



Financial Services Audit Committee Communication

Date: August 21, 2020

To: Great Lakes Water Authority Audit Committee

From: Nicolette N. Bateson, CPA, Chief Financial Officer & Treasurer

Re: CFO Update

There are a number of matters that continue to evolve as we begin FY 2021.

FY 2021 Budget

At a recent Board meeting, staff was asked to evaluate the feasibility of further deferring the effective date of the charges from October 1, 2021. We are reviewing that topic as well as other recent developments.

1. The reality of COVID-19's impact on the investment portfolio is becoming evident. A rough estimate is a potential decrease in revenues equates to \$8 to \$10 million downward pressure on the budget.
2. The budgetary shortfall advance to DWSD is dependent on the level of collections versus the budget requirements. Attached are reports that the DWSD and GLWA team use to monitor the shortfall. While collections are within a reasonable amount compared with the prior year, the increase in budgeted expenditures increased. The combined shortfall total for FY 2021 to date is \$5 million (\$4.4 million for July 2020 and \$600 thousand for August 2020 through August 19, 2020). DWSD is presently evaluating measures to close that gap that has quickly evolved early in this fiscal year.
3. The upside to this report is that wholesale water system usage and revenue is above budget through August 7, 2020 for FY 2021. The increased usage of 608 mcf equates to a positive revenue variance of \$6.2 million.
4. Looming on the horizon is increased concern of the funding level of the City of Detroit's General Retirement System (GRS) given current economic conditions. Given that GLWA is a party to funding the closed system liability, this may impact the long-term financial plan. The GRS Board recently met on August 17, 2020 and has engaged a number of advisors to evaluate different actuarial and investment strategies. GLWA's staff and actuary continue to monitor the situation so that we are prepared as well.

Water Residential Assistance Program Evaluation

As you may recall, GLWA engaged Public Sector Consultants (PSC) to help GLWA evaluate WRAP to determine what parts of the program are working, which are not, and to gather suggestions about possible program changes. Based on the stakeholder feedback, PSC will create a report which will be used in developing the scope of services for the upcoming WRAP Program Administrator RFP. To date, PSC has interviewed GLWA's CEO, DWSD's Director, DWSD's CFO and Finance Team (twice), Wayne Metro (current program administrator), and a panel of suburban member partners yesterday. Board member interviews are being scheduled as well as other stakeholders. The project is going very well and we look forward to PSC's report in September.

FY 2022 + Charges Rollout Season Schedule

As we began working on the schedule for the upcoming budget and charges season, it became apparent that we would need to bring a proposed budget to the Board in December 2020. Given the lack of current year actual information that will be available for the effort for no other reason than calendar logistics, as well as being peak time for presenting the annual audit and related subsequent filings, we have begun to outline an alternative schedule for the implementation of charges from July 1 each year to October 1. This slide in the schedule would provide for additional time to present and deliberate on a budget and charges package rather than the rushed process that has occurred each year. This concept was shared at the One Water Co-Chair meeting and received positive feedback – in particular this may be a way to address frustration expressed by Member Partners in the annual survey related to the condensed schedule in receiving the charges worksheet with little time to react.

Sewer and Water Charges Methodology Schedule

We are also updating the GLWA One Water Charge Methodology Initiatives planner. The sewer charges work group continues their efforts with a report to the Board expected over the next few months. Given that many of the stakeholders engaged in that project will also be engaged in the water methodology discussion, it was determined that we should allow a "break: in between efforts. The new likely start date for that effort will be mid-calendar year 2021. An updated gantt chart will be presented next month.