>The increase is based on the revised interest rates. This line offsets Earnings on Investments and represents the transfer of earnings back to the general operating fund as allowed by the Master Bond Ordinance. Any variance in activity between the two lines represents a timing difference.</i>
Capital Spending – Other	<i>No budget amendment is required. This line represents an adjustment to the projects in the Board adopted capital improvement plan (CIP) that do not meet the criteria for debt financing.</i>
Capital Outlay	<i>The proposed budget amendment reflects the decrease in spending which is primarily driven by the change in project start dates and project scope.</i>
Revenue Financed Capital – Transfer to Construction Fund	<i>The proposed budget amendment reflects a rebalancing of use of I&E and Construction funds for Capital Projects.</i>



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Table 4A - Appropriation Level – Construction Fund – Water System

Water Construction Fund	FY 2023 Board Adopted Budget	Total 1st Quarter FY 2023 Amendments	Total 2nd Quarter FY 2023 Amendments	FY 2023 Amended Budget	FY 2023 Activity Thru 12/31/2022
Revenues					
Transfer from Improvement & Extension Fund	\$ 28,735,400	\$ (11,235,400)	\$ 6,789,500	\$ 24,289,500	\$ (9,728,100)
Bond Proceeds	-	225,000,000	-	225,000,000	228,878,800
Bond Fund Earnings on Investments	128,800	749,000	3,688,000	4,565,800	2,404,300
Grant Revenues (SRF Loans)	54,992,000	71,838,000	(43,963,000)	82,867,000	30,374,400
Net Use (Increase) of Reserves (a)	71,644,800	(247,476,600)	64,899,500	(110,932,300)	-
Total Revenues	\$ 155,501,000	\$ 38,875,000	\$ 31,414,000	\$ 225,790,000	\$ 251,929,400
Expenditures					
Transfer Out	\$ -	\$ -	\$ -	\$ -	\$ 3,918,200
Capital Improvement Plan (b)	194,376,000	-	31,414,000	225,790,000	102,166,300
Capital Spend Rate Adjustment	(38,875,000)	38,875,000	-	-	-
Total Expenditures (b)	\$ 155,501,000	\$ 38,875,000	\$ 31,414,000	\$ 225,790,000	\$ 106,084,500
<i>(a) Beginning Net Position</i>	\$ 188,251,300	\$ (165,251,300)	\$ 100,000	\$ 23,100,000	
<i>Net (Use) Increase of Reserves</i>	(71,644,800)	247,476,600	\$ (64,899,500)	110,932,300	
<i>Projected Ending Net Position</i>	<u>\$ 116,606,500</u>	<u>\$ 82,225,300</u>	<u>\$ (64,799,500)</u>	<u>\$ 134,032,300</u>	
<i>(b) Plus Direct I&E Projects</i>	-	-		-	
<i>Total CIP Expenditures</i>	155,501,000	38,875,000		225,790,000	
<i>Total Published Capital Improvement Plan</i>	194,376,000			194,376,000	
<i>Capital Spending Ratio</i>	80.0%			116.2%	

(a) The beginning net position reflects an estimated unaudited net position as of 6.30.2022 based on estimated activity at the time of budget approval. This figure will continue to change as the audit process ensues.

(b) Note: As outlined in the Master Bond Ordinance, the investment earnings in the I&E Fund are transferred to the Receiving Fund. The impact is to reduce revenue required from charges when calculating the annual Revenue Requirement budget.



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Appropriation Level – Construction Fund – Water System Budget Amendment Explanations	
Revenues	
Transfers from Improvement & Extension Fund	<i>The proposed budget amendment is to match the amount available for transfer from the FY 2023 Improvement & Extension Fund (see Revenue Financed Capital-Operating Transfer to Construction Fund line on the Appropriation Level-Improvement & Extension Fund-Water System table). The proposed budget amendment reflects a rebalancing of use of I&E and Construction funds for Capital Projects.</i>
Bond Proceeds	<i>No budget amendment is required.</i>
Earnings on Investments	<i>The proposed budget amendment reflects the revised estimated investment earnings.</i>
Grant Revenues (State Revolving Fund Loans)	<i>State Revolving Fund (SRF) loan disbursements are on a reimbursement basis. The amount and timing of revenues fluctuates with project expenditures incurred. The proposed amendment reflects the timing of project design and construction activity. Details related to the SRF projects are presented in the semiannual debt report. The most recent semiannual debt report is presented in the November 2022 Audit Committee binder which provides details related to the SRF funding and associated projects.</i>
Net Use (Source) of Reserves	<i>This amount represents the net amount of revenues less expenditures. A “use of reserves” indicates a spend down of prior year reserves. The amount has been amended to reflect the anticipated increase in the Capital spend rate from 100.0% to 116.2% as well as the increased revenues from Investment earnings and decrease in SRF loans.</i>
Expenditures	
Capital Improvement Plan	<i>This line represents an adjustment to the Capital Spend Ratio for the Water Capital Improvement Plan which is forecasted to increase from 100.0% to 116.2%. This adjustment is based on a review of the spend projections for FY 2023, discussions with project personnel, and the rising costs of materials and labor.</i>



Appropriation Level – Construction Fund – Water System Budget Amendment Explanations	
<p>Capital Spend Rate Assumption Adjustment</p>	<p><i>The proposed budget amendment represents the increase in the projected Capital Spend Rate for the Water CIP from 100.0% (first quarter budget amendment projection) to 116.2% (based on review of actual spend for FY 2023). The Board of Directors adopts a capital spending ratio assumption (SRA) which allows the realities of capital program delivery to align with the financial plan. The SRA is an analytical approach to bridge the total dollar amount of projects in the CIP with what can realistically be spent due to limitations beyond GLWA’s control and/or delayed for nonbudgetary reasons. Those limitations, whether financial or non-financial, necessitate the SRA for budgetary purposes, despite the prioritization established. Amendments to the spend rate assumption are made to align the projected financial use of resources with revised capital improvement plan spending forecasts. The Capital Spend Rate for the Water CIP was amended for the first quarter from 80.0% (projection at the time of the FY 2023 budget adoption) to 100.0%. The most recent quarterly construction work-in-progress (CWIP) report is presented in the December 2022 Audit Committee binder.</i></p>



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Table 4B - Appropriation Level – Construction Fund – Sewer System

Sewer Construction Fund	FY 2023 Board Adopted Budget	Total 1st Quarter FY 2023 Amendments	Total 2nd Quarter FY 2023 Amendments	FY 2023 Amended Budget	FY 2023 Activity Thru 12/31/2022
Revenues					
Transfer from Improvement & Extension Fund	\$ 26,444,900	\$ (5,334,600)	\$ (14,500,000)	\$ 6,610,300	\$ (5,740,300)
Bond Proceeds	-	225,000,000	-	225,000,000	225,854,600
Bond Fund Earnings on Investments	86,200	820,000	3,897,600	4,803,800	2,613,000
Grant Revenues (SRF Loans)	18,720,000	31,317,000	(10,287,000)	39,750,000	8,175,500
Net Use (Increase) of Reserves (a)	49,197,900	(222,709,100)	34,399,400	(139,111,800)	-
Total Revenues	\$ 94,449,000	\$ 29,093,300	\$ 13,510,000	\$ 137,052,300	\$ 230,902,800
Expenditures					
Transfer Out	\$ -	\$ -	\$ -	\$ -	\$ 894,000
Capital Improvement Plan (b)	125,932,000	(2,389,700)	13,510,000	137,052,300	44,007,200
Capital Spend Rate Adjustment	(31,483,000)	31,483,000	-	-	-
Total Expenditures (b)	\$ 94,449,000	\$ 29,093,300	\$ 13,510,000	\$ 137,052,300	\$ 44,901,200
<i>(a) Beginning Net Position</i>	\$ 131,883,800	\$ (115,883,800)	\$ -	\$ 16,000,000	
<i>Net (Use) Increase of Reserves</i>	(49,197,900)	222,709,100	\$ (34,399,400)	139,111,800	
<i>Projected Ending Net Position</i>	\$ 82,685,900	\$ 106,825,300	\$ (34,399,400)	\$ 155,111,800	
<i>(b) Plus Direct I&E Projects</i>	-	2,389,700	-	2,389,700	
<i>Total CIP Expenditures</i>	94,449,000	31,483,000		139,442,000	
<i>Total Published Capital Improvement Plan</i>	125,932,000			125,932,000	
<i>Capital Spending Ratio</i>	75.0%			110.7%	

(a) The beginning net position reflects an estimated unaudited net position as of 6.30.2022 based on estimated activity at the time of budget approval. This figure will continue to change as the audit process ensues.

(b) Note: As outlined in the Master Bond Ordinance, the investment earnings in the I&E Fund are transferred to the Receiving Fund. The impact is to reduce revenue required from charges when calculating the annual Revenue Requirement budget.



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Appropriation Level – Construction Fund – Sewer System Budget Amendment Explanations	
Revenues	
Transfers from Improvement & Extension Fund	<i>The proposed budget amendment is to match the amount available for transfer from the FY 2023 Improvement & Extension Fund (see Revenue Financed Capital-Operating Transfer to Construction Fund line on the Appropriation Level-Improvement & Extension Fund-Sewer System table). The proposed budget amendment reflects a rebalancing of use of I&E and Construction funds for Capital Projects.</i>
Bond Proceeds	<i>No budget amendment is required.</i>
Earnings on Investments	<i>The proposed budget amendment reflects the revised estimated investment earnings.</i>
Grant Revenues (State Revolving Fund Loans)	<i>State Revolving Fund (SRF) loan disbursements are on a reimbursement basis. The amount and timing of funds fluctuates with project expenditures incurred. The proposed amendment reflects the timing of project design and construction activity. Details related to the SRF projects are presented in the semiannual debt report. The most recent semiannual debt report is presented in the November 2022 Audit Committee binder which provides details related to the SRF funding and associated projects.</i>
Net Use (Source) of Reserves	<i>This amount represents the net amount of revenues less expenditures. A “use of reserves” indicates a spend down of prior year reserves. The amount has been amended to reflect the anticipated increase in the Capital spend rate from 100.0% to 110.7% as well as the increased revenues from Investment earnings and decrease in SRF loans.</i>
Expenditures	
Capital Improvement Plan	<i>This line represents an adjustment to the Capital Spend Ratio for the Sewer Capital Improvement Plan which is forecasted to increase from 100.0% to 110.7%. This adjustment is based on a review of the spend projections for FY 2023, discussions with project personnel, and the rising costs of materials and labor.</i>



Appropriation Level – Construction Fund – Sewer System Budget Amendment Explanations

Capital Spend Rate Adjustment

The proposed budget amendment represents the increase in the projected Capital Spend Rate for the Sewer CIP from 100.0% (first quarter budget amendment projection) to 110.7% (based on review of actual spend for FY 2023). The Board of Directors adopts a capital spending ratio assumption (SRA) which allows the realities of capital program delivery to align with the financial plan. The SRA is an analytical approach to bridge the total dollar amount of projects in the CIP with what can realistically be spent due to limitations beyond GLWA's control and/or delayed for nonbudgetary reasons. Those limitations, whether financial or non-financial, necessitate the SRA for budgetary purposes, despite the prioritization established. Amendments to the spend rate assumption are made to align the projected financial use of resources with revised capital improvement plan spending forecasts. The Capital Spend Rate for the Sewer CIP was amended for the first quarter from 75.0% (projection at the time of the FY 2023 budget adoption) to 100.0%. The most recent quarterly construction work-in-progress (CWIP) report is presented in the [December 2022 Audit Committee binder](#).