



Financial Services Audit Committee Communication

Date: April 22, 2020

To: Great Lakes Water Authority Audit Committee

From: Lisa L Mancini, Financial Planning & Analysis Manager

Re: Operations & Maintenance Budget Impacts of COVID-19 FY 2020 Contingency & Continuity Resources

Background: A memo from Nicolette N. Bateson, GLWA's Chief Financial Officer & Treasurer, regarding the COVID-19 Pandemic – Financial Update was presented at the GLWA Board of Directors meeting on April 22, 2020. Included in this memo was a table titled "GLWA FY 2020 Operations & Maintenance Budget Impacts of COVID-19" which presents a summary of the budget strategies that GLWA is putting into place to address the following.

- Increased costs as a result of COVID-19
- Reductions in forecasted revenue due to a decline in demand for water service
- Reductions in investment income as a result of economic changes
- Reductions across all expense categories and operating areas to overcome the revenue shortfall and to ensure resources for the continuity of operations.

The purpose of this memo is to provide additional details on the reductions and deferrals of budgeted expenses that have been identified for FY 2020.

Analysis: On the next page is a list of the key items that are included in the expense reductions and deferrals that are referenced on Line Numbers 5, 6, and 7 of the *GLWA FY 2020 Operations & Maintenance Budget Impacts of COVID-19* table which can be found on the following page. The categories of Water and Sewer presented in this table includes the allocation of centralized and administrative services.

GLWA FY 2020 Operations & Maintenance Budget Impacts of COVID-19

Great Lakes Water Authority Operations & Maintenance Budget Impacts of COVID-19 FY 2020 Contingency & Continuity Resources As of April 21, 2020				
Line #	Category	Water	Sewer	Total
1	Vacant Positions			98
2	Salary As originally budgeted for those vacant positions			\$ 5,914,000
3	Vacant Salary - As adjusted earlier in FY 2020 within line item versus use of contingency for merit, progression, and market	\$ 1,340,000	\$ 1,517,000	\$ 2,857,000
4	Vacant Fringes based on Line 3 above	352,000	354,000	706,000
5	Cashflow - pause on start/defer project	409,000	613,000	1,022,000
6	Cashflow - slower project pace	354,000	1,256,000	1,610,000
7	Budget - Other (cancel; amend; reduction or positive cost variance)	2,010,000	3,047,000	5,057,000
8	Cashflow - Capital Program Management progress	(312,000)	(288,000)	(600,000)
9	Increased expenses as a result of COVID-19	(721,000)	(1,079,000)	(1,800,000)
10	Designate Use of Unallocated Reserve as of January 31, 2020	3,983,000	4,500,000	8,483,000
11	Subtotal - Expenses	7,415,000	9,920,000	17,335,000
12	Wholesale Water Revenue Variance through March 2020	(4,600,000)	-	(4,600,000)
13	Wholesale Water Revenue Variance estimated April through June 2020	(1,800,000)	-	(1,800,000)
14	Investment Income	(1,000,000)	(1,000,000)	(2,000,000)
15	Subtotal - Revenues	(7,400,000)	(1,000,000)	(8,400,000)
16	FY 2020 Contingency & Continuity Resources After Adjustments	\$ 15,000	\$ 8,920,000	\$ 8,935,000

Line # 5 – Cashflow – pause on start/defer project: The start date for the following projects have either been put on hold or have been deferred to FY 2021. The result is a positive budget to actual variance as well a positive effect on cashflow.

- Resealing of aeration decks (Wastewater Secondary Process – cost center 892224; Sewer): Sealing of the concrete coverings of the WRRF aeration tanks. The scope for this project is under development. This project will be deferred to FY 2021.
- Repair of COPA screens (Leib Combined Sewer Overflow – cost center 892274; Sewer): The parts for this project are manufactured overseas (Italy) and at this time are unavailable. This project has temporarily been put on hold until the parts can be received (FY 2021).
- ITSM Subscription (Information Technology Service Delivery – cost center 883321; Centralized Service): ITSM (Information Technology Service Management system) is the new ticketing system that will replace the Dell Kace system that is currently being used by GLWA. This subscription will cover licenses for our Service Delivery team to manage the user trouble tickets and service requests. This subscription will be deferred until FY 2021.
- GIS Strategic Services (Information Technology Business Productivity Systems – cost center 883341; Centralized Services): The GIS Support Services project will support the strategic management of GLWA’s assets through the application of GIS using

geographic data, mapping, analysis and reporting as a core technology platform. This project will be deferred to FY 2021.

- GLWA Brand Awareness Campaign (Public Affairs – cost center 881101; Administrative Services): This project will be deferred to FY 2021.

Line # 6 – Cashflow – slower project pace: The following projects are progressing at a pace that is slower than was anticipated when the FY 2020 budget was developed. This is resulting in a positive budget to actual variance as well as having a positive effect on cashflow.

- Portable radios system replacement (Wastewater Process Control – cost center 892222; Sewer): The scope for this project is under development. This project was budgeted to begin in FY 2020 but will not begin until FY 2021.
- Wade Trim – Expert Services for Wastewater Management and Design for GLWA (Chief Operating Officer Wastewater – cost center 892001; Sewer): This contract is utilized on an as needed basis. As such variances can occur between what is included in the budget and what is expended in that year. In FY 2020 this contract was not utilized as anticipated at the time that the FY 2020 budget was developed. This contract will continue to be utilized in FY 2021.
- Asset Management Planning (Asset Management – cost center 886201; Centralized Services): Phase II of this project is progressing at a slower pace than what was anticipated during the development of the FY 2020 budget. This project will continue into FY 2021.
- Environmental Health & Safety Compliance Services (Enterprise Risk Management and Safety – cost center 883401; Administrative Services): This contract is utilized on an as needed basis. The need for these services will be reduced due to number of GLWA team members working from home in response to COVID-19.

Line # 7 – Budget – Other (cancel; amended; reduction or positive cost variance):

- Utilities (various cost centers; Sewer): There is a positive variance in budget to actual for FY 2020.
- LCG (Lakeshore Global) – Skilled labor contract (Wastewater Operations – cost center 892221; Sewer): The reduction in the number of contractors performing “non-essential” duties at WRRF will result in a positive variance in budget to actual for FY 2020.
- Valve Exercising Water Main System Transmission Main (Field Service Operations – cost center 882431; Centralized Services): This project, which has been completed, has come in under budget for FY 2020.
- West Coast Labor Systems (Systems Analytics – cost center 886401; Centralized Services): The actual number of licenses needed came in less than the number

included in the budget for FY 2020. This software enables GLWA team members to read remote meters and schedule maintenance tasks.

- Applied Science Dye Testing (Systems Analytics – cost center 886401; Centralized Services): The amount of testing conducted in FY 2020 is less than what was planned for in the FY 2020 budget. Testing will continue and is included in the budget for FY 2021.
- Red Hat Licensing (Information Technology Infrastructure – cost center 883331; Centralized Services): The number of licenses required was less than the number that was included in the FY 2020 budget.
- Microsoft Operating Licenses (Information Technology Service Delivery – cost center 883321; Centralized Service): These licenses, previously purchased separately, are now incorporated into the Microsoft Enterprise License Agreement. This change has resulted in a positive budget variance for FY 2020.
- Contractual Operating Services (Organizational Development – cost center 883201; Administrative Services): The need for these services will be reduced in FY 2020 due to number of GLWA team members working from home in response to COVID-19.

The review and analysis of budget to actual variances is ongoing as well as the tracking of the expenses being incurred by GLWA in response to the COVID-19 emergency. Based on current information, it appears that the additional costs related to COVID-19 supplies and service expenses will be absorbed within the budgeted Operation & Maintenance unallocated reserve.

Proposed Action: Receive and file this report.