



Financial Services Audit Committee Communication

Date: July 17, 2020

To: Great Lakes Water Authority Audit Committee

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

Re: CFO Update

This month, we provide updates to matters that have continued to evolve over the past several months.

Wholesale Water Sales – This is an area of positive news since the Audit Committee last met in June. The forecasted shortfall was expected to be \$4.6 million for FY 2020. Based largely due to dry, warm weather, actual usage for the month of June 2020 was closer to 18% above budgeted amounts and related projected revenues of to be \$2.6 million (9.07%) above budgeted amounts. This means that the fiscal year total forecasted shortfall, for which the budget was amended, of *\$4.6 million will be closer to \$3 million (0.9%)* below budgeted amounts with FY 2020 usage estimated to be 2.9% below budgeted amounts.

DWSD Budget – Another area of good news is that DWSD local, retail cash receipts are slightly above a breakeven for the first 15 calendar days of July 2020. In addition, although year-end close is underway, it appears that collections in June 2020 improved thereby reducing the budget shortfall.

FY 2021+ Fiscal Restraint Measures – It is apparent that the challenges brought on by the COVID-19 pandemic are more akin to a marathon versus a sprint. As we look to the month of August, our first FEMA reimbursement for additional external costs incurred for cleaning, health screening, and supplies is at \$1.4 million. Concurrently, we are building layers into a reconstitution plan to provide for many unknowns over an undetermined period of time. This also presents additional, unknown financial challenges for which we need to be prepared. As we move into FY 2021 (and beyond) conversations with team members are underway so that we can be agile in our priorities, use of resources, and continued focus on long-term sustainability, and inherently, affordability. The planning is beginning for the next budget and five-year plan for FY 2022 which will be presented to the Audit Committee in December. As we work through that planning cycle, it provides the opportunity to perform an in-depth review of FY 2021. Communication with team members about the fiscal

restraint measures begins next week. The outcome of those efforts will be reported on a monthly basis to the Audit Committee.

Proposed Action: Receive and file this report.