

..Title

**Proposed FY 2020 Fourth Quarter Budget Amendments**

..Body

Agenda of: June 24, 2020

Item No.: **2020-216**

Amount: N/A

**TO:** The Honorable  
Board of Directors  
Great Lakes Water Authority

**FROM:** Sue F. McCormick  
Chief Executive Officer  
Great Lakes Water Authority

**DATE:** June 24, 2020

**RE: Proposed FY 2020 Fourth Quarter Budget Amendments**

**MOTION**

Upon recommendation of Nicolette Bateson, Chief Financial Officer/Treasurer, the Board of Directors (Board) of the Great Lakes Water Authority (GLWA), approves the **Proposed FY 2020 Fourth Quarter Budget Amendments as presented**; and authorizes the CEO to take such other action as may be necessary to accomplish the intent of this vote.

**BACKGROUND**

The founding legal documents for the Great Lakes Water Authority (GLWA) provide a structure for budget preparation, adoption, and amendment.

**JUSTIFICATION**

At the time of preparing the agenda on June 22, 2020, compiling and validating the final budget amendment report is in process. That report will be distributed on the morning of June 23, 2020. While the detailed report is in process, it should be noted that there

are no surprises as the monthly Audit Committee reports proactively identify trends, areas of caution, and positive variances.

Key takeaways for the fourth quarter budget amendment process include the following.

1. The budget for both the water and sewer systems are balanced.
2. There is a local system budget shortfall in both the water and sewer systems. The impact is a reduced contribution to the improvement and extension (I&E) fund for the respective systems. Repayment of the shortfall is later credited to the respective I&E funds. This is deemed to be a COVID-19 impact.
3. Reduction of investment income of \$1 million for both the water and sewer fund as reported to the Board in April 2020 as a result of market conditions. This is deemed to be a COVID-19 impact.
4. Forecasted reduction of wholesale water sales of \$4.6 million for FY 2020. This is lower than the \$6.4 million previously forecasted and reported to the Board in April 2020. Most of the shortfall occurred through January 2020 and is attributable to reduced water demand in the first quarter FY 2020 due to weather conditions combined with overall, service sector experience of declining demands in off-peak months. Recent increased demand in June 2020 has helped to alleviate the previously forecasted shortfall.
5. Debt service will be amended to reflect the timing of draws on state revolving fund loan programs.
6. There are positive variances in all core categories. The caveat is that direct cost of water operations is within 2% of budget. There is a possibility for that budget to be exceeded depending on chemical and utility demand in the last ten days of FY 2020. The direct cost of sewer operations continues to have a positive O&M variance.

### **BUDGET IMPACT**

The overall budget, despite amendment, continues to be balanced.

### **COMMITTEE REVIEW**

The Audit Committee is reviewing this matter at a special meeting on June 24, 2020 prior to the Board meeting that day.

### **SHARED SERVICES IMPACT**

This item does not impact the shared services agreement between GLWA and DWSD.