

Memorandum

To: HONORABLE BOARD OF DIRECTORS

From: Sue McCormick, CEO

CC: William M. Wolfson, CACO

Date: September 2, 2020

RE: EXPLANATION OF CEO August 2020 KPIs – “RED, YELLOW, GREEN” REPORT

OVERVIEW Last month there was one “red”, three “yellow”, and two “white” indicators. This month there is one “red” and two “white” indicators.

The sole “red” indicator is Our Capital Improvement Program (CIP) spending rate which closed out the prior fiscal year (FY 20) as “red” In the last months of the fiscal year, since identifying the underperformance, our performance for this metric has improved from 54 to 66%; despite the Continued COVID-19 pandemic. As we enter this new fiscal year, we are reviewing the factors that contributed to this underperformance to see if this measure should be refined. While the historic wet weather events of 2019 continue to be the primary driver, we note that a lack of emergency repairs, while normally a positive factor, are measured as an underperformance. At the end of the fiscal year 20, our spending rate is better for water CIP projects, 72%, which would be considered “yellow” as a stand-alone measure. For fiscal year 20, the spending rate for wastewater projects alone was 61%.

Last month, our measure that Water system wholesale monthly billed revenues will meet or exceed budgeted amount was “yellow.” This month the measure is “green.” This month’s performance reflects the period through June 2020, the final month of FY 20. Billed revenues through June 2020 are at 100.45% of budget and actual usage at 100.78% of budget. As indicated last month, with the start of the new fiscal year we are reviewing this measure to see if it should be modified.

As previously indicated, the two “white” indicators relate to our valve exercising and rehabilitation program: The program was briefly paused as we wanted to have the opportunity to evaluate the Phase 1 data before drafting a solicitation to restart the program. These metrics are white as we complete the solicitation necessary to restart the program. We expect the program to restart in the first quarter of Fiscal Year 2020-21 as the vendor prepares for mobilization.

SPECIFIC RED AND YELLOW MEASURES ON FOLLOWING PAGE

EUM Attribute	Measure	Significance	Criteria	Status
Financial Viability	FY 2019 Total CIP Spend	Method for establishing spending is aligned with budgeted revenue	Green= >80% Yellow= 70-80% Red = < 70%	Red

Explanation and Responsive Actions: GLWA’s CIP spending rate continues to lag causing the metric to remain “red.” Although continuing to lag the performance increased to 66% of the target for the utility. The performance is better on water (72%) projects than on sewer projects (61%) further validating the role of wet weather experienced in 2019 has as a major contributor to the underspending in the capital program.