



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 2nd (\$1.5 million increase) and 3rd 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.



Quarterly Budget Amendment Report
 FY 2022 Ending March 31, 2022

Appropriation Level – Revenue Requirement – Water System General Operating Budget Amendment Explanation	
Revenues	
Suburban Wholesale Customer Charges	<i>No budget amendment is required.</i>
Retail Services Charges	<i>No budget amendment is required.</i>
Investment Earnings	<i>No budget amendment is required.</i>
Other Revenues	<i>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.</i>
Revenue Requirements (Expenditures)	
Operations & Maintenance Expense	<i>No budget amendment is required.</i>
General Retirement System Legacy Pension	<i>No budget amendment is required. Budget and funding are on a fixed schedule.</i>
Debt Service	<i>No budget amendment is required.</i>
General Retirement System Legacy Pension – Accelerated Payment	<i>No budget amendment is required. Budget and funding are on a fixed schedule.</i>
Extraordinary Repair & Replacement Deposit	<i>No budget amendment is required. This is a formulaic requirement in the Master Bond Ordinance. Based on adopted and amended budget, no adjustment is required.</i>
Water Residential Assistance Program Contribution	<i>No budget amendment is required. Budget is fixed at time of budget adoption.</i>
Regional System Lease	<i>No budget amendment is required. Lease payment is established in accordance with terms of the lease.</i>
DWSD Budget Shortfall Pending	<i>No budget amendment is proposed at this time.</i>



Quarterly Budget Amendment Report
FY 2022 Ending March 31, 2022

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



Appropriation Level – Revenue Requirement – Sewer System General Operating Budget Amendment Explanation	
Revenues	
Suburban Wholesale Customer Charges	<i>No budget amendment is required.</i>
Retail Services Charges	<i>No budget amendment is required.</i>
Industrial Waste Control Charges	<i>No budget amendment is required.</i>
Pollutant Surcharges	<i>No budget amendment is required.</i>
Investment Earnings	<i>No budget amendment is required.</i>
Other Revenues	<i>The budget amendment proposed is based on activity to date for energy rebates and scrap metal sales. This source of revenue fluctuates from year to year.</i>
Revenue Requirements (Expenditures)	
Operations & Maintenance Expense	<i>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.</i>
General Retirement System Legacy Pension	<i>No budget amendment is required. Budget and funding are on a fixed schedule.</i>
Debt Service	<i>No budget amendment is required.</i>
General Retirement System Legacy Pension – Accelerated Payment	<i>No budget amendment is required. Budget and funding are on a fixed schedule.</i>
Extraordinary Repair & Replacement Deposit	<i>No budget amendment is required. This is a formulaic requirement in the Master Bond Ordinance. Based on adopted and amended budget, no adjustment is required.</i>



Quarterly Budget Amendment Report
 FY 2022 Ending March 31, 2022

Appropriation Level – Revenue Requirement – Sewer System General Operating Budget Amendment Explanation	
Water Residential Assistance Program Contribution	<i>No budget amendment is required. Budget is fixed at time of budget adoption.</i>
Regional System Lease	<i>No budget amendment is required. Lease payment is established in accordance with terms of the lease.</i>
DWSD Budget Shortfall Pending	<i>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 30th of the subsequent year. Communication with DWSD Management indicates that plans are cautiously optimistic that the shortfall will be cured by year-end.</i>
Improvement & Extension Fund Transfer Pending	<i>Represents annual funding for pay-as-you-go capital improvement program. Budget amendments to revenues, investment earnings, debt service, and DWSD budget shortfall affect this line item.</i>



Quarterly Budget Amendment Report
 FY 2022 Ending March 31, 2022

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

System	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
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

Totals may be off due to rounding.

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.



Quarterly Budget Amendment Report
 FY 2022 Ending March 31, 2022

Table 1D - Supplemental Information - Enterprise-wide Core Groups

O&M Major Budget Categories (Core Groups)	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
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

Totals may be off due to rounding.

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).



Quarterly Budget Amendment Report
FY 2022 Ending March 31, 2022

- 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)*.



Quarterly Budget Amendment Report
 FY 2022 Ending March 31, 2022

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

Totals may be off due to rounding.

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)*.



Quarterly Budget Amendment Report
 FY 2022 Ending March 31, 2022

Table 1F - Supplemental Information - Unallocated Reserve by Core Group

O&M Unallocated Reserves	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
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

Totals may be off due to rounding.

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)*.



Quarterly Budget Amendment Report
FY 2022 Ending March 31, 2022

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

Water System - Debt Service Coverage Calculation	FY 2022 Board Adopted Budget	1st Quarter FY 2022 Amendments Regional System	1st Quarter FY 2022 Amendments Local System	FY 2022 Amended Budget	2nd Quarter FY 2022 Amendments Regional System	2nd Quarter FY 2022 Amendments Local System	FY 2022 Amended Budget	3rd Quarter FY 2022 Amendments Regional System	3rd Quarter FY 2022 Amendments Local System	FY 2022 Amended Budget
	Revenues									
1 Regional System Wholesale Revenues	\$342,808,200	\$ (2,400,000)	\$ -	\$340,408,200	\$ -	\$ -	\$340,408,200	\$ -	\$ -	\$340,408,200
2 Local System Revenues	73,264,300	-	(3,626,300)	69,638,000	-	-	69,638,000	-	-	69,638,000
3 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										
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	-	(4,659,600)	184,242,800	-	-	184,242,800	-	-	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	0.00	0.00	1.31	0.00	0.00	1.31

* Rows highlighted in light grey in the above table are designed to align with the DWSD Budget.

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



Appropriation Level - Debt Service - Water System Debt Service Coverage Calculation Budget Amendment Explanation	
Total Debt Service	<i>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.</i>



Quarterly Budget Amendment Report
FY 2022 Ending March 31, 2022

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

Sewer System - Debt Service Coverage Calculation	FY 2022 Board Adopted Budget	1st Quarter FY 2022 Amendments Regional System	1st Quarter FY 2022 Amendments Local System	FY 2022 Amended Budget	2nd Quarter FY 2022 Amendments Regional System	2nd Quarter FY 2022 Amendments Local System	FY 2022 Amended Budget	3rd Quarter FY 2022 Amendments Regional System	3rd Quarter FY 2022 Amendments Local System	FY 2022 Amended Budget
	Revenues									
1 Regional System Wholesale Revenues	\$474,005,900	\$ (3,000,000)	\$ -	\$471,005,900	\$ (3,100,000)	\$ -	\$467,905,900	\$ -	\$ -	\$467,905,900
2 Local System Revenues	104,684,700	-	(6,803,300)	97,881,400	-	-	97,881,400	-	-	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	-	1,923,300	442,900	-	2,366,200	23,000	-	2,389,200
5 Total Revenues	\$586,924,700	\$ (2,500,000)	\$ (6,439,100)	\$577,985,600	\$ (2,657,100)	\$ -	\$575,328,500	\$ 23,000	\$ -	\$575,351,500
Revenue Requirements										
Operations & Maintenance Expense										
6 Regional System Wholesale Expenses	\$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	-	-	61,301,000	-	-	61,301,000
8 GRS Pension allocable to Regional System	10,824,000	-	-	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 Expense	264,212,800	-	(7,932,000)	256,280,800	-	-	256,280,800	10,608,800	-	266,889,600
11 Net Revenues after Operations & Maintenance Expense	\$322,711,900	\$ (2,500,000)	\$ 1,492,900	\$321,704,800	\$ (2,657,100)	\$ -	\$319,047,700	\$ (10,585,800)	\$ -	\$308,461,900
Debt Service by Lien										
12 Senior Lien Bonds	\$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
15 Total Debt Service	\$239,010,300	\$ (2,225,000)	\$ -	\$236,785,300	\$ -	\$ -	\$236,785,300	\$ -	\$ -	\$236,785,300
Debt Service Coverage										
16 Senior Lien Bonds (11)/(12)	2.42	(0.02)	0.01	2.46	(0.02)	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	(0.01)	0.00	1.75	(0.06)	0.00	1.69
18 SRF Junior Lien Bonds (11)/(15)	1.35	(0.01)	0.01	1.36	(0.01)	0.00	1.35	(0.04)	0.00	1.30

* Rows highlighted in light grey in the above table are designed to align with the DWSD Budget.

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



Appropriation Level - Debt Service - Sewer System Debt Service Coverage Calculation Budget Amendment Explanation	
Total Debt Service	<i>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.</i>



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

Water Improvement & Extension Fund	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
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
<i>(a) Beginning Net Position</i>					\$ 207,475,000	
<i>Net Use of Reserves</i>					\$ (126,199,600)	
<i>Projected Ending Net Position</i>					\$ 81,275,400	

(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 – Improvement & Extension Fund – Water System Budget Amendment Explanation	
Revenues	
Transfers In from General Operating	<i>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).</i>
Earnings on Investments	<i>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.</i>
Net Use (Source) of Reserves	<i>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.</i>
Expenditures	
Water System Revenue Transfers Out (Earnings on Investments)	<i>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.</i>
Capital Spending - Other	<i>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.</i>
Capital Outlay	<i>The proposed budget amendment reflects the decrease in spending which is primarily driven by the change in project start dates and project scope.</i>



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



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

Sewer Improvement & Extension Fund	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
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	

(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 – Improvement & Extension Fund – Sewer System Budget Amendment Explanations	
Revenues	
Transfers In from General Operating	<i>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).</i>
Receipt of DWSD Shortfall Loan Interest	<i>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.</i>
Earnings on Investments	<i>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.</i>
Net Use (Source) of Reserves	<i>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.</i>
Expenditures	
Sewer System Revenue Transfers Out (Earnings on Investments)	<i>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.</i>
Capital Spending – Other	<i>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.</i>



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



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

Water Construction Fund	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
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
<i>(a) Beginning Net Position</i>					\$ 12,438,000	
<i>Net Use of Reserves</i>					-	
<i>Projected Ending Net Position</i>					<u>\$ 12,438,000</u>	
<i>(b) Plus Direct I&E Projects</i>	-				567,400	
<i>Total CIP Expenditures</i>	<i>134,408,000</i>				<i>180,202,700</i>	
<i>Total Published Capital Improvement Plan</i>	<i>179,210,000</i>				<i>179,210,000</i>	
<i>Capital Spending Ratio</i>	<i>75.0%</i>				<i>100.6%</i>	



Appropriation Level – Construction Fund – Water System Budget Amendment Explanations	
Revenues	
Transfers from Improvement & Extension Fund	<i>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.</i>
Bond Proceeds	<i>No budget amendment is required.</i>
Earnings on Investments	<i>No budget amendment is required.</i>
Grant Revenues (State Revolving Fund Loans)	<i>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.</i>
Net Use (Source) of Reserves	<i>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.</i>
Expenditures	
Capital Improvement Plan	<i>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.</i>



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](#).



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

Sewer Construction Fund	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
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
<i>(a) Beginning Net Position</i>					\$ 11,473,000	
<i>Net Use of Reserves</i>					-	
<i>Projected Ending Net Position</i>					<u>\$ 11,473,000</u>	
<i>(b) Plus Direct I&E Projects</i>	-				722,200	
<i>Total CIP Expenditures</i>	79,538,000				84,001,400	
<i>Total Published Capital Improvement Plan</i>	106,050,000				106,050,000	
<i>Capital Spending Ratio</i>	75.0%				79.2%	



Appropriation Level – Construction Fund – Sewer System Budget Amendment Explanations	
Revenues	
Transfers from Improvement & Extension Fund	<i>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.</i>
Bond Proceeds	<i>No budget amendment is required.</i>
Earnings on Investments	<i>No budget amendment is required.</i>
Grant Revenues (State Revolving Fund Loans)	<i>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.</i>
Net Use (Source) of Reserves	<i>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.</i>
Expenditures	
Capital Improvement Plan	<i>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.</i>



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](#).