

# Financial Services Audit Committee Communication

**Date:** June 07, 2022

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

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

**Re:** FY 2022 Third Quarter Budget Amendments through March 31, 2022, and Proposed

**Budget Amendment Resolution** 

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

**Analysis:** Highlights of the third quarter budget amendments include the following.

- A. There is an increase to the Water System revenues of \$0.5 million. This is due to an adjustment to Other Revenues for energy rebates, scrap metal sales, and a liquid aluminum sulfate settlement for estimated overcharges (\$354,000).
- B. There is an increase to the Sewer System revenues of \$23,000 due to an adjustment to Other Revenues for energy rebates and scrap metal sales.
- C. There is an increase to the Sewer Operations & Maintenance Expense of \$10.6 million. This primary drivers for this increase are as follows.
  - ➤ Utilities \$6.9 million increase Electric usage has increased \$2.8 million; Water Services usage has increased \$2.7 million; Gas usage has increased \$1.1 million; and Sewage Services has increased \$0.3 million. Details can be found in Addendum 2 Supplemental Information Enterprise-wide Operations & Maintenance Account Type and Department Level Amendments.
  - ➤ Chemicals \$3.1 million increase The increase in wet weather events results in increased flow through the wastewater facilities which leads to an increase in chemical usage. In addition, chlorine-based products have incurred significant cost increases due to supply issues. Amendments to the chemical

- budget have been included in both the  $2^{nd}$  (\$1.5 million increase) and  $3^{rd}$  quarter (\$1.6 million increase) of FY 2022.
- ➤ Contractual Services \$1.4 million increase Primary causes for the increase are the increased usage and annual price adjustment of the New England Fertilizer Co (NEFCO) contract PC-792 (\$1.0 million increase); an increase in the removal and disposal of debris from the grit channels (\$370,000 increase) due to the increase of wet weather events.
- The realignment in the allocation of Centralized Services and Administrative & Other Services from Water to Wastewater Operations \$1.6 million increase
   This realignment is primarily due to independent investigation and legal fees associated with the June/July 2021 wet weather events.
- ➤ The Wastewater System Operations Unallocated Reserves, at the time of the FY 2022 budget adoption, was at \$2.2 million. This amount is insufficient to cover the increases noted in the bullet points above.
- D. The water capital improvement plan is projected to reach 100.6% of the FY 2022 approved plan. This equates to an increase of \$36.1 million. The Capital Spending Ratio for the sewer capital improvement plan has increased from 78.0% to 79.2% which equate to \$1.3 million.

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

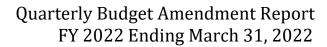
A budget amendment resolution reflecting the budget amendments is also attached.

**Proposed Action:** The Audit Committee recommends that the Board of Directors for the Great Lakes Water Authority adopt the proposed budget resolution for the third quarter FY 2022 budget amendments.



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

	FY 2022 Board Adopted	Total 1st Quarter FY 2022			Total 2nd Quarter FY 2022		Total 3rd Quarter FY 2022	FY 2022 Amended	FY 2022 Activity Thru	
Water System	Budget	An	nendments	A	Amendments		Amendments	Budget	03/31/2022	
Revenues										
Suburban Wholesale Customer Charges	\$ 321,110,900	\$	(2,400,000)	\$	-	\$	-	\$ 318,710,900	\$ 237,680,300	
Retail Service Charges	21,697,300		-		-		-	21,697,300	16,273,000	
Investment Earnings	1,047,300		500,000		376,500		-	1,923,800	1,459,100	
Other Revenues	175,000		-		116,000		491,000	782,000	719,200	
Total Revenues	\$ 344,030,500	\$	(1,900,000)	\$	492,500	\$	491,000	\$ 343,114,000	\$ 256,131,600	
Revenue Requirements										
Operations & Maintenance Expense	\$ 143,933,800	\$	-	\$	-	\$	-	\$ 143,933,800	\$ 97,452,000	
General Retirement System Legacy Pension	6,048,000		-		-		-	6,048,000	4,536,000	
Debt Service	135,481,000		(360,000)		-		-	135,121,000	101,508,300	
General Retirement System Accelerated Pension	6,268,300		<u>-</u>		-		-	6,268,300	4,701,400	
Extraordinary Repair & Replacement Deposit	_		-		-		-	-	-	
Water Residential Assistance Program Contribution	1,705,500		-		_		_	1,705,500	1,279,100	
Regional System Lease	22,500,000		-		-		-	22,500,000	16,875,000	
DWSD Budget Shortfall Pending	-		-		-		-	-	-	
Improvement & Extension Fund Transfer Pending	28,093,900		(1,540,000)		492,500		491,000	27,537,400	20,337,100	
Total Revenue Requirements	\$ 344,030,500	\$	(1,900,000)	\$	492,500	\$	491,000	\$ 343,114,000	\$ 246,688,900	
Net Actual to Date	\$ -	\$	-	\$		\$	-	\$ -	\$ 9,442,700	





Appropriation Level - Revenue Rec	quirement - Water System General Operating Budget Amendment Explanation
Revenues	
Suburban Wholesale Customer	No budget amendment is required.
Charges	
Retail Services Charges	No budget amendment is required.
Investment Earnings	No budget amendment is required.
Other Revenues	The budget amendment proposed is based on activity to date for energy rebates, scrap
	metal sales, and a liquid aluminum sulfate settlement for estimated overcharges
	(\$354,000). This source of revenue fluctuates from year to year.
Revenue Requirements (Expenditur	es)
Operations & Maintenance Expense	No budget amendment is required.
General Retirement System Legacy	No budget amendment is required. Budget and funding are on a fixed schedule.
Pension	
Debt Service	No budget amendment is required.
General Retirement System Legacy	No budget amendment is required. Budget and funding are on a fixed schedule.
Pension – Accelerated Payment	
Extraordinary Repair &	No budget amendment is required. This is a formulaic requirement in the Master Bond
Replacement Deposit	Ordinance. Based on adopted and amended budget, no adjustment is required.
Water Residential Assistance	No budget amendment is required. Budget is fixed at time of budget adoption.
Program Contribution	
Regional System Lease	No budget amendment is required. Lease payment is established in accordance with terms
	of the lease.
DWSD Budget Shortfall Pending	No budget amendment is proposed at this time.

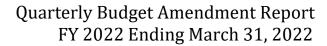


Appropriation Level - Revenue Requirement - Water System General Operating Budget Amendment Explanation										
Improvement & Extension Fund	Represents annual funding for pay-as-you-go capital improvement program. Budget									
Transfer Pending	amendments to revenues, investment earnings, debt service, and DWSD budget shortfall									
	affect this line item.									



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

Table 1B - Appropriation Level - Reve	FY 2022	iici.	Total	J	Total	Total		
	Board	4.	st Quarter	2	nd Quarter	3rd Quarter	FY 2022	FY 2022
	Adopted		FY 2022		FY 2022	FY 2022	Amended	Activity Thru
Sewer System	Budget		nendments	Λ	mendments	Amendments	Budget	03/31/2022
Revenues	Duuget		lendinents		menuments	Amendments	Duuget	03/31/2022
Suburban Wholesale Customer Charges	\$ 272,130,000	\$	(3,000,000)	\$	(2,400,000)	\$ -	\$ 266,730,000	\$ 204,270,300
Retail Service Charges	188,662,200	Ψ	(0,000,000)	Ψ	(2,400,000)	Ψ -	188,662,200	141,496,600
Industrial Waste Control Charges	9,024,800		-		(700,000)	_	8,324,800	6,218,200
Pollutant Surcharges	4,188,900		_		(. 55,555)	_	4,188,900	3,738,300
Investment Earnings	1,023,300		500,000		352,900	_	1,876,200	1,188,600
Other Revenues	400,000		-		90,000	23,000	513,000	378,200
Total Revenues	\$ 475,429,200	\$	(2,500,000)	\$	(2,657,100)		\$ 470,295,100	\$ 357,290,200
Revenue Requirements			(, , ,		( , , , ,	· · · · · · · · · · · · · · · · · · ·		
Operations & Maintenance Expense	\$ 181,299,800	\$	-	\$	-	\$ 10,608,800	\$ 191,908,600	\$ 140,598,000
General Retirement System Legacy Pension	10,824,000		-		-	-	10,824,000	8,118,000
Debt Service	207,209,500		(2,225,000)		-	-	204,984,500	154,297,300
General Retirement System Accelerated Pension	11,620,700		-		_	_	11,620,700	8,715,500
Extraordinary Repair & Replacement Deposit	_		_		_	_	_	_
Water Residential Assistance Program Contribution	2,358,300		_		-	-	2,358,300	1,768,700
Regional System Lease	27,500,000		-		-	-	27,500,000	20,625,000
DWSD Budget Shortfall Pending	-		-		-	-	-	-
Improvement & Extension Fund Transfer Pending	34,616,900		(275,000)		(2,657,100)	(10,585,800)	21,099,000	25,334,800
Total Revenue Requirements	\$ 475,429,200	\$	(2,500,000)	\$	(2,657,100)	·	\$ 470,295,100	\$ 359,457,300
Net Actual to Date	\$ -	\$	-	\$	-	\$ -	\$ -	\$ (2,167,100)





Appropriation Level - Revenue Requirement - Sewer System General Operating Budget Amendment Explanation						
Revenues						
Suburban Wholesale Customer	No budget amendment is required.					
Charges						
Retail Services Charges	No budget amendment is required.					
Industrial Waste Control Charges	No budget amendment is required.					
Pollutant Surcharges	No budget amendment is required.					
Investment Earnings	No budget amendment is required.					
Other Revenues The budget amendment proposed is based on activity to date for energy rebates and						
	metal sales. This source of revenue fluctuates from year to year.					
Revenue Requirements (Expenditur	es)					
Operations & Maintenance Expense	The Sewer O&M budget is being increased by \$9.0 million to cover the shortfall projected					
	in FY 2022 (details can be found in the Highlights section beginning on the first page of					
	this document). An additional \$1,608,800 is needed to cover the realignment in the					
	allocation of the Centralized Services and Administrative & Other Services which is					
	primarily due to the independent investigation and legal fees associated with the June/July					
	2021 wet weather events.					
General Retirement System Legacy	No budget amendment is required. Budget and funding are on a fixed schedule.					
Pension						
Debt Service	No budget amendment is required.					
General Retirement System Legacy	No budget amendment is required. Budget and funding are on a fixed schedule.					
Pension – Accelerated Payment						
Extraordinary Repair &	No budget amendment is required. This is a formulaic requirement in the Master Bond					
Replacement Deposit	Ordinance. Based on adopted and amended budget, no adjustment is required.					



Appropriation Level - Revenue Rec	Appropriation Level - Revenue Requirement - Sewer System General Operating Budget Amendment Explanation								
Water Residential Assistance	No budget amendment is required. Budget is fixed at time of budget adoption.								
Program Contribution									
Regional System Lease	No budget amendment is required. Lease payment is established in accordance with terms								
	of the lease.								
DWSD Budget Shortfall Pending	No budget amendment is proposed at this time. The 2018 Memorandum of Understanding								
	provides guidance related to repayment to the extent that the shortfall is not cured by								
	other means before June 30 <sup>th</sup> of the subsequent year. Communication with DWSD								
	Management indicates that plans are cautiously optimistic that the shortfall will be cured								
	by year-end.								
Improvement & Extension Fund	Represents annual funding for pay-as-you-go capital improvement program. Budget								
Transfer Pending	amendments to revenues, investment earnings, debt service, and DWSD budget shortfall								
	affect this line item.								



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

	FY 2022	Total		Total	Total		
	Board	1st Quarte	er	2nd Quarter	3rd Quarter	FY 2022	FY 2022
	Adopted	FY 2022		FY 2022	FY 2022	Amended	Activity Thru
System	Budget	Amendmen	nts .	Amendments	Amendments	Budget	03/31/2022
Water System Operations	\$ 143,933,800	\$	- (	\$ -	\$ -	\$ 143,933,800	\$ 97,452,000
Wastewater System Operations	181,299,800		-	-	10,608,800	191,908,600	140,598,000
Total	\$ 325,233,600	\$	- ;	\$ -	\$ 10,608,800	\$ 335,842,400	\$ 238,050,000

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 2022 Board Adopted Budget	F	Total t Quarter FY 2022 endments	2nd F`	Total Quarter Y 2022 ndments	Total rd Quarter FY 2022 nendments	FY 2022 Amended Budget	FY 2022 Activity Thru 03/31/2022
A Water System Operations	\$ 74,813,000	\$	-	\$	-	\$ 1,608,800	\$ 76,421,800	\$ 56,722,000
B Wastewater System Operations	111,971,400		-		-	9,000,000	120,971,400	88,711,000
C Centralized Services	103,845,900		-		-	-	103,845,900	68,909,000
D Administrative & Other Services	34,603,300		-		-	-	34,603,300	23,708,000
Total	\$ 325,233,600	\$	-	\$	-	\$ 10,608,800	\$ 335,842,400	\$ 238,050,000

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 third quarter FY 2022, the following amendments are being proposed.

• A-Water System Operations – The allocation of the C-Centralized Services and D-Administrative & Other Services amended budget between water and sewer has been reviewed and an amendment is being proposed to move \$1,608,800 from the overall Water Systems Operations to the overall Wastewater System Operations. This realignment is primarily due to the June/July 2021 wet weather events (legal fees found in the General Counsel budget and internal investigation fees found in the Board of Directors' budget) which impacts the B-Wastewater System Operations. To offset the decrease of \$1,608,800 to the A-Water System Operations, the Unallocated Reserves for the A-Water System Operations is being increased so that the net effect on the overall Water Systems Operations is zero (see Table 1C – Supplemental Information – Operating Fund Level – Water System and Sewer System).



• B-Wastewater System Operations – The Sewer O&M budget is being increased by \$9.0 million to cover the shortfall projected in FY 2022 (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 2022 Board Adopted Budget	Total 1st Quarter FY 2022 Amendments	Total 2nd Quarter FY 2022 Amendments	Total 3rd Quarter FY 2022 Amendments	FY 2022 Amended Budget	FY 2022 Activity Thru 03/31/2022		
Personnel Costs	\$ 115,437,400	\$ (1,436,600)	\$ (92,700)	\$ (994,400)	\$ 112,913,700	\$ 82,203,000		
Utilities	50,398,000	-	42,900	7,803,400	58,244,300	43,708,000		
Chemicals	16,044,300	-	1,470,400	1,580,800	19,095,500	14,199,000		
Supplies & Other	38,559,700	1,057,200	(2,534,200)	(1,986,000)	35,096,700	22,679,000		
Contractual Services	103,375,700	1,459,000	1,958,600	3,744,700	110,538,000	79,053,000		
Capital Program Allocation	(3,471,000)	-	-	304,300	(3,166,700)	(1,930,000)		
Shared Services	(1,892,500)	(883,200)	(153,300)	(273,200)	(3,202,200)	(1,862,000)		
Unallocated Reserve	6,782,000	(196,400)	(691,700)	429,200	6,323,100	-		
	-				-	-		
Total	\$ 325,233,600	\$ -	\$ -	\$ 10,608,800	\$ 335,842,400	\$ 238,050,000		

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 2022 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

O&M Unallocated Reserves	FY 2022 Board Adopted Budget	Total st Quarter FY 2022 nendments	Total nd Quarter FY 2022 mendments	Total rd Quarter FY 2022 nendments	FY 2022 Amended Budget
Water System Operations	\$ 1,798,800	\$ -	\$ -	\$ 1,207,800	\$ 3,006,600
Wastewater System Operations	2,250,900	(1,061,100)	153,300	(1,080,500)	262,600
Centralized Services	2,187,600	(227,100)	(61,700)	913,500	2,812,300
Administrative & Other Services	544,700	1,091,900	(783,300)	(611,600)	241,700
Total	\$ 6,782,000	\$ (196,300)	\$ (691,700)	\$ 429,200	\$ 6,323,200

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 2022 changes to the unallocated reserve, see *Supplemental Information - Enterprise-wide Operations & Maintenance Department and Account Level Amendments (Addendum 1).* 



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

	FY 2022 Board	1st Quarter FY 2022 Amendments	1st Quarter FY 2022	FY 2022			FY 2022	3rd Quarter FY 2022 Amendments		3rd Quarter FY 2022	FY 2022		
Water System - Debt Service Coverage	Adopted	Regional	Amendments	Amended		Regional		nendments	Amended		Regional	Amendments	
Calculation	Budget	System	Local System	Budget	ļ	System	Lo	cal System	Budget		System	Local System	Budget
Revenues					١.					١.			
Regional System Wholesale Revenues	\$342,808,200	\$ (2,400,000)		\$340,408,200	\$	-	\$	-	\$340,408,200	\$	-	\$ -	\$340,408,200
Local System Revenues	73,264,300	-	(3,626,300)	69,638,000		-		-	69,638,000		-	-	69,638,000
Miscellaneous Revenue (Local System)	6,428,400	-	(2,614,900)	3,813,500		-		-	3,813,500		-	-	3,813,500
4 Non-Operating Revenue (Regional System)	1,222,300	500,000	-	1,722,300		492,500		-	2,214,800		491,000	-	2,705,800
5 Total Revenues	\$423,723,200	\$ (1,900,000)	\$ (6,241,200)	\$415,582,000	\$	492,500	\$	-	\$416,074,500	\$	491,000	\$ -	\$416,565,500
Revenue Requirements Operations & Maintenance Expense	<b>#</b> 4 40 000 000		•	<b>#.40.000.000</b>			•		<b>#.4.0.000.000</b>			•	<b>#.440.000.000</b>
6 Regional System Wholesale Expenses	\$143,933,800		\$ -	\$143,933,800	\$	-	\$	-	\$143,933,800	\$	-	\$ -	\$143,933,800
7 Local System Expenses	34,648,600	-	(4,659,600)	29,989,000		-		-	29,989,000		-	-	29,989,000
8 GRS Pension allocable to Regional System	6,048,000	-	-	6,048,000		-		-	6,048,000		-	-	6,048,000
9 GRS Pension allocable to Local System	4,272,000	-	-	4,272,000		-		-	4,272,000		-	-	4,272,000
10 Total Operations & Maintenance													
Expense	188,902,400	<u> </u>	(4,659,600)	184,242,800	<u> </u>	-		-	184,242,800		-	<u> </u>	184,242,800
11 Net Revenues after Operations & Maintenance Expense	\$ 234,820,800	\$ (1,900,000)	\$ (1,581,600)	\$231,339,200	\$	492,500	\$	-	\$231,831,700	\$	491,000	\$ -	\$232,322,700
Debt Service by Lien													
12 Senior Lien Bonds	\$124,309,700	\$ -	\$ -	\$124,309,700	\$	-	\$	-	\$124,309,700	\$	-	\$ -	\$124,309,700
13 Second Lien Bonds	46,840,400	-	-	46,840,400		-		-	46,840,400		-	-	46,840,400
14 SRF Junior Lien Bonds	6,695,100	(360,000)	-	6,335,100		-		-	6,335,100		-	-	6,335,100
15 Total Debt Service	\$177,845,200	\$ (360,000)	\$ -	\$177,485,200	\$	-	\$	-	\$177,485,200	\$	-	\$ -	\$177,485,200
Debt Service Coverage													
16 Senior Lien Bonds (11)/(12)	1.89	(0.02)	(0.01)	1.86		0.00		0.00	1.86		0.00	0.00	1.87
17 Second Lien Bonds (11) / [(12)+(13)]	1.37	(0.01)	(0.01)	1.35		0.00		0.00	1.35		0.00	0.00	1.36
18 SRF Junior Lien Bonds (11) / (15)	1.32	(0.01)	(0.01)	1.30	1	0.00		0.00	1.31	ı	0.00	0.00	1.31

<sup>\*</sup> Rows highlighted in light grey in the above table are designed to align with the DWSD Budget.

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



Appropriation Level - De Explanation	bt Service - Water System Debt Service Coverage Calculation Budget Amendment
Total Debt Service	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.



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

Course Courte are Doubt Courses Courses	FY 2022 Board	1st Quarter FY 2022 Amendments	1st Quarter FY 2022	FY 2022	2nd Quarte FY 2022 Amendmen	2n ts	nd Quarter FY 2022 nendments	FY 2022	3rd Quarter FY 2022 Amendments	3rd Quarter FY 2022	FY 2022
Sewer System - Debt Service Coverage Calculation	Adopted Budaet	Regional System	Amendments Local System	Amended Budaet	Regional System		cal System	Amended Budget	Regional System	Amendments Local System	Amended Budget
Revenues	Buuget	System	Local System	Duuget	System	LU	cai System	Duuget	System	Local System	Buuget
	\$474,005,900	\$ (3,000,000)	¢	\$471,005,900	\$ (3,100,00	)() ¢		\$467,905,900	¢	\$ -	\$467,905,900
Local System Revenues	104,684,700	\$ (3,000,000)	(6,803,300)	97,881,400	\$ (5,100,00	ю) ф	-	97,881,400	φ -	φ -	97,881,400
3 Miscellaneous Revenue (Local System)	6,810,800	-	364,200	7,175,000	-		-	7,175,000	-	-	7,175,000
4 Non-Operating Revenue (Regional System)	1,423,300	500,000	304,200	1,923,300	442,90	00	-	2,366,200	23,000	-	2,389,200
	\$586,924,700		e (C 420 400)	\$577,985,600	\$ (2,657,10			\$575,328,500		-	\$575,351,500
5 Total Revenues	\$ 500,924,700	\$ (2,500,000)	\$ (6,439,100)	\$577,965,000	\$ (2,657,10	) Þ	-	\$575,326,500	\$ 23,000	<b>ə</b> -	\$575,351,500
Revenue Requirements Operations & Maintenance Expense											
•	\$181,299,800	\$ -	\$ -	\$181,299,800	\$ -	\$	_	\$ 181 299 800	\$ 10,608,800	\$ -	\$191,908,600
7 Local System Expenses	69,233,000	-	(7,932,000)	61,301,000	_	Ψ	_	61,301,000	Ψ 10,000,000	_	61,301,000
8 GRS Pension allocable to Regional System	10,824,000	_	(7,502,500)	10,824,000	_		-	10,824,000	_	_	10,824,000
9 GRS Pension allocable to Local System	2,856,000			2,856,000			-	2,856,000	_		2,856,000
10 Total Operations & Maintenance	2,000,000			2,000,000				2,000,000			2,000,000
Expense	264,212,800	_	(7,932,000)	256,280,800	_		_	256,280,800	10,608,800	_	266,889,600
11 Net Revenues after Operations &	204,212,000		(1,502,000)	200,200,000				200,200,000	10,000,000		200,000,000
•	\$322,711,900	\$ (2,500,000)	\$ 1,492,900	\$321,704,800	\$ (2.657.10	00) \$	-	\$319.047.700	\$ (10,585,800)	\$ -	\$308,461,900
aco =xponeo	<b>+</b> ,,	<i>+</i> (2,000,000)	<i>ϕ</i> 1,102,000	<b>4021,101,000</b>	¢ (2,007)10	, <del>,</del> , ,		<del>+ 0.10,0.11,1.00</del>	<i>ϕ</i> (10,000,000)	•	<del>+ + + + + + + + + + + + + + + + + + + </del>
Debt Service by Lien											
•	\$133.195.700	\$ (2,375,000)	\$ -	\$130,820,700	\$ -	\$	_	\$130,820,700	\$ -	\$ -	\$130,820,700
13 Second Lien Bonds	51,893,000	-	· -	51,893,000	-	•	_	51,893,000	_	· _	51,893,000
14 SRF Junior Lien Bonds	53,921,600	150.000	_	54,071,600	_		_	54,071,600	_	_	54,071,600
	\$239,010,300	,	\$ -	\$236,785,300	\$ -	\$	-	\$236,785,300	\$ -	\$ -	\$236,785,300
	, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	. ( , ==,===,	•	, 11, 00,000		•		, 11, 00,000		•	, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Debt Service Coverage											
16 Senior Lien Bonds (11)/(12)	2.42	(0.02)	0.01	2.46	(0.0	)2)	0.00	2.44	(0.08)	0.00	2.36
17 Second Lien Bonds (11) / [(12)+(13)]	1.74	(0.01)	0.01	1.76	(0.0	,	0.00	1.75	(0.06)	0.00	1.69
		(0.)			(0	,	2.50	•	(2.00)	00	1.30

<sup>\*</sup> Rows highlighted in light grey in the above table are designed to align with the DWSD Budget.

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



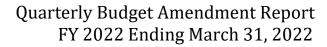
Appropriation Level - Debt Ser	vice - Sewer System Debt Service Coverage Calculation Budget Amendment
Explanation	
Total Debt Service	For purposes of Debt Service coverage, we look at the combined Regional and Local (DWSD) revenue less operations & maintenance (O&M) expense to determine net revenues 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.



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

						,						
Water		FY 2022 Board Adopted		Total 1st Quarter FY 2022		Total 2nd Quarter FY 2022		Total 3rd Quarter FY 2022		FY 2022 Amended		FY 2022 ctivity Thru
Improvement & Extension Fund		Budget	Aı	mendments	Ar	mendments	A	mendments		Budget		03/31/2022
Revenues												
Water System Transfers In from General Operating	\$	28,093,900	\$	(1,540,000)	\$	492,500	\$	491,000	\$	27,537,400	\$	20,337,100
Earnings on Investments (b)		-		715,000		614,000		-		1,329,000		1,199,400
Net Use of Reserves (a)		97,220,700		68,800		(3,523,300)		32,433,400		126,199,600		-
Total Revenues	\$ ^	125,314,600	\$	(756,200)	\$	(2,416,800)	\$	32,924,400	\$	155,066,000	\$	21,536,500
Expenditures												
Water System Revenue Transfers Out (b)	\$	-	\$	715,000	\$	614,000	\$	-	\$	1,329,000	\$	1,385,900
Capital Spending - Other		-		567,400		-		-		567,400		1,323,100
Capital Outlay		17,006,600		-		(3,030,800)		(3,914,500)		10,061,300		3,673,400
Revenue Financed Capital - Operating Transfer to Construction Fund		108,308,000		(2,038,600)		-		36,838,900		143,108,300		89,879,400
Total Expenditures	\$ ^	125,314,600	\$	(756,200)	\$	(2,416,800)	\$	32,924,400	\$	155,066,000	\$	96,261,800
(a) Beginning Net Position									\$	207,475,000		
Net Use of Reserves									\$	(126,199,600)		
Projected Ending Net Position									\$	81,275,400		

<sup>(</sup>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 - Improvemen	t & Extension Fund - Water System Budget Amendment Explanation
Revenues	
Transfers In from General Operating	The proposed budget amendment is to match the amount available for transfer from the
	FY 2022 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).
Earnings on Investments	Had not been originally budgeted as 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. No budget amendment is required.
Net Use (Source) of Reserves	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.
Expenditures	
Water System Revenue Transfers	Had not been originally budgeted as there is a corresponding transfer of earnings back to
Out (Earnings on Investments)	the general operating fund as allowed by the Master Bond Ordinance (so the net effect on
	the I&E Fund is zero). 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 between the two lines represents a timing difference. No budget amendment
	is required.
Capital Spending - Other	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.
Capital Outlay	The proposed budget amendment reflects the decrease in spending which is primarily
	driven by the change in project start dates and project scope.



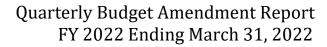
Appropriation Level - Improvement & Extension Fund - Water System Budget Amendment Explanation								
Revenue Financed Capital – Transfer	The proposed budget amendment reflects the funding that is anticipated to be needed for							
to Construction Fund	Capital Projects that will be completed in FY 2022 that rely on I&E funds rather than SRF							
	funds.							



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

Sewer		FY 2022 Board Adopted		Total 1st Quarter FY 2022		Total 2nd Quarter FY 2022		Total 3rd Quarter FY 2022		FY 2022 Amended		FY 2022 ctivity Thru
Improvement & Extension Fund		Budget	A	mendments	An	nendments	Ar	mendments		Budget	(	03/31/2022
Revenues												
Sewer System Transfers In from General Operating	\$	34,616,900	\$	(275,000)	\$	(2,657,100)	\$	(10,585,800)	\$	21,099,000	\$	25,334,800
Receipt of DWSD Shortfall Loan Interest		406,400		-		(261,500)		-		144,900		133,700
Earnings on Investments (b)		-		500,000		504,900		-		1,004,900		676,600
Net Use of Reserves (a)		28,487,800		18,182,800		4,299,400		11,517,200		62,487,200		-
Total Revenues	\$	63,511,100	\$	18,407,800	\$	1,885,700	\$	931,400	\$	84,736,000	\$	26,145,100
Expenditures												
Sewer System Revenue Transfers Out (b)	\$	-	\$	500,000	\$	504,900	\$	-	\$	1,004,900	\$	723,000
Capital Spending - Other		-		722,200		-		-		722,200		4,125,000
Capital Outlay		15,965,100		-		1,380,800		(3,467,200)		13,878,700		3,758,100
Revenue Financed Capital - Operating Transfer to Construction Fund		47,546,000		17,185,600		-		4,398,600		69,130,200		39,120,900
Total Expenditures	\$	63,511,100	\$	18,407,800	\$	1,885,700	\$	931,400	\$	84,736,000	\$	47,727,000
(a) Beginning Net Position									\$	122,385,000		
Net Use of Reserves										(62,487,200)		
Projected Ending Net Position									\$	59,897,800		

<sup>(</sup>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 - Improvemen	nt & Extension Fund – Sewer System Budget Amendment Explanations
Revenues	
Transfers In from General Operating	The proposed budget amendment is to match the amount available for transfer from the FY 2022 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).
Receipt of DWSD Shortfall Loan Interest	No budget amendment is required. This represents the interest earnings on the Note Receivable for the FY 2018 DWSD Sewer System Shortfall to the payment schedule. This note is scheduled to be paid off by June 30, 2022.
Earnings on Investments	Had not been originally budgeted as 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. No budget amendment is required.
Net Use (Source) of Reserves	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.
Expenditures	
Sewer System Revenue Transfers Out (Earnings on Investments)	Had not been originally budgeted as there is a corresponding transfer of earnings back to the general operating fund as allowed by the Master Bond Ordinance (so the net effect on the I&E Fund is zero). 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 between the two lines represents a timing difference. No budget amendment is required.
Capital Spending – Other	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.

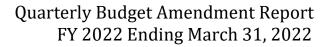


Appropriation Level - Improvement & Extension Fund - Sewer System Budget Amendment Explanations							
Capital Outlay	The proposed budget amendment reflects the decrease in spending which is primarily						
	driven by the change in project start dates and project scope.						
Revenue Financed Capital – Transfer	The proposed budget amendment reflects the funding that is anticipated to be needed for						
to Construction Fund	Capital Projects that will be completed in FY 2022 that rely on I&E funds rather than SRF						
	funds.						



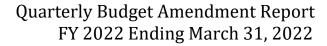
Table 4A - Appropriation Level - Construction Fund - Water System

Table 4A - Appropriation Level - Const	ruction runu -	- water syste	1111			
	FY 2022	Total	Total	Total		
	Board	1st Quarter	2nd Quarter	3rd Quarter	FY 2022	FY 2022
Water	Adopted	FY 2022	FY 2022	FY 2022	Amended	Activity Thru
Construction Fund	Budget	Amendments	Amendments	Amendments	Budget	03/31/2022
Revenues						
Transfer from Improvement & Extension Fund	\$ 108,308,000	\$ (2,038,600)	\$ -	\$ 36,838,900	\$ 143,108,300	\$ 89,879,400
Bond Proceeds	-	-	-	-	-	-
Bond Fund Earnings on Investments	-	-	-	-	-	-
Grant Revenues (SRF Loans)	26,100,000	10,427,000	-	-	36,527,000	22,850,400
Net Use of Reserves (a)	-	772,700	-	(772,700)	-	-
Total Revenues	\$ 134,408,000	\$ 9,161,100	\$ -	\$ 36,066,200	\$ 179,635,300	\$ 112,729,800
Expenditures						
Capital Improvement Plan (b)	\$ 179,210,000	\$ (567,400)	\$ -	\$ 992,700	\$ 179,635,300	\$ 116,952,200
Capital Spend Rate Adjustment	(44,802,000)	9,728,500	-	35,073,500	-	-
Total Expenditures (b)	\$ 134,408,000	\$ 9,161,100	\$ -	\$ 36,066,200	\$ 179,635,300	\$ 116,952,200
(a) Beginning Net Position					\$ 12,438,000	
Net Use of Reserves					-	
Projected Ending Net Position					\$ 12,438,000	
(b) Plus Direct I&E Projects	-				567,400	
Total CIP Expenditures	134,408,000				180,202,700	
Total Published Capital Improvement Plan	179,210,000				179,210,000	
Capital Spending Ratio	75.0%				100.6%	





Appropriation Level - Constr	Appropriation Level - Construction Fund - Water System Budget Amendment Explanations						
Revenues							
Transfers from Improvement	The proposed budget amendment is to match the amount available for transfer from the FY 2022						
& Extension Fund	Improvement & Extension Fund (see Revenue Financed Capital-Operating Transfer to						
	Construction Fund line on the Appropriation Level-Improvement & Extension Fund-Water						
	System table). The amount is primarily based on the increase in the Capital spend rate.						
Bond Proceeds	No budget amendment is required.						
Earnings on Investments	No budget amendment is required.						
Grant Revenues	No budget amendment is required. State revolving fund loan disbursements are on a						
(State Revolving Fund Loans)	reimbursement basis. The amount and timing of funds fluctuates with project expenditures						
	incurred. Details related to the SRF projects are presented in the quarterly debt report. The most						
	recent quarterly debt report is presented in the <u>March 2022 Audit Committee binder</u> which						
	provides details related to the SRF funding and associated projects.						
Net Use (Source) of Reserves	The proposed budget amendment zeros out the budget for this line item. A "use of reserves"						
	indicates a spend down of prior year reserves. There are no reserves as all bond proceeds were						
	expended during the previous year. All Capital Projects are being funded either through SRF						
	loans or 1&E funds.						
Expenditures							
Capital Improvement Plan	The Water Capital Improvement Plan (CIP) is projected to exceed the approved plan by 0.6%						
	(forecast as of May 23, 2022). The proposed budget amendment for this line represents the						
	amount that exceeds adopted Water CIP for FY 2022.						





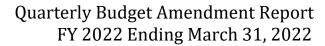
### Appropriation Level - Construction Fund - Water System Budget Amendment Explanations

Capital Spend Rate Assumption Adjustment The proposed budget amendment represents the increase in the projected Capital spend rate for the Water CIP from 80.4% (1st quarter budget amendment projection) to 100.6%, thereby eliminating the Capital spend rate. The Board of Directors adopts a capital spending ratio assumption (SRA) which allows the realities of capital program delivery to align with the financial plan. The SRA is an analytical approach to bridge the total dollar amount of projects in the CIP with what can realistically be spent due to limitations beyond GLWA's control and/or delayed for nonbudgetary reasons. Those limitations, whether financial or non-financial, necessitate the SRA for budgetary purposes, despite the prioritization established. Amendments to the spend rate assumption are made to align the projected financial use of resources with revised capital improvement plan spending forecasts. The Capital spend rate for the Water CIP was amended for the first quarter from 75.0% (projection at time of the FY 2022 budget adoption) to 80.4%. No further amendment was made for the second quarter. The most recent quarterly construction work-in-progress (CWIP) report is presented in the April 2022 Audit Committee binder.



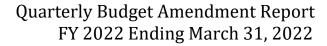
Table 4B - Appropriation Level - Construction Fund - Sewer System

Table 1B Appropriation bever const	ıuc	tion i unu		cwer byste.								
Sewer Construction Fund		FY 2022 Board Adopted Budget		Total 1st Quarter FY 2022 Amendments		Total 2nd Quarter FY 2022 Amendments		Total rd Quarter FY 2022 nendments	FY 2022 Amended Budget			FY 2022 ctivity Thru 03/31/2022
Revenues												
Transfer from Improvement & Extension Fund	\$	47,546,000	\$	17,185,600	\$	-	\$	4,398,600	\$	69,130,200	\$	39,120,900
Bond Proceeds		-		-		-		-		-		-
Bond Fund Earnings on Investments		-		-		-		-		-		-
Grant Revenues (SRF Loans)		31,992,000		(17,843,000)		-		-		14,149,000		7,409,500
Net Use of Reserves (a)		-		2,008,200		1,100,000		(3,108,200)		-		-
Total Revenues	\$	79,538,000	\$	1,350,800	\$	1,100,000	\$	1,290,400	\$	83,279,200	\$	46,530,400
Expenditures												
Capital Improvement Plan (b)	\$	106,050,000	\$	(722,200)	\$	-	\$	-	\$	105,327,800	\$	44,402,400
Capital Spend Rate Adjustment		(26,512,000)		2,073,000		1,100,000		1,290,400		(22,048,600)		-
Total Expenditures (b)	\$	79,538,000	\$	1,350,800	\$	1,100,000	\$	1,290,400	\$	83,279,200	\$	44,402,400
(a) Beginning Net Position									\$	11,473,000		
Net Use of Reserves										-		
Projected Ending Net Position									\$	11,473,000		
(b) Plus Direct I&E Projects		-								722,200		
Total CIP Expenditures		79,538,000								84,001,400		
Total Published Capital Improvement Plan		106,050,000								106,050,000		
Capital Spending Ratio		75.0%								79.2%		





Appropriation Level - Construction	Fund - Sewer System Budget Amendment Explanations
Revenues	
Transfers from Improvement & Extension Fund	The proposed budget amendment is to match the amount available for transfer from the FY 2022 Improvement & Extension Fund (see Revenue Financed Capital-Operating Transfer to Construction Fund line on the Appropriation Level-Improvement & Extension Fund-Water System table). The amount is primarily based on the increase in the Capital spend rate.
Bond Proceeds	No budget amendment is required.
Earnings on Investments	No budget amendment is required.
Grant Revenues (State Revolving Fund Loans)	No budget amendment is required. State revolving fund loan disbursements are on a reimbursement basis. The amount and timing of funds fluctuates with project expenditures incurred. Details related to the SRF projects are presented in the quarterly debt report. The most recent quarterly debt report is presented in the March 2022 Audit Committee binder which provides details related to the SRF funding and associated projects.
Net Use (Source) of Reserves	The proposed budget amendment zeros out the budget for this line item. A "use of reserves" indicates a spend down of prior year reserves. There are no reserves as all bond proceeds were expended during the previous year. All Capital Projects are being funded either through SRF loans or I&E funds.
Expenditures	
Capital Improvement Plan	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.





### Appropriation Level - Construction Fund - Sewer System Budget Amendment Explanations

Capital Spend Rate Adjustment

The proposed budget amendment represents the increase in the projected Capital spend rate for the Sewer CIP from 78.0% (second quarter budget amendment projection) to 79.2% (forecast as of May 23, 2022). The Board of Directors adopts a capital spending ratio assumption (SRA) which allows the realities of capital program delivery to align with the financial plan. The SRA is an analytical approach to bridge the total dollar amount of projects in the CIP with what can realistically be spent due to limitations beyond GLWA's control and/or delayed for nonbudgetary reasons. Those limitations, whether financial or non-financial, necessitate the SRA for budgetary purposes, despite the prioritization established. Amendments to the spend rate assumption are made to align the projected financial use of resources with revised capital improvement plan spending forecasts. The Capital spend rate for the Sewer CIP was amended for the first quarter from 75.0% (projection at time of the FY 2022 budget adoption) to 77.0%. The Capital spend rate was further adjusted to 78.0% for the second quarter. The most recent quarterly construction work-in-progress (CWIP) report is presented in the April 2022 Audit Committee binder.