



Financial Services Audit Committee Communication

Date: September 23, 2022

To: Great Lakes Water Authority Audit Committee

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

Re: FY 2023 First Quarter Budget Amendments through September 30, 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 first quarter budget amendments include the following.

- A. Net increase to the Water System revenues of \$4.7 million (Table 1A)
 - \$1.1 million revenue decrease - The decrease represents an adjustment to the Suburban Wholesale Customer Charges for the removal of the Highland Park bad debt recovery from the charges per the GLWA Board action taken on June 2, 2022.
 - \$0.1 million revenue decrease – This decrease, like the adjustment above, is a restating of the Detroit Wholesale Customer Charges for the removal of the Highland Park bad debt recovery from the charges.
 - \$5.9 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 September 2022 bond transaction.

- B. Net increase to the Sewer System revenues of \$5.2 million (Table 1B)
 - \$5.4 million revenue decrease – The decrease represents an adjustment to the Suburban Wholesale Customer Charges for the removal of the Highland Park bad debt recovery from the charges per the GLWA Board action taken on June 2, 2022.

- \$3.0 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.
 - \$7.6 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.
- C. There is an increase to the Sewer Operations & Maintenance Expense of \$10.8 million. (Table 1B). The primary drivers for this increase are as follows.
- Chemicals - \$7.7 million increase – Chemical costs, primarily chlorine-based products, have incurred significant cost increases due to supply issues.
 - Utilities - \$4.9 million increase - Electric usage has increased \$2.1 million and Gas usage has increased \$2.8 million. Details can be found in *Addendum 2 – Supplemental Information – Enterprise-wide Operations & Maintenance Account Type and Department Level Amendments*.
 - Contractual Services - \$1.6 million increase - The increase is primarily due to the increased usage and annual price adjustment of the New England Fertilizer Co. (NEFCO) contract, PC-792 (\$1.2 million). In addition, the amount of the new facilities maintenance contract, which started on July 01, 2022, is higher than the budgeted amount for this contract (\$0.4 million).
 - The Wastewater System Operations Unallocated Reserves, at the time of the FY 2023 budget adoption, was at \$3.1 million. This amount is insufficient to cover the increases noted in the bullet points above.
- D. Construction Funds – Bond Proceeds (Tables 4A and 4B) – The amended budget amounts represent the September 2022 bond transaction; \$225.0 million have been added for both the water and sewer construction funds. At the time that the FY 2023 budget was prepared, smaller bond transactions were assumed to occur in late FY 2023 and were therefore not included in the FY 2023 budget. Market conditions supported issuance of larger bond transactions for both systems, which are reflected in the amendments. The beginning net position estimates are also revised to reflect the fact that the transactions did not occur until FY 2023.
- 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 (\$71.8 million increase) and sewer (\$31.3 million increase) construction funds have been adjusted to reflect the recognition of additional approved loans and 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 (\$0.7 million) and sewer (\$0.8 million) construction funds for the September 2022 bond transaction.

- G. Construction Funds – Capital Spend Rate Adjustment (Tables 4A and 4B) - The Capital Spending Ratio for the water capital improvement plan is forecasted to increase from 80.0% to 100.0% which equates to \$38.9 million. The Capital Spending Ratio for the sewer capital improvement plan was increased from 75.0% to 100.0% which equates to \$29.1 million. These adjustments were based on a review of the spend projections for FY 2023 based discussions with project personnel as well as the rising costs of materials and labor.

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 September 30, 2022

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

Water System	FY 2023 Board Adopted Budget	Total 1st Quarter FY 2023 Amendments	FY 2023 Amended Budget	FY 2022 Activity Thru 07/31/2022
Revenues				
Suburban Wholesale Customer Charges	\$ 333,219,000	\$ (1,105,700)	\$ 332,113,300	\$ 33,594,700
Less: Bad Debt Expense	(1,257,000)	-	\$ (1,257,000)	-
Retail Service Charges	22,985,900	(151,600)	22,834,300	1,915,500
Investment Earnings	948,700	5,921,200	6,869,900	242,500
Other Revenues	175,000	-	175,000	77,200
Total Revenues	\$ 356,071,600	\$ 4,663,900	\$ 360,735,500	\$ 35,829,900
Revenue Requirements				
Operations & Maintenance Expense	\$ 144,847,700	\$ -	\$ 144,847,700	\$ 10,631,500
General Retirement System Legacy Pension	6,048,000	-	6,048,000	504,000
Debt Service	150,337,100	490,200	150,827,300	12,564,100
General Retirement System Accelerated Pension	6,268,300	-	6,268,300	522,400
Extraordinary Repair & Replacement Deposit	-	-	-	-
Water Residential Assistance Program Contribution	1,770,500	-	1,770,500	147,500
Regional System Lease	22,500,000	-	22,500,000	1,875,000
DWSD Budget Shortfall Pending	-	-	-	-
Improvement & Extension Fund Transfer Pending	24,300,000	4,173,700	28,473,700	2,025,000
Total Revenue Requirements	\$ 356,071,600	\$ 4,663,900	\$ 360,735,500	\$ 28,269,500
Net Actual to Date	\$ -	\$ -	\$ -	\$ 7,560,400



Appropriation Level – Revenue Requirement – Water System General Operating Budget Amendment Explanation	
Revenues	
Suburban Wholesale Customer Charges	<i>The decrease represents an adjustment for the removal of the Highland Park bad debt recovery from the charges per the GLWA Board action taken on June 2, 2022.</i>
Bad Debt	<i>No budget amendment is required.</i>
Retail Services Charges	<i>The change to this category is due to the June 2, 2022, GLWA Board action to restate the Detroit Wholesale Customer Charges for the removal of the Highland Park bad debt recovery.</i>
Investment Earnings	<i>The increase is based on the revised interest rates which have been applied to the cashflow forecast related to the September 2022 bond transaction.</i>
Other Revenues	<i>No budget amendment is required.</i>
Revenue Requirements (Expenditures)	
Operations & Maintenance Expense	<i>No budget amendment is required.</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 (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>
Regional System Lease	<i>No budget amendment is required. Lease payment is established in accordance with terms of the lease.</i>



Quarterly Budget Amendment Report
FY 2023 Ending September 30, 2022

Appropriation Level – Revenue Requirement – Water System General Operating Budget Amendment Explanation	
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>



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

Sewer System	FY 2023 Board Adopted Budget	Total 1st Quarter FY 2023 Amendments	FY 2023 Amended Budget	FY 2022 Activity Thru 07/31/2022
Revenues				
Suburban Wholesale Customer Charges	\$ 280,824,000	\$ (5,416,800)	\$ 275,407,200	\$ 22,947,900
Less: Bad Debt Expense	(5,420,500)	3,020,500	(2,400,000)	-
Retail Service Charges	191,042,200	-	191,042,200	15,920,200
Industrial Waste Control Charges	8,420,000	-	8,420,000	691,000
Pollutant Surcharges	4,950,800	-	4,950,800	296,100
Investment Earnings	1,155,600	7,615,600	8,771,200	325,100
Other Revenues	400,000	-	400,000	31,300
Total Revenues	\$ 481,372,100	\$ 5,219,300	\$ 486,591,400	\$ 40,211,600
Revenue Requirements				
Operations & Maintenance Expense	\$ 184,052,600	\$ 10,769,900	\$ 194,822,500	\$ 12,860,800
General Retirement System Legacy Pension	10,824,000	-	10,824,000	902,000
Debt Service	205,638,100	5,717,100	211,355,200	17,217,300
General Retirement System Accelerated Pension	11,620,700	-	11,620,700	968,400
Extraordinary Repair & Replacement Deposit	-	-	-	-
Water Residential Assistance Program Contribution	2,394,200	-	2,394,200	199,500
Regional System Lease	27,500,000	-	27,500,000	2,291,700
DWSD Budget Shortfall Pending	-	-	-	-
Improvement & Extension Fund Transfer Pending	39,342,500	(11,267,700)	28,074,800	3,278,500
Total Revenue Requirements	\$ 481,372,100	\$ 5,219,300	\$ 486,591,400	\$ 37,718,200
Net Actual to Date	\$ -	\$ -	\$ -	\$ 2,493,400



Quarterly Budget Amendment Report
 FY 2023 Ending September 30, 2022

Appropriation Level – Revenue Requirement – Sewer System General Operating Budget Amendment Explanation	
Revenues	
Suburban Wholesale Customer Charges	<i>The decrease represents an adjustment for the removal of the Highland Park bad debt recovery from the charges per the GLWA Board action taken on June 2, 2022.</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 September 2022 bond transaction.</i>
Other Revenues	<i>No budget amendment is required.</i>
Revenue Requirements (Expenditures)	
Operations & Maintenance Expense	<i>The Sewer O&M budget is being increased by \$10.8 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 increase is due to the revision of the SRF schedules (timing of the draws) as well as the increase in the variable rate (from 1.0% to 2.5%) on the 2006D Bonds.</i>
General Retirement System Legacy Pension – Accelerated Payment	<i>No budget amendment is required. Budget and funding are on a fixed schedule.</i>



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Appropriation Level – Revenue Requirement – Sewer System General Operating Budget Amendment Explanation	
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>



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

System	FY 2023 Board Adopted Budget	Total 1st Quarter FY 2023 Amendments	FY 2023 Amended Budget	FY 2022 Activity Thru 07/31/2022
Water System	\$ 144,847,700	\$ -	\$ 144,847,700	\$ 10,631,500
Sewer System	184,052,600	10,769,900	194,822,500	12,860,800
Total	\$ 328,900,300	\$ 10,769,900	\$ 339,670,200	\$ 23,492,300

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.



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	FY 2023 Amended Budget	FY 2022 Activity Thru 07/31/2022
A Water System Operations	\$ 76,518,200	\$ -	\$ 76,518,200	\$ 7,290,400
B Wastewater System Operations	113,197,500	10,769,900	123,967,400	9,430,200
C Centralized Services	104,502,900	-	104,502,900	4,477,700
D Administrative & Other Services	34,681,700	-	34,681,700	2,294,000
Total	\$ 328,900,300	\$ 10,769,900	\$ 339,670,200	\$ 23,492,300

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

B-Wastewater System Operations – The Sewer O&M budget is being increased \$10.8 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).

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



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	FY 2023 Amended Budget	FY 2022 Activity Thru 07/31/2022
Personnel Costs	\$ 122,144,300	\$ (367,200)	\$ 121,777,100	\$ 9,271,900
Utilities	51,007,400	4,910,100	55,917,500	5,760,000
Chemicals	16,118,600	7,663,000	23,781,600	1,899,200
Supplies & Other	34,911,800	-	34,911,800	1,704,200
Contractual Services	104,579,200	1,413,300	105,992,500	5,094,900
Capital Program Allocation	(4,376,200)	-	(4,376,200)	(72,900)
Shared Services	(2,925,000)	1,424,100	(1,500,900)	(165,000)
Unallocated Reserve	7,440,200	(4,273,400)	3,166,800	-
Total	\$ 328,900,300	\$ 10,769,900	\$ 339,670,200	\$ 23,492,300

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)*.



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

	FY 2023 Board Adopted Budget	Total 1st Quarter FY 2023 Amendments	FY 2023 Amended Budget
O&M Unallocated Reserves			
Water System Operations	\$ 2,284,700	\$ -	\$ 2,284,700
Wastewater System Operations	3,055,500	(3,055,200)	300
Centralized Services	1,600,000	(1,218,200)	381,800
Administrative & Other Services	500,000	-	500,000
Total	\$ 7,440,200	\$ (4,273,400)	\$ 3,166,800

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 September 30, 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
Revenues				
1 Regional System Wholesale Revenues	\$ 354,947,900	\$ (1,257,300)	\$ -	\$ 353,690,600
2 Local System Revenues	70,104,100	-	18,061,300	88,165,400
3 Miscellaneous Revenue (Local System)	3,900,000	-	800	3,900,800
4 Non-Operating Revenue (Regional System)	1,123,700	5,921,200	-	7,044,900
5 Total Revenues	\$ 430,075,700	\$ 4,663,900	\$ 18,062,100	\$ 452,801,700
Revenue Requirements				
Operations & Maintenance Expense				
6 Regional System Wholesale Expenses	\$ 144,847,700	\$ -	\$ -	\$ 144,847,700
7 Local System Expenses	30,490,000	-	12,091,600	42,581,600
8 GRS Pension allocable to Regional System	6,048,000	-	-	6,048,000
9 GRS Pension allocable to Local System	4,272,000	-	-	4,272,000
10 Total Operations & Maintenance Expense	185,657,700	-	12,091,600	197,749,300
11 Net Revenues after Operations & Maintenance Expense	\$ 244,418,000	\$ 4,663,900	\$ 5,970,500	\$ 255,052,400
Debt Service by Lien				
12 Senior Lien Bonds	\$ 135,939,700	\$ (2,166,600)	\$ -	\$ 133,773,100
13 Second Lien Bonds	47,200,100	2,917,100	-	50,117,200
14 SRF Junior Lien Bonds	10,061,800	(258,900)	-	9,802,900
15 Total Debt Service	\$ 193,201,600	\$ 491,600	\$ -	\$ 193,693,200
Debt Service Coverage				
16 Senior Lien Bonds (11)/(12)	1.80	0.06	0.04	1.91
17 Second Lien Bonds (11)/[(12)+(13)]	1.33	0.02	0.03	1.39
18 SRF Junior Lien Bonds (11)/(15)	1.27	0.02	0.03	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.



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 September 30, 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
Revenues				
1 Regional System Wholesale Revenues	\$ 479,816,500	\$ (2,396,300)	\$ -	\$ 477,420,200
2 Local System Revenues	96,467,800	-	(17,897,700)	78,570,100
3 Miscellaneous Revenue (Local System)	7,640,000	-	(1,300)	7,638,700
4 Non-Operating Revenue (Regional System)	1,555,600	7,615,600	-	9,171,200
5 Total Revenues	\$ 585,479,900	\$ 5,219,300	\$ (17,899,000)	\$ 572,800,200
Revenue Requirements				
Operations & Maintenance Expense				
6 Regional System Wholesale Expenses	\$ 184,052,600	\$ 10,769,900	\$ -	\$ 194,822,500
7 Local System Expenses	63,390,000	-	(11,993,600)	51,396,400
8 GRS Pension allocable to Regional System	10,824,000	-	-	10,824,000
9 GRS Pension allocable to Local System	2,856,000	-	-	2,856,000
10 Total Operations & Maintenance Expense	261,122,600	10,769,900	(11,993,600)	259,898,900
11 Net Revenues after Operations & Maintenance Expense	\$ 324,357,300	\$ (5,550,600)	\$ (5,905,400)	\$ 312,901,300
Debt Service by Lien				
12 Senior Lien Bonds	\$ 149,780,900	\$ 1,749,800	\$ -	\$ 151,530,700
13 Second Lien Bonds	36,738,500	3,108,600	-	39,847,100
14 SRF Junior Lien Bonds	51,084,400	891,300	-	51,975,700
15 Total Debt Service	\$ 237,603,800	\$ 5,749,700	\$ -	\$ 243,353,500
Debt Service Coverage				
16 Senior Lien Bonds (11)/(12)	2.17	(0.06)	(0.04)	2.06
17 Second Lien Bonds (11)/[(12)+(13)]	1.74	(0.07)	(0.03)	1.63
18 SRF Junior Lien Bonds (11)/(15)	1.37	(0.06)	(0.02)	1.29

* 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.



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>



Quarterly Budget Amendment Report
 FY 2023 Ending September 30, 2022

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

Water Improvement & Extension Fund	FY 2023 Board Adopted Budget	Total 1st Quarter FY 2023 Amendments	FY 2023 Amended Budget	FY 2022 Activity Thru 07/31/2022
Revenues				
Water System Transfers In from General Operating	\$ 24,300,000	\$ 4,173,700	\$ 28,473,700	\$ 2,025,000
Earnings on Investments (b)	308,300	1,579,900	1,888,200	47,800
Net Use (Increase) of Reserves (a)	19,888,000	(15,409,100)	4,478,900	-
Total Revenues	\$ 44,496,300	\$ (9,655,500)	\$ 34,840,800	\$ 2,072,800
Expenditures				
Water System Revenue Transfers Out (b)	\$ 308,300	\$ 1,579,900	\$ 1,888,200	\$ 148,500
Capital Spending - Other	-	-	-	1,596,200
Capital Outlay	15,452,600	-	15,452,600	519,100
Revenue Financed Capital - Transfer to Construction Fund	28,735,400	(11,235,400)	17,500,000	15,829,300
Total Expenditures	\$ 44,496,300	\$ (9,655,500)	\$ 34,840,800	\$ 18,093,100
<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	\$ (4,478,900)	
<i>Projected Ending Net Position</i>	\$ 90,297,500	\$ (276,400)	\$ 90,021,100	

(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.



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 the reduced need to use I&E funds for Capital Projects as a result of the September 2022 bond transaction and increase in SRF loans.</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	FY 2023 Amended Budget	FY 2022 Activity Thru 07/31/2022
Revenues				
Sewer System Transfers In from General Operating	\$ 39,342,500	\$ (11,267,700)	\$ 28,074,800	\$ 3,278,500
Receipt of DWSD Shortfall Loan Interest	-	-	-	-
Earnings on Investments (b)	247,700	1,768,800	2,016,500	77,500
Net Use (Increase) of Reserves (a)	5,549,500	8,322,800	13,872,300	-
Total Revenues	\$ 45,139,700	\$ (1,176,100)	\$ 43,963,600	\$ 3,356,000
Expenditures				
Sewer System Revenue Transfers Out (b)	\$ 247,700	\$ 1,768,800	\$ 2,016,500	\$ 151,400
Capital Spending - Other	-	2,389,700	2,389,700	61,800
Capital Outlay	18,447,100	-	18,447,100	132,700
Revenue Financed Capital - Transfer to Construction Fund	26,444,900	(5,334,600)	21,110,300	8,134,700
Total Expenditures	\$ 45,139,700	\$ (1,176,100)	\$ 43,963,600	\$ 8,480,600
<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)	(13,872,300)	
<i>Projected Ending Net Position</i>	\$ 87,664,900	\$ 2,762,800	\$ 90,427,700	

(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.



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>The proposed budget amendment 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 the reduced need to use I&E funds for Capital Projects as a result of the September 2022 bond transaction and increase in SRF loans.</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	FY 2023 Amended Budget	FY 2022 Activity Thru 07/31/2022
Revenues				
Transfer from Improvement & Extension Fund	\$ 28,735,400	\$ (11,235,400)	\$ 17,500,000	\$ 15,829,300
Bond Proceeds	-	225,000,000	225,000,000	-
Bond Fund Earnings on Investments	128,800	749,000	877,800	-
Grant Revenues (SRF Loans)	54,992,000	71,838,000	126,830,000	-
Net Use (Increase) of Reserves (a)	71,644,800	(247,476,600)	(175,831,800)	-
Total Revenues	\$ 155,501,000	\$ 38,875,000	\$ 194,376,000	\$ 15,829,300
Expenditures				
Capital Improvement Plan (b)	\$ 194,376,000	\$ -	\$ 194,376,000	\$ 11,578,700
Capital Spend Rate Adjustment	(38,875,000)	38,875,000	-	-
Total Expenditures (b)	\$ 155,501,000	\$ 38,875,000	\$ 194,376,000	\$ 11,578,700
<i>(a) Beginning Net Position</i>	<i>\$ 188,251,300</i>	<i>\$ (165,251,300)</i>	<i>\$ 23,000,000</i>	
<i>Net (Use) Increase of Reserves</i>	<i>(71,644,800)</i>	<i>247,476,600</i>	<i>175,831,800</i>	
<i>Projected Ending Net Position</i>	<i>\$ 116,606,500</i>	<i>\$ 82,225,300</i>	<i>\$ 198,831,800</i>	
<i>(b) Plus Direct I&E Projects</i>	<i>-</i>	<i>-</i>	<i>-</i>	
<i>Total CIP Expenditures</i>	<i>155,501,000</i>	<i>38,875,000</i>	<i>194,376,000</i>	
<i>Total Published Capital Improvement Plan</i>	<i>194,376,000</i>		<i>194,376,000</i>	
<i>Capital Spending Ratio</i>	<i>80.0%</i>		<i>100.0%</i>	

- (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.



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 change is due to the reduced need to use I&E funds for Capital Projects as a result of the September 2022 bond transaction and increase in SRF loans.</i>
Bond Proceeds	<i>The proposed budget amendment is to record the proceeds from the September 2022 bond transaction.</i>
Earnings on Investments	<i>The proposed budget amendment reflects the estimated investment earnings from the September 2022 bond transaction.</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 that shifts SRF loan closings from FY 2022 into FY 2023. Details related to the SRF projects are presented in the quarterly debt report. The most recent quarterly debt report is presented in the July 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 80% to 100% as well as the increased revenues from Bond proceeds, SRF loans, and Investment earnings.</i>
Expenditures	
Capital Improvement Plan	<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. This amount is reflected on the ‘Capital Spending – Other’ line on the Water Improvement & Extension Fund table.</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 80% to 100.0%. 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 most recent quarterly construction work-in-progress (CWIP) report is presented in the September 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	FY 2023 Amended Budget	FY 2022 Activity Thru 07/31/2022
Revenues				
Transfer from Improvement & Extension Fund	\$ 26,444,900	\$ (5,334,600)	\$ 21,110,300	\$ 8,134,700
Bond Proceeds	-	225,000,000	225,000,000	-
Bond Fund Earnings on Investments	86,200	820,000	906,200	-
Grant Revenues (SRF Loans)	18,720,000	31,317,000	50,037,000	-
Net Use (Increase) of Reserves (a)	49,197,900	(222,709,100)	(173,511,200)	-
Total Revenues	\$ 94,449,000	\$ 29,093,300	\$ 123,542,300	\$ 8,134,700
Expenditures				
Capital Improvement Plan (b)	\$ 125,932,000	\$ (2,389,700)	\$ 123,542,300	\$ 4,365,300
Capital Spend Rate Adjustment	(31,483,000)	31,483,000	-	-
Total Expenditures (b)	\$ 94,449,000	\$ 29,093,300	\$ 123,542,300	\$ 4,365,300
<i>(a) Beginning Net Position</i>	<i>\$ 131,883,800</i>	<i>\$ (115,883,800)</i>	<i>\$ 16,000,000</i>	
<i>Net (Use) Increase of Reserves</i>	<i>(49,197,900)</i>	<i>222,709,100</i>	<i>173,511,200</i>	
<i>Projected Ending Net Position</i>	<i>\$ 82,685,900</i>	<i>\$ 106,825,300</i>	<i>\$ 189,511,200</i>	
<i>(b) Plus Direct I&E Projects</i>	<i>-</i>	<i>-</i>	<i>-</i>	
<i>Total CIP Expenditures</i>	<i>94,449,000</i>	<i>29,093,300</i>	<i>123,542,300</i>	
<i>Total Published Capital Improvement Plan</i>	<i>125,932,000</i>		<i>123,542,300</i>	
<i>Capital Spending Ratio</i>	<i>75.0%</i>		<i>100.0%</i>	

(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.



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 change is due to the reduced need to use I&E funds for Capital Projects as a result of the September 2022 bond transaction and increase in SRF loans.</i>
Bond Proceeds	<i>The proposed budget amendment is to record the proceeds from the September 2022 bond transaction.</i>
Earnings on Investments	<i>The proposed budget amendment reflects the estimated investment earnings from the September 2022 bond transaction.</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 that shifts SRF loan closings from FY 2022 into FY 2023. Details related to the SRF projects are presented in the quarterly debt report. The most recent quarterly debt report is presented in the July 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 80% to 100% as well as the increased revenues from Bond proceeds, SRF loans, and Investment earnings.</i>
Expenditures	



Appropriation Level – Construction Fund – Sewer System Budget Amendment Explanations	
Capital Improvement Plan	<i>The proposed budget amendment represents projects in the Board adopted capital improvement plan (CIP) that do not meet the criteria for debt financing. This amount is reflected on the 'Capital Spending – Other' line on the Water Improvement & Extension Fund table.</i>
Capital Spend Rate Adjustment	<i>The proposed budget amendment represents the increase in the projected Capital Spend Rate for the Sewer CIP from 75% to 100%. 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 most recent quarterly construction work-in-progress (CWIP) report is presented in the September 2022 Audit Committee binder.</i>



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

Water System	FY 2023 Board Adopted Budget	Total 1st Quarter FY 2023 Amendments	FY 2023 Amended Budget	FY 2022 Activity Thru 07/31/2022
Revenues				
Suburban Wholesale Customer Charges	\$ 333,219,000	\$ (1,105,700)	\$ 332,113,300	\$ 33,594,700
Less: Bad Debt Expense	(1,257,000)	-	\$ (1,257,000)	-
Retail Service Charges	22,985,900	(151,600)	22,834,300	1,915,500
Investment Earnings	948,700	5,921,200	6,869,900	242,500
Other Revenues	175,000	-	175,000	77,200
Total Revenues	\$ 356,071,600	\$ 4,663,900	\$ 360,735,500	\$ 35,829,900
Revenue Requirements				
Operations & Maintenance Expense	\$ 144,847,700	\$ -	\$ 144,847,700	\$ 10,631,500
General Retirement System Legacy Pension	6,048,000	-	6,048,000	504,000
Debt Service	150,337,100	490,200	150,827,300	12,564,100
General Retirement System Accelerated Pension	6,268,300	-	6,268,300	522,400
Extraordinary Repair & Replacement Deposit	-	-	-	-
Water Residential Assistance Program Contribution	1,770,500	-	1,770,500	147,500
Regional System Lease	22,500,000	-	22,500,000	1,875,000
DWSD Budget Shortfall Pending	-	-	-	-
Improvement & Extension Fund Transfer Pending	24,300,000	4,173,700	28,473,700	2,025,000
Total Revenue Requirements	\$ 356,071,600	\$ 4,663,900	\$ 360,735,500	\$ 28,269,500
Net Actual to Date	\$ -	\$ -	\$ -	\$ 7,560,400



Appropriation Level – Revenue Requirement – Water System General Operating Budget Amendment Explanation	
Revenues	
Suburban Wholesale Customer Charges	<i>The decrease represents an adjustment for the removal of the Highland Park bad debt recovery from the charges per the GLWA Board action taken on June 2, 2022.</i>
Bad Debt	<i>No budget amendment is required.</i>
Retail Services Charges	<i>The change to this category is due to the June 2, 2022, GLWA Board action to restate the Detroit Wholesale Customer Charges for the removal of the Highland Park bad debt recovery.</i>
Investment Earnings	<i>The increase is based on the revised interest rates which have been applied to the cashflow forecast related to the September 2022 bond transaction.</i>
Other Revenues	<i>No budget amendment is required.</i>
Revenue Requirements (Expenditures)	
Operations & Maintenance Expense	<i>No budget amendment is required.</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 (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>
Regional System Lease	<i>No budget amendment is required. Lease payment is established in accordance with terms of the lease.</i>



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Appropriation Level – Revenue Requirement – Water System General Operating Budget Amendment Explanation	
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>



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

Sewer System	FY 2023 Board Adopted Budget	Total 1st Quarter FY 2023 Amendments	FY 2023 Amended Budget	FY 2022 Activity Thru 07/31/2022
Revenues				
Suburban Wholesale Customer Charges	\$ 280,824,000	\$ (5,416,800)	\$ 275,407,200	\$ 22,947,900
Less: Bad Debt Expense	(5,420,500)	3,020,500	(2,400,000)	-
Retail Service Charges	191,042,200	-	191,042,200	15,920,200
Industrial Waste Control Charges	8,420,000	-	8,420,000	691,000
Pollutant Surcharges	4,950,800	-	4,950,800	296,100
Investment Earnings	1,155,600	7,615,600	8,771,200	325,100
Other Revenues	400,000	-	400,000	31,300
Total Revenues	\$ 481,372,100	\$ 5,219,300	\$ 486,591,400	\$ 40,211,600
Revenue Requirements				
Operations & Maintenance Expense	\$ 184,052,600	\$ 10,769,900	\$ 194,822,500	\$ 12,860,800
General Retirement System Legacy Pension	10,824,000	-	10,824,000	902,000
Debt Service	205,638,100	5,717,100	211,355,200	17,217,300
General Retirement System Accelerated Pension	11,620,700	-	11,620,700	968,400
Extraordinary Repair & Replacement Deposit	-	-	-	-
Water Residential Assistance Program Contribution	2,394,200	-	2,394,200	199,500
Regional System Lease	27,500,000	-	27,500,000	2,291,700
DWSD Budget Shortfall Pending	-	-	-	-
Improvement & Extension Fund Transfer Pending	39,342,500	(11,267,700)	28,074,800	3,278,500
Total Revenue Requirements	\$ 481,372,100	\$ 5,219,300	\$ 486,591,400	\$ 37,718,200
Net Actual to Date	\$ -	\$ -	\$ -	\$ 2,493,400



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Appropriation Level – Revenue Requirement – Sewer System General Operating Budget Amendment Explanation	
Revenues	
Suburban Wholesale Customer Charges	<i>The decrease represents an adjustment for the removal of the Highland Park bad debt recovery from the charges per the GLWA Board action taken on June 2, 2022.</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 September 2022 bond transaction.</i>
Other Revenues	<i>No budget amendment is required.</i>
Revenue Requirements (Expenditures)	
Operations & Maintenance Expense	<i>The Sewer O&M budget is being increased by \$10.8 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 increase is due to the revision of the SRF schedules (timing of the draws) as well as the increase in the variable rate (from 1.0% to 2.5%) on the 2006D Bonds.</i>
General Retirement System Legacy Pension – Accelerated Payment	<i>No budget amendment is required. Budget and funding are on a fixed schedule.</i>



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Appropriation Level – Revenue Requirement – Sewer System General Operating Budget Amendment Explanation	
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>



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

System	FY 2023 Board Adopted Budget	Total 1st Quarter FY 2023 Amendments	FY 2023 Amended Budget	FY 2022 Activity Thru 07/31/2022
Water System	\$ 144,847,700	\$ -	\$ 144,847,700	\$ 10,631,500
Sewer System	184,052,600	10,769,900	194,822,500	12,860,800
Total	\$ 328,900,300	\$ 10,769,900	\$ 339,670,200	\$ 23,492,300

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.



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	FY 2023 Amended Budget	FY 2022 Activity Thru 07/31/2022
A Water System Operations	\$ 76,518,200	\$ -	\$ 76,518,200	\$ 7,290,400
B Wastewater System Operations	113,197,500	10,769,900	123,967,400	9,430,200
C Centralized Services	104,502,900	-	104,502,900	4,477,700
D Administrative & Other Services	34,681,700	-	34,681,700	2,294,000
Total	\$ 328,900,300	\$ 10,769,900	\$ 339,670,200	\$ 23,492,300

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

B-Wastewater System Operations – The Sewer O&M budget is being increased \$10.8 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).

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



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	FY 2023 Amended Budget	FY 2022 Activity Thru 07/31/2022
Personnel Costs	\$ 122,144,300	\$ (367,200)	\$ 121,777,100	\$ 9,271,900
Utilities	51,007,400	4,910,100	55,917,500	5,760,000
Chemicals	16,118,600	7,663,000	23,781,600	1,899,200
Supplies & Other	34,911,800	-	34,911,800	1,704,200
Contractual Services	104,579,200	1,413,300	105,992,500	5,094,900
Capital Program Allocation	(4,376,200)	-	(4,376,200)	(72,900)
Shared Services	(2,925,000)	1,424,100	(1,500,900)	(165,000)
Unallocated Reserve	7,440,200	(4,273,400)	3,166,800	-
Total	\$ 328,900,300	\$ 10,769,900	\$ 339,670,200	\$ 23,492,300

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)*.



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

	FY 2023 Board Adopted Budget	Total 1st Quarter FY 2023 Amendments	FY 2023 Amended Budget
O&M Unallocated Reserves			
Water System Operations	\$ 2,284,700	\$ -	\$ 2,284,700
Wastewater System Operations	3,055,500	(3,055,200)	300
Centralized Services	1,600,000	(1,218,200)	381,800
Administrative & Other Services	500,000	-	500,000
Total	\$ 7,440,200	\$ (4,273,400)	\$ 3,166,800

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 September 30, 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
Revenues				
1 Regional System Wholesale Revenues	\$ 354,947,900	\$ (1,257,300)	\$ -	\$ 353,690,600
2 Local System Revenues	70,104,100	-	18,061,300	88,165,400
3 Miscellaneous Revenue (Local System)	3,900,000	-	800	3,900,800
4 Non-Operating Revenue (Regional System)	1,123,700	5,921,200	-	7,044,900
5 Total Revenues	\$ 430,075,700	\$ 4,663,900	\$ 18,062,100	\$ 452,801,700
Revenue Requirements				
Operations & Maintenance Expense				
6 Regional System Wholesale Expenses	\$ 144,847,700	\$ -	\$ -	\$ 144,847,700
7 Local System Expenses	30,490,000	-	12,091,600	42,581,600
8 GRS Pension allocable to Regional System	6,048,000	-	-	6,048,000
9 GRS Pension allocable to Local System	4,272,000	-	-	4,272,000
10 Total Operations & Maintenance Expense	185,657,700	-	12,091,600	197,749,300
11 Net Revenues after Operations & Maintenance Expense	\$ 244,418,000	\$ 4,663,900	\$ 5,970,500	\$ 255,052,400
Debt Service by Lien				
12 Senior Lien Bonds	\$ 135,939,700	\$ (2,166,600)	\$ -	\$ 133,773,100
13 Second Lien Bonds	47,200,100	2,917,100	-	50,117,200
14 SRF Junior Lien Bonds	10,061,800	(258,900)	-	9,802,900
15 Total Debt Service	\$ 193,201,600	\$ 491,600	\$ -	\$ 193,693,200
Debt Service Coverage				
16 Senior Lien Bonds (11)/(12)	1.80	0.06	0.04	1.91
17 Second Lien Bonds (11)/[(12)+(13)]	1.33	0.02	0.03	1.39
18 SRF Junior Lien Bonds (11)/(15)	1.27	0.02	0.03	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.



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 September 30, 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
Revenues				
1 Regional System Wholesale Revenues	\$ 479,816,500	\$ (2,396,300)	\$ -	\$ 477,420,200
2 Local System Revenues	96,467,800	-	(17,897,700)	78,570,100
3 Miscellaneous Revenue (Local System)	7,640,000	-	(1,300)	7,638,700
4 Non-Operating Revenue (Regional System)	1,555,600	7,615,600	-	9,171,200
5 Total Revenues	\$ 585,479,900	\$ 5,219,300	\$ (17,899,000)	\$ 572,800,200
Revenue Requirements				
Operations & Maintenance Expense				
6 Regional System Wholesale Expenses	\$ 184,052,600	\$ 10,769,900	\$ -	\$ 194,822,500
7 Local System Expenses	63,390,000	-	(11,993,600)	51,396,400
8 GRS Pension allocable to Regional System	10,824,000	-	-	10,824,000
9 GRS Pension allocable to Local System	2,856,000	-	-	2,856,000
10 Total Operations & Maintenance Expense	261,122,600	10,769,900	(11,993,600)	259,898,900
11 Net Revenues after Operations & Maintenance Expense	\$ 324,357,300	\$ (5,550,600)	\$ (5,905,400)	\$ 312,901,300
Debt Service by Lien				
12 Senior Lien Bonds	\$ 149,780,900	\$ 1,749,800	\$ -	\$ 151,530,700
13 Second Lien Bonds	36,738,500	3,108,600	-	39,847,100
14 SRF Junior Lien Bonds	51,084,400	891,300	-	51,975,700
15 Total Debt Service	\$ 237,603,800	\$ 5,749,700	\$ -	\$ 243,353,500
Debt Service Coverage				
16 Senior Lien Bonds (11)/(12)	2.17	(0.06)	(0.04)	2.06
17 Second Lien Bonds (11)/[(12)+(13)]	1.74	(0.07)	(0.03)	1.63
18 SRF Junior Lien Bonds (11)/(15)	1.37	(0.06)	(0.02)	1.29

* 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.



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>



Quarterly Budget Amendment Report
 FY 2023 Ending September 30, 2022

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

Water Improvement & Extension Fund	FY 2023 Board Adopted Budget	Total 1st Quarter FY 2023 Amendments	FY 2023 Amended Budget	FY 2022 Activity Thru 07/31/2022
Revenues				
Water System Transfers In from General Operating	\$ 24,300,000	\$ 4,173,700	\$ 28,473,700	\$ 2,025,000
Earnings on Investments (b)	308,300	1,579,900	1,888,200	47,800
Net Use (Increase) of Reserves (a)	19,888,000	(15,409,100)	4,478,900	-
Total Revenues	\$ 44,496,300	\$ (9,655,500)	\$ 34,840,800	\$ 2,072,800
Expenditures				
Water System Revenue Transfers Out (b)	\$ 308,300	\$ 1,579,900	\$ 1,888,200	\$ 148,500
Capital Spending - Other	-	-	-	1,596,200
Capital Outlay	15,452,600	-	15,452,600	519,100
Revenue Financed Capital - Transfer to Construction Fund	28,735,400	(11,235,400)	17,500,000	15,829,300
Total Expenditures	\$ 44,496,300	\$ (9,655,500)	\$ 34,840,800	\$ 18,093,100
<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	\$ (4,478,900)	
<i>Projected Ending Net Position</i>	\$ 90,297,500	\$ (276,400)	\$ 90,021,100	

(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.



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 the reduced need to use I&E funds for Capital Projects as a result of the September 2022 bond transaction and increase in SRF loans.</i>



Quarterly Budget Amendment Report
 FY 2023 Ending September 30, 2022

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

Sewer Improvement & Extension Fund	FY 2023 Board Adopted Budget	Total 1st Quarter FY 2023 Amendments	FY 2023 Amended Budget	FY 2022 Activity Thru 07/31/2022
Revenues				
Sewer System Transfers In from General Operating	\$ 39,342,500	\$ (11,267,700)	\$ 28,074,800	\$ 3,278,500
Receipt of DWSD Shortfall Loan Interest	-	-	-	-
Earnings on Investments (b)	247,700	1,768,800	2,016,500	77,500
Net Use (Increase) of Reserves (a)	5,549,500	8,322,800	13,872,300	-
Total Revenues	\$ 45,139,700	\$ (1,176,100)	\$ 43,963,600	\$ 3,356,000
Expenditures				
Sewer System Revenue Transfers Out (b)	\$ 247,700	\$ 1,768,800	\$ 2,016,500	\$ 151,400
Capital Spending - Other	-	2,389,700	2,389,700	61,800
Capital Outlay	18,447,100	-	18,447,100	132,700
Revenue Financed Capital - Transfer to Construction Fund	26,444,900	(5,334,600)	21,110,300	8,134,700
Total Expenditures	\$ 45,139,700	\$ (1,176,100)	\$ 43,963,600	\$ 8,480,600
<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)	(13,872,300)	
<i>Projected Ending Net Position</i>	\$ 87,664,900	\$ 2,762,800	\$ 90,427,700	

(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.



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>The proposed budget amendment 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 the reduced need to use I&E funds for Capital Projects as a result of the September 2022 bond transaction and increase in SRF loans.</i>



Quarterly Budget Amendment Report
 FY 2023 Ending September 30, 2022

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

Water Construction Fund	FY 2023 Board Adopted Budget	Total 1st Quarter FY 2023 Amendments	FY 2023 Amended Budget	FY 2022 Activity Thru 07/31/2022
Revenues				
Transfer from Improvement & Extension Fund	\$ 28,735,400	\$ (11,235,400)	\$ 17,500,000	\$ 15,829,300
Bond Proceeds	-	225,000,000	225,000,000	-
Bond Fund Earnings on Investments	128,800	749,000	877,800	-
Grant Revenues (SRF Loans)	54,992,000	71,838,000	126,830,000	-
Net Use (Increase) of Reserves (a)	71,644,800	(247,476,600)	(175,831,800)	-
Total Revenues	\$ 155,501,000	\$ 38,875,000	\$ 194,376,000	\$ 15,829,300
Expenditures				
Capital Improvement Plan (b)	\$ 194,376,000	\$ -	\$ 194,376,000	\$ 11,578,700
Capital Spend Rate Adjustment	(38,875,000)	38,875,000	-	-
Total Expenditures (b)	\$ 155,501,000	\$ 38,875,000	\$ 194,376,000	\$ 11,578,700
<i>(a) Beginning Net Position</i>	<i>\$ 188,251,300</i>	<i>\$ (165,251,300)</i>	<i>\$ 23,000,000</i>	
<i>Net (Use) Increase of Reserves</i>	<i>(71,644,800)</i>	<i>247,476,600</i>	<i>175,831,800</i>	
<i>Projected Ending Net Position</i>	<i>\$ 116,606,500</i>	<i>\$ 82,225,300</i>	<i>\$ 198,831,800</i>	
<i>(b) Plus Direct I&E Projects</i>	<i>-</i>	<i>-</i>	<i>-</i>	
<i>Total CIP Expenditures</i>	<i>155,501,000</i>	<i>38,875,000</i>	<i>194,376,000</i>	
<i>Total Published Capital Improvement Plan</i>	<i>194,376,000</i>		<i>194,376,000</i>	
<i>Capital Spending Ratio</i>	<i>80.0%</i>		<i>100.0%</i>	

- (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.



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 change is due to the reduced need to use I&E funds for Capital Projects as a result of the September 2022 bond transaction and increase in SRF loans.</i>
Bond Proceeds	<i>The proposed budget amendment is to record the proceeds from the September 2022 bond transaction.</i>
Earnings on Investments	<i>The proposed budget amendment reflects the estimated investment earnings from the September 2022 bond transaction.</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 that shifts SRF loan closings from FY 2022 into FY 2023. Details related to the SRF projects are presented in the quarterly debt report. The most recent quarterly debt report is presented in the July 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 80% to 100% as well as the increased revenues from Bond proceeds, SRF loans, and Investment earnings.</i>
Expenditures	
Capital Improvement Plan	<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. This amount is reflected on the ‘Capital Spending – Other’ line on the Water Improvement & Extension Fund table.</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 80% to 100.0%. 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 most recent quarterly construction work-in-progress (CWIP) report is presented in the September 2022 Audit Committee binder.</i></p>



Quarterly Budget Amendment Report
FY 2023 Ending September 30, 2022

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

Sewer Construction Fund	FY 2023 Board Adopted Budget	Total 1st Quarter FY 2023 Amendments	FY 2023 Amended Budget	FY 2022 Activity Thru 07/31/2022
Revenues				
Transfer from Improvement & Extension Fund	\$ 26,444,900	\$ (5,334,600)	\$ 21,110,300	\$ 8,134,700
Bond Proceeds	-	225,000,000	225,000,000	-
Bond Fund Earnings on Investments	86,200	820,000	906,200	-
Grant Revenues (SRF Loans)	18,720,000	31,317,000	50,037,000	-
Net Use (Increase) of Reserves (a)	49,197,900	(222,709,100)	(173,511,200)	-
Total Revenues	\$ 94,449,000	\$ 29,093,300	\$ 123,542,300	\$ 8,134,700
Expenditures				
Capital Improvement Plan (b)	\$ 125,932,000	\$ (2,389,700)	\$ 123,542,300	\$ 4,365,300
Capital Spend Rate Adjustment	(31,483,000)	31,483,000	-	-
Total Expenditures (b)	\$ 94,449,000	\$ 29,093,300	\$ 123,542,300	\$ 4,365,300
<i>(a) Beginning Net Position</i>	<i>\$ 131,883,800</i>	<i>\$ (115,883,800)</i>	<i>\$ 16,000,000</i>	
<i>Net (Use) Increase of Reserves</i>	<i>(49,197,900)</i>	<i>222,709,100</i>	<i>173,511,200</i>	
<i>Projected Ending Net Position</i>	<i>\$ 82,685,900</i>	<i>\$ 106,825,300</i>	<i>\$ 189,511,200</i>	
<i>(b) Plus Direct I&E Projects</i>	<i>-</i>	<i>-</i>	<i>-</i>	
<i>Total CIP Expenditures</i>	<i>94,449,000</i>	<i>29,093,300</i>	<i>123,542,300</i>	
<i>Total Published Capital Improvement Plan</i>	<i>125,932,000</i>		<i>123,542,300</i>	
<i>Capital Spending Ratio</i>	<i>75.0%</i>		<i>100.0%</i>	

(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.



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 change is due to the reduced need to use I&E funds for Capital Projects as a result of the September 2022 bond transaction and increase in SRF loans.</i>
Bond Proceeds	<i>The proposed budget amendment is to record the proceeds from the September 2022 bond transaction.</i>
Earnings on Investments	<i>The proposed budget amendment reflects the estimated investment earnings from the September 2022 bond transaction.</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 that shifts SRF loan closings from FY 2022 into FY 2023. Details related to the SRF projects are presented in the quarterly debt report. The most recent quarterly debt report is presented in the July 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 80% to 100% as well as the increased revenues from Bond proceeds, SRF loans, and Investment earnings.</i>
Expenditures	



Appropriation Level – Construction Fund – Sewer System Budget Amendment Explanations	
Capital Improvement Plan	<i>The proposed budget amendment represents projects in the Board adopted capital improvement plan (CIP) that do not meet the criteria for debt financing. This amount is reflected on the ‘Capital Spending – Other’ line on the Water Improvement & Extension Fund table.</i>
Capital Spend Rate Adjustment	<i>The proposed budget amendment represents the increase in the projected Capital Spend Rate for the Sewer CIP from 75% to 100%. 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 most recent quarterly construction work-in-progress (CWIP) report is presented in the September 2022 Audit Committee binder.</i>

ADDENDUM 1

Supplemental Information –

Enterprise-wide Operations & Maintenance Department and Account Level Amendments

The summary of budget amendments for operations & maintenance (department and account level amendments) are organized by the four core groups. The FY 2023 first quarter budget amendments result in an increase to B - Sewer System Operations and net zero changes to the remaining three categories: A - Water System Operations, C – Centralized Services, and D – Administrative & Other Services.

GLWA’s internal budget directive is for each area, group, and team to manage their needs to an amount within the initial budget. To the extent that is not possible, an amendment is made from the unallocated reserve. If savings are incurred, or an area appears to not require as much funding as established in the original budget, that department’s budgeted expenses are reduced, and the unallocated reserve is increased. In administering the budget, there are several refinements to departments and account categories. An explanation of key items is included in the table in Addendum 1.

Items greater than \$500,000 include the following (see the table on the following page).

- B – Wastewater System Operations – Net change = \$10.8 million
 - Chemicals – Increase of \$7.7 million – Adjustment for increase in chemical costs (primarily chlorine-based products) and estimated usage in FY 2023. The following table shows the pricing history of chlorine experienced by GLWA.

Water Operations	Date	Price	Wastewater	Date	Price
1 Ton Containers	4/1/2019	\$ 399.00	90 Ton Railcars	1/1/2021	\$ 297.20
1 Ton Containers	3/30/2021	\$ 460.00	90 Ton Railcars	6/25/2021	\$ 467.20
1 Ton Containers	9/1/2021	\$ 630.00	90 Ton Railcars	11/23/2021	\$ 697.20
1 Ton Containers	11/1/2021	\$ 860.00	90 Ton Railcars	1/4/2022	\$ 1,140.00
1 Ton Containers	1/15/2022	\$ 1,251.00	90 Ton Railcars	2/1/2022	\$ 1,240.00
1 Ton Containers	4/15/2022	\$ 1,500.00	90 Ton Railcars	7/1/2022	\$ 1,640.00
1 Ton Containers	10/1/2022	\$ 1,838.00	90 Ton Railcars	10/1/2022	\$ 1,778.00

- Contractual Services – Increase of \$1.6 million – The use of the New England Fertilizer Co. (NEFCO) contract, PC-792, has increased, along with an increase in the cost for the material processed through the Biosolids Dryer Facility (BDF), which is based on the increasing consumer price index (CPI) (\$1.2 million); and the amount of the new facilities maintenance contract, which

ADDENDUM 1

Supplemental Information –

Enterprise-wide Operations & Maintenance Department and Account Level Amendments

started on July 01, 2022, is higher than the budgeted amount for this contract (\$0.4 million).

- Utilities – Increase of \$4.9 million – Details can be found in *Addendum 2 – Supplemental Information – Enterprise-wide Operations & Maintenance Account Type and Department Level Amendments*.
- Unallocated Reserve – Decrease of \$3.1 million – Used to offset a portion of the increases primarily in chemicals and utilities.
- C – Centralized Services – Net change = zero
 - Shared Services (GLWA is the Provider of services to DWSD) - Decrease in the agreements (results in an increase to the Operations & Maintenance expense) of \$1.4 million – The Security & Integrity agreement, along with several of the Information Technology agreements have either had a change in scope or have been terminated.
 - Agreements that have been changed – The OPS-005 Security and Integrity agreement was terminated and OPS-005A was created (\$94,800 decrease). The services provided under ITS-014 – Security Network were revised (\$18,500 decrease).
 - Terminated Agreements – ITS-004A WAM (\$408,100 decrease), ITS-008A TIBCO (\$40,800 decrease), ITS-009A IT Infrastructure (\$816,000 decrease), and ITS-012 Oracle Database Licensing (\$45,900 decrease).
 - The reduction in the Shared Services agreements will not result in a reduction in expense as Information Technology resources will be utilized to focus on other initiatives.
 - Contractual Services (Shared Service agreements in which GLWA is the Subscriber – receives services from DWSD) - Decrease in the agreements (results in a decrease to the Operations & Maintenance expense) of \$205,900 – Two agreements have been terminated: DoIT-001 Financial Information System (\$159,200 decrease) and DoIT-003 Customer Service Technology Suite (\$46,700 decrease).
 - Unallocated Reserve – Decrease of \$1.2 million – Utilized to offset the changes to the Shared Services agreements.

ADDENDUM 1

Supplemental Information – Enterprise-wide Operations & Maintenance Department and Account Level Amendments

The table below shows the adjustment per Expense Category for the two core groups that are affected by the first quarter FY 2023 budget amendments.

Major Budget Categories and Expense Categories	Total 1st Quarter FY 2023 Amendments
B Wastewater System Operations	10,769,900
Chemicals	7,663,000
Contractual Services	1,619,200
Personnel	(367,200)
Unallocated Reserve	(3,055,200)
Utilities	4,910,100
C Centralized Services	-
Contractual Services	(205,900)
Unallocated Reserve	(1,218,200)
Shared Services	1,424,100
Grand Total	10,769,900

ADDENDUM 1

Supplemental Information
Enterprise-wide Operations & Maintenance Department and Account Level Amendments

Departmental and Account Level Amendments	Total 1st Quarter FY 2023 Amendments	Explanation of Key Items
B Wastewater System Operations	10,769,900	
7 Mile Combined Sewer Overflow	8,000	
Utilities	8,000	
Baby Creek Combined Sewer Overflow	343,800	
Chemicals	305,800	Unit price of chemicals has increased in excess of budget; based on estimated quantity use.
Utilities	38,000	
BDF, COF & Hauling	2,076,100	
Contractual Services	1,252,000	CPI Impact on the NEFCO contract and hauling price increases in excess of budget.
Personnel	(23,900)	
Utilities	848,000	The cost of natural gas per MMBTU has significantly increased over the past two years.
Belle Isle Combined Sewer Overflow	17,500	
Chemicals	17,500	
Chief Operating Officer Wastewater	(6,800)	
Personnel	(6,800)	
Combined Sewer Overflow	275,400	
Personnel	275,400	Increase budget for anticipated overtime as well as use of contractors to fill vacant positions.
Conner Creek Combined Sewer Overflow	1,899,100	
Chemicals	1,871,100	Unit price of chemicals has increased in excess of budget; based on estimated quantity use.
Utilities	28,000	
Conner Pumping Station	34,000	
Utilities	34,000	
Fairview Pumping Station	235,000	
Utilities	235,000	Electricity supplier has changed billing for energy generation which has resulted in an increase to the charge for kWh.
Freud Pumping Station	112,000	
Utilities	112,000	
Hubble Southfield CSO	278,100	
Chemicals	268,100	
Utilities	10,000	
Leib Combined Sewer Overflow	165,600	
Chemicals	124,600	
Utilities	41,000	
Northeast Pumping Station	28,000	
Utilities	28,000	
Oakwood Combined Sewer Overflow	288,000	
Chemicals	239,200	
Utilities	48,800	
Oakwood Pumping Station	42,000	
Utilities	42,000	
Puritan Fenkell Combined Sewer Overflow	30,100	
Chemicals	23,100	
Utilities	7,000	
St Aubin Combined Sewer Overflow	39,100	
Chemicals	41,100	
Utilities	(2,000)	
Wastewater Dewatering Process	208,100	
Chemicals	156,000	
Personnel	52,100	
Wastewater Director	511,100	
Contractual Services	367,200	New facilities maintenance contract (started 07.01.2022) higher than what was budgeted.
Personnel	143,900	
Wastewater Engineering	(125,900)	
Personnel	(125,900)	
Wastewater Incineration Process	(89,900)	
Personnel	(89,900)	
Wastewater Laboratories	(527,100)	
Personnel	(527,100)	Reduction in budget for positions that will not be filled until later in the year.
Wastewater Operations	3,382,000	
Personnel	(50,300)	
Utilities	3,432,300	Both the cost of natural gas and electricity has increased (see explanations for BDF,COF & Hauling and Fairview Pumping Station above).
Wastewater Primary Process	2,053,700	
Chemicals	1,947,800	Unit price of chemicals has increased in excess of budget; based on estimated quantity use.
Personnel	105,900	
Wastewater Process Control	(209,300)	
Personnel	(209,300)	Reduction in budget for hard-to-fill positions that will not be filled until later than originally planned.
Wastewater Secondary Process	2,757,400	
Chemicals	2,668,700	Unit price of chemicals has increased in excess of budget; based on estimated quantity use.
Personnel	88,700	
Wastewater System Operations Unallocated Reserves	(3,055,200)	
Unallocated Reserve	(3,055,200)	Unallocated Reserve used to offset the increase in chemicals and utilities.

ADDENDUM 1

Supplemental Information
Enterprise-wide Operations & Maintenance Department and Account Level Amendments

Departmental and Account Level Amendments	Total 1st Quarter FY 2023 Amendments	Explanation of Key Items
C Centralized Services	-	The following Shared Service agreements with DWSD have had a change in scope or have ended.
Security and Integrity	94,800	
Shared Services	94,800	OPS-005 - Security & Integrity (reduction in scope)
Info Technology Infrastructure	834,500	
Shared Services	834,500	ITS-009A IT Infrastructure (ended); ITS-014 Security Network (reduction in scope)
Info Tech Enterprise Asset Mgmt Systems	448,100	
Contractual Services	(46,700)	DoIT-003 Customer Service Technology Suite (ended)
Shared Services	494,800	ITS-004A WAM (ended); ITS-008A TIBCO (ended); ITS-012 Oracle Database Licensing (ended)
Info Tech Business Productivity Systems	(159,200)	
Contractual Services	(159,200)	DoIT-001 Financial Information System (ended)
Centralized Services Unallocated Reserves	(1,218,200)	
Unallocated Reserve	(1,218,200)	Unallocated Reserve used to offset the reduction to Shared Services.
Grand Total	10,769,900	Increase to the Sewer System Operations & Maintenance budget for rising costs in areas such as chemicals and utilities.

Totals may be off due to rounding

ADDENDUM 2

Supplemental Information –

Enterprise-wide Operations & Maintenance Account Type and Department Level Amendments

The table in Addendum 2 summarizes the FY 2023 first quarter budget amendments for operations & maintenance by the major expense categories (account type). An explanation of key items is included in the table in Addendum 2.

A significant increase in the cost of utilities was experienced in FY 2022 and continues into FY 2023, especially in the Wastewater System Operations.

- Electric - \$2.1 million
 - DTE has changed from a nuclear surcharge recovery to a volumetric delivery surcharge. This change has resulted in an increase to the charge for kWh.
 - In May 2021 the third redundant electrical feed was energized at the WRRF. This third feed is used to ensure that there are no power interruptions at the facility. The feed is an additional \$22,000 per month and was not known at the time the FY 2023 budget was developed.
- Gas - \$2.8 million
 - The cost of natural gas MMBTU has increased significantly over the past two years.
 - Increased production at the Biosolids Dryer Facility (BDF) and wastewater incineration has led to an increase in natural gas usage.

	Total 1st Quarter FY 2023 Amendments
Utilities	
B Wastewater System Operations	4,910,100
Electric	2,148,000
Gas	2,762,100
Grand Total	4,910,100

ADDENDUM 2

Supplemental Information
Enterprise-wide Operations & Maintenance
Account Type and Department Level Amendments

Expense Categories and Departmental Level Amendments	Total 1st Quarter FY 2023 Amendments	Explanation of Key Items
Chemicals	7,663,000	Unit price of chemicals has increased in excess of budget; based on estimated quantity use.
Baby Creek Combined Sewer Overflow	305,800	
Belle Isle Combined Sewer Overflow	17,500	
Conner Creek Combined Sewer Overflow	1,871,100	
Hubble Southfield CSO	268,100	
Leib Combined Sewer Overflow	124,600	
Oakwood Combined Sewer Overflow	239,200	
Puritan Fenkell Combined Sewer Overflow	23,100	
St Aubin Combined Sewer Overflow	41,100	
Wastewater Dewatering Process	156,000	
Wastewater Primary Process	1,947,800	
Wastewater Secondary Process	2,668,700	
Contractual Services	1,413,300	
BDF, COF & Hauling	1,252,000	CPI Impact on the NEFCO contract and hauling price increases in excess of budget.
Wastewater Director	367,200	New facilities maintenance contract (started 07.01.2022) higher than what was budgeted.
Info Tech Enterprise Asset Mgmt Systems	(46,700)	
Info Tech Business Productivity Systems	(159,200)	
Personnel	(367,200)	
BDF, COF & Hauling	(23,900)	
Chief Operating Officer Wastewater	(6,800)	
Combined Sewer Overflow	275,400	Increase budget for anticipated overtime as well as use of contractors to fill vacant positions.
Wastewater Dewatering Process	52,100	
Wastewater Director	143,900	
Wastewater Engineering	(125,900)	
Wastewater Incineration Process	(89,900)	
Wastewater Laboratories	(527,100)	Reduction in budget for positions that will not be filled until later in the year.
Wastewater Operations	(50,300)	
Wastewater Primary Process	105,900	
Wastewater Process Control	(209,300)	Reduction in budget for hard-to-fill positions that will not be filled until later than originally planned.
Wastewater Secondary Process	88,700	
Unallocated Reserve	(4,273,400)	
Wastewater System Operations Unallocated Reserves	(3,055,200)	Unallocated Reserve used to offset the increase in chemicals and utilities.
Centralized Services Unallocated Reserves	(1,218,200)	Unallocated Reserve used to offset the reduction to Shared Services.
Utilities	4,910,100	
7 Mile Combined Sewer Overflow	8,000	
Baby Creek Combined Sewer Overflow	38,000	
BDF, COF & Hauling	848,000	The cost of natural gas per MMBTU has significantly increased over the past two years.
Conner Creek Combined Sewer Overflow	28,000	
Conner Pumping Station	34,000	
Fairview Pumping Station	235,000	Electricity supplier has changed billing for energy generation which has resulted in an increase to the charge for kWh.
Freud Pumping Station	112,000	
Hubble Southfield CSO	10,000	
Leib Combined Sewer Overflow	41,000	
Northeast Pumping Station	28,000	
Oakwood Combined Sewer Overflow	48,800	
Oakwood Pumping Station	42,000	
Puritan Fenkell Combined Sewer Overflow	7,000	
St Aubin Combined Sewer Overflow	(2,000)	
Wastewater Operations	3,432,300	Both the cost of natural gas and electricity has increased (see explanations for BDF,COF & Hauling and Fairview Pumping Station above).
Shared Services	1,424,100	Several Shared Service agreements with DWSD have had a change in scope or have ended.
Security and Integrity	94,800	
Info Technology Infrastructure	834,500	
Info Tech Enterprise Asset Mgmt Systems	494,800	
Grand Total	10,769,900	Increase to the Sewer System Operations & Maintenance budget for rising costs in areas such as chemicals and utilities.

Totals may be off due to rounding