



## **Audit Committee**

**Friday, February 23, 2018 at 8:00 a.m.**

5th Floor Board Room, Water Board Building  
735 Randolph Street, Detroit, Michigan 48226  
*GLWater.org*

### **AGENDA**

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF AGENDA
4. APPROVAL OF MINUTES
  - A. February 9, 2018 (Page 1)
5. PUBLIC PARTICIPATION
6. OLD BUSINESS
  - A. Discussion: Memorandum of Understanding Related to Lease Implementation Matters (verbal update)
  - B. Discussion Draft: FY 2017 Financial Report (verbal update)
  - C. FY 2017 Audit Extension Request (verbal update)
7. NEW BUSINESS
  - A. Discussion: Cost Pool Carryover Program (verbal update)
  - B. Report: FY 2018 Budget to Actual Report thru December 31, 2017 (Page 4)
  - C. Discussion: Debt Service Coverage Calculations and Lease Agreements (verbal update)
8. REPORTS
  - A. Planner: Construction Work-in-Progress Review Schedule (Page 21)
9. LOOK AHEAD

Next Audit Committee Meeting – March 16, 2018 at 8 am (Regular Meeting)
10. INFORMATION
11. OTHER MATTERS
12. ADJOURNMENT



# Great Lakes Water Authority

AGENDA ITEM #4A

735 Randolph Street  
Detroit, Michigan 48226  
glwater.legistar.com

## Meeting Minutes - Draft

### Audit Committee

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Friday, February 9, 2018

8:00 AM

Water Board Building 5th Floor

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#### Special Meeting

#### 1. Call To Order

Director Brown, acting Chairman, called the meeting to order at 8:02 a.m.

#### 2. Quorum Call

**Present:** 3 - Chairman Brian Baker, Director Gary Brown, and Director Robert Daddow

**Note:** Chairman Baker and Director Daddow's attendance via teleconference.

#### 3. Approval of Agenda

Acting Chairman Brown requested a Motion to approve the Agenda.

**Motion By:** Robert Daddow

**Support By:** Brian Baker

**Action:** Approved

The motion carried by a unanimous vote.

#### 4. Approval of Minutes

##### A. [2018-610](#) January 19, 2018 Minutes

**Indexes:** Finance

**Attachments:** [January 19 2018 Audit Committee Meeting Minutes.Draft](#)

Acting Chairman Brown requested a Motion to approve the January 19, 2018 Audit Committee Meeting Minutes.

**Motion By:** Brian Baker

**Support By:** Robert Daddow

**Action:** Approved

The motion carried by a unanimous vote.

#### 5. Public Comment

There were no public comments.

## 6. Old Business

### A. Status Report: FY 2017 Year End Financial Statements and Audit

Nicolette Bateson, Chief Financial Officer/Treasurer, gave a verbal status report regarding FY 2017 Year End Financial Statements and Audit.

- B. [2018-611](#) Update on Cost of Service Studies for FY 2019 Charges and Related Charges Topics

Indexes: Finance

Attachments: [Charges Rollout Update by The Foster Group](#)  
[Cost of Service Study Update 020918](#)

Motion By: Robert Daddow  
Support By: Brian Baker  
Action: Received and Filed  
The motion carried by a unanimous vote.

## 7. New Business

- A. [2018-612](#) Review of the Proposed FY 2019 through FY 2023 Capital Improvement Plan

Indexes: Finance

Attachments: [Review of the Proposed FY 2019 through FY 2023 Capital Improvement Plan](#)  
[2018-02-06 AM-CIP Com\\_FINAL](#)

No Action Taken

## 8. Reports

- A. [2018-613](#) Monthly Revenue & Collections Report for December 2017

Indexes: Finance

Attachments: [Monthly Revenue and Collections Report 02.09.2018 \(Jan\)](#)  
[AR Aging W S IWC PS 01.31.18](#)

Motion By: Brian Baker  
Support By: Robert Daddow  
Action: Received and Filed  
The motion carried by a unanimous vote.

- B. [2018-614](#) Treasury Report: Cash Transfers through January 1, 2018

Indexes: Finance

**Attachments:** [GLWA Audit Committee Memo DWSD & GLWA Cash Transfers February 2018](#)  
[Audit Committee - Monthly Transfers to DWSD February 2018](#)  
[Audit Committee - Monthly Transfers to GLWA February 2018](#)

Motion By: Robert Daddow  
Support By: Brian Baker  
Action: Received and Filed  
The motion carried by a unanimous vote.

### C. CFO Update (Verbal)

Nicolette Bateson, Chief Financial Officer/Treasurer thanked Board Members who met with the team during the Procurement Policy review, and also gave a brief description of Bonfire, a cloud based solution that will assist with the procurement process and bid proposals, which will be introduced at an upcoming Operations and Resources Committee Meeting.

### 9. Look Ahead

A Special Audit Committee Meeting has been scheduled for Friday, February 23, 2018 at 8:00 a.m.

The regular Audit Committee Meeting is scheduled for Friday, March 16, 2018 at 8:00 a.m.

### 10. Information

None

### 11. Other Matters

None

### 12. Adjournment

Acting Chairman Brown requested a Motion to Adjourn.

Motion By: Brian Baker  
Support: Robert Daddow  
Action: Approved  
The motion carried unanimously.

There being no further business, the meeting was adjourned at 10:05 a.m.



## **Financial Services Audit Committee Communication**

**Date:** February 23, 2018

**To:** Great Lakes Water Authority Audit Committee

**From:** Lisa Mancini, Interim Financial Planning & Analysis Manager

**Re:** FY 2018 Budget Update and Amendments through December 31, 2017

**Background:** The Great Lakes Water Authority (GLWA) ended its most recent fiscal quarter ended December 31, 2017. Accordingly, a quarter ended report has been prepared to present the current budget progress.

**Analysis:** This report contains the following for review and discussion.

- ✓ Water System - Interim Budget to Actual Report - Revenue Requirement Budget Basis
- ✓ Sewage Disposal System - Interim Budget to Actual Report - Revenue Requirement Budget Basis
- ✓ O&M Category analysis
- ✓ O&M Contractual Services by Cost Center
- ✓ Staffing - Budget vs. Actual (Annualized)
- ✓ Overtime by Major Budget Category analysis
- ✓ Budget Amendment Report

It should be noted that these interim reports have been prepared on a modified cash basis. This means that revenues are accrued but many expenses lag in vendor invoice receipt and posting. Other expenses, such as shared services have been accrued.

**Proposed Action:** Receive and file report.

Great Lakes Water Authority  
Water System -Interim Budget to Actual Report - Revenue Requirement Budget Basis  
FY 2018 through December 31, 2017

	FY 2018 Original Budget	FY 2018 Amended Budget	Percent of Total Amended Budget	Prorated FY 2018 Amended Budget (Six Months)	Actual (Modified Cash Basis) thru 12/31/2017	Dollar Variance Positive/ (Negative)	Percent Variance Positive/ (Negative)	Variance Explanation Code
<b>Water System</b>								
<b>Revenues</b>	<b>\$ 328,119,300</b>	<b>\$ 328,119,300</b>	<b>100.0%</b>	<b>\$ 164,059,700</b>	<b>179,663,400</b>	<b>\$ 15,603,700</b>	<b>9.5%</b>	
<b>Customer Charges</b>	<b>325,150,400</b>	<b>325,150,400</b>	<b>99.1%</b>	<b>162,575,200</b>	<b>178,447,600</b>	<b>15,872,400</b>	<b>9.8%</b>	
0.1 Revenues From Wholesale Customer Charges	310,019,800	310,019,800	94.5%	155,009,900	170,882,300	15,872,400	10.2%	
0.2 Revenues From Retail Services Agreement	15,130,600	15,130,600	4.6%	7,565,300	7,565,300	-	0.0%	
<b>Other</b>	<b>2,968,900</b>	<b>2,968,900</b>	<b>0.9%</b>	<b>1,484,500</b>	<b>1,215,800</b>	<b>(268,700)</b>	<b>-18.1%</b>	
0.6 Other Revenues	36,000	36,000	0.0%	18,000	82,400	64,400	357.8%	
0.7 Investment Earnings	2,932,900	2,932,900	0.9%	1,466,500	1,133,400	(333,100)	-22.7%	
<b>Revenue Requirement</b>	<b>\$ 328,119,300</b>	<b>\$ 328,119,300</b>	<b>100.0%</b>	<b>\$ 164,059,900</b>	<b>\$ 135,782,750</b>	<b>\$ 28,277,150</b>	<b>17.2%</b>	
<b>Operations &amp; Maintenance Expenses</b>	<b>127,610,600</b>	<b>127,610,600</b>	<b>38.9%</b>	<b>63,805,400</b>	<b>35,528,400</b>	<b>28,277,000</b>	<b>44.3%</b>	
A Water Operations	66,597,200	66,597,100	20.3%	33,298,600	19,603,600	13,695,000	41.1%	2,5,9
C Centralized Services	42,589,000	42,589,200	13.0%	21,294,600	9,216,000	12,078,600	56.7%	1,2,4,5,7,8
D Administrative Services	12,376,400	12,376,300	3.8%	6,188,200	3,684,800	2,503,400	40.5%	4,9
Master Bond Ordinance Commitment:						-		
9.2 O&M Legacy Pension Allocation	6,048,000	6,048,000	1.8%	3,024,000	3,024,000	-	0.0%	
<b>Master Bond Ordinance Commitments - Non O&amp;M</b>	<b>167,687,500</b>	<b>167,854,300</b>	<b>51.2%</b>	<b>83,927,300</b>	<b>83,927,150</b>	<b>150</b>	<b>0.0%</b>	
9.1 Debt Service - Principal & Interest	135,464,400	135,631,200	41.3%	67,815,600	67,815,600	-	0.0%	
9.3 Accelerated Legacy Pension Allocation	6,268,300	6,268,300	1.9%	3,134,200	3,134,150	50	0.0%	
9.4 Water Residential Assistance Program	1,678,600	1,678,600	0.5%	839,300	839,300	-	0.0%	
9.5 Extraordinary Repair & Replacement Deposit	1,452,500	1,452,500	0.4%	726,300	726,250	50	0.0%	
9.5 Lease Payment to Local System I&E Fund	22,500,000	22,500,000	6.9%	11,250,000	11,250,000	-	0.0%	
9.6 Operating Reserve Deposit	323,700	323,700	0.1%	161,900	161,850	50	0.0%	
<b>Improvement &amp; Extension Fund Allocation</b>	<b>32,821,200</b>	<b>32,654,400</b>	<b>10.0%</b>	<b>16,327,200</b>	<b>16,327,200</b>	<b>-</b>	<b>0.0%</b>	
<b>Overall Budget Variance</b>						<b>\$ 43,880,850</b>	<b>13.4%</b>	
<b>Recap:</b>								
Revenues	\$ 328,119,300	\$ 328,119,300	100.0%	\$ 164,059,700	\$ 179,663,400			
Less: Operations & Maintenance	(127,610,600)	(127,610,600)	-38.9%	(63,805,400)	(35,528,400)			
Revenues Available After O&M Expense	200,508,700	200,508,700	61.1%	100,254,300	144,135,000			
Less: Master Bond Ordinance Requirements	(167,687,500)	(167,687,500)	-51.1%	(83,927,300)	(83,927,150)			
Potential Transfer to I&E	<u>\$ 32,821,200</u>	<u>\$ 32,821,200</u>	<u>10.0%</u>	<u>\$ 16,327,000</u>	<u>\$ 60,207,850</u>			

## Great Lakes Water Authority

## Sewage Disposal System - Interim Budget to Actual Report - Revenue Requirement Budget Basis

FY 2018 through December 31, 2017

	FY 2018 Original Budget	FY 2018 Amended Budget	Percent of Total Amended Budget	Prorated FY 2018 Amended Budget (Six Months)	Actual Modified Cash Basis thru 12/31/2017	Dollar Variance Positive/ (Negative)	Percent Variance Positive/ (Negative)
<b>Sewage Disposal System</b>							
<b>Revenues</b>	<b>465,500,100</b>	<b>472,701,100</b>	<b>100.0%</b>	<b>236,350,700</b>	<b>240,278,800</b>	<b>3,928,100</b>	<b>1.7%</b>
<b>Customer Charges</b>	<b>443,197,400</b>	<b>450,398,400</b>	<b>95.3%</b>	<b>225,199,300</b>	<b>225,200,400</b>	<b>1,100</b>	<b>0.0%</b>
0.1 Revenues From Wholesale Customer Charges	268,618,700	271,429,300	57.4%	135,714,700	135,715,800	1,100	0.0%
0.2 Revenues From Retail Services Agreement	178,969,100	178,969,100	37.9%	89,484,600	89,484,600	-	0.0%
0.3 Revenues From Bad Debt Expense Recovery	(4,390,400)	-	0.0%	-	-	-	0.0%
<b>Other</b>	<b>22,302,700</b>	<b>22,302,700</b>	<b>4.7%</b>	<b>11,151,400</b>	<b>15,078,400</b>	<b>3,927,000</b>	<b>35.2%</b>
0.4 Industrial Waste Control Charges	14,452,700	14,452,700	3.1%	7,226,400	7,145,500	(80,900)	-1.1%
0.5 Pollutant Surcharges	5,099,000	5,099,000	1.1%	2,549,500	3,038,700	489,200	19.2%
0.6 Other Revenues	467,200	467,200	0.1%	233,600	3,655,300	3,421,700	1464.8%
0.7 Investment Earnings	2,283,800	2,283,800	0.5%	1,141,900	1,238,900	97,000	8.5%
<b>Revenue Requirements</b>	<b>465,500,100</b>	<b>472,701,100</b>	<b>100.0%</b>	<b>236,350,900</b>	<b>206,666,950</b>	<b>29,683,950</b>	<b>12.6%</b>
<b>Operations &amp; Maintenance Expenses</b>	<b>201,903,400</b>	<b>209,104,400</b>	<b>44.2%</b>	<b>104,552,300</b>	<b>74,868,600</b>	<b>29,683,700</b>	<b>28.4%</b>
B Sewer Operations	118,318,900	120,729,900	25.5%	60,365,000	42,844,300	17,520,700	29.0% 2,3,5
C Centralized Services	56,455,500	61,245,500	13.0%	30,622,800	19,942,700	10,680,100	34.9% 1,2,4,5,7,8
D Administrative Services	16,305,000	16,305,000	3.4%	8,152,500	6,669,600	1,482,900	18.2% 4,9
Master Bond Ordinance Commitment:							
9.2 O&M Legacy Pension Allocation	10,824,000	10,824,000	2.3%	5,412,000	5,412,000	-	0.0%
<b>Master Bond Ordinance Commitments</b>	<b>251,674,600</b>	<b>249,919,000</b>	<b>52.9%</b>	<b>124,959,700</b>	<b>124,959,500</b>	<b>200</b>	<b>0.0%</b>
9.1 Debt Service - Principal & Interest	207,615,500	205,859,900	43.5%	102,930,000	102,929,950	50	0.0%
9.3 Accelerated Legacy Pension Allocation	11,620,700	11,620,700	2.5%	5,810,400	5,810,350	50	0.0%
9.4 Water Residential Assistance Program	2,313,700	2,313,700	0.5%	1,156,900	1,156,850	50	0.0%
9.5 Extraordinary Repair & Replacement Deposit	2,283,100	2,283,100	0.5%	1,141,600	1,141,550	50	0.0%
9.5 Lease Payment To Local System I&E Fund	27,500,000	27,500,000	5.8%	13,750,000	13,750,000	-	0.0%
9.6 Operating Reserve Deposit	341,600	341,600	0.1%	170,800	170,800	-	0.0%
<b>Improvement &amp; Extension Fund Allocation</b>	<b>11,922,100</b>	<b>13,677,700</b>	<b>2.9%</b>	<b>6,838,900</b>	<b>6,838,850</b>	<b>50</b>	<b>0.0%</b>
<b>Overall Budget Variance</b>						<b>\$ 33,612,050</b>	<b>7.1%</b>

## Recap:

Revenues	\$ 465,500,100	\$ 472,701,100	144.1%	\$ 236,350,700	\$ 240,278,800
Less: Operations & Maintenance	(201,903,400)	(209,104,400)	-63.7%	(104,552,300)	(74,868,600)
Revenues Available After O&M Expense	263,596,700	263,596,700	80.3%	131,798,400	165,410,200
Less: Master Bond Ordinance Requirements	(251,674,600)	(249,919,000)	-76.2%	(124,959,700)	(124,959,500)
Potential Transfer to I&E	\$ 11,922,100	\$ 13,677,700	4.2%	\$ 6,838,700	\$ 40,450,700

**Great Lakes Water Authority**  
**Interim Budget to Actual Report - Revenue Requirement Budget Basis**  
**FY 2018 through December 31, 2017**

<b>Code</b>	<b>Explanation</b>
1	Not all budgeted FTE positions have been filled. See separate staffing analysis.
2	Utility bills are not posting in the month in which the service was incurred. Depending on the type of utility and the location of the meter, the bills can lag anywhere between two to four months. Accruals have not been posted for utilities.
3	The actual bulk chemicals usage is lower than budgeted. It was recently determined that the FY 2018 budget was based on a period of years where the chemical usage at the wastewater resource recovery facility was consistently high. This is being corrected going forward.
4	Invoices for expenses captured in the 'Supplies & Other' category have not been accrued. The time lag in posting can be from four to six weeks. Accruals have not been posted.
5	Contracted Services invoices are not always posting in the month in which the services were incurred. On average the lag appears to be two months. Accruals have not been posted. See supplemental schedule of contractual services by cost center.
6	Capital overhead policy being revisited (memo for Item #7D from 1.19.2018 Audit Committee meeting.) Budget may be further reduced in 3rd Quarter FY 2018. Additional resource and technology under consideration to improve project timekeeping.
7	An estimate for Shared Services activity has been posted based upon budget and preliminary review of shared services activity to date.
8	Capital Outlay items largely will occur in the second half of FY 2018.
9	Unallocated reserves have not been used or have a significant balance remaining in the account. See separate analysis related to unallocated reserve.
10	Item under review.
11	Timing of projects under review.



Great Lakes Water Authority  
Interim Budget to Actual Report - Revenue Requirement Budget Basis  
FY 2018 through December 31, 2017

O&M Category	FY 2018 Original Budget	FY 2018 Amended Budget	Percent of Total Amended Budget	Prorated FY 2018 Amended Budget (Six Months)	Actual (Modified Cash Basis) thru 12/31/2017	Dollar Variance Positive/ (Negative)	Percent Variance Positive/ (Negative)	Variance Explanation Code
Personnel	\$ 101,113,100	\$ 99,804,400	29.6%	\$ 49,902,200	\$ 43,156,900	\$ 6,745,300	13.5%	1
Utilities	59,036,600	59,036,600	17.5%	29,518,300	14,572,700	14,945,600	50.6%	2
Chemicals	17,806,600	17,806,600	5.3%	8,903,300	6,360,700	2,542,600	28.6%	3
Supplies & Other	34,800,600	34,870,400	10.4%	17,435,200	10,128,000	7,307,200	41.9%	4
Contractual Services	127,816,900	127,566,000	37.9%	63,783,000	33,216,400	30,566,600	47.9%	5
Capital Program Allocation	(25,358,600)	(19,943,900)	-5.9%	(9,971,950)	(697,700)	(9,274,250)	93.0%	6
Shared Services	(16,281,700)	(14,741,900)	-4.4%	(7,370,950)	(7,175,000)	(195,950)	2.7%	7
Capital Outlay	7,353,400	7,353,400	2.2%	3,676,700	2,399,200	1,277,500	34.7%	8
Unallocated Reserve	6,353,900	8,090,300	2.4%	4,045,150	-	4,045,150	100.0%	9
O&M Legacy Pension Allocation	16,872,000	16,872,000	5.0%	8,436,000	8,436,000	-	0.0%	
<b>Total</b>	<b>\$ 329,512,800</b>	<b>\$ 336,713,900</b>	<b>100.0%</b>	<b>\$ 168,356,950</b>	<b>\$ 110,397,200</b>	<b>\$ 57,959,750</b>	<b>34.4%</b>	

Great Lakes Water Authority  
Interim Budget to Actual Report - Revenue Requirement Budget Basis  
FY 2018 through December 31, 2017

		FY 2018 Original	FY 2018	Prorated FY	Actual (Modified	Percent of Total	Explanation
O&M Contractual Services by Cost Center		Budget	Amended Budget	2018 Amended Budget (Six Months)	Cash Basis) thru 12/31/2017	Amended Budget (Six Months)	
881001	Chief Executive Officer	100,000	60,000	30,000	-	0.0%	
881101	Public Affairs	301,000	301,000	150,500	108,600	72.2%	
881151	Board of Directors	150,000	-	-	-	N/A	
881201	Security and Integrity	350,000	325,000	162,500	138,500	85.2%	
882001	COO - Water Operations & Field Services	250,000	250,000	125,000	-	0.0%	
882101	Water Director	3,200	3,200	1,600	4,900	306.3%	10
882111	Water Engineering	450,000	450,000	225,000	-	0.0%	
882121	Water Quality	66,600	66,600	33,300	41,600	124.9%	
882131	Water Works Park	1,506,200	1,506,200	753,100	528,900	70.2%	
882141	Springwells Water Plant	2,255,400	2,255,400	1,127,700	503,700	44.7%	
882151	Northeast Water Plant	1,434,400	1,434,400	717,200	732,400	102.1%	
882161	Southwest Water Plant	747,700	747,700	373,850	288,000	77.0%	
882171	Lake Huron Water Plant	1,184,900	1,184,900	592,450	177,200	29.9%	
882301	Systems Operations Control	14,479,300	14,479,300	7,239,650	1,146,200	15.8%	
882336	Schoolcraft Pumping Station	-	-	-	8,300	N/A	10
882421	Facility Operations	7,395,000	7,395,000	3,697,500	810,600	21.9%	
882422	Fleet Operations	2,150,900	2,150,900	1,075,450	-	0.0%	
882431	Field Service Operations	12,720,000	12,720,000	6,360,000	4,242,000	66.7%	
882501	Energy, Research & Innovation	-	391,600	195,800	16,600	8.5%	
883101	General Counsel	4,190,000	4,190,000	2,095,000	979,400	46.7%	
883201	Organizational Development	1,273,300	1,273,300	636,650	196,100	30.8%	
883301	Office of the CIO	388,400	388,400	194,200	12,000	6.2%	
883311	InfoTechnology Project Management Office	-	-	-	79,200	N/A	
883321	Info Technology Service Delivery	461,000	461,000	230,500	126,500	54.9%	
883331	Info Technology Infrastructure	13,184,800	13,184,800	6,592,400	4,774,000	72.4%	
883341	Info Technology Enterprise Applications	1,010,400	1,010,400	505,200	468,100	92.7%	
883351	Info Technology Business Applications	3,047,700	3,047,700	1,523,850	1,637,800	107.5%	
883401	Enterprise Risk Management and Safety	2,300,000	2,300,000	1,150,000	370,600	32.2%	
883411	Enterprise Risk Mgt. Insurance Fund	1,000,000	1,000,000	500,000	1,609,700	321.9%	10
884001	Chief Financial Officer	200,000	200,000	100,000	80,000	80.0%	
884111	Financial Reporting & Accounting	759,000	759,000	379,500	346,000	91.2%	
884113	Financial Planning & Analysis	200,000	200,000	100,000	156,000	156.0%	
884121	Procurement	-	-	-	21,100	N/A	10
884122	Construction and Contract Services	30,000	30,000	15,000	21,000	140.0%	
884123	Supply Chain Operations	47,000	47,000	23,500	19,300	82.1%	
884131	Treasury	1,418,500	1,418,500	709,250	198,700	28.0%	
884141	Public Finance	382,500	382,500	191,250	155,000	81.0%	
886001	Chief Planning Officer	425,000	59,100	29,550	25,200	85.3%	
886101	Systems Planning	5,646,000	5,610,000	2,805,000	882,100	31.4%	
886201	Asset Management	10,283,000	10,283,000	5,141,500	144,300	2.8%	11
886301	Energy Management	97,900	72,300	36,150	75,300	208.3%	10
892201	Wastewater Director	2,000,000	2,000,000	1,000,000	114,700	11.5%	
892223	Wastewater Primary Process	25,000	25,000	12,500	45,500	364.0%	10
892224	Wastewater Secondary Process	27,000	27,000	13,500	298,100	2208.1%	10
892235	Wastewater Laboratories	265,800	265,800	132,900	106,700	80.3%	
892277	Baby Creek Combined Sewer Overflow	-	-	-	8,000	N/A	10
892279	Belle Isle Combined Sewer Overflow	-	-	-	16,500	N/A	10
Grand Total		127,816,900	127,566,000	63,783,000	33,216,400	52.1%	

Great Lakes Water Authority  
Interim Budget to Actual Report - Revenue Requirement Budget Basis  
FY 2018 through December 31, 2017

Overtime by Major Budget Category	Overtime Hours from Dayforce (1.5x and 2.0x)	Original Budget by Quarter	Amended Budget by Quarter	Overtime Amount from Dayforce (1)	Dollar Variance Positive/ (Negative)	Percent Variance Positive/ (Negative)
<b>FY 2018 Q1</b>	<b>44,559.94</b>	<b>1,832,125</b>	<b>1,793,525</b>	<b>1,641,983</b>	<b>151,542</b>	<b>8.4%</b>
A Water System Operations	10,940.95	386,250	386,250	441,519	(55,269)	-14.3%
B Wastewater System Operations	21,293.63	845,000	845,000	770,228	74,772	8.8%
C Centralized Services	12,154.74	593,700	555,100	424,561	130,539	23.5%
D Administrative & Other Services	170.62	7,175	7,175	5,676	1,499	20.9%
<b>FY 2018 Q2</b>	<b>38,159.22</b>	<b>1,832,125</b>	<b>1,793,525</b>	<b>1,422,788</b>	<b>370,737</b>	<b>20.7%</b>
A Water System Operations	10,406.49	386,250	386,250	411,667	(25,417)	-6.6%
B Wastewater System Operations	19,018.54	845,000	845,000	689,969	155,031	18.3%
C Centralized Services	8,535.59	593,700	555,100	314,283	240,817	43.4%
D Administrative & Other Services	198.60	7,175	7,175	6,869	306	4.3%
<b>Grand Total</b>	<b>82,719.16</b>	<b>3,664,250</b>	<b>3,587,050</b>	<b>3,064,771</b>	<b>522,279</b>	<b>14.6%</b>

(1) Total amount per BS&A General Ledger for the six months ended December 31, 2017 is \$3,069,300. Difference due to change in coding during 2017.

Great Lakes Water Authority  
Staffing - Budget vs. Actual (Annualized)

Calendar Year 2016

Line #	Annual Positions	Bifurcation Budget FY 2016						New Budget Year FY 2017						Year to Date (CY 2016)	
		Budgeted "Positions" (Staffing Plan)	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16		Dec-16
1	Employees	995.00	995.00	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	110.00		110.00
3	Total Positions	1,105.00	1,105.00	1,105.00	1,105.00	1,105.00	1,105.00	1,105.00	1,105.00	1,105.00	1,105.00	1,105.00	1,105.00		1,105.00
Budgeted "FTEs" (Based on Quarterly Hiring Assumptions) (Requested FTEs)															
4	Employees	995.00	995.00	995.00	995.00	995.00	995.00	840.00	840.00	840.00	875.75	875.75	875.75		
5	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		
6	Total Positions	1,105.00	1,105.00	1,105.00	1,105.00	1,105.00	1,105.00	942.00	942.00	942.00	977.75	977.75	977.75		
Actual Employee Positions															
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
8.1	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	
8.2	Rehires	-	-	-	-	-	-	-	-	-	1.00	-	2.00	3.00	
9	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	
10	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	
11	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		
Budget to Actual Variance (FTEs) with Quarterly Adjustment for Vacancy Adjustment (Row 4 minus Row 7)															
12	(1) Includes Active; Active-FMLA, and STD Check Figure (New Hires - Terminations) Difference, if any	716	13	12	18	-2	13	11	10	-8	7	2	3		
		-	-	-	-	-	-	-	-	-	-	-	-		

Great Lakes Water Authority  
Staffing - Budget vs. Actual (Annualized)

Calendar Year 2017

FY 2017 Budget							New Budget Year FY 2018						
Line #	Annual Positions	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
8.1	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
8.2	Rehires	-	-	-	-	2.00	2.00	-	1.00	-	1.00	-	-
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
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
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												
	Check Figure (New Hires - Terminations)	1	2	13	22	10	23	-3	25	3	9	11	4
	Difference, if any	-	-	-	-	-	-	-	-	-	-	-	-

**Great Lakes Water Authority  
Budget Amendment Report  
As of December 31, 2017**

The purpose of this report is to present the Operations & Maintenance (O&M) budget amendments that have been processed for FY 2018 from July 1, 2017, through December 31, 2017. This report contains two parts.

**Part 1 - Budget Amendments Processed for FY 2018 thru December 31, 2017**

The attached document contains a detailed listing of the O&M budget amendments that have been processed for FY 2018.

- ✓ Many of the budget amendments recorded thus far have been reclassifications within a cost center or operating area to improve assignment of costs.
- ✓ Several budget amendments (No. 7626, 7627, 7628, and 7965) have been recorded to transfer costs to the newly formed Energy, Research & Innovation group. Prior to the formation of this new group, the budget for this effort had been managed in the Energy Management and Chief Planning Officer/Research & Innovation groups. The Energy, Research & Innovation group was launched on December 1, 2017.

**Part 2 - Analysis of Unallocated Reserves thru December 31, 2017**

The table below identifies four categories of unallocated reserve by the four primary budget areas. This table includes the FY 2018 approved budget amounts as well as the net effect of the budget amendments as described below.

GL String	Description	FY 2018 Adopted Budget	FY 2018 Amended Budget	FY 2018 Increase/(Decrease) Budget
5910-887601.000-832000-WS7310	Unallocated Reserve - Water System Operations	2,036,500	2,036,500	-
5910-887602.000-832000-WS7900	Unallocated Reserve - Centralized Services	1,897,400	1,222,800	(674,600)
5910-887603.000-832000-WS7900	Unallocated Reserve - Administrative Services	2,000,000	2,000,000	-
5960-897600.000-832000-SD8050	Unallocated Reserve - Wastewater System Operations	420,000	2,831,000	2,411,000
	<b>Total Unallocated Reserve</b>	<b>\$ 6,353,900</b>	<b>\$ 8,090,300</b>	<b>\$ 1,736,400</b>

**Unallocated Reserve – Centralized Services**

There are two items that equal the \$674,600 shown above.

- (\$624,700) – The budget for Non-Personnel Capital Overhead Allocation is shown as negative amounts because they are “contra” accounts which represent an offset to the Contracted Services section of the O&M budget. The decrease represents a realignment between O&M costs and Capital Program Expenses by taking into consideration the percentage of time that a contractor is projected to work on capital projects. A review of the FY 2018 budget for Non-personnel Capital Overhead Allocation for the Asset Management (Centralized Services) group revealed that the budget should be reduced for this line item. The resulting entry was to reduce (debit) the

Non-personnel Capital Overhead Allocation account and reduce (credit) the Unallocated Reserve. (Budget Amendment No. 7671)

- (\$49,900) – The cancellation of the Shared Services Agreement OPS-005 lead to a realignment of the Security & Integrity (Centralized Services) budget for FY 2018. There was a difference of \$49,900 between the budget for the Shared Services and the actual line item costs for this service. This difference was credited from the Unallocated Reserve. (Budget Amendment No. 7061 and 8105)

#### **Unallocated Reserve – Wastewater System Operations**

There are two items that equal the \$2,411,000 shown above.

- (\$4,790,000) – As noted in the Unallocated Reserve – Centralized Services section, above, a review of the Capital Overhead Allocation budget was conducted. In addition to the adjustment to the Centralized Services area, an additional reduction to the Non-personnel Capital Overhead Allocation budget was made to the Wastewater System Operations area. The resulting entry was to reduce (debit) the Non-personnel Capital Overhead Allocation account and reduce (credit) the Unallocated Reserve. (Budget Amendment No. 7670)
- \$7,201,000 – A review and reconciliation of the revenue schedules have been conducted. This resulted in the processing of a budget amendment to increase revenues along with the Unallocated Reserve. (Budget Amendment No. 8106)

Great Lakes Water Authority  
Budget Amendments Processed for FY 2018 thru December 31, 2017

Budget Amendment Ref #/Description/Accounts			Amount
<b>6200</b>			-
To reclassify to correct expense category			
Board of Directors			
Contractual Professional Services	5910-881151.000-617903-WS7900		(150,000)
Salaries & Wages	5910-881151.000-601100-WS7900		150,000
<b>7022</b>			-
Reclass IT from one Capital Outlay account to another			
Info Technology Business Applications			
Capital Outlay over \$5k(O&M-Capitalized)	5910-883351.000-901050-WS7900		(323,464)
Capital Outlay over \$5k(O&M-NonCapitaliz	5910-883351.000-901060-WS7900		323,464
Info Technology Enterprise Applications			
Capital Outlay over \$5k(O&M-Capitalized)	5910-883341.000-901050-WS7900		(904,000)
Capital Outlay over \$5k(O&M-NonCapitaliz	5910-883341.000-901060-WS7900		904,000
Info Technology Infrastructure			
Capital Outlay over \$5k(O&M-Capitalized)	5910-883331.000-901050-WS7900		(3,214,013)
Capital Outlay over \$5k(O&M-NonCapitaliz	5910-883331.000-901060-WS7900		3,214,013
Info Technology Security & Risk			
Capital Outlay over \$5k(O&M-Capitalized)	5910-883361.000-901050-WS7900		(60,000)
Capital Outlay over \$5k(O&M-NonCapitaliz	5910-883361.000-901060-WS7900		60,000
Info Technology Service Delivery			
Capital Outlay over \$5k(O&M-Capitalized)	5910-883321.000-901050-WS7900		(655,000)
Capital Outlay over \$5k(O&M-NonCapitaliz	5910-883321.000-901060-WS7900		655,000
<b>7049</b>			-
Reclass budget for current contractor who will be transitioned to direct hire in the future			
Procurement			
Contractual Transition Services	5910-884121.000-616100-WS7900		207,900
Salaries & Wages	5910-884121.000-601100-WS7900		(207,900)
<b>7051</b>			-
Reclass budget for three current contractors who will be transitioned to direct hires in the future			
Construction and Contract Services			
Contractual Transition Services	5910-884122.000-616100-WS7900		372,220
Salaries & Wages	5910-884122.000-601100-WS7900		(372,220)



Great Lakes Water Authority  
Budget Amendments Processed for FY 2018 thru December 31, 2017

Budget Amendment Ref #/Description/Accounts		Amount
<b>7061</b>		-
<b>Cancellation of Shared Services Agreement OPS-005-Security &amp; Integrity</b>		
O&M Unallocated Reserve		
<b>Unallocated Reserve-Centralized Service</b>		
	5910-887600.000-832000-WS7900	(49,886)
Security and Integrity		
<b>Contractual Security Services</b>		
	5910-881201.000-617100-WS7900	(25,000)
<b>Employee Benefits</b>		
	5910-881201.000-603102-WS7900	(427,500)
<b>License, Inspection &amp; Permit Fees</b>		
	5910-881201.000-628501-WS7900	(6,200)
<b>Overtime</b>		
	5910-881201.000-601300-WS7900	(154,394)
<b>Salaries &amp; Wages</b>		
	5910-881201.000-601100-WS7900	(876,830)
<b>Shared Services: Salaries &amp; Wages Reimburse</b>		
	5910-881201.000-741315-WS7900	1,539,810
<b>7134</b>		-
<b>Improved cost allocation of bulk chemicals used in wastewater processing</b>		
Wastewater Dewatering Process		
<b>Wastewater Bulk Chemical distribution</b>		
	5960-892225.000-621600-SD9140	1,980,600
Wastewater Incineration Process		
<b>Wastewater Bulk Chemical distribution</b>		
	5960-892226.000-621600-SD9160	915,000
Wastewater Operations		
<b>Wastewater Bulk Chemical distribution</b>		
	5960-892221.000-621600-SD9020	(9,914,000)
Wastewater Primary Process		
<b>Wastewater Bulk Chemical distribution</b>		
	5960-892223.000-621600-SD9080	1,958,400
Wastewater Secondary Process		
<b>Wastewater Bulk Chemical distribution</b>		
	5960-892224.000-621600-SD9100	5,060,000

Great Lakes Water Authority  
Budget Amendments Processed for FY 2018 thru December 31, 2017

Budget Amendment Ref #/Description/Accounts	Amount
<b>7289</b>	-
<b>To reclassify to new budget GL accounts; adjust to revised debt service based on Public Finance review</b>	
Debt Service	
<b>Debt Service Revenue Bonds, DWSD Direct</b>	
5910-887111.000-651181	(36,850,800)
5960-897111.000-651181	(27,392,500)
<b>Debt Service Revenue Bonds, Gross</b>	
5910-887111.000-651180	35,075,900
5960-897111.000-651180	(30,520,000)
<b>SFR Loans, DWSD Direct Share</b>	
5910-887111.000-651183	(423,400)
<b>SRF Loans, Gross</b>	
5910-887111.000-651182	2,365,100
5960-897111.000-651182	56,156,900
Reserves, Allocations and Other	
<b>Revenue Financed Capital Reserve</b>	
5910-887300.000-832500	(166,800)
5960-897300.000-832500	1,755,600
<b>7540</b>	-
<b>Reclass budget to the correct Project Code</b>	
Wastewater Director	
<b>Tuition Refund</b>	
5960-892201.000-628208-SD8050	(15,000)
5960-892201.000-628208-SD9560	15,000
<b>7626</b>	-
<b>Reclass budget to the newly created Energy, Research &amp; Innovation Cost Center</b>	
Energy Management	
<b>Contractual Professional Services</b>	
5910-886301.000-617903-WS7900	(25,650)
<b>Employee Benefits</b>	
5910-886301.000-603102-WS7900	(53,530)
<b>Overtime</b>	
5910-886301.000-601300-WS7900	(20,000)
<b>Salaries &amp; Wages</b>	
5910-886301.000-601100-WS7900	(176,470)
Energy, Research & Innovation	
<b>Contractual Professional Services</b>	
5910-882501.000-617903-WS7900	25,650
<b>Employee Benefits</b>	
5910-882501.000-603102-WS7900	53,530
<b>Overtime</b>	
5910-882501.000-601300-WS7900	20,000
<b>Salaries &amp; Wages</b>	
5910-882501.000-601100-WS7900	176,470



Great Lakes Water Authority  
Budget Amendments Processed for FY 2018 thru December 31, 2017

Budget Amendment Ref #/Description/Accounts			Amount
<b>7815</b>			-
Reclass budget for customer outreach expenditures			
Systems Planning			
Contractual Professional Services	5910-886101.000-617903-WS7900		(36,000)
Operating Supplies	5910-886101.000-621900-WS7900		36,000
<b>7962</b>			-
Reclass budget to correct account for professional services contracts			
Chief Financial Officer			
Contractual Operating Services	5910-884001.000-617900-WS7900		(200,000)
Contractual Professional Services	5910-884001.000-617903-WS7900		200,000
<b>7964</b>			-
Reclass budget for Park Rite contract			
Chief Executive Officer			
Contractual Professional Services	5910-881001.000-617903-WS7900		(20,000)
Legal	5910-881001.000-613100-WS7900		(20,000)
Mileage and Parking	5910-881001.000-627105-WS7900		40,000
<b>7965</b>			-
Reclass budget to the newly created Energy, Research & Innovation Cost Center			
Chief Planning Officer			
Contractual Professional Services	5910-886001.000-617903-WS7900		(365,910)
Employee Benefits	5910-886001.000-603102-WS7900		(39,400)
Mileage and Parking	5910-886001.000-627105-WS7900		(3,000)
Salaries & Wages	5910-886001.000-601100-WS7900		(157,600)
Training	5910-886001.000-628200-WS7900		(7,385)
Travel	5910-886001.000-628100-WS7900		(24,900)
Energy, Research & Innovation			
Contractual Professional Services	5910-882501.000-617903-WS7900		365,910
Employee Benefits	5910-882501.000-603102-WS7900		39,400
Mileage and Parking	5910-882501.000-627105-WS7900		3,000
Salaries & Wages	5910-882501.000-601100-WS7900		157,600
Training	5910-882501.000-628200-WS7900		7,385
Travel	5910-882501.000-628100-WS7900		24,900

Great Lakes Water Authority  
Budget Amendments Processed for FY 2018 thru December 31, 2017

Budget Amendment Ref #/Description/Accounts		Amount
<b>8105</b>		-
<b>Correct BA 7061 - Reclass to the correct Unallocated Reserve account</b>		
Centralized Services Unallocated Res		
<b>Centralized Services Unallocated Reserve</b>		
	5910-887602.000-832000-WS7900	(49,886)
O&M Unallocated Reserve		
<b>O&amp;M Unallocated Reserve</b>		
	5910-887600.000-832000-WS7900	49,886
<b>8106</b>		-
<b>To correct initial upload of budget based on reconciliation of revenue schedules</b>		
Sewer Operating Revenue		
<b>Bad Debt Expense</b>		
	5960-897211.000-711700	(4,390,400)
<b>Wholesale Bad Debt Recovery</b>		
	5960-897211.000-447256	(2,810,600)
Wastewater System Operations Unallocated		
<b>Unallocated Reserve</b>		
	5960-897600.000-832000-SD8050	7,201,000
<b>Grand Total</b>		-



## **Financial Services Audit Committee Communication**

**Date:** February 23, 2018

**To:** Great Lakes Water Authority Audit Committee

**From:** Andrew Sosnoski, Manager, Construction Accounting & Financial Reporting

**Re:** Proposed FY 2018 Construction Work-in-Progress Review Schedule

**Background:** The Great Lakes Water Authority (GLWA) Financial Services Area established the Construction Accounting & Financial Reporting (CAFR) team in calendar year 2017 to better support GLWA's capital program. A deliverable of that group is the quarterly construction work-in-progress report (CWIP). The inaugural report was released in September 2017 for the preliminary year-end June 30, 2017. Now that additional staffing and business process improvements are in place, the CAFR team is establishing a cadence of report delivery for the FY 2018 CWIP reports.

**Analysis:** Attached is a proposed CWIP report Gantt chart for FY 2018. The reports for the first two quarters will be presented in consecutive months for a "catch-up" period.

**Proposed Action:** Receive and file report.

