



**FY 2019 and FY 2020  
Biennial Budget and  
FY 2019 through FY 2023  
Five-Year Plan Overview**

**Board of Directors  
Review Session #1**

**Board of Directors Meeting  
January 10, 2018**



# Executive Summary

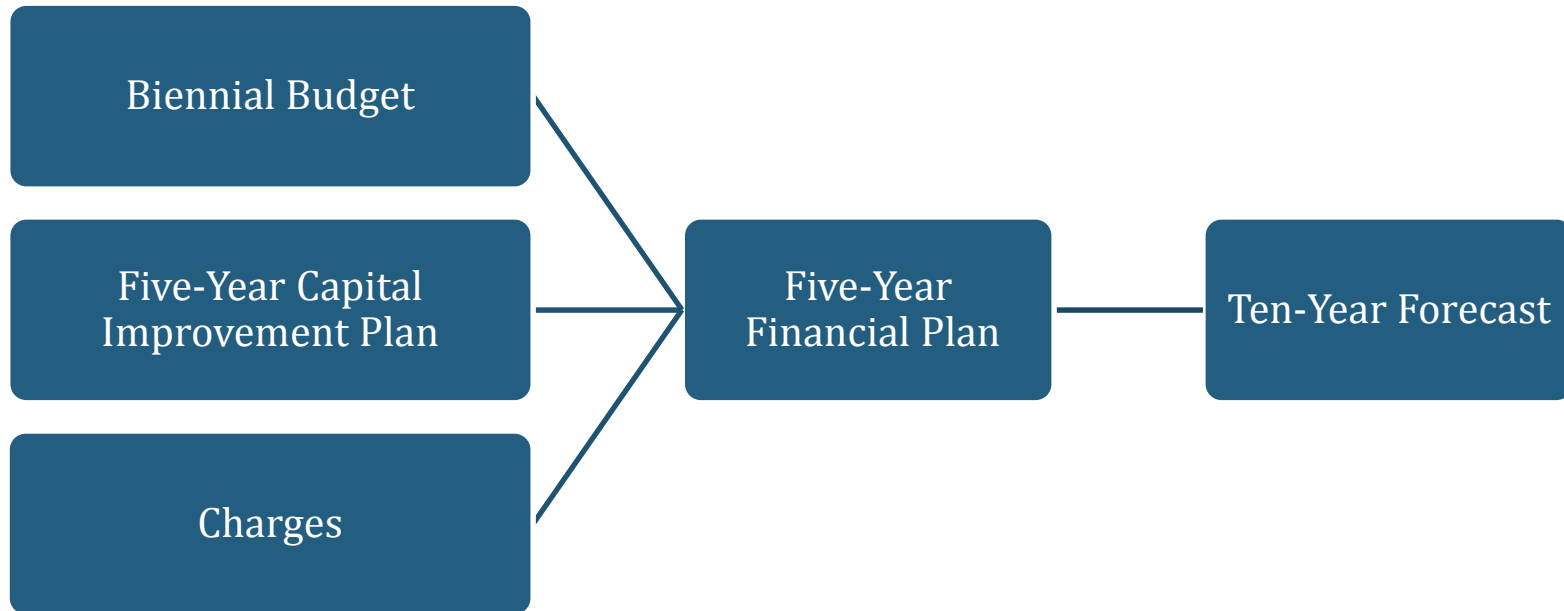
- ✓ **Cohesive, cross-functional and regional planning in concert with our stakeholders**
  - ✓ Near term and short term facilitated by a five-year plan which encompasses the biennial budget
  
- ✓ **October 11, 2017 - Launch of the FY 2019 through FY 2023 Financial Planning Cycle**
  - ✓ Budget Initiatives and FY 2019 through FY 2023 Five-Year Plan Overview
  
- ✓ **January 10, 2018 (today) – Discussion: FY 2019 and FY 2020 Biennial Budget and FY 2019 through FY 2023 Five-Year Plan Overview**
  - ✓ Financial Overview – demonstrating commitment to financial sustainability
  - ✓ Operational Overview - translating the initiatives into an actionable plan with timelines and funding
  
- ✓ **Board Discussion**
  - ✓ Recap of January 5, 2018 Audit Committee Q&A
  
- ✓ **Next Steps**
  - ✓ January 11, 2018 – Charges Rollout Meeting #3, Budget & Five-Year Financial Plan
  - ✓ January 19, 2018 – Audit Committee, Second Review of Budget & Five-Year Financial Plan
  - ✓ **January 24, 2018 – GLWA Board Meeting, Second Review of Budget & Five-Year Financial Plan**
  - ✓ January 25, 2018 - Charges Rollout Meeting #4, Proposed FY 2019 Charges
  - ✓ Goal: February 28, 2018 - Public Hearing and Proposed Adoption of Biennial Budget, Charges, and Capital Improvement Plan

# Budget & Financial Plan: Financial Overview

*Nicolette Bateson, CPA  
Chief Financial Officer & Treasurer*



# Best Practice: Long-term Financial Planning



Financial planning does not happen in a vacuum. Other initiatives such as master planning, One Water initiatives, regional planning opportunities, and deployment of asset management among many others directly impact the financial plan.

# Water System Revenue Requirement for FY 2019 (i.e. BUDGET) & Five-Year Plan

	Water					
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<b>Revenue Requirement Elements</b>						
<b>O&amp;M</b>	121,562,000	125,311,800	148,145,500	151,587,200	155,712,200	150,153,200
<i>O&amp;M Percent Change</i>		3%	18%	2%	3%	-4%
<b>MBO Commitments</b>	173,735,500	171,344,400	182,744,100	191,986,500	192,811,700	201,434,300
<i>MBO Percent Change</i>		-1%	7%	5%	0%	4%
<b>I&amp;E</b>	32,821,200	38,024,900	17,178,700	18,417,300	27,946,700	39,941,900
<i>I&amp;E Percent Change</i>		16%	-55%	7%	52%	43%
<b>Total</b>	<b>328,118,700</b>	<b>334,681,100</b>	<b>348,068,300</b>	<b>361,991,000</b>	<b>376,470,600</b>	<b>391,529,400</b>
		<u>2.0%</u>	<u>4.0%</u>	<u>4.0%</u>	<u>4.0%</u>	<u>4.0%</u>
<b>Draft Revenue Requirement Elements as a Percent</b>						
<b>O&amp;M</b>	37.0%	37.4%	42.6%	41.9%	41.4%	38.4%
<b>MBO Commitments</b>	52.9%	51.2%	52.5%	53.0%	51.2%	51.4%
<b>I&amp;E</b>	10.0%	11.4%	4.9%	5.1%	7.4%	10.2%
<b>Total</b>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

- ✓ Preserves commitment to 4% promise with 2% BUDGET increase for FY 2019.
- ✓ Relatively modest increase to I&E transfer over the five-year plan; objective is to strategically vary by fiscal year to manage charge adjustments and capital funding.

# Sewer System Revenue Requirement for FY 2019 (i.e. BUDGET) & Five-Year Plan

Sewer						
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<b>Revenue Requirement Elements</b>						
<b>O&amp;M</b>	191,079,400	193,122,000	206,772,800	207,253,000	213,914,600	213,336,900
<i>O&amp;M Percent Change</i>		1%	7%	0%	3%	0%
<b>MBO Commitments</b>	260,743,000	269,677,500	280,055,900	281,611,500	292,071,900	284,378,600
<i>MBO Percent Change</i>		3%	4%	1%	4%	-3%
<b>I&amp;E</b>	13,677,700	12,010,600	6,973,800	24,690,100	28,110,300	57,745,200
<i>I&amp;E Percent Change</i>		-12%	-42%	254%	14%	105%
<b>Total</b>	<b>465,500,100</b>	<b>474,810,100</b>	<b>493,802,500</b>	<b>513,554,600</b>	<b>534,096,800</b>	<b>555,460,700</b>
		<u>2.0%</u>	<u>4.0%</u>	<u>4.0%</u>	<u>4.0%</u>	<u>4.0%</u>
<b>Draft Revenue Requirement Elements as a Percent</b>						
<b>O&amp;M</b>	41.0%	40.7%	41.9%	40.4%	40.1%	38.4%
<b>MBO Commitments</b>	56.0%	56.8%	56.7%	54.8%	54.7%	51.2%
<b>I&amp;E</b>	2.9%	2.5%	1.4%	4.8%	5.3%	10.4%
<b>Total</b>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

- ✓ Preserves commitment to 4% promise with 2% BUDGET increase for FY 2019.
- ✓ Relatively modest increase to I&E transfer over the five-year plan; objective is to strategically vary by fiscal year to manage charge adjustments and capital funding.



# Combined Revenue Requirement for FY 2019 (i.e. BUDGET) & Five-Year Plan

	<b>Total</b>					
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<b>Revenue Requirement Elements</b>						
<b>O&amp;M</b>	312,641,400	318,433,800	354,918,300	358,840,200	369,626,800	363,490,100
<i>O&amp;M Percent Change</i>		2%	11%	1%	3%	-2%
<b>MBO Commitments</b>	434,478,500	441,021,900	462,800,000	473,598,000	484,883,600	485,812,900
<i>MBO Percent Change</i>		2%	5%	2%	2%	0%
<b>I&amp;E</b>	46,498,900	50,035,500	24,152,500	43,107,400	56,057,000	97,687,100
<i>I&amp;E Percent Change</i>		8%	-52%	78%	30%	74%
<b>Total</b>	<b>793,618,800</b>	<b>809,491,200</b>	<b>841,870,800</b>	<b>875,545,600</b>	<b>910,567,400</b>	<b>946,990,100</b>
		<u>2%</u>	<u>4%</u>	<u>4%</u>	<u>4%</u>	<u>4%</u>
<b>Draft Revenue Requirement Elements as a Percent</b>						
<b>O&amp;M</b>	37.0%	37.4%	42.5%	41.8%	41.4%	38.4%
<b>MBO Commitments</b>	52.9%	51.1%	52.4%	53.0%	51.2%	51.5%
<b>I&amp;E</b>	10.0%	11.5%	5.0%	5.2%	7.4%	10.1%
<b>Total</b>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

- ✓ Preserves commitment to 4% promise with 2% BUDGET increase for FY 2019.
- ✓ Relatively modest increase to I&E transfer over the five-year plan; objective is to strategically vary by fiscal year to manage charge adjustments and capital funding.

# Operations & Maintenance (O&M) Budget to Actual Analysis

Category	Sum of FY 2017 Original Budget	Sum of FY 2017 Amended Budget	Sum of FY 2017 Activity (Unaudited)	Sum of FY 2017 % Year-to-Date	Sum of FY 2018 Original Budget	Sum of FY 2018 Amended Budget	Sum of FY 2018 Activity thru 10.31.2017	Sum of FY 2018 Year-to- Date %
A Water Operations	64,904,000	64,904,000	58,962,800	90.8%	66,596,200	66,596,200	15,290,600	23.0%
B Wastewater Operations	121,911,800	121,911,800	107,908,700	88.5%	118,318,700	118,318,700	24,130,800	20.4%
C Centralized Services	73,701,100	97,830,000	67,551,400	69.0%	99,044,500	99,044,500	22,329,600	22.5%
D Administrative Services	27,220,000	3,091,100	17,376,100	562.1%	28,681,400	28,681,400	7,487,700	26.1%
<b>Grand Total</b>	<b>287,736,900</b>	<b>287,736,900</b>	<b>251,799,000</b>	<b>87.5%</b>	<b>312,640,800</b>	<b>312,640,800</b>	<b>69,238,700</b>	<b>22.1%</b>

- ✓ FY 2017: Preliminary, unaudited actual compared to budget indicates a 12.5% variance or \$35.9M. One significant negative budget variance due to AT&T contracted network services (lack of staff capacity at time of bifurcation and budget development resulted in underbudgeting these services which were also subject to protracted vendor negotiations).
- ✓ FY 2018: Through the first four months of FY 2018, O&M expenses are at 22% versus 33% benchmark. This is partly due to timing of accounts payable. New monthly close processes (launch in 4<sup>th</sup>Q FY 2018) will allow for accrual of accounts payable to better evaluate the YTD variances.



# Personnel Budget vs Actual CY 2016

Calendar Year 2016														
Line #	Annual Positions	Bifurcation Budget FY 2016					New Budget Year FY 2017							
		Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	
<b>Budgeted "Positions" (Staffing Plan)</b>														
1	Employees	995.00	995.00	995.00	995.00	995.00	995.00	995.00	995.00	995.00	995.00	995.00		
2	Transition Services Contractors	110.00	110.00	110.00	110.00	110.00	110.00	110.00	110.00	110.00	110.00	110.00		
3	<b>Total Positions</b>	<b>1,105.00</b>	<b>1,105.00</b>	<b>1,105.00</b>	<b>1,105.00</b>	<b>1,105.00</b>	<b>1,105.00</b>	<b>1,105.00</b>	<b>1,105.00</b>	<b>1,105.00</b>	<b>1,105.00</b>	<b>1,105.00</b>		
<b>Budgeted "FTEs" (Based on Quarterly Hiring Assumptions) (Requested FTEs)</b>														
4	Employees	995.00	995.00	995.00	995.00	995.00	995.00	995.00	995.00	995.00	995.00	995.00		
5	Transition Services Contractors	110.00	110.00	110.00	110.00	110.00	110.00	110.00	110.00	110.00	110.00	110.00		
6	<b>Total Positions</b>	<b>1,105.00</b>	<b>1,105.00</b>	<b>1,105.00</b>	<b>1,105.00</b>	<b>1,105.00</b>	<b>1,105.00</b>	<b>1,105.00</b>	<b>1,105.00</b>	<b>1,105.00</b>	<b>1,105.00</b>	<b>1,105.00</b>		
												<b>Year to Date (CY 2016)</b>		
<b>Actual Employee Positions</b>														
7	Beginning Balances	769.00	716.00	729.00	741.00	759.00	757.00	770.00	781.00	791.00	783.00	791.00	793.00	769.00
8	New Hires	9.00	20.00	15.00	20.00	10.00	18.00	13.00	15.00	4.00	14.00	6.00	8.00	152.00
9	Rehires	-	-	-	-	-	-	-	-	-	1.00	-	2.00	3.00
10	Terminations	62.00	7.00	3.00	2.00	12.00	5.00	2.00	5.00	12.00	7.00	4.00	5.00	126.00
11	Ending Balance (1)	716.00	729.00	741.00	759.00	757.00	770.00	781.00	791.00	783.00	791.00	793.00	798.00	798.00
12	Budget to Actual Variance (Employee Positions) (Row 1 minus Row 11)	279.00	266.00	254.00	236.00	238.00	225.00	214.00	204.00	212.00	204.00	202.00	197.00	
<b>Budget to Actual Variance (FTEs) with Quarterly Adjustment for Vacancy</b>														
13	<b>Adjustment (Row 4 minus Row 7)</b>	<b>226.00</b>	<b>279.00</b>	<b>266.00</b>	<b>254.00</b>	<b>236.00</b>	<b>238.00</b>	<b>70.00</b>	<b>59.00</b>	<b>49.00</b>	<b>92.75</b>	<b>84.75</b>	<b>82.75</b>	

(1) Includes Active; Active-FMLA, and STD

- ✓ Vacancies are budgeted as being filled in the first, second, third or fourth quarter.
- ✓ GLWA's first year of operations, CY 2016, resulted in a net increase of 29 employees. As noted in the next slide, CY 2017 was stable with a high level of retention.

# Personnel Budget vs Actual CY 2017

Line #	Annual Positions	FY 2017 Budget						New Budget Year FY 2018						Year to Date (CY 2017)
		Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	
<b>Budgeted "Positions" (Staffing Plan)</b>														
1	Employees	995.00	995.00	995.00	995.00	995.00	995.00	1,075.00	1,075.00	1,075.00	1,075.00	1,075.00	1,075.00	
2	Transition Services Contractors	110.00	110.00	110.00	110.00	110.00	110.00	102.00	102.00	102.00	102.00	102.00	102.00	
3	Total Positions	1,105.00	1,105.00	1,105.00	1,105.00	1,105.00	1,105.00	1,177.00	1,177.00	1,177.00	1,177.00	1,177.00	1,177.00	
<b>Budgeted "FTEs" (Based on Quarterly Hiring Assumptions) (Requested FTEs)</b>														
4	Employees	891.75	891.75	891.75	994.00	994.00	994.00	1,053.00	1,053.00	1,053.00	1,053.00	1,053.00	1,053.00	
5	Transition Services	102.00	102.00	102.00	102.00	102.00	102.00	102.00	102.00	102.00	102.25	102.25	102.25	
6	Total Positions	993.75	993.75	993.75	1,096.00	1,096.00	1,096.00	1,155.00	1,155.00	1,155.00	1,155.25	1,155.25	1,155.25	
<b>Actual Employee Positions</b>														
7	Beginning Balances	798.00	799.00	801.00	814.00	836.00	848.00	873.00	870.00	896.00	899.00	909.00	920.00	798.00
8	New Hires	10.00	14.00	19.00	25.00	17.00	35.00	25.00	29.00	10.00	15.00	17.00	9.00	225.00
	Rehires	-	-	-	-	2.00	2.00	-	1.00	-	1.00	-	-	6.00
9	Terminations	9.00	12.00	6.00	3.00	7.00	12.00	28.00	4.00	7.00	6.00	6.00	5.00	105.00
10	Ending Balance (1)	799.00	801.00	814.00	836.00	848.00	873.00	870.00	896.00	899.00	909.00	920.00	924.00	924.00
11	<b>Budget to Actual Variance (Employee Positions) (Row 1 minus Row 7)</b>	196.00	194.00	181.00	159.00	147.00	122.00	205.00	179.00	176.00	166.00	155.00	151.00	
12	<b>Budget to Actual Variance (FTEs) with Quarterly Adjustment (Row 4 minus Row 7)</b>	93.75	92.75	90.75	180.00	158.00	146.00	180.00	183.00	157.00	154.00	144.00	133.00	

(1) Includes Active; Active-FMLA, and STD

- ✓ 07.2017 New Hires - First class of apprentices (11) was hired.
- ✓ 10.2017 New Hires - Second class of apprentices (8) were hired.
- ✓ Rehires - Employees that have resigned and were rehired y GLWA.
- ✓ 07.2017 Terminations - DWSD cancelled the Security Shared Services Agreement. As a result, 17 Security staff were terminated at GLWA and rehired by DWSD.

# Proposed Staffing and Staff Assignments

Cost Center Category	Cost Center Number & Name	FY 2018 Staffing Plan	FY 2019 Staffing Plan	FY 2018 vs FY 2019 # Diff	FY 2018 vs FY 2019 % Diff
<b>A Water System Operations Total</b>		<b>209.00</b>	<b>216.00</b>	<b>7.00</b>	<b>3.35%</b>
A Water System Operations	882001 COO - Water Operations & Field Services	2.00	3.00	1.00	50.0%
A Water System Operations	882101 Water Director	7.00	9.00	2.00	28.6%
A Water System Operations	882111 Water Engineering	19.00	15.00	(4.00)	-21.1%
A Water System Operations	882121 Water Quality	18.00	26.00	8.00	44.4%
A Water System Operations	882131 Water Works Park	37.00	37.00	-	0.0%
A Water System Operations	882141 Springwells Water Plant	35.00	35.00	-	0.0%
A Water System Operations	882151 Northeast Water Plant	31.00	31.00	-	0.0%
A Water System Operations	882161 Southwest Water Plant	30.00	30.00	-	0.0%
A Water System Operations	882171 Lake Huron Water Plant	30.00	30.00	-	0.0%
<b>B Wastewater System Operations Total</b>		<b>436.00</b>	<b>440.00</b>	<b>4.00</b>	<b>0.92%</b>
B Wastewater System Operations	892001 Chief Operating Officer Wastewater	13.00	15.00	2.00	15.4%
B Wastewater System Operations	892201 Wastewater Director	43.00	47.00	4.00	9.3%
B Wastewater System Operations	892211 Wastewater Engineering	25.00	26.00	1.00	4.0%
B Wastewater System Operations	892221 Wastewater Operations	39.00	14.00	(25.00)	-64.1%
B Wastewater System Operations	892222 Wastewater Process Control	23.00	26.00	3.00	13.0%
B Wastewater System Operations	892223 Wastewater Primary Process	47.00	51.00	4.00	8.5%
B Wastewater System Operations	892224 Wastewater Secondary Process	46.00	49.00	3.00	6.5%
B Wastewater System Operations	892225 Wastewater Dewatering Process	48.00	53.00	5.00	10.4%
B Wastewater System Operations	892226 Wastewater Incineration Process	53.00	55.00	2.00	3.8%
B Wastewater System Operations	892227 BDF/Hauling Contracts	12.00	12.00	-	0.0%
B Wastewater System Operations	892231 Industrial Waste Control	30.00	29.00	(1.00)	-3.3%
B Wastewater System Operations	892235 Analytical Laboratory	27.00	33.00	6.00	22.2%
B Wastewater System Operations	892270 Combined Sewer Overflow	30.00	30.00	-	0.0%

# Proposed Staffing and Staff Assignments

Cost Center Category	Cost Center Number & Name	FY 2018 Staffing Plan	FY 2019 Staffing Plan	FY 2018 vs FY 2019 # Diff	FY 2018 vs FY 2019 % Diff
<b>C Centralized Services Total</b>		<b>370.00</b>	<b>363.00</b>	<b>(7.00)</b>	<b>-1.89%</b>
C Centralized Services	881201 Security	89.00	74.00	(15.00)	-16.9%
C Centralized Services	882301 Systems Control	79.00	43.00	(36.00)	-45.6%
C Centralized Services	882401 Field Services Director	1.00	44.00	43.00	4300.0%
C Centralized Services	882411 Field Engineering	17.00	14.00	(3.00)	-17.6%
C Centralized Services	882421 Facility Operations	22.00	25.00	3.00	13.6%
C Centralized Services	882431 Field Service Operations	26.00	24.00	(2.00)	-7.7%
C Centralized Services	883301 Information Technology	4.00	4.00	-	0.0%
C Centralized Services	883311 Info Technology Administration	10.00	10.00	-	0.0%
C Centralized Services	883321 Info Technology Service Desk	12.00	15.00	3.00	25.0%
C Centralized Services	883331 Info Technology Infrastructure	14.00	14.00	-	0.0%
C Centralized Services	883341 Info Technology Enterprise Applications	14.00	14.00	-	0.0%
C Centralized Services	883351 Info Technology Business Applications	12.00	12.00	-	0.0%
C Centralized Services	883361 Info Technology Security & Risk	2.00	2.00	-	0.0%
C Centralized Services	886001 Chief Planning Officer	2.00	3.00	1.00	50.0%
C Centralized Services	886101 System Planning	4.00	4.00	-	0.0%
C Centralized Services	886201 Asset Mgt & Capital Improvement Program	9.00	7.00	(2.00)	-22.2%
C Centralized Services	886301 Energy Management	3.00	3.00	-	0.0%
C Centralized Services	886401 System Analytics	39.00	40.00	1.00	2.6%
C Centralized Services	886501 Research Innovation	3.00	3.00	-	0.0%
C Centralized Services	886601 Capital Improvement Planning	8.00	8.00	-	0.0%

Movement of positions among cost centers indicates a maturing of the budgeting and organizational structure.

# Proposed Staffing and Staff Assignments

Cost Center Category		Cost Center Number &Name	FY 2018 Staffing Plan	FY 2019 Staffing Plan	FY 2018 vs FY 2019 # Diff	FY 2018 vs FY 2019 % Diff
<b>D Administrative &amp; Other Services Total</b>			<b>162.00</b>	<b>175.00</b>	<b>13.00</b>	<b>8.02%</b>
D	Administrative & Other Services	881001 Chief Executive Officer	2.00	2.00	-	0.0%
D	Administrative & Other Services	881101 Public Affairs	7.00	7.00	-	0.0%
D	Administrative & Other Services	881151 Board of Directors	-	-	-	0.0%
D	Administrative & Other Services	883001 Chief Administrative Officer	5.00	5.00	-	0.0%
D	Administrative & Other Services	883101 General Counsel	6.00	7.00	1.00	16.7%
D	Administrative & Other Services	883201 Organizational Development	28.00	28.00	-	0.0%
D	Administrative & Other Services	883401 Risk Management and Safety	4.00	8.00	4.00	100.0%
D	Administrative & Other Services	884001 Chief Financial Officer	2.00	3.00	1.00	50.0%
D	Administrative & Other Services	884111 Financial Reporting & Accounting	27.00	27.00	-	0.0%
D	Administrative & Other Services	884113 Financial Planning & Analysis	6.00	8.00	2.00	33.3%
D	Administrative & Other Services	884121 Procurement	6.00	4.00	(2.00)	-33.3%
D	Administrative & Other Services	884122 Construction and Contract Services	17.00	17.00	-	0.0%
D	Administrative & Other Services	884123 Supply Chain Operations	12.00	14.00	2.00	16.7%
D	Administrative & Other Services	884124 Logistics and Materials	22.00	23.00	1.00	4.5%
D	Administrative & Other Services	884131 Treasury	4.00	4.00	-	0.0%
D	Administrative & Other Services	884141 Public Finance	5.00	8.00	3.00	60.0%
D	Administrative & Other Services	884151 Data Analytics & Internal Audit	3.00	3.00	-	0.0%
D	Administrative & Other Services	884161 Transformation	6.00	7.00	1.00	16.7%
<b>Grand Total</b>			<b>1,177.00</b>	<b>1,194.00</b>	<b>17.00</b>	<b>1.44%</b>

# O&M Trend - FY2020+ Reflects Budgetary Risk Management

Category	Sum of FY 2019 Request	Sum of FY 2019 % Increase/ (Decrease)	Sum of FY 2020 Request	Sum of FY 2020 % Increase/ (Decrease)
A Water Operations	65,577,500	-1.5%	75,885,300	15.7%
B Wastewater Operations	122,999,100	4.0%	136,562,400	11.0%
C Centralized Services	101,072,700	2.0%	109,728,400	8.6%
D Administrative Services	28,784,500	0.4%	32,742,200	13.7%
<b>Grand Total</b>	<b>318,433,800</b>	<b>1.9%</b>	<b>354,918,300</b>	<b>11.5%</b>

Largely Impact of Unallocated Reserve (See next slide)

Category	Sum of FY 2021 Request	Sum of FY 2021 % Increase/ (Decrease)	Sum of FY 2022 Request	Sum of FY 2022 % Increase/ Decrease	Sum of FY 2023 Request	Sum of FY 2023 % Increase/ Decrease
A Water Operations	75,279,500	-0.8%	79,339,900	5.4%	78,091,800	-1.6%
B Wastewater Operations	143,262,800	4.9%	149,770,800	4.5%	152,551,000	1.9%
C Centralized Services	108,024,500	-1.6%	107,420,900	-0.6%	99,517,300	-7.4%
D Administrative Services	32,273,400	-1.4%	33,095,200	2.5%	33,330,000	0.7%
<b>Grand Total</b>	<b>358,840,200</b>	<b>1.1%</b>	<b>369,626,800</b>	<b>3.0%</b>	<b>363,490,100</b>	<b>-1.7%</b>

# Unallocated Reserve

Unallocated Reserve by O&M Cost Center Category	Sum of FY 2017 Original Budget	Sum of FY 2017 Amended Budget	Sum of FY 2018 Original Budget	Sum of FY 2019 Request	Sum of FY 2020 Request	Sum of FY 2021 Request	Sum of FY 2022 Request	Sum of FY 2023 Request
A Water Operations	\$ 2,500,000	\$ 2,500,000	\$ 2,036,500	\$ 1,540,900	\$ 7,751,800	\$ 11,299,100	\$ 14,692,200	\$ 14,000,000
B Wastewater Operations	6,716,900	6,716,900	420,000	4,477,900	17,365,900	22,859,600	28,166,400	28,000,000
C Centralized Services	674,700	(23,577,600)	1,897,400	3,436,100	2,874,000	3,360,000	4,051,200	4,100,000
D Administrative Services	674,700	395,300	2,000,000	2,250,500	4,000,000	3,456,000	4,147,200	4,200,000
<b>Grand Total</b>	<b>\$ 10,566,300</b>	<b>\$ (13,965,400)</b>	<b>\$ 6,353,900</b>	<b>\$ 11,705,400</b>	<b>\$ 31,991,700</b>	<b>\$ 40,974,700</b>	<b>\$ 51,057,000</b>	<b>\$ 50,300,000</b>
<b>Total Revenue Requirement</b>								
Water	\$ 331,213,300		\$ 328,119,300	\$ 334,681,100	\$ 348,068,300	\$ 361,991,000	\$ 376,470,600	\$ 391,529,400
Sewer	464,078,500		465,500,100	474,810,100	493,802,500	513,554,600	534,096,800	555,460,700
<b>Total</b>	<b>\$ 795,291,800</b>		<b>\$ 793,619,400</b>	<b>\$ 809,491,200</b>	<b>\$ 841,870,800</b>	<b>\$ 875,545,600</b>	<b>\$ 910,567,400</b>	<b>\$ 946,990,100</b>
<b>Unallocated Reserve as a % of Total Revenue Requirement</b>								
	<u>1.3%</u>		<u>0.8%</u>	<u>1.4%</u>	<u>3.8%</u>	<u>4.7%</u>	<u>5.6%</u>	<u>5.3%</u>
<b>Common Use of Unallocated Reserve</b>								
Salaries, Wages, & Benefits	\$ 75,259,800		\$ 83,658,900	\$ 86,885,800	\$ 90,302,800	\$ 90,753,600	\$ 91,201,800	\$ 91,654,900
Cumulative @ 4.5% (All Costs)	\$ 3,386,691		\$ 3,764,700	\$ 6,371,300	\$ 9,080,400	\$ 11,803,000	\$ 14,539,100	\$ 17,288,700

Unallocated Reserve is funds designated to cover any unallocated or unplanned expenses in the current fiscal year recorded as a budget amendment. In a five year plan, the unallocated reserve increases each year to allow for cumulative, but undesignated amounts, as well as to offset forecasting risk for unknown items. FY 2017 as an example, required use of the unallocated reserve to fund Information Technology needs. The CIO's position was vacant and the budget was prepared soon after bifurcation. Approximately \$24M of needs were understated including a contractual commitment to AT&T for \$12M.



# Administrative and Centralized Services

The budgets for each of GLWA's 39 Administrative and Centralized Services cost centers were reviewed with departmental and financial leadership to determine the nature and ultimate beneficiaries of each expense item (personnel and non-personnel).

The findings of these reviews resulted in the development of reasonable water and sewer cost distributions for each center. Phase three of cost allocation review process will involve a similar review of our operational areas of Water and Sewer providing for a 360 degree review of our indirect cost allocation calculations assuring an even higher level of accuracy.

The Administrative & Centralized Services Cost Allocation report, as provided to the Audit Committee in December 2017 is at Addendum #1. The compiled results are shown in the table below.

	Water	Sewer
<b>Current Allocation Rates</b>		
<b>Administrative Services</b>	<b>30.3%</b>	<b>69.7%</b>
<b>Centralized Services</b>	<b>52.5%</b>	<b>47.5%</b>
<b>Preliminary FY 18 Cost Allocation Rate Study</b>		
<b>Administrative</b>	<b>49.4%</b>	<b>50.6%</b>
<b>Centralized Services</b>	<b>56.1%</b>	<b>43.9%</b>

**Given the limited data set (i.e. one year of actual from FY 2017), a three year phase-in is recommended to provide additional data to evaluate the consistency of the level of cost causation and related allocation.**

# Administrative & Centralized Phase-In

	Water					
<i>Proposed Centralized &amp; Administrative Allocation, Phase-in over three years</i>	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<b>C - Centralized Services Total and Allocation</b>	43%	46%	51%	56%	56%	56%
	\$ 46,493,400	\$ 55,961,500	\$ 60,493,700	\$ 60,155,700	\$ 55,729,700	
<b>D -Administrative Services Total and Allocation</b>	43%	46%	48%	49%	49%	49%
	\$ 13,240,900	\$ 15,178,700	\$ 15,814,000	\$ 16,216,600	\$ 16,331,700	

	Sewer					
<i>Proposed Centralized &amp; Administrative Allocation, Phase-in over three years</i>	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<b>C - Centralized Services Total and Allocation</b>	57%	54%	49%	44%	44%	44%
	\$ 54,579,300	\$ 53,766,900	\$ 47,530,800	\$ 47,265,200	\$ 43,787,600	
<b>D -Administrative Services Total and Allocation</b>	57%	54%	52%	51%	51%	51%
	\$ 15,543,600	\$ 16,443,500	\$ 16,459,400	\$ 16,878,600	\$ 16,998,300	

# Capital Financing Plan

- ✓ Two types of “Funds”
  - ✓ Improvement & Extension Funds: A “fund” as defined in GLWA’s Master Bond Ordinance; non-bond related funds to be accumulated for improvements, enlargements, extensions or betterment of the system.
  - ✓ Construction Bond Funds: Remaining proceeds from bonds issued and investment earnings on those proceeds less amounts used for qualified capital projects as defined by the bond issuance documents.
  
- ✓ Strategy: Match best source of funding with type of capital acquired.
  
- ✓ Financial Plan does not reflect use of lower cost State Revolving Fund (SRF) or Drinking Water Revolving Fund (DWRP) unless approved. Staff will submit applications for each funding year and will continue to explore other avenues for lower cost borrowing.
  
- ✓ Financial Plan does not reflect any potential debt refunding savings at this time.
  
- ✓ First year of a proposed target for I&E and Construction Bond Fund balances.

# Matching Resources with “Best Fit” Uses

Category	Capital Outlay < \$5,000	Capital Outlay > \$5,000	Capital Outlay > \$5,000 – Specific I&E	Capital Improvement Plan – Strategic I&E	Capital Improvement Plan - Bonds
<b>Funding Source</b>	Operations & Maintenance	Operations & Maintenance	Improvement & Extension Fund	Improvement & Extension Fund	Construction Bond Fund
<b>Rationale</b>	Tagged and tracked for internal asset control purposes (not capitalized)	Efficiencies in budget control and procurement	Isolate items that cause variability in the annual financial plan that do not meet the criteria for CIP	Lower the cost of capital by funding the CIP with Revenue Financed Capital versus bond financing	Constructed Assets
<b>Frequency</b>	Recurring in nature	Recurring in nature	Unique, nonrecurring, purchases, and/or large dollar assets on a replacement program	Project specific	Project Specific
<b>Life</b>	> One Year	> One Year	> One Year	> 20 years	> 20 years
<b>Examples</b>	Tools, Smartboards, Small Equipment	Pumps, motors, and equipment	Vehicles, large equipment, security and information technology systems	Infrastructure, plant, and facility upgrade, rehabilitation, and/or replacement	Infrastructure, plant, and facility upgrade, rehabilitation, and/or replacement
<b>Justification</b>	Internal review panel	Internal review panel, prioritization, replacement validation with asset records	Internal review panel, prioritization, replacement validation with asset records	Business Case Evaluation; Internal Review Panel; Member Outreach; GLWA Board Committee	Business Case Evaluation; Internal Review Panel; Member Outreach; GLWA Board Committee
<b>Procurement Impact</b>	Low – recurring in nature; shorter lead time to bid	Low – recurring in nature; shorter lead time to bid	Medium – specialized resources; additional lead time for RFx; may need evaluation panel	High - specialized resources; additional lead time for RFx; evaluation panel required	High - specialized resources; additional lead time for RFx; evaluation panel required

# Water System Capital Funds

	As of 6/30/2017	Projected FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<i>Target Net Position for I&amp; Funds: Fund five year capital plan commitments; minimum ending balance = 1.75 x subsequent year needs but no less than \$50 million.</i>							
<i>Target Net Position for Construction Bond Funds: No lower than six months of subsequent year projected spend</i>							
<b>Water Improvement &amp; Extension Fund</b>		<b>184,000,000</b>	<b>176,055,900</b>	<b>173,307,400</b>	<b>166,403,100</b>	<b>60,795,100</b>	<b>75,178,800</b>
<b>Sources</b>		<b>32,821,200</b>	<b>38,024,900</b>	<b>17,178,700</b>	<b>18,417,300</b>	<b>27,946,700</b>	<b>39,941,900</b>
<b>Uses</b>		<b>(40,765,300)</b>	<b>(40,773,400)</b>	<b>(24,083,000)</b>	<b>(124,025,300)</b>	<b>(13,563,000)</b>	<b>(61,300,800)</b>
<b>Net Activity</b>		<b>(7,944,100)</b>	<b>(2,748,500)</b>	<b>(6,904,300)</b>	<b>(105,608,000)</b>	<b>14,383,700</b>	<b>(21,358,900)</b>
<b>Ending Balance</b>	<b>184,000,000</b>	<b>176,055,900</b>	<b>173,307,400</b>	<b>166,403,100</b>	<b>60,795,100</b>	<b>75,178,800</b>	<b>53,819,900</b>
	<i>Minimum Target:</i>	<i>\$ 71,353,450</i>	<i>\$ 50,000,000</i>	<i>\$ 217,044,275</i>	<i>\$ 50,000,000</i>	<i>\$ 107,276,400</i>	<i>\$ 50,000,000</i>
	<i>Exception:</i>			<i>1.30</i>			
<b>Water Construction Bond Fund</b>		<b>173,000,000</b>	<b>140,716,000</b>	<b>69,099,000</b>	<b>86,881,000</b>	<b>59,609,000</b>	<b>99,061,000</b>
<b>Sources</b>		<b>25,371,000</b>	<b>19,383,000</b>	<b>150,782,000</b>	<b>105,728,000</b>	<b>144,452,000</b>	<b>54,400,000</b>
<b>Uses</b>		<b>(57,655,000)</b>	<b>(91,000,000)</b>	<b>(133,000,000)</b>	<b>(133,000,000)</b>	<b>(105,000,000)</b>	<b>(97,500,000)</b>
<b>Net Activity</b>		<b>(32,284,000)</b>	<b>(71,617,000)</b>	<b>17,782,000</b>	<b>(27,272,000)</b>	<b>39,452,000</b>	<b>(43,100,000)</b>
<b>Ending Balance</b>	<b>173,000,000</b>	<b>140,716,000</b>	<b>69,099,000</b>	<b>86,881,000</b>	<b>59,609,000</b>	<b>99,061,000</b>	<b>55,961,000</b>
	<i>Minimum Target:</i>	<i>\$ 45,500,000</i>	<i>\$ 66,500,000</i>	<i>\$ 66,500,000</i>	<i>\$ 52,500,000</i>	<i>\$ 48,750,000</i>	<i>\$ 50,000,000</i>

DRAFT Financial Plan anticipates \$145M bond issue in FY 2020 and \$140M in FY 2022.

This is based upon preliminary financial review of Capital Improvement Plan (CIP) information, actual spending levels for FY 2017 and FY 2018 YTD, and procurement requests.

Within the next two weeks +/-, the Water System engineers will release a new draft CIP which will provide a higher level of resource accountability to better match plan with execution rate. Based on that analysis, the proposed financing for FY 2020 may be re-scheduled for FY 2019 (latter half). A new resource in the Financial Services Area Construction Accounting and Reporting Team as well as Procurement Team members are working alongside the Water System Engineers to forecast project cashflows to optimize financial resources.

# Sewer System Capital Funds

	As of 6/30/2017	Projected FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<i>Target Net Position for I&amp; Funds: Fund five year capital plan commitments; minimum ending balance = 1.75 x subsequent year needs but no less than \$50 million.</i>							
<i>Target Net Position for Construction Bond Funds: No lower than six months of subsequent year projected spend</i>							
<b>Sewer Improvement &amp; Extension</b>		115,000,000	99,518,000	70,571,600	72,734,500	32,992,800	46,056,100
<b>Sources</b>		11,922,100	12,010,600	6,973,800	24,690,100	28,110,300	57,745,200
<b>Uses</b>		(27,404,100)	(40,957,000)	(4,810,900)	(64,431,800)	(15,047,000)	(59,271,200)
<b>Net Activity</b>		(15,482,000)	(28,946,400)	2,162,900	(39,741,700)	13,063,300	(1,526,000)
<b>Ending Balance</b>	115,000,000	99,518,000	70,571,600	72,734,500	32,992,800	46,056,100	44,530,100
	<i>Minimum Target:</i>	<i>\$ 71,045,275</i>	<i>\$ 50,000,000</i>	<i>\$ 112,755,650</i>	<i>\$ 26,332,250</i>	<i>\$ 103,724,250</i>	<i>\$ 50,000,000</i>
<b>Sewer Construction Bond Fund</b>		136,000,000	115,323,700	66,088,700	113,753,700	54,948,700	79,554,700
<b>Sources</b>		72,084,000	85,031,000	176,121,000	60,361,000	133,194,000	55,300,000
<b>Uses</b>		(92,760,300)	(134,266,000)	(128,456,000)	(119,166,000)	(108,588,000)	(78,903,000)
<b>Net Activity</b>		(20,676,300)	(49,235,000)	47,665,000	(58,805,000)	24,606,000	(23,603,000)
<b>Ending Balance</b>	136,000,000	115,323,700	66,088,700	113,753,700	54,948,700	79,554,700	55,951,700
	<i>Minimum Target:</i>	<i>\$ 67,133,000</i>	<i>\$ 64,228,000</i>	<i>\$ 59,583,000</i>	<i>\$ 54,294,000</i>	<i>\$ 39,451,500</i>	<i>\$ 50,000,000</i>

DRAFT Financial Plan anticipates \$150M bond issue in FY 2020 and \$133M in FY 2022. This is based upon preliminary financial review of Capital Improvement Plan (CIP) information, actual spending levels for FY 2017 and FY 2018 YTD, and procurement requests.

Within the next two weeks +/-, the Sewer System engineers will release a new draft CIP which will provide a higher level of resource accountability to better match plan with execution rate. Based on that analysis, the proposed financing for FY 2020 may be re-scheduled for FY 2019 (latter half). Staff from the Financial Services Construction Accounting and Reporting Team as well as Procurement Team members are working Sewer System Engineers to forecast project cashflows to optimize financial resources.

# Actual Construction Spend Since 1.1.2016

	FY 2016	FY 2017	FY 2018**
Construction Spend*	(Six Months)	(Twelve Months)	(Four Months)
Water	\$ 20,200,000	\$ 39,484,000	\$ 4,041,000
Sewer	16,500,000	39,782,200	12,904,700
<b>Total</b>	<b>\$ 36,700,000</b>	<b>\$ 79,266,200</b>	<b>\$ 16,945,700</b>

\*Includes internal direct labor and capitalized interest.  
 \*\*Does not reflect accruals for payments subsequent to 10.31.2017

Note: Staff is presently compiling the FY 2018 Q1 Construction Work-in-Progress report for presentation at an upcoming Audit Committee meeting.



# Open Items & Assumptions

- ✓ “Systemizing” the Cost of Service Model
  - ✓ Early analysis reveals minor differences from revenue requirement elements in prior year
- ✓ Coordination with DWSD
  - ✓ Entities have both shared draft budgets and related analysis
  - ✓ DWSD CIP still in progress; may impact financing timeline
  - ✓ Meeting anticipated this week to review
  - ✓ Review of water utility charges from DWSD
  - ✓ Shared services budgeted at consistent level (exception: Analytical Lab)
  - ✓ Ongoing implementation matters (including water sales to GLWA by DWSD, operational and capital responsibility for certain 24-inch mains in the City of Detroit, finalization of debt allocation, treatment of partial lease payment advanced, and any other related matters)
- ✓ No change in operating or capital investment responsibility for the Northeast Pump Station although an alternative operating agreement is being explored.
- ✓ Capital Improvement Plans under development; engineers focusing on refined annual spend
- ✓ Review and feedback from stakeholders that results in further refinements

# Purchases of Utility Service from DWSD

Great Lakes Water Authority Water Service Utility Charges from DWSD January 2016 to November 2017			
Type	Sum of FY 2016 Totals (Six Months)	Sum of FY 2017 Total (Twelve Months)	Sum of FY 2018 Totals through November 2017
Water	\$2,821,777	\$5,280,480	\$2,043,334
Sewer	137,125	960,695	233,624
Drainage	575,623	949,834	301,980
<b>Grand Total</b>	<b>\$3,534,525</b>	<b>\$7,191,009</b>	<b>\$2,578,938</b>
<i>Annualized</i>	<i>\$7,069,050</i>	<i>\$7,191,009</i>	<i>\$6,189,451</i>
<i>Projected variance based on simple annualization</i>		<i>2%</i>	<i>-14%</i>

All amounts billed have been paid as they become due.

# Location of Utility Service from DWSD

Type and Location by Cost Center	Sum of FY 2016 Totals (Six Months)	Sum of FY 2017 Total (Twelve Months)	Sum of FY 2018 Totals through November 2017 (Five Months)
⊕ Wastewater Operations	\$2,964,519	\$5,281,580	\$2,106,748
⊕ Oakwood Combined Sewer Overflow	86,486	742,737	178,853
⊕ Connor Creek Combined Sewer Overflow	113,325	613,113	86,859
⊕ Northeast Water Plant	118,332	179,791	57,497
⊕ Biosolids Dryer, Central Offload Facility, & Hauling	60,944	168,450	96,103
⊕ Water Works Park	112,922	58,460	-
⊕ 7 Mile Combined Sewer Overflow	8,276	29,268	14,881
⊕ Industrial Waste Control	14,306	29,014	11,085
⊕ Procurement	15,828	23,539	8,265
⊕ Conner Pumping Station	15,288	14,446	3,301
⊕ Systems Operations Control	7,117	14,420	3,729
⊕ Fox Creek Pumping Station	8,356	13,479	-
⊕ Freud Pumping Station	6,834	11,425	4,494
⊕ Puritan Fenkell Combined Sewer Overflow	1,873	8,622	5,659
⊕ Leib Combined Sewer Overflow	-	2,604	520
⊕ BDF, COF & Hauling	118	61	-
⊕ Northwest Pumping Station	-	-	284
⊕ St Aubin Combined Sewer Overflow	-	-	660
<b>Grand Total</b>	<b>\$3,534,525</b>	<b>\$7,191,009</b>	<b>\$2,578,938</b>

Validating the accounts since bifurcation has largely been completed as well as cost center review. As new data is received, however, assignment of costs and accounts may be updated.

# Today's Presentation at [www.glwwater.org](http://www.glwwater.org)



# Budget & Financial Plan: Operational Overview

*Sue McCormick, Chief Executive Officer*



# How We Work

The GLWA is organized into six intersecting operating areas as identified in the influencer chart to the right. Within each area, there are functional groups. Together, these groups work in a cross-functional manner to achieve the organization's mission.

***Our Promise: Through regional collaboration, GLWA strives to be a provider of choice dedicated to efficiently delivering the nation's best water and sewer services in partnership with our members.***

***How we deliver on that Promise***

***Demonstrating a commitment to:***

- Regional collaboration,***
- High quality through innovation, and***
- Trustworthiness & Integrity.***



# Financial Plan underscores GLWA's Commitment to EUM

- ✓ Effective Utility Management (EUM) provides a framework for Water Sector Utilities to describe desired outcomes and provide indication of where they should focus and what they strive to achieve
- ✓ Ten attributes of an effectively managed utility
  - Product Quality
  - Financial Viability
  - Water Resource Adequacy
  - Operational Optimization
  - Community Sustainability
  - Employee and Leadership Development
  - Operational Resiliency
  - Customer Satisfaction
  - Infrastructure Stability
  - Stakeholder Understanding and Support
- ✓ GLWA is committed to EUM
  - ✓ The biennial budget and five year plan align with EUM attributes
  - ✓ GLWA's mission aligns with EUM and serves as a key touchpoint in presenting our operating initiatives and related five-year plan

## **Our Vision**

Through regional collaboration, GLWA strives to be the provider of choice dedicated to efficiently delivering the nation's best water and sewer services in partnership with our members.

## **Our Mission**

To exceed our members expectations by utilizing best practices in the treatment and transmission of water and wastewater, while promoting healthy communities and economic growth.



## #1 Maintain 100% Compliance

(Trustworthiness & Integrity)

Delivery of pure, safe drinking water and safe and efficient collection, treatment, and discharge of wastewater are essential to GLWA's mission

### Wastewater System

- ✓ Rouge River Outfall disinfection
- ✓ Dedicated internal HAZMAT team assigned to Water Resource Recovery Facility
- ✓ CSO facility improvement programs including roofs, structural elements, controls and electrical systems and solids cleaning (\$4.8M for FY 2019)
- ✓ Use Biosolids Dryer Facility to reduce landfilling expenses by approximately \$2.7M with increased environmental benefits

### Water System

- ✓ Water system valve exercising
- ✓ Increase water treatment basin cleaning to ensure water quality
- ✓ Upcoming regulatory changes anticipated:
  - ✓ Environmental Protection Agency (EPA) intended elimination of reduced monitoring for consecutive systems
  - ✓ Potential corrosion control optimization

### Centralized

- ✓ Cyber security initiatives
- ✓ Physical security initiatives

## #2 Become a Utility of Choice for Southeastern Michigan (Trustworthiness & Integrity)

- Identify and address policies, partnerships, opportunities, and financial matrix that support retention and expansion of the member base
- Leverage GLWA efforts for the benefit of our members

- ✓ Training partnerships including technical and leadership
- ✓ Wastewater master planning
- ✓ Coordinated emergency planning and response
- ✓ Brand positioning events
- ✓ Ongoing contained budgetary adjustments and controlling the cost of capital
- ✓ Vendor Outreach and expanded procurement programs
- ✓ Use GovDelivery technology to communicate with and support members

### #3 Further Development of the Asset Management Program and cross sector, cross agency asset renewal collaboration

(High Quality through Innovation)

- Better prioritize capital projects
  - Optimize asset replacement schedules
- 
- ✓ Integrate maintenance standards with Asset Management
  - ✓ Improve the capital planning process
    - ✓ Project Prioritization Criteria
    - ✓ Water & Wastewater High Level Risk Analysis
    - ✓ Project Prioritization Ranking
  - ✓ Participate in the Regional Infrastructure Asset Management efforts resulting from the Governor's 21st Century Infrastructure Commission initiative
  - ✓ Engage a Strategic Asset Management Plan consultant in late FY2018 to begin a 3 year project of assessment, planning and implementation of a coordinated asset management strategy
  - ✓ Engage IT/Asset Management consultant to support the selection of a replacement for the existing work order and asset management software

## #4 Expand Community Outreach Effort and Engage in Local Community Activities

(Regional Collaboration)

- Establish a regular presence in front of local policy makers and in local communities
  - Participate in local, regional, and state initiatives addressing water and service sector matters
  - Develop GLWA's identity in the region as the source of water supply and service
- 
- ✓ Improve government relations and legislative monitoring
  - ✓ Coordinate with members on lead and copper standards
  - ✓ Integrate new member outreach team
  - ✓ Attend service sector events, submit whitepapers, and serve in leadership roles within service sector organizations
  - ✓ Provide increased training opportunities in collaboration with our regional partners
  - ✓ Evaluate and implement early opportunities from findings with our member partners on cost of service evaluation.

## #5 GLWA/DWSD Standup

(Regional Collaboration)

- Continue collaboration, capture economies of scale whenever possible, and proactively engage in matters of mutual interest and benefit
  - Deliver studies and activities identified in the lease and services agreements
- 
- ✓ Expand shared service for water quality testing
  - ✓ Implement new shared service for video studio capabilities
  - ✓ Develop shared GIS real property database
  - ✓ Implement the results of studies identified in the services agreement, such as water units of service study (for non-master metered members) and water audit
  - ✓ Collaborate in the Wastewater Master Plan project
  - ✓ Coordinate NPDES permit activities
  - ✓ Coordinate training programs

## #6 Align Performance with Recognized Utility Standards

(Trustworthiness & Integrity)

- FY 2018 establishes a baseline measure for future strategic planning
  - Identify and implement water service sector strategies
  - Foster continuous improvement with use of Lean and related tools
- 
- ✓ Review and revisit Key Performance Indicators (KPIs)
  - ✓ Focus staff resources to increase equipment reliability
  - ✓ Focus Information Technology staff resources to expand implementation and utilization of Business Intelligence (BI) capability (includes 1 new FTE)
  - ✓ Implement risk-based approach to water transmission main assessment
  - ✓ Upgrades to the water production flow metering
  - ✓ Recruit and retain top talent
    - ✓ Water Engineering
    - ✓ Water Operations
    - ✓ Systems Control
    - ✓ Field Services

## #7 Continued Cost Containment Efforts

(Trustworthiness & Integrity)

- Energy optimization
- Execution of water master plan
- Improved capital management (planning/procurement/delivery/close out)
- Improved procurement (vendor relations; streamlined contract documents, accessible work flow status)
- Ongoing automation and Smart technology deployment

- ✓ Implement findings from the pilot at WRRF for increased real-time controls
- ✓ Implement enterprise-wide productivity tools
  - ✓ Document management
  - ✓ Matter management
  - ✓ Contract management
- ✓ Conduct reliability-centered maintenance based upon completed condition assessments:
  - ✓ Sewage collection system
  - ✓ Water intake tunnels
  - ✓ Water reservoirs
- ✓ Implement Voice Over Internet Protocol (VoIP)



## #8 Effective Capital Program Delivery

(High Quality through Innovation and Trustworthiness & Integrity)

- Partnerships
- Optimize cost of capital
- On time, on budget

- ✓ Improve capital delivery through Program Management
  - ✓ Issue RFP for Program Management assistance in FY2018
  - ✓ Initial capital program assessment expected in the first half of FY2019
  - ✓ Implement recommended process improvements expected in FY2019 and FY2020
- ✓ Expand the Capital Improvement Plan to reflect the following
  - ✓ Expand internal planning horizon to 10 years
  - ✓ Expand efforts to align staff resources with program demands
  - ✓ Optimize capital financing
- ✓ Include MDOT in Wastewater Master Plan Steering Team

# Charges Equity and Stability

Working with our Members, we continue to make progress in addressing key equity and stability initiatives

GLWA One Water Charge Methodology Initiatives

	Calendar 2017				Calendar 2018				Calendar 2019				Calendar 2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>A Charges / Methodology Update Strategy *</b>																
<b>1 Cost Allocation Project</b>																
1.0 Functional GL Cost Reporting Implementation																
1.1 Administrative and General Cost Allocation Approaches																
1.2 Refined Functional Cost Structure																
1.3 Fixed Asset Project																
<b>2 Wastewater Charges / Methodology Update</b>																
2.0 Methodology Assessment Strategy																
2.1 2nd year of phase in for FY 2018 SHARES																X
2.2 SHARE Update - 3rd Fixed SHARE Period																X
2.3 Evaluation of Peak Wastewater Flows and Costs																
2.4 Wastewater Strength of Flow Sampling Plan																
2.5 Wastewater Strength of Flow Sampling																
2.6 Wastewater Master Plan																
2.7 Modeling & Monitoring																
2.8 Wet Weather Optimization Refinements																
2.9 Leverage National Expertise and Benchmarks Charge Update - Current Methodology																or X
<b>3 Water Charges / Methodology Update</b>																
3.0 Methodology Assessment Strategy																
3.1 Units of Service Study - Non-Master Metered																
3.2 System Water Audit																
3.3 Uniform Contract Reopener Project																X
3.4 Alternative Allocators for Pumping and Transmission																
3.5 Reflection of NE WTP Repurposing																
3.6 Leverage National Expertise and Benchmarks Updated Water Charges - new methods or ... Charge Update - Current Methodology																or X

\* Designed to achieve hallmark objectives of charge stability and equity.

# Addendum #1

## Cost Allocation



# *GLWA 2017 Cost Allocation Project*

## *Phase II – Allocation of Centralized & Administrative Services*

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**GLWA Wholesale Member Outreach Meeting  
December 12, 2017**



# 2017 Cost Allocation - Five Phases

- **Phase 1 - Pilot Cost Allocation Review Process**
- **Phase 2 - Detailed Review - We are currently here**  
Complete the analysis of centralized and administrative cost centers
- **Phase 3 - Detailed Review**  
Begin review of operational cost centers where we expect find a significantly higher amount of cost to be allocated
- **Phase 4 - Big Picture Review**  
Evaluate staff input from operational, centralized, and administrative services to evaluate cost allocation findings and potential modifications
- **Phase 5 - Charges Impact Review & Discussion**  
Evaluate options and impact of findings and potential modifications before FY 2019 charges developed

# GLWA 2018 Operating Expense Budget

GLWA's 2018 operational expenses are captured in 4 basic areas:

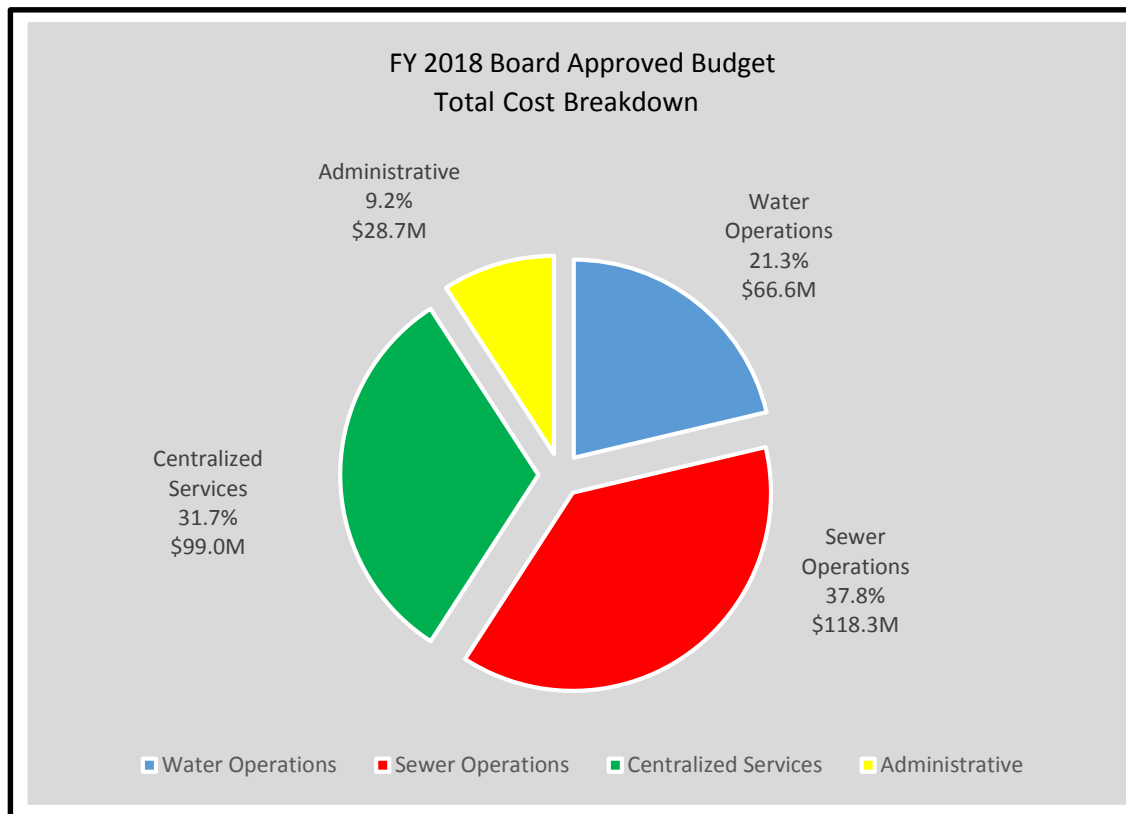
\* Water Operations

\* Sewer Operations

\* Administrative Services

\* Centralized Services

The initial breakdown of these costs is charted below.



## The Phase II Administrative and Centralized Services Review Process

- The budgets for each of GLWA's 39 Administrative and Centralized Services cost centers were reviewed with departmental and financial leadership to determine the nature and ultimate beneficiaries of each expense item (personnel and non-personnel).
- The findings of these reviews resulted in the development of reasonable water and sewer cost distributions for each center.

The compiled results for all Administrative and Centralized Services cost centers is shown in the table below.

	<b>Water</b>	<b>Sewer</b>
<b>Current Allocation Rates</b>		
<b>Administrative Services</b>	<b>30.3%</b>	<b>69.7%</b>
<b>Centralized Services</b>	<b>52.5%</b>	<b>47.5%</b>
<b>Preliminary FY 18 Cost Allocation Rate Study</b>		
<b>Administrative</b>	<b>49.4%</b>	<b>50.6%</b>
<b>Centralized Services</b>	<b>56.1%</b>	<b>43.9%</b>

Phase three of cost allocation review process will involve a similar review of our operational areas of Water and Sewer providing for a 360 degree review of our indirect cost allocation calculations assuring an even higher level of accuracy.

# Next Steps

- Refine the allocation methodology, financial systems, and business processes to address one-time or ongoing unique expenses for the water **or** sewer system only.
- Apply allocations to the FY 2019 – 2023 Five-Year Plan to project the effect on future periods.
- Evaluate trends in the Five-Year Plan under development to evaluate extent of variability from one year to the next.
- Complete departmental review of Water and Sewer operational areas providing for a 360 degree review of allocations, including some cost center realignment of direct cost allocation to operations vs. centralized services.
- Consider implications of a revised cost allocation process on charge stability.
- Present findings at upcoming FY 2019 Charges Rollout meeting.
- Ongoing: Continue to review actual costs to assure allocation assumptions are valid. Revisit allocation calculations when significant events occur.
- Ongoing: Document and standardize the cost allocation project for annual update.





**GLWA**

*Great Lakes Water Authority*

# Glossary

CSO – Combined Sewer Overflow

EUM – Effective Utility Management

FTE – Full-time Equivalent

GIS – Geographic Information System

HAZMAT - Hazardous Materials

I&E – Improvement & Extension Fund

MBO – Master Bond Ordinance

NPDES - National Pollutant Discharge Elimination System

O&M – Operations & Maintenance Fund

RFP – Request for Proposal