



Memorandum

To: HONORABLE BOARD OF DIRECTORS

From: Sue McCormick, CEO

CC: William M. Wolfson, CACO

Date: May 8, 2020

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

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

Our Capital Improvement Program (CIP) spending rate remains “red.” We have previously detailed some of the reasons for this underperformance. Last month we reported that in February there was some improvement in this statistic with the performance improving from 54% to 57% of budgeted revenues. Despite the COVID-19 pandemic and associated state of emergency, this improvement continues in March as overall performance remains between 57% and 58% of target.

This month our measure that Water system wholesale monthly billed revenues will meet or exceed budgeted amount turned “yellow.” As is detailed below, although this measure is “yellow” GLWA has developed corrective strategies which were communicated to the Board on April 22, 2020 and discussed with the Board’s Audit Committee on April 24, 2020. This is a lead measure and allows GLWA to be prepared to address future impacts from the revenue variance.

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 solicitation process to be complete by the end of the current Fiscal Year and the program to restart in the first quarter of Fiscal Year 2020-21.

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 from 54% of the target to 57%. Wet weather experienced in 2019 has been identified as a major contributor to the underspending in the capital program. The impacts of these wet weather delays are anticipated to be amplified by the COVID-19 pandemic emergency’s impact on operations.

EUM Attribute	Measure	Significance	Criteria	Status
Financial Viability	Water system wholesale monthly billed revenues will meet or exceed budgeted amount	Method for establishing revenue projections are reliable	Green=100% Yellow= 85-99% Red = <85%	Yellow

Explanation and Responsive Actions: The purpose of this measure is to test the reliability of revenue projections. This month the measure has turned “yellow.” There are a number of observations related to this KPI:

1. Lower Than Budgeted Usage for July 2019 through February 2020: In total, this period experienced about 5% lower than budgeted usage.
 - a. Summer Usage: July usage was 13% lower than budgeted largely attributable to wet weather conditions that decreased summer demand. This was partially offset in August which is the only month thus far that had higher than budgeted usage. This time period equates to a
 - b. Fall and Winter Months: Lower than expected use in these months may be somewhat attributed to a mild winter which resulted in fewer watermain breaks. That being said, the decline in non-peak months is consistent with service sector forecasting that tells us to continue to expect declining

demands overall.

2. Looking ahead: March was on par with the fiscal year average of 5% lower than budgeted usage and April was about 6% lower than budgeted. The first two weeks of May are back to the fiscal year average of about 5% lower than budgeted. The takeaway is, that despite anticipated demand decline as a result COVID-19 operating scenarios, there was not a significant impact. March was consistent with the fiscal year average of 5% lower than budgeted usage, April was about 6% lower than budgeted, and the first two weeks of May are back to the fiscal year average of about 5% lower than budgeted.
3. The financial impact of approximately \$6.5 million, and related pending June 2020 budget amendments, for the decreased revenue was included in an April 22, 2020 communication to the Board of Directors with additional discussion at the April 24, 2020 Audit Committee meeting.
4. Future Charges Impact: The impact for FY 2022 Charges is that the lower demand will be reflected in the rolling, historical 36-month cycle that drives units of service calculation.

EUM Attribute	Measure	Significance	Criteria	Status
Infrastructure Strategy and Performance	Water - 25 or more valves exercised per month	Reduced risk of unplanned downtime or emergency repairs	Green = 25 or more per month Yellow= 21 - 24 per month Red = 20 or less per month	White

EUM Attribute	Measure	Significance	Criteria	Status
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Infrastructure Strategy and Performance	Water - 100% of GLWA valves assessed are operational.	Reduced risk of unplanned downtime and service interruption	Green = 90-100% Yellow = 80 - ,90% Red = <80%	White
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Explanation and Responsive Actions: The initial “pilot” phase of our valve assessment project has been completed. These metrics are white as we complete the solicitation necessary to move to Phase 2 of the program.

EUM Attribute	Measure	Significance	Criteria	Status
Operational Optimization	Monthly Average Solids Inventory Below 750 Dry Tons	Wastewater regulatory compliance	Green= Average below 725 Dry Tons Yellow = Average between 725 and 750 Dry Tons Red = Average above 750 Dry Tons	Red

Explanation and Responsive Actions: The high inventory for the month is largely due to the major rainstorm on the 28th of March (1.65 inches in 24 hrs.). As a result of this storm the Central Offloading Facility (COF) had to be placed in service to control the solids inventory. Although the monthly average solids inventory exceeded 750 dry tons, no violation of GLWA’s National Pollutant Discharge Elimination System (NPDES) Permit occurred because there were five or more “wet weather days” during the month.

EUM Attribute	Measure	Significance	Criteria	Status
Enterprise Resiliency	All GLWA sites (59) with Wide Area Network (WAN) connections will have 100% availability excluding schedule down time for maintenance.	Network Connectivity promotes Employee Productivity	Green = 99.98- 100% Yellow >=99.50% and <99.98% Red <99.50%	YELLOW

Explanation and Responsive Actions: This month the network had connections available 99.87 percent of the time. The cause of this underperformance was a single site power outage. Our restoration time following this incident was longer than usual due to additional COVID-19 safety procedures required to be performed as a part of that effort. We will continue to monitor this issue to determine if future operational adjustments are necessary.

EUM Attribute	Measure	Significance	Criteria	Status
Water Resource Sustainability	No more than 10% of GLWA solids will be disposed of through landfilling.	Community sustainability and watershed health	Green = 10% or less sent to landfills Red = >10% sent to landfill	Red

Explanation and Responsive Actions: During the past month, GLWA sent 12.5% of its solids to landfill. The increased percentage was due to a scheduled repair and replacement of belt conveyors in the incineration complex. This repair required that no incineration take place between March 16 and 20. Because the increased volume of landfilling was a planned decision, GLWA does not believe further action is required at this time.