

Great Lakes Water Authority

*FY 2022 & FY 2023
Biennial Budget Request
and Rationale*



Board of Directors Meeting
March 24, 2021

Financial Plan Schedule

- **11/10/2020** - Capital Improvement Programs (Rollout #1)
- **11/19/2020** - Preliminary Units of Service (Rollout #2)
- **12/18/2020** – Audit Committee (receives long-term forecast; budget discussion draft; charges strategy)
- **1/7/2021** – Preliminary Proposed FY 2022 Budget and Financial Plan and Preliminary Charges (Rollout #3)
- **1/15/2021** – Audit Committee – Budget Review Session #1
- **1/21/2021** – Follow Up Review Session (Rollout #4)
- **1/22/2021** - Audit Committee – Budget Review Session #2
- **1/27/2021** – Board Briefing - Budget, Charges, Financial Plan
- **2/24/2021** – GLWA Public Hearing; Board action follows on or after this date after Public Hearing conducted
 - Referred back to Audit Committee
 - March 8, 2021 Special Audit Committee meeting
 - March 15, 2021 Special Audit Committee meeting
 - March 24, 2021 Board Meeting – Public Hearing & Possible Action
- **7/1/2021** – Effective Date for Charges



March 8, 2021 Audit Committee Recap

- On March 8, 2021, the Audit Committee met to review the GLWA Administration's response to a Board member request to **reduce the water system budget** and related charges.
- The Administration presented a proposal to reduce the FY 2022 budget with:
 - a) \$2.2 million decrease to the FY 2022 water system O&M expenses and a corresponding impact on charges,
 - b) \$1 million in sewer system O&M budget decrease with an offsetting increase to the Improvement & Extension Fund contribution, and
 - c) with the details of this action to be executed by the Chief Executive Officer or her designee.
- It was noted that outstanding Member Partner water contract matters are likely to reduce the FY 2022 revenues by \$1 million.
- Combined with the \$3.2 million reduction in the water O&M budget proposed, the Administration's proposal equates to a \$4.2 million reduction for the water system.
- New feedback from the Audit Committee was that they would like to see further reduction in the water system O&M budget of \$5.5 million and a further reduction of the 2% systemwide water charge from the new proposal of 1.3% to something less. In addition, the Audit Committee would like to see any spillover of O&M reductions to the sewer system budget as a result of cuts to the administrative and centralized budgets to move the proposed 0% sewer system adjustment to a rollback of sewer charges. Finally, the GLWA Administration was asked to review the staffing plan.

March 15, 2021 Audit Committee Recap

- At the March 15, 2021, the GLWA Administration reported that the Audit Committee's feedback was carefully considered. In evaluating the budget request, it became evident that the focus on short term decisions derailed the focus on the long-term financial plan. While anything is possible, it does not come without costs – particularly in a heavy infrastructure service sector where system integrity and reliability is a high priority – as well as being asked to initiate or improve programs. All of these have long-term implications.
- For that reason, the Administration reviewed historical trends and provided an updated forecast that modeled the recommendation from the prior meeting.
- After reviewing the long-term impact, the Administration advised against budget reductions. GLWA's bond financial advisor also provided perspective that the direction of the updated forecast was not aligned with the goal of improving financial metrics compared to what was previously shared in 2020.
- While one Committee Member appreciated the expanded context, the final 2 to 1 action was to direct Administration to determine the 15 lowest prioritized positions that will total \$1.3 Million to achieve a total of \$4.5 Million budget reduction in water and sewer combined and lower charges by a corresponding amount as their recommendation to the full Board.

Water System Revenue Requirements Budget (Proposed)

	Current Year		Biennial Budget					
	FY 2021 Adopted	FY 2021 Estimated	FY 2022 Requested	FY 2022 \$ Change	FY 2022 % Change	FY 2023 Requested	FY 2023 \$ Change	FY 2023 % Change
Water System Revenue Requirements								
Revenues								
Revenues from Charges	\$ 336,807,600	\$ 335,060,200	\$ 344,206,000	\$ 7,398,400	2.2%	\$ 354,734,800	\$ 10,528,800	3.1%
Other Operating Revenue	-	175,000	175,000	175,000	0.0%	175,000	-	0.0%
Non-Operating Revenue	4,834,400	1,276,500	1,046,000	(3,788,400)	-78.4%	1,048,400	2,400	0.2%
Total Revenues	341,642,000	336,511,700	345,427,000	3,785,000	1.1%	355,958,200	10,531,200	3.0%
Revenue Requirements								
Operations & Maintenance (O&M) Expense	\$137,127,300	\$134,127,300	\$145,333,800	\$8,206,500	6.0%	\$149,545,300	\$4,211,500	2.9%
General Retirement System Legacy Pension	6,048,000	6,048,000	6,048,000	-	0.0%	6,048,000	-	0.0%
Debt Service	143,189,900	137,436,100	135,481,000	(7,708,900)	-5.4%	146,520,400	11,039,400	8.1%
General Retirement System Accelerated Pension	6,268,300	6,268,300	6,268,300	-	0.0%	6,268,300	-	0.0%
Water Residential Assistance Program Contribution	1,669,400	1,669,400	1,702,000	32,600	2.0%	1,779,800	77,800	4.6%
Lease Payment	22,500,000	22,500,000	22,500,000	-	0.0%	22,500,000	-	0.0%
Operating Reserve Deposit	876,600	-	-	(876,600)	-100.0%	-	-	0.0%
Improvement & Extension Fund Transfer Pending	23,962,500	28,462,600	28,093,900	4,131,400	17.2%	23,296,400	(4,797,500)	-17.1%
Annual Water System Revenue Requirements	\$ 341,642,000	\$ 336,511,700	\$ 345,427,000	\$ 3,785,000	1.1%	\$ 355,958,200	\$ 10,531,200	3.0%

Sewer System Revenue Requirements Budget (Proposed)

	Current Year		Biennial Budget					
	FY 2021 Adopted	FY 2021 Estimated	FY 2022 Requested	FY 2022 \$ Change	FY 2022 % Change	FY 2023 Requested	FY 2023 \$ Change	FY 2023 % Change
Sewer System Revenue Requirements								
Revenues								
Revenues from Charges	\$ 481,162,100	\$ 475,904,100	\$ 475,805,700	\$ (5,356,400)	-1.1%	\$ 489,928,000	\$ 14,122,300	3.0%
Other Operating Revenue	-	400,000	400,000	400,000	0.0%	400,000	-	0.0%
Non-Operating Revenue	5,589,200	1,046,100	1,010,800	(4,578,400)	-81.9%	1,201,800	191,000	18.9%
Total Revenues	486,751,300	477,350,200	477,216,500	(9,534,800)	-2.0%	491,529,800	14,313,300	3.0%
Revenue Requirements								
Operations & Maintenance (O&M) Expense	\$184,946,100	\$182,296,000	\$183,099,800	\$ (1,846,300)	-1.0%	\$185,619,000	\$2,519,200	1.4%
General Retirement System Legacy Pension	10,824,000	10,824,000	10,824,000	-	0.0%	10,824,000	-	0.0%
Debt Service	209,739,900	201,780,500	207,209,500	(2,530,400)	-1.2%	204,566,500	(2,643,000)	-1.3%
General Retirement System Accelerated Pension	11,620,700	11,620,700	11,620,700	-	0.0%	11,620,700	-	0.0%
Water Residential Assistance Program Contribution	2,415,100	2,415,100	2,345,600	(69,500)	-2.9%	2,457,600	112,000	4.8%
Lease Payment	27,500,000	27,500,000	27,500,000	-	0.0%	27,500,000	-	0.0%
Operating Reserve Deposit	-	-	-	-	0.0%	-	-	0.0%
Improvement & Extension Fund Transfer Pending	39,705,500	40,913,900	34,616,900	(5,088,600)	-12.8%	48,942,000	14,325,100	41.4%
Annual Sewer System Revenue Requirements	\$ 486,751,300	\$ 477,350,200	\$ 477,216,500	\$ (9,534,800)	-2.0%	\$ 491,529,800	\$ 14,313,300	3.0%



Combined Water and Sewer System Revenue Requirements Budget (Proposed)

	Current Year		Biennial Budget					
	FY 2021 Adopted	FY 2021 Estimated	FY 2022 Requested	FY 2022 \$ Change	FY 2022 % Change	FY 2023 Requested	FY 2023 \$ Change	FY 2023 % Change
Combined System Revenue Requirements								
Revenues								
Revenues from Charges	\$ 817,969,700	\$ 810,964,300	\$ 820,011,700	\$ 2,042,000	0.2%	\$ 844,662,800	\$ 24,651,100	3.0%
Other Operating Revenue	-	575,000	575,000	575,000	NA	575,000	-	0.0%
Non-Operating Revenue	10,423,600	2,322,600	2,056,800	(8,366,800)	-80.3%	2,250,200	193,400	9.4%
Total Revenues	828,393,300	813,861,900	822,643,500	(5,749,800)	-0.7%	847,488,000	24,844,500	3.0%
Revenue Requirements								
Operations & Maintenance (O&M) Expense	\$322,073,400	\$316,423,300	\$328,433,600	\$6,360,200	2.0%	\$335,164,300	\$6,730,700	2.0%
General Retirement System Legacy Pension	16,872,000	16,872,000	16,872,000	-	0.0%	16,872,000	-	0.0%
Debt Service	352,929,800	339,216,600	342,690,500	(10,239,300)	-2.9%	351,086,900	8,396,400	2.5%
General Retirement System Accelerated Pension	17,889,000	17,889,000	17,889,000	-	0.0%	17,889,000	-	0.0%
Water Residential Assistance Program Contribution	4,084,500	4,084,500	4,047,600	(36,900)	-0.9%	4,237,400	189,800	4.7%
Lease Payment	50,000,000	50,000,000	50,000,000	-	0.0%	50,000,000	-	0.0%
Operating Reserve Deposit	876,600	-	-	(876,600)	-100.0%	-	-	0.0%
Improvement & Extension Fund Transfer Pending	63,668,000	69,376,500	62,710,800	(957,200)	-1.5%	72,238,400	9,527,600	15.2%
Annual Revenue Requirements	\$ 828,393,300	\$ 813,861,900	\$ 822,643,500	\$ (5,749,800)	-0.7%	\$ 847,488,000	\$ 24,844,500	3.0%

Where do we go from here?

Four Sections

1. Board goals set – Board goals met
2. Affordability & Long-term Planning
3. Staffing Analysis
4. Recommendation

SECTION 1 –
*Board Goals Set,
Board Goals Met*



Board Goal #1 Set September 23, 2020

Goal Set: “..strive to present opportunities for small and disadvantaged business ...to expand its pool of skilled resources, support economic development throughout the region, and provide competitive pricing in its procurements.”

Goal Met: Three milestone activities –

- a) Procurement Policy presented to Board and amended 11.2020 to establish the Business Inclusion & Diversity (B.I.D.) program;*
- b) Phase I Business Inclusion & Diversity (B.I.D.) Plan launched 2.1.2021; and*
- c) Expanded B.I.D. Program and Staffing Plan presented on 2.24.2021 that encompasses regional engagement.*

Goal Threat: *Request to reduce staffing additions for a program launch in flight; program staffing progress halted based on pending budget approval; spillover delays in program timeline*

Board Goal #2 Set September 23, 2020

Goal Set: “diversity of perspectives ... focus on workforce recruitment, development, and retention ... continue and expand ... to promote opportunities through, apprenticeship programs, or other partnerships with stakeholders such as member-partners, labor unions, educational institutions, and trade groups...” (emphasis added)

Goal Met: *GLWA, in partnership with Focus Hope, has prepared to start a class of 25 at Macomb Community College in Fall 2021. Other efforts in planning phase by Organizational Development team members and stakeholders.*

Goal Threat: *The majority of staffing additions in the proposed budget are apprenticeship positions. The impact of that request unwinds the commitments made to program delivery partners and further exacerbates the difficulty in providing opportunities and addressing the workforce shortage in this technical area.*

Board Goal #3 Set September 23, 2020

Goal Set: “CEO shall ensure high quality water standards and compliance with the Safe Drinking Water Act, Clean Water Act, Clean Air Act and such other environmental laws and regulations as are relevant to the operations of GLWA.”

Goal Met: *Presentation of a balanced budget that provides for an appropriately modest level of flexibility to address unforeseen operational needs without delays and without underperforming on projected debt service coverage.*

Goal Threat: *Administration has been asked to only consider “positive variances” to reduce the budget by \$4.5 million thereby ignoring revenue losses and evolving system needs. For example, since the last Audit Committee on March 15, 2021, it has become evident that a) the annual cost of certain chemicals are going to increase 30 to 40% (approx. \$1.5 million annually) and b) the reduction in the Planning Area staffing reflected in the proposed budget was overstated if we desire to shift from AECOM providing capital planning services to an in-house team. While insourcing in this instance is a cost-effective approach, the request to limit staffing increases is a restraint to the capital delivery progress, long-term cost containment, and organizational effectiveness.*

Board Goal #4 Set September 23, 2020

Goal Set: “CEO shall ... [strive] to maximize the quality of GLWA’s credit rating, ensure that GLWA maintains at least its current credit rating by employing sound financial management strategies including but not limited to: recommendation of a proposed Capital Improvement Plan (“CIP”), Financial Plan, and Schedule of Water and Sewer Customer Charge Allocations to the Board for its review and determination and collaboration with the Board and member-partners on a strategy for balancing equity and stability in customer charge allocations and implementation..” [emphasis added]

Goal Met: *Presented a draft budget and five year plan, a ten-year financial forecast, and charges strategy to meet the needs of the utility. On December 18, 2020, the comprehensive plan presented allowed for no increase to sewer charges and 2% system-wide increase for the water system consistent with earlier discussions with the Board. The presented materials were also in alignment with the financial forecasts provided to rating agencies and official statements with the 2020 bond sales.*

Goal Threat: *The requested reduction of the budget has material carryforward impacts as demonstrated by the ten year forecast sensitivity analysis in later slides.*

Board Goal #5 Set September 23, 2020

Goal Set: “CEO shall, [consistent] with the Board’s approved CIP and Financial Plan, guide GLWA’s optimization initiatives to initiate cost-effective changes, including but not limited to: (1) plant staffing and automation deployment; (2) treatment unit processes and cost-effective minimization of untreated CSO discharges; (3) energy management; (4) water loss reduction; (5) effective use of available capital; and (6) asset management/maintenance management.

Goal Met: *The proposed budget provides for an appropriate level of staffing and resources to address ongoing, incremental advancements in each of these areas. The approved financial plan in place is considered to be the published plan in conjunction with bond sales in 2020 as well as the current FY 2021 Biennial Budget and Five Year Plan.*

Goal Threat: *The deferral of the charge increase for FY 2021 was understood as being unique to the economic circumstances brought about by the COVID-19 Pandemic. Further reductions of planned increases to charge revenues for a second consecutive year (FY 2022) opens the question of alignment with the published financial plan in our official statements.*

Board Goal #6 Set September 23, 2020

Goal Set: “CEO shall provide a system of customer outreach and engagement such that each year at least 90% of GLWA’s member-partner’s express satisfaction with GLWA’s management’s performance.”

Goal Met: *The content of Charges Rollout meetings #3 and #4 were restructured to provide more time for Member Partner engagement related to the link between the proposed budget and charge development. Further, the charges worksheets were provided to Member Partners in advance of Meeting #3 rather than #4 to improve member partner satisfaction. This was the earliest charge worksheets have ever been provided by two full weeks.*

Goal Threat: *A strong message received by Member Partners has been for GLWA to have Board approved charges by March 1st as many are working on their respective budget and charges for their boards and councils. Continued uncertainty related to the budget and charges threatens Member Partner satisfaction.*

Board Goal #7 Set September 23, 2020

Goal Set: “CEO shall [develop] a system of compensation, training, and engagement for GLWA team members to ensure that GLWA meets or exceeds water service sector team member retention rates. Starting with Fiscal Year 2020-21 and in each even-numbered calendar year thereafter, the CEO shall conduct a survey review of the organization’s employee engagement.”

Goal Met: *The proposed budget provided a modest unallocated reserve to address compensation matters as well as training. This includes the apprenticeship program noted earlier which includes candidates from within GLWA as well as external candidates identified by Focus Hope.*

Goal Threat: *The discussion to reduce the operations and maintenance budget, as well as reduce positions in the budget is contradictory to this goal. Further, team member satisfaction comes from organizational alignment of professional interests. As the budget discussions continue past March 1st, initiatives underway since last fall are paused pending budget adoption. Team member satisfaction is highly impacted by these factors.*

Board Goal #8 Set September 23, 2020

Goal Set: “CEO shall [recommend] proposed annual increases, if any, in GLWA’s revenue requirement in an amount not to exceed 4%.”

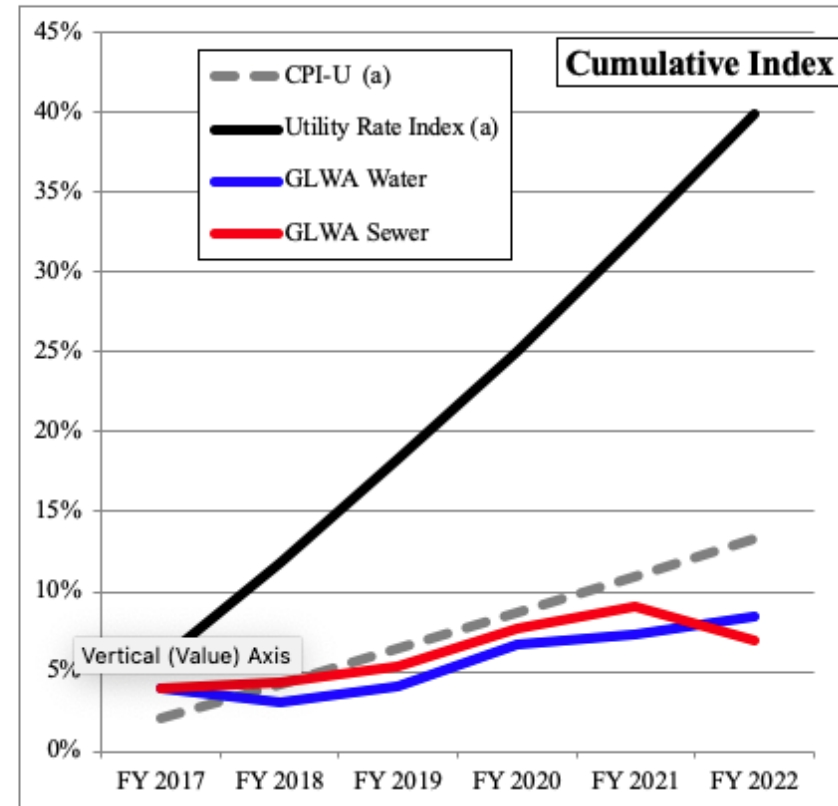
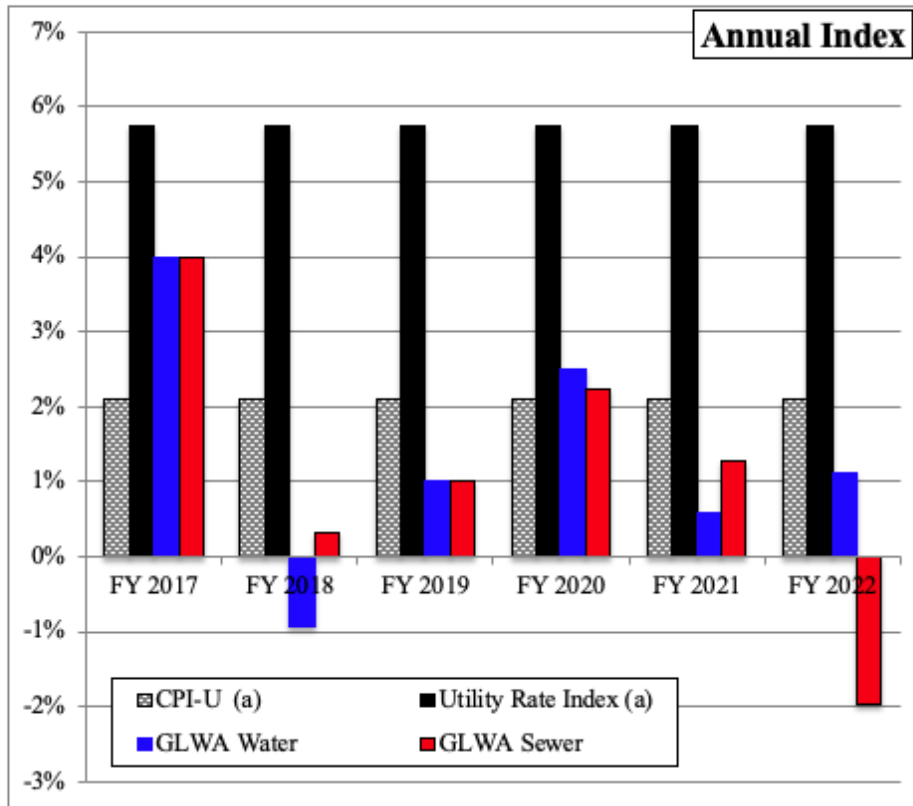
Goal Met: *The proposed revenue requirement budget provides for an increase of 1.1% for the water system and a 2% decrease for the sewer system.*

Goal Threat: *Reductions beyond the modest budget proposals have a negative spillover impact into subsequent year increase in budget and charges. The focus has been on year one of the biennial budget. Depending on the outcome of the Board’s action, the second year of the budget will need to be revised. This is demonstrated by the long-term forecast analysis later in this presentation.*

GLWA BUDGET Adjustments Lower Than Utility Indices

Annual	Annual Index					
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
CPI-U (a)	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Utility Rate Index (a)	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%
GLWA Water	4.0%	-0.9%	1.0%	2.5%	0.6%	1.1%
GLWA Sewer	4.0%	0.3%	1.0%	2.2%	1.3%	-2.0%

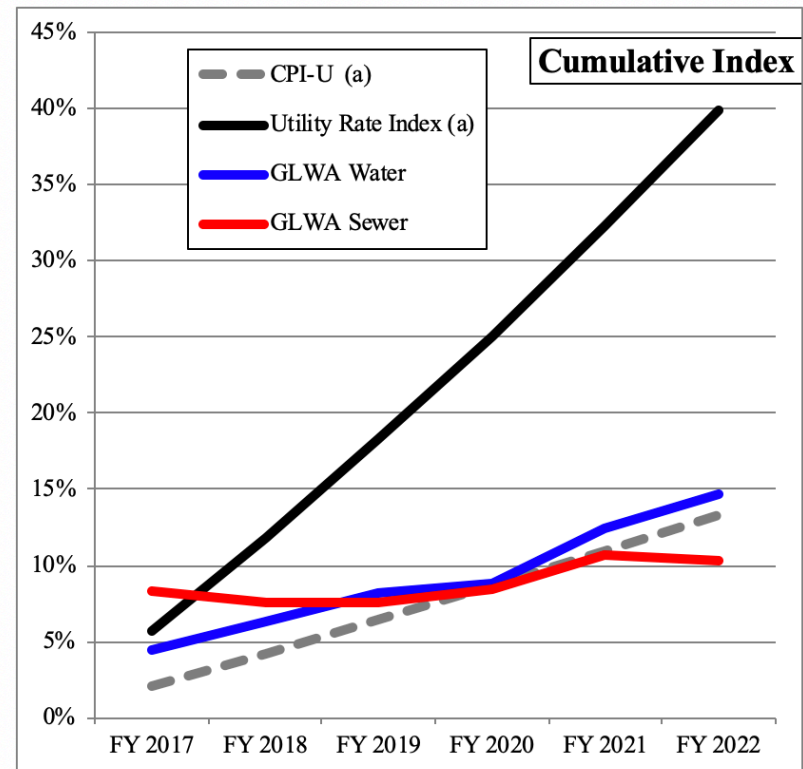
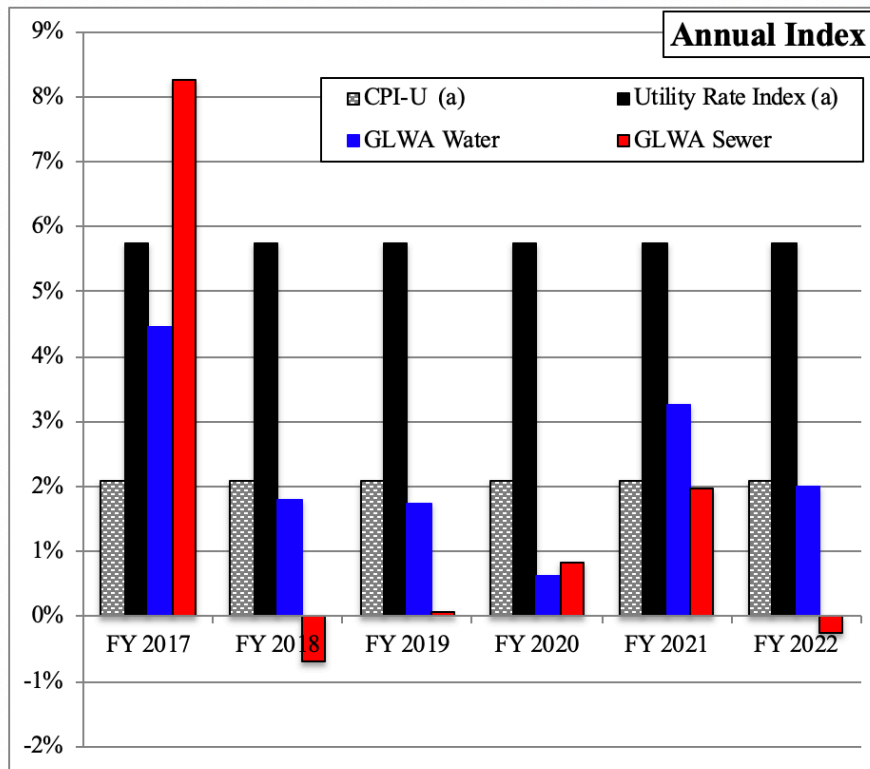
Annual	Cumulative Index					
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
CPI-U (a)	2.1%	4.2%	6.4%	8.7%	11.0%	13.3%
Utility Rate Index (a)	5.8%	11.8%	18.3%	25.1%	32.3%	39.9%
GLWA Water	4.0%	3.0%	4.1%	6.7%	7.3%	8.5%
GLWA Sewer	4.0%	4.3%	5.4%	7.7%	9.1%	6.9%



GLWA CHARGE Adjustments Lower Than Utility Indices

Annual	Annual Index					
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
CPI-U (a)	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Utility Rate Index (a)	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%
GLWA Water	4.5%	1.8%	1.8%	0.6%	3.2%	2.0%
GLWA Sewer	8.3%	-0.7%	0.1%	0.8%	2.0%	-0.2%

Cumulative Index	Cumulative Index					
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
CPI-U (a)	2.1%	4.2%	6.4%	8.7%	11.0%	13.3%
Utility Rate Index (a)	5.8%	11.8%	18.3%	25.1%	32.3%	39.9%
GLWA Water	4.5%	6.3%	8.2%	8.9%	12.4%	14.6%
GLWA Sewer	8.3%	7.5%	7.6%	8.5%	10.6%	10.4%



SECTION 2 – *Affordability & Long-Term Planning*



Key Takeaways – Affordability & Planning

- *Annual* budget discussions are intended to align with long-term forecasts presented to stakeholders
- Initiatives, directives and policies have budget impacts
- Affordability and sustainability objectives are achieved, or derailed, through short-term actions
- Requests to decrease the FY 2022 O&M budget derail the above objectives as demonstrated by the long-term financial forecast included in this presentation
- The goal of this presentation is to provide context to the FY 2022 and FY 2023 biennial budget discussions in light of financial risks

Financial Plan: Stakeholders & Expectations

- Public -> Water Quality, Environmental Stewardship, Affordability
- Member Partners -> Stability in charges
- Bondholders -> Official statements, debt burden, and financial performance
- Regulatory -> Sufficiency of resources to address unforeseen needs, asset management commitment, permit requirements
- Vendors -> Contracted projects executed according to agreed-upon schedule
- Team Members -> Funding availability to reward performance
- Potential Team Members -> Competitive compensation to recruit and retain talent

Not Forgetting Where We Have Been

- Game changing era – 2011 to 2012
- Forecasted increases of 8% to 9% in 2012
- Decades of federal court oversight ending in 2013
- City's Chapter 9 Impacts
- Uncertainty of the ability to obtain financing for needed capital improvements
- System needs delays
- Start-up Entity
- Now, projects and initiatives that were part of regional discussion to form an authority now taking flight

Quick Facts – FY 2022 Proposed Charges

- The overall, originally proposed *Water System* Charge Adjustment is 2.0%
 - For the average Suburban Wholesale Water class as a whole, the proposed charge adjustment is an *increase* of approximately 2.4%
 - For DWSD the charge adjustment, after the ownership benefit, is a *reduction* of 3.2%
- The *effective revenue increase from water system charges could be reduced down to 1.7%* should pending model contract negotiations with Grosse Pointe Park and Dearborn get finalized
- The budget reduction being suggested* would lower the overall Water System Charge Adjustment to 0.5%

* \$5.5 million in total O&M of which \$4 million is allocable to the water system

Fact Check – What is the history of DWSD / GLWA Water Charge Adjustments

- The average annual increase in water charges to Suburban Wholesale Member Partners was:
 - *DWSD era: 7.1% from FY 2004 through FY 2016 (Budget 4.1%)*
 - *GLWA era: 1.7% from FY 2017 through FY 2022 (proposed) (Budget 1.2%)*
 - *Since 2004: 5.3% from FY 2004 through FY 2022 (proposed) (Budget 3.1%)*
- This metric reflects a combination of changes in a) materially declining sales volume and b) revenue requirements

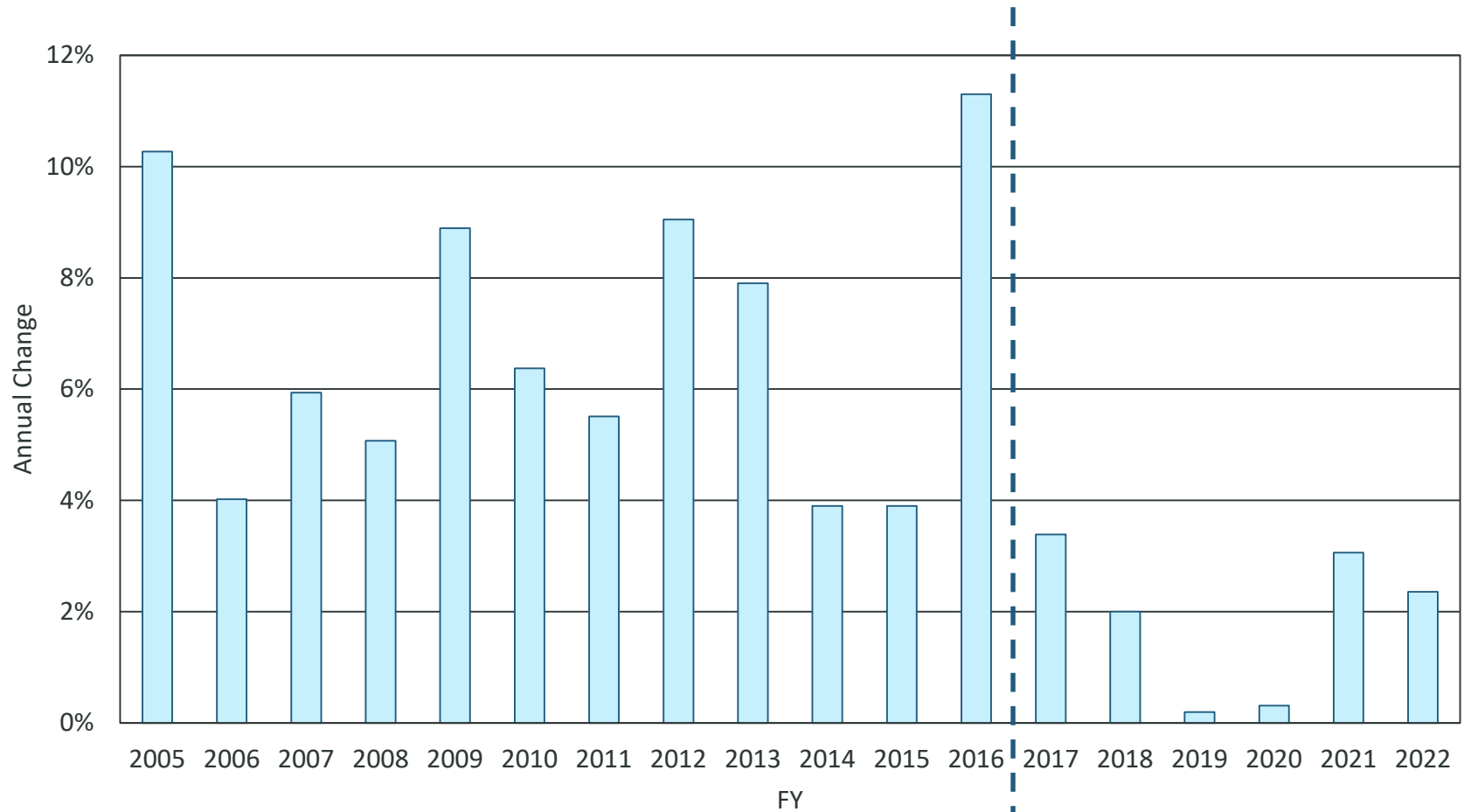
Relative Changes in Water Charge Fundamentals

	FY 2004 - FY 2016 (12 yrs)		FY 2016 - FY 2022 (6 yrs)		FY 2004 - FY 2022 (18 yrs)		
	<u>Cumulative</u>	<u>Avg Annual</u>	<u>Cumulative</u>	<u>Avg Annual</u>	<u>Cumulative</u>	<u>Avg Annual</u>	
Change in Revenue Requirement	62.2%	4.1%	7.3%	1.2%	74.0%	3.1%	<- Numerator
Change in Wholesale Sales Volume	-28.9%	-2.8%	-3.0%	-0.5%	-31.0%	-2.0%	<- Denominator
Change in Unit Cost	128.1%	7.1%	10.6%	1.7%	152.3%	5.3% **	<- "Charge Increase"

* Suburban Wholesale Only - Excludes Detroit

** The 50 Largest Cities "Utility Rate Index" published by Black & Veatch is 5.8% during this period

History of Average Suburban Wholesale Water Charge Adjustments



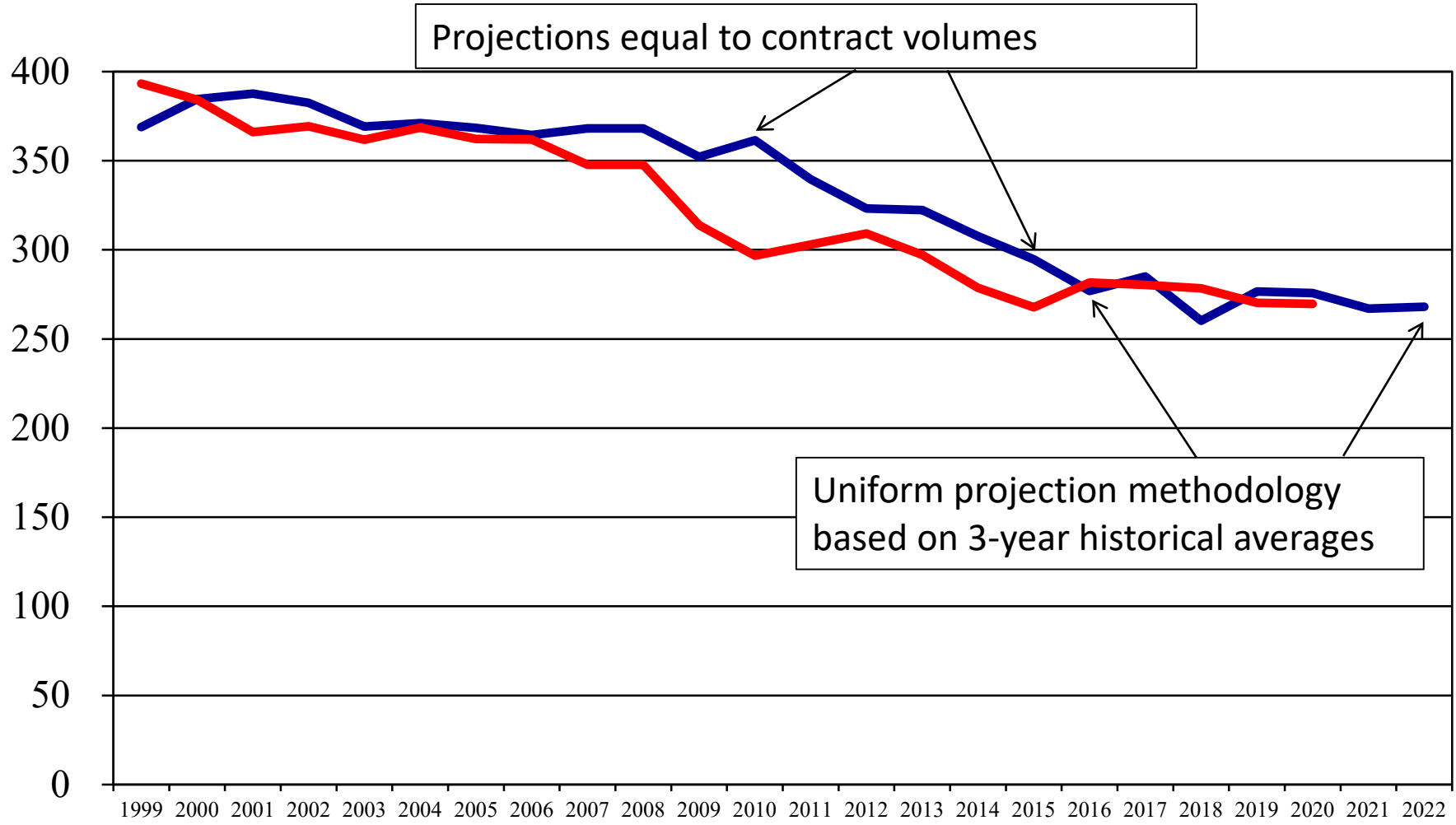
Budget & Charges Approval

Fiscal Year	Date Initially Presented	Date Approved/ Adopted **	Proposed / Approved <u>Water</u> BUDGET Adj	Proposed / Approved <u>Sewer</u> BUDGET Adj	Proposed / Approved <u>Water Charge</u> Adj	Proposed / Approved <u>Sewer Charge</u> Adj
FY 2018	1/20/17	6/7/17	0.0% / -0.9%	2.0% / 0.3%	3.9% / 1.8%	1.0% / -0.7%
FY 2019	1/5/18	6/20/18	2.0% / 1.0%	2.0% / 1.0%	2.8% / 1.8%	1.1% / 0.1%
FY 2020	1/4/19	3/13/19	3.5% / 2.5%	3.5% / 2.2%	1.6% / 0.6%	2.1% / 0.8%
FY 2021	12/19/19	3/11/20	3.0% / 0.6%	3.0% / 1.3%	5.7% / 3.2%	3.7% / 2.0%
FY 2022 *	12/18/20	TBD	1.1% / ?	-2.0% / ?	2.0% / ?	-0.2% / ?

* Goal was established at a budget that would provide for no more than 0% sewer charge increase and 3% water increase; Proposed budget was established to provide 0% and 2% respectively

** Note that, to date, the Audit Committee historically has not recommended a budget or charges schedule for adoption to the Board. Final deliberations have occurred at the Board.

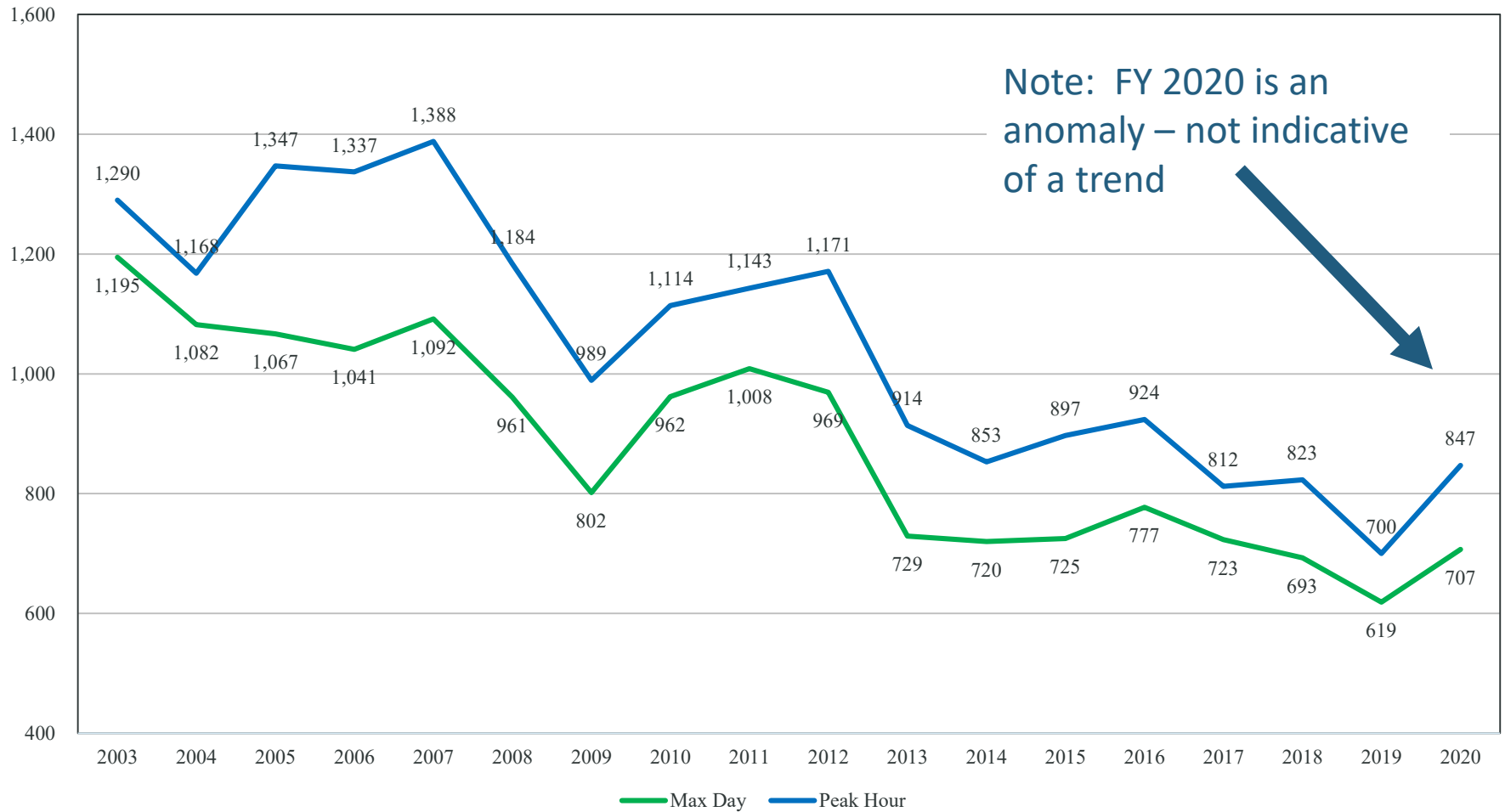
Annual Suburban Wholesale Water Sales * (mgd)



* Adjusted to exclude amounts for Flint and GCDC for all years

Reported Water Production Observations

Millions of gallons per day (mgd)



Forecast Sensitivity Analysis

- We've prepared an executive summary forecast analysis to evaluate the sensitivity on key financial and sustainability metrics of various assumptions and approaches towards budget and charge decisions
- As shown on the following slide, the metrics are not favorable under the latest Water plan being considered
- We can illustrate alternative scenarios as needed
- Addressing an improved, but fragile financial outlook if investment in utility does not proceed in alignment with the financial plan's steady and controlled pace

Budget Cut Request – Long-term Impact

- GLWA's long-term forecast objectives are designed to achieve affordability and sustainability through decreased debt and managed operating risks.
- GLWA's Management consistently provides forecasts to achieve those objectives with lean assumption metrics: revenue increase at 3%, operations and maintenance (O&M) expense increase at 2%, and lower borrowings to reduce heavy debt burden.
- Reducing the FY 2022 O&M expense and the charge revenues by \$5.5 million is not a one-time reduction. The simple cumulative effect is \$55 million over the next ten years – which creates a material gap in achieving charge stability as well as the objectives stated above. For this reason, we cannot view FY 2022 by itself – decisions we make today impact future generations.
- The financial management principle that has been consistently communicated to stakeholders has been that the O&M budget will not be exceeded – and any positive financial results will increase Improvement and Extension Fund (I&E).
- The current budget discussion is contra to the established approach which has been in effect since 2012 - and a contributor to the 4% promise that pre-dated GLWA – and the improved credit ratings that GLWA has earned.

Water Forecast Sensitivity Analysis

Exec. Sum. Forecast Sensitivity Analysis		FY 2022 O&M Budg Reduction		4.0		Apply Savings to Charges (1) or I&E (2)		1		Bond Interest Rate		4.25%		← Key Assumptions		
Water Supply System - \$ millions		Future O&M Index		2.0%		Avg Annual CIP + Cap Outlay (less: SRF)		160.0		Bond Term		30				
		Future Revenue Req't Index		3.0%		Minimum Capital Funds Balance		90.0		Bond Issue Costs as % of Proceeds		6.0%				
Metric Calculations		Metric Target			2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
		Min A	Min AA	Min AAA												
Operating Margin																
23	Depreciation Expense				130.7	126.0	128.9	133.3	133.2	95.1	96.0	96.3	94.8	96.4	97.5	92.6
24	Total Operating Expenses				263.3	260.2	270.3	277.5	280.2	245.1	249.0	252.4	254.0	258.8	263.1	261.5
25	Operating Margin				71.0	75.1	69.0	72.0	79.8	125.7	132.9	141.0	151.2	158.5	166.7	181.2
26	Operating Margin %	25%	40%	50%	21.2%	22.4%	20.3%	20.6%	22.2%	33.9%	34.8%	35.8%	37.3%	38.0%	38.8%	40.9%
Regional Revenue Allocation																
27	O&M				39.8%	41.6%	43.3%	42.8%	40.7%	40.3%	39.8%	39.3%	38.9%	38.6%	38.2%	37.8%
28	Debt Service	40%	33%	25%	38.2%	40.8%	39.8%	40.5%	42.4%	43.2%	43.9%	44.1%	44.5%	44.8%	45.7%	45.8%
29	Non-Operating Expense				9.0%	9.0%	8.9%	8.7%	7.7%	7.7%	7.4%	6.9%	6.8%	6.6%	6.4%	6.4%
30	Capital Financing				13.0%	8.5%	8.0%	7.9%	9.3%	8.9%	8.8%	9.4%	9.6%	9.9%	9.6%	10.0%
31	Total				100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Debt Service Coverage																
32	Net Revenue - Local System (a)				42.0	42.0	42.4	43.4	45.5	45.6	45.6	45.6	45.6	45.6	45.5	45.6
33	Total Net Revenues				251.5	238.5	235.5	243.9	260.0	268.2	276.9	286.5	295.2	304.2	313.6	323.1
34	Debt Service Coverage	1.25	1.70	2.00	1.49	1.33	1.32	1.31	1.31	1.30	1.29	1.30	1.30	1.30	1.29	1.29
35	Sr. Lien Debt Service Coverage	1.50	2.00	2.25	2.06	1.93	1.89	1.90	1.92	1.87	1.83	1.80	1.78	1.76	1.75	1.74
Debt to Operating Revenue																
36	Outstanding Debt Balance				2,492.8	2,422.1	2,349.1	2,266.8	2,173.9	2,077.1	1,976.0	1,871.5	1,762.9	1,649.4	1,527.9	1,400.6
37	Additional Principal					0.0	0.0	108.5	240.6	371.0	497.8	618.6	734.5	845.5	953.9	1,056.0
38	Estimated Premium/Discount				0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
39	Outstanding Indebtedness				2,492.8	2,422.1	2,349.1	2,375.2	2,414.5	2,448.1	2,473.9	2,490.1	2,497.5	2,495.0	2,481.7	2,456.7
40	Debt to Operating Revenue	7.0	4.0	2.0	5.84	5.83	5.59	5.48	5.41	5.33	5.24	5.13	5.02	4.88	4.73	4.56
41	Free Cash as a % of Depreciation	65%	105%	145%	52.7%	50.5%	48.5%	47.4%	44.9%	62.8%	62.6%	64.5%	67.6%	68.7%	67.8%	74.8%
42	Net Position	-	250	500	(96.4)	(109.3)	(122.6)	(136.5)	(145.2)	(110.3)	(70.1)	(22.4)	33.7	96.0	165.1	247.8
43	Debt / Asset Ratio	1.00	0.90	0.75	1.05	0.99	0.96	0.96	0.98	0.97	0.97	0.96	0.94	0.93	0.91	0.89

Standards

Red: Below minimum A-rated criteria (GLWA is AA- with 1 rating agency; the others are A category)

Yellow: Between A and AA rated criteria

Green: AA to AAA

Reminder: \$0 Revenue Bonds Available

- For both the water and sewer system, all capital programs are funded 100% by I&E except for SRF projects
- 44% of GLWA's investment balance is I&E Funds which will be materially reduced over the next two to three years as outlined in the long-term financial plan
- The majority of the remaining funds available are designated or restricted (excerpt from FY 2021 Q2 Investment Report to Audit Committee)

Account Purpose		Value Market	Allocation %	Cost Yield at	Market Yield at	Duration
Improvement & Extension	\$	417,891,130	43.5%	1.19%	0.13%	1.102 Years
Debt Service	\$	169,829,238	17.7%	0.18%	0.10%	0.159 Years
Receiving Funds (includes lockbox account)	\$	163,936,351	17.0%	0.02%	0.02%	0.003 Years
Extraordinary Repair & Replacement Funds	\$	72,135,164	7.5%	1.21%	0.12%	0.829 Years
Operating & Maintenance	\$	49,903,027	5.2%	0.05%	0.05%	0.003 Years
Pension Obligation Funds	\$	21,510,992	2.2%	0.05%	0.05%	0.012 Years
Retainage	\$	19,362,400	2.0%	0.03%	0.03%	0.003 Years
Debt Reserves	\$	19,020,101	2.0%	1.51%	0.14%	1.186 Years
WRAP Funds	\$	11,496,823	1.2%	0.05%	0.04%	0.011 Years
Budget Stabilization Funds	\$	7,589,851	0.8%	1.33%	0.14%	0.767 Years
Construction	\$	5,247,033	0.5%	0.10%	0.10%	0.003 Years
Flint Security Deposit Account	\$	3,813,910	0.4%	0.10%	0.10%	0.003 Years
Total	\$	961,736,022	100.0%	0.69%	0.10%	0.600 Years

SECTION 3 – *Staffing Analysis*



Budgeted Positions & Board Priorities

Operating Area	+ Increase - Decrease Staffing Plan from FY 2021 to FY 2022	Business Inclusion & Diversity	WRAP (1)	Apprenticeship Program	Contract Management (2)	Insourcing	Energy Management	New Technology	Workload	Planning Group Evolution (3)
Water Operations	18.00			10.00	1.00	2.00	1.00		4.00	
Financial Services - Additions	12.00	3.00	1.50		3.00				4.50	
Financial Services - Reductions	-4.00								-4.00	
Administration & Compliance Services	7.00					1.00		4.00	2.00	
Wastewater Operations	5.00			5.00						
Planning Services	-16.00									-16.00
Chief Executive Officer	-1.00								-1.00	
Budget Proposal, 12/18/2020	21.00	3.00	1.50	15.00	4.00	3.00	1.00	4.00	5.50	-16.00

Note: Additions are in blue (42) and reductions are in green (21) for a net of 21 positions.

(1) WRAP program improvements

(2) Enterprise-wide contract management to speed up the Procurement cycle and advance capital project delivery faster.

(3) The Planning group was established in 2015. The reductions are due to duties being absorbed in other areas of the organization and positions being deferred and reevaluated.

Impact if Net 21 Positions Reduced to 6?

Operating Area	+ Increase - Decrease Staffing Plan from FY 2021 to FY 2022	Business Inclusion & Diversity	WRAP (1)	Apprenticeship Program	Contract Management (2)	Insourcing	Energy Management	New Technology	Workload	Planning Group Evolution (3)
Water Operations	18.00			10.00	1.00	2.00	1.00		4.00	
Financial Services - Additions	12.00	3.00	1.50		3.00				4.50	
Financial Services - Reductions	-4.00								-4.00	
Administration & Compliance Services	7.00					1.00	4.00		2.00	
Wastewater Operations	5.00			5.00						
Planning Services	-16.00									-16.00
Chief Executive Officer	-1.00								-1.00	
Budget Proposal, 12/18/2020	21.00	3.00	1.50	15.00	4.00	3.00	1.00	4.00	5.50	-16.00
Discussion Re: Staff Reductions	-15.00	-1.00	-0.50	-11.00	-1.00	0.00	0.00	0.00	-1.50	0.00
Net Positions adjusted would be	6.00	2.00	1.00	4.00	3.00	3.00	1.00	4.00	4.00	-16.00

(1) WRAP program improvements

(2) Enterprise-wide contract management to speed up the Procurement cycle and advance capital project delivery faster.

(3) The Planning group was established in 2015. The reductions are due to duties being absorbed in other areas of the organization and positions being deferred and reevaluated.

Budgeted Amount for 15 Positions?

Operating Area	Number of Positions	Dollar Impact
Water Operations & Field Services	11.00	\$ 824,400
Financial Services	3.00	246,000
Administration & Compliance Services	-	-
Wastewater Operations	1.00	54,700
Planning Services	-	-
Chief Executive Officer	-	-
Total	15.00	\$ 1,125,100

- Note that the above reflects the *budgeted amount* for 15 positions
- There is a presumed cost of *not* adding the positions as noted earlier in *Section 1 - Goals Set, Goals Met*

Operational Impact if Positions Reduced?

Apprenticeship Program – Reduced from 15 new positions to 4 positions

- GLWA, in partnership with Focus Hope, has prepared to start a class of water technician apprentices in Fall 2021
- Michigan is experiencing a shortage of certified water plant operators
- The training program was scheduled with Macomb Community College in partnership with Focus Hope
- The training program is unique because it provides wrap around services to the students as well as direct technical education services
- 15 positions were added in the budget for this critical workforce development program
- GLWA has difficulty recruiting certified personnel for these positions
- All graduating apprentices are fully certified
- It is unknown whether the program provider will continue the course with this level of reduced enrollment
- GLWA, Focus Hope, and the community colleges consider this effort a partnership that has grown over several years
- This program supports succession planning and system resiliency

Operational Impact if Positions Reduced?

Business Inclusion & Diversity (B.I.D.) – Three positions reduced to two

- The staffing addition of three positions provides for a meaningful effort that materially increases the value of the program
- Key elements as we have designed the program are must dos: internal/external outreach for program awareness and educations and program administration (reviewing diversity plan submittals, monitoring performance according to plan, data analysis, and performance)
- **By reducing the position**, we lose the value that the third position brings to is regional collaboration and service sector engagement. That effort would translate to a positive economic impact for GLWA, the vendor community and the region
- The staffing model will two positions will result in limiting staff efforts to mostly administrative functions rather than the planned strategic approach

Public Finance (Water Residential Assistance Program) and CFO Office – One position split between the two teams

- The addition of a WRAP program Administrator is intended to more effectively manage the WRAP program as we move toward increased interaction with each county to deliver WRAP services.
- The loss of the position also negatively impacts succession planning in state revolving fund activity as the Public Finance Team's workload continues to increase to manage loans for both GLWA and DWSD.

Operational Impact if Positions Reduced?

Contract Management - Three positions reduced to two

- The demand for contract management expertise has grown tremendously with the expansion of task order and enterprise-wide contracts which now total over \$100 million.
- The lack of contract management capacity in the organization places GLWA Procurement in a reactive rather proactive mode to explore increased sourcing options.
- The expanded use of high-dollar task order and utilization of enterprise-wide contracts brings new internal control challenges that must be addressed.
- The decreased staffing model will limit the ability of the team to move from an administrative to a strategic approach.
- The contract management teams would work closely with cross-functional internal team members as well expand sourcing alternatives which aligns with B.I.D.

SECTION 4 – *Recommendation & Rationale*



Recommendation & Rationale

Recommendation: Budget and Charges as Presented for the Public Hearing

Rationale: Key factors

- A. Aligns with long-term financial plan stability and affordability
- B. Supports new programs - in alignment with Board goals from September 2020
- C. Supports established track record of high quality water standards and compliance – and agility to address system needs as they arise
- D. Continue to challenge ourselves - lean budget - known risks – focus on cost containment and effectiveness
- E. Supports commitments to stakeholders in the region

The Administration is *greatly appreciative* of the guidance communicated by the Board in September 2020 as it relates to programmatic and financial goals – many of which began in FY 2021 and carryforward into FY 2022 and beyond.

Extensive effort was made to deliver on those goals with the revenue requirement budget, long-term financial plan, and service charges strategy presented to the Audit Committee on December 18, 2020.

We hope that this example of early alignment strengthens in the future to eliminate delays in the budget and charge setting cycle. This will enable the focus to remain on addressing the needs of the utility as well as providing timely information to Member Partners.

Additional Slides for Reference



Water System Revenue Requirements Budget

		Current Year		Biennial Budget					
		FY 2021	FY 2021	FY 2022	FY 2022	FY 2022	FY 2023	FY 2023	FY 2023
Water System Revenue Requirements		Adopted	Estimated	Requested	\$ Change	% Change	Requested	\$ Change	% Change
Revenues									
1	Revenues from Charges	\$ 336,807,600	\$ 335,060,200	\$ 344,206,000	\$ 7,398,400	2.2%	\$ 354,734,800	\$ 10,528,800	3.1%
2	Other Operating Revenue	-	175,000	175,000	175,000	0.0%	175,000	-	0.0%
3	Non-Operating Revenue	4,834,400	1,276,500	1,046,000	(3,788,400)	-78.4%	1,048,400	2,400	0.2%
4	Total Revenues	341,642,000	336,511,700	345,427,000	3,785,000	1.1%	355,958,200	10,531,200	3.0%
Revenue Requirements									
5	Operations & Maintenance (O&M) Expense	\$137,127,300	\$134,127,300	\$145,333,800	\$8,206,500	6.0%	\$149,545,300	\$4,211,500	2.9%
6	General Retirement System Legacy Pension	6,048,000	6,048,000	6,048,000	-	0.0%	6,048,000	-	0.0%
7	Debt Service	143,189,900	137,436,100	135,481,000	(7,708,900)	-5.4%	146,520,400	11,039,400	8.1%
8	General Retirement System Accelerated Pension	6,268,300	6,268,300	6,268,300	-	0.0%	6,268,300	-	0.0%
9	Water Residential Assistance Program Contribution	1,669,400	1,669,400	1,702,000	32,600	2.0%	1,779,800	77,800	4.6%
10	Lease Payment	22,500,000	22,500,000	22,500,000	-	0.0%	22,500,000	-	0.0%
11	Operating Reserve Deposit	876,600	-	-	(876,600)	-100.0%	-	-	0.0%
12	Improvement & Extension Fund Transfer Pending	23,962,500	28,462,600	28,093,900	4,131,400	17.2%	23,296,400	(4,797,500)	-17.1%
13	Annual Water System Revenue Requirements	\$ 341,642,000	\$ 336,511,700	\$ 345,427,000	\$ 3,785,000	1.1%	\$ 355,958,200	\$ 10,531,200	3.0%
14	<i>Change in Annual Revenue Requirement</i>				3,785,000	1.1%		10,531,200	3.1%
15	<i>Change Attributable to Non-Charge Revenue (FY 2022 reduction in investment earnings see lines 2&3)</i>				3,613,400	1.1%		(2,400)	0.0%
16	<i>Change Attributable to Sales Revenue (FY 2022 attributable to increased projected Water Sales)</i>				(809,700)	-0.2%		-	0.0%
17	Charge Adjustment (Based on System Charge Adjustment of 2.0%)				6,588,700	2.0%		10,528,800	3.1%

Sewer System Revenue Requirements Budget

		Current Year		Biennial Budget					
		FY 2021 Adopted	FY 2021 Estimated	FY 2022 Requested	FY 2022 \$ Change	FY 2022 % Change	FY 2023 Requested	FY 2023 \$ Change	FY 2023 % Change
Sewer System Revenue Requirements									
Revenues									
1	Revenues from Charges	\$ 481,162,100	\$ 475,904,100	\$ 475,805,700	\$ (5,356,400)	-1.1%	\$ 489,928,000	\$ 14,122,300	3.0%
2	Other Operating Revenue	-	400,000	400,000	400,000	0.0%	400,000	-	0.0%
3	Non-Operating Revenue	5,589,200	1,046,100	1,010,800	(4,578,400)	-81.9%	1,201,800	191,000	18.9%
4	Total Revenues	486,751,300	477,350,200	477,216,500	(9,534,800)	-2.0%	491,529,800	14,313,300	3.0%
Revenue Requirements									
5	Operations & Maintenance (O&M) Expense	\$184,946,100	\$182,296,000	\$183,099,800	\$ (1,846,300)	-1.0%	\$185,619,000	\$2,519,200	1.4%
6	General Retirement System Legacy Pension	10,824,000	10,824,000	10,824,000	-	0.0%	10,824,000	-	0.0%
7	Debt Service	209,739,900	201,780,500	207,209,500	(2,530,400)	-1.2%	204,566,500	(2,643,000)	-1.3%
8	General Retirement System Accelerated Pension	11,620,700	11,620,700	11,620,700	-	0.0%	11,620,700	-	0.0%
9	Water Residential Assistance Program Contribution	2,415,100	2,415,100	2,345,600	(69,500)	-2.9%	2,457,600	112,000	4.8%
10	Lease Payment	27,500,000	27,500,000	27,500,000	-	0.0%	27,500,000	-	0.0%
11	Operating Reserve Deposit	-	-	-	-	0.0%	-	-	0.0%
12	Improvement & Extension Fund Transfer Pending	39,705,500	40,913,900	34,616,900	(5,088,600)	-12.8%	48,942,000	14,325,100	41.4%
13	Annual Sewer System Revenue Requirements	\$ 486,751,300	\$ 477,350,200	\$ 477,216,500	\$ (9,534,800)	-2.0%	\$ 491,529,800	\$ 14,313,300	3.0%
14	<i>Change in Annual Revenue Requirement</i>				(9,534,800)	-2.0%		14,313,300	3.0%
15	<i>Change Attributable to Non-Charge Revenue (FY 2022 reduction in investment earnings see lines 2&3)</i>				4,178,400	0.9%		(191,000)	0.0%
16	<i>Change Attributable to Sales Revenue (FY 2022 attributable to elimination of one time OMID Charge)</i>				4,226,100	0.9%		-	0.0%
17	Charge Adjustment (Based on no change in overall charges to "SHAREs" Member Partners)				(1,130,300)	-0.2%		14,122,300	3.0%

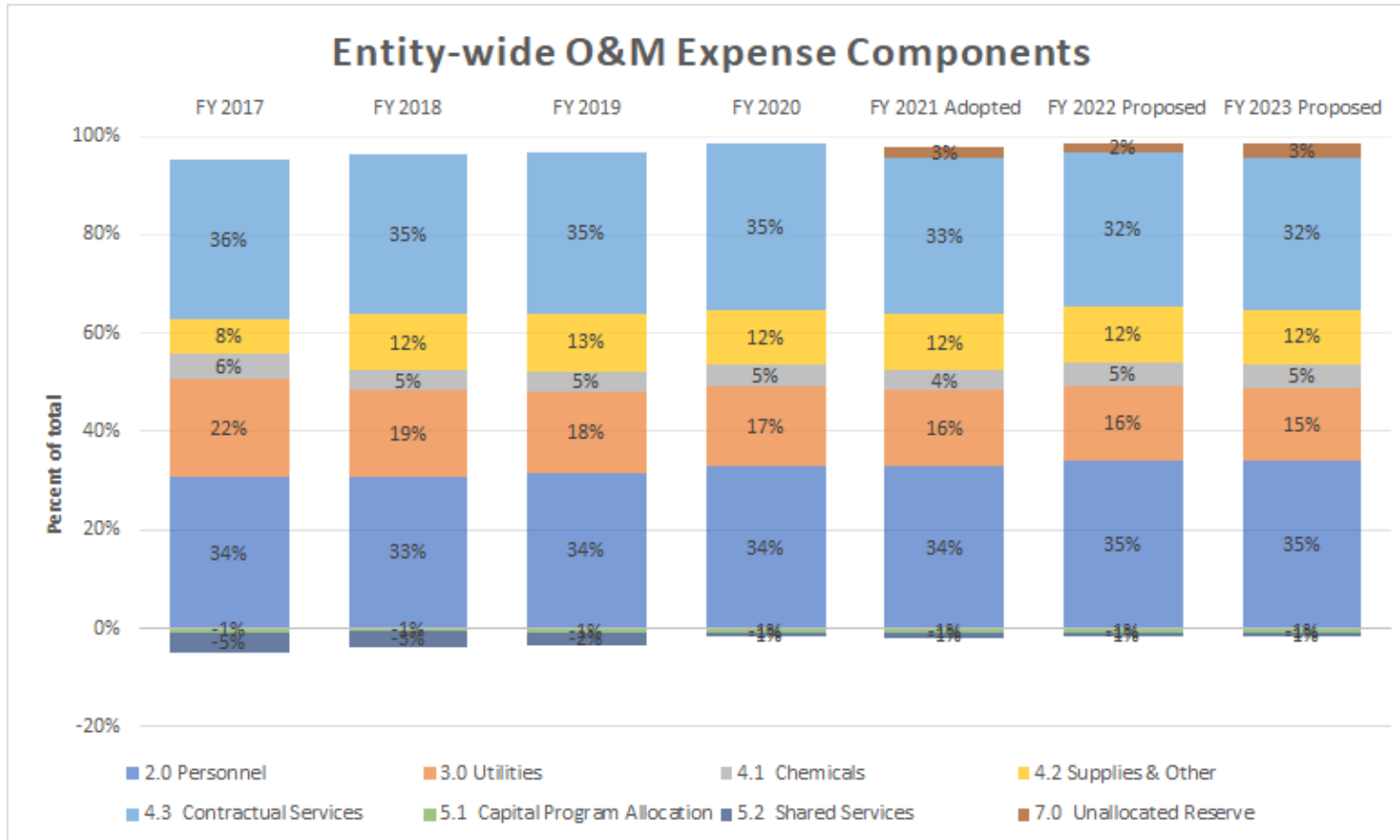
Combined Water and Sewer System Revenue Requirements Budget

		Current Year		Biennial Budget					
		FY 2021 Adopted	FY 2021 Estimated	FY 2022 Requested	FY 2022 \$ Change	FY 2022 % Change	FY 2023 Requested	FY 2023 \$ Change	FY 2023 % Change
Combined System Revenue Requirements									
Revenues									
1	Revenues from Charges	\$ 817,969,700	\$ 810,964,300	\$ 820,011,700	\$ 2,042,000	0.2%	\$ 844,662,800	\$ 24,651,100	3.0%
2	Other Operating Revenue	-	575,000	575,000	575,000	NA	575,000	-	0.0%
3	Non-Operating Revenue	10,423,600	2,322,600	2,056,800	(8,366,800)	-80.3%	2,250,200	193,400	9.4%
4	Total Revenues	828,393,300	813,861,900	822,643,500	(5,749,800)	-0.7%	847,488,000	24,844,500	3.0%
Revenue Requirements									
5	Operations & Maintenance (O&M) Expense	\$322,073,400	\$316,423,300	\$328,433,600	\$6,360,200	2.0%	\$335,164,300	\$6,730,700	2.0%
6	General Retirement System Legacy Pension	16,872,000	16,872,000	16,872,000	-	0.0%	16,872,000	-	0.0%
7	Debt Service	352,929,800	339,216,600	342,690,500	(10,239,300)	-2.9%	351,086,900	8,396,400	2.5%
8	General Retirement System Accelerated Pension	17,889,000	17,889,000	17,889,000	-	0.0%	17,889,000	-	0.0%
9	Water Residential Assistance Program Contribution	4,084,500	4,084,500	4,047,600	(36,900)	-0.9%	4,237,400	189,800	4.7%
10	Lease Payment	50,000,000	50,000,000	50,000,000	-	0.0%	50,000,000	-	0.0%
11	Operating Reserve Deposit	876,600	-	-	(876,600)	-100.0%	-	-	0.0%
12	Improvement & Extension Fund Transfer Pending	63,668,000	69,376,500	62,710,800	(957,200)	-1.5%	72,238,400	9,527,600	15.2%
13	Annual Revenue Requirements	\$ 828,393,300	\$ 813,861,900	\$ 822,643,500	\$ (5,749,800)	-0.7%	\$ 847,488,000	\$ 24,844,500	3.0%
14	<i>Change in Annual Revenue Requirement</i>				(5,749,800)	-0.7%		24,844,500	3.0%
15	<i>Change Attributable to Non-Charge Revenue</i>				7,791,800	1.0%		(193,400)	0.0%
16	<i>Change Attributable to Sales Revenue</i>				3,416,400	0.4%		-	0.0%
17	Charge Adjustment				5,458,400	0.7%		24,651,100	3.0%

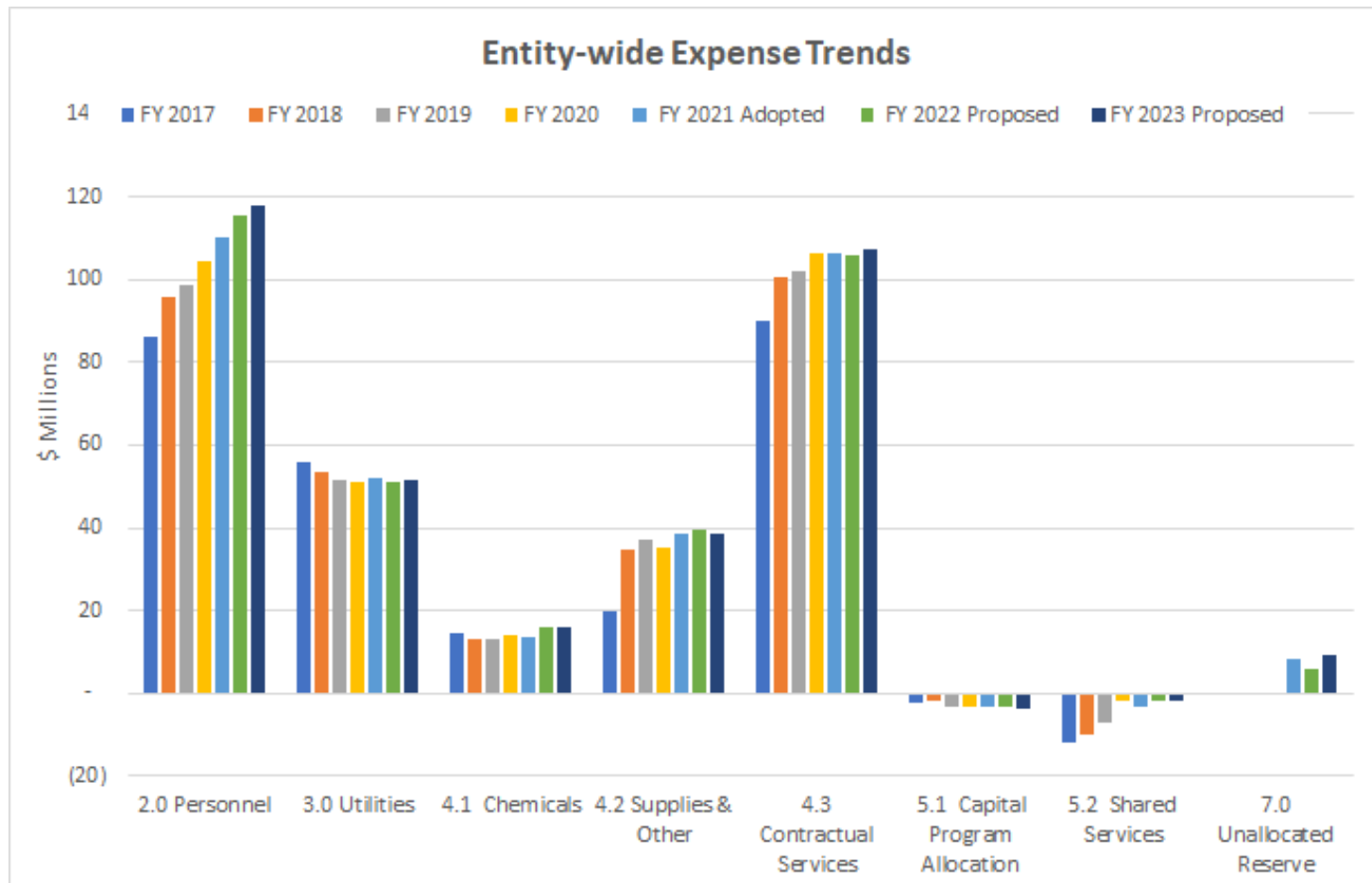
**Audit Committee Excerpts,
January 22, 2021
Entity-wide
Operations & Maintenance
Budget Trends**



Entity-wide O&M Expense Components Trend % of Total



Entity-wide O&M Expense Components Trend in \$



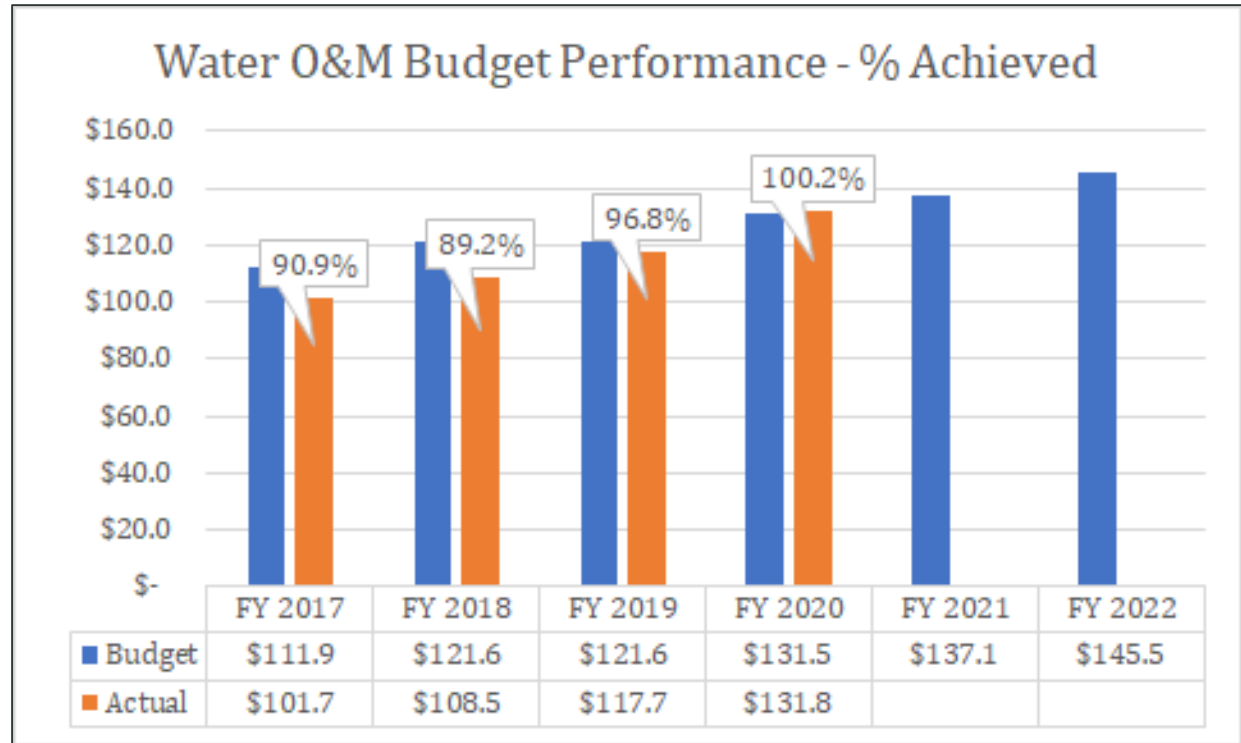
Charges Rollout Budget Excerpt

GLWA Operation and Maintenance Expense Summary - \$ millions

	Actual				Budget		FY 2022 Budg vs		FY 2022 Budg vs	
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2020	FY 2021 B	FY 2020	FY 2021 B
Personnel (a)	86.2	95.5	98.6	104.3	110.3	115.7	11.4	5.4	11.0%	4.9%
Contractual Services	90.1	100.5	101.9	106.4	106.2	106.0	(0.3)	(0.1)	-0.3%	-0.1%
Utilities	55.7	53.7	51.4	51.2	51.9	51.1	(0.1)	(0.9)	-0.2%	-1.7%
Chemicals	14.8	12.9	13.3	14.2	13.4	16.0	1.8	2.6	12.7%	19.6%
Supplies & Other	20.0	35.0	37.1	35.4	38.6	39.4	4.0	0.8	11.4%	2.1%
Subtotal	266.7	297.5	302.3	311.4	320.5	328.3	16.8	7.8	5.4%	2.4%
Unallocated Reserve	0.0	0.0	0.0	0.0	8.5	5.7	5.7	(2.8)	NA	-32.8%
Gross Total	266.7	297.5	302.3	311.4	328.9	334.0	22.5	5.0	7.2%	1.5%
Capital Program Allocation	(2.1)	(1.7)	(3.4)	(3.3)	(3.4)	(3.5)	(0.1)	(0.0)	3.7%	0.7%
Shared Services	(11.7)	(9.9)	(7.1)	(1.7)	(3.4)	(1.9)	(0.2)	1.5	9.2%	-44.5%
Operation and Maintenance Expense	252.9	285.9	291.7	306.4	322.1	328.6	22.2	6.5	7.3%	2.0%
<i>(a) FTE Data</i>										
Positions (FTE) Filled at Year End	881	968	1,024	1,059						
Positions (FTE) Budgeted	1,106	1,168	1,173	1,187	1,200	1,219				

Water Operations and Maintenance (O&M) Expense

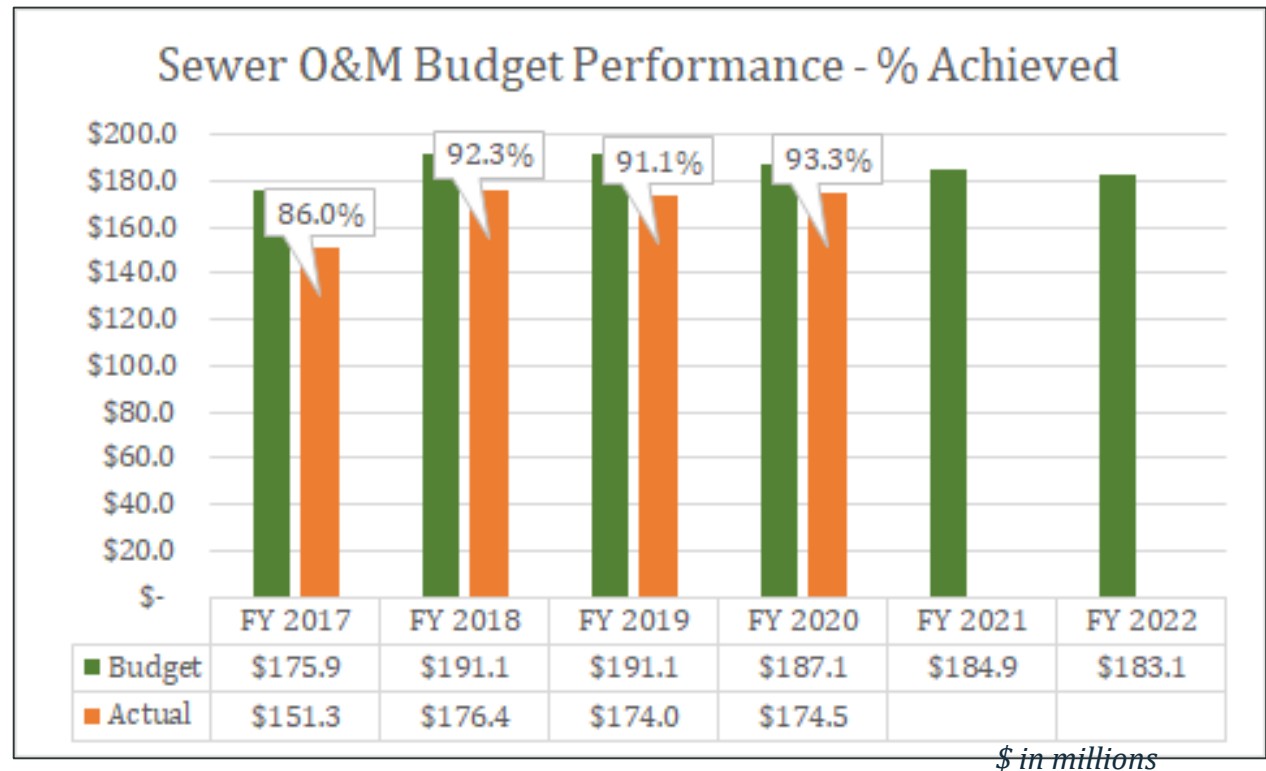
- ✓ Continued refinement of budget planning and execution from first full fiscal year to present.
- ✓ Majority of costs are non-discretionary.
- ✓ **Fours years of trend information supports budget requests.**



\$ in millions

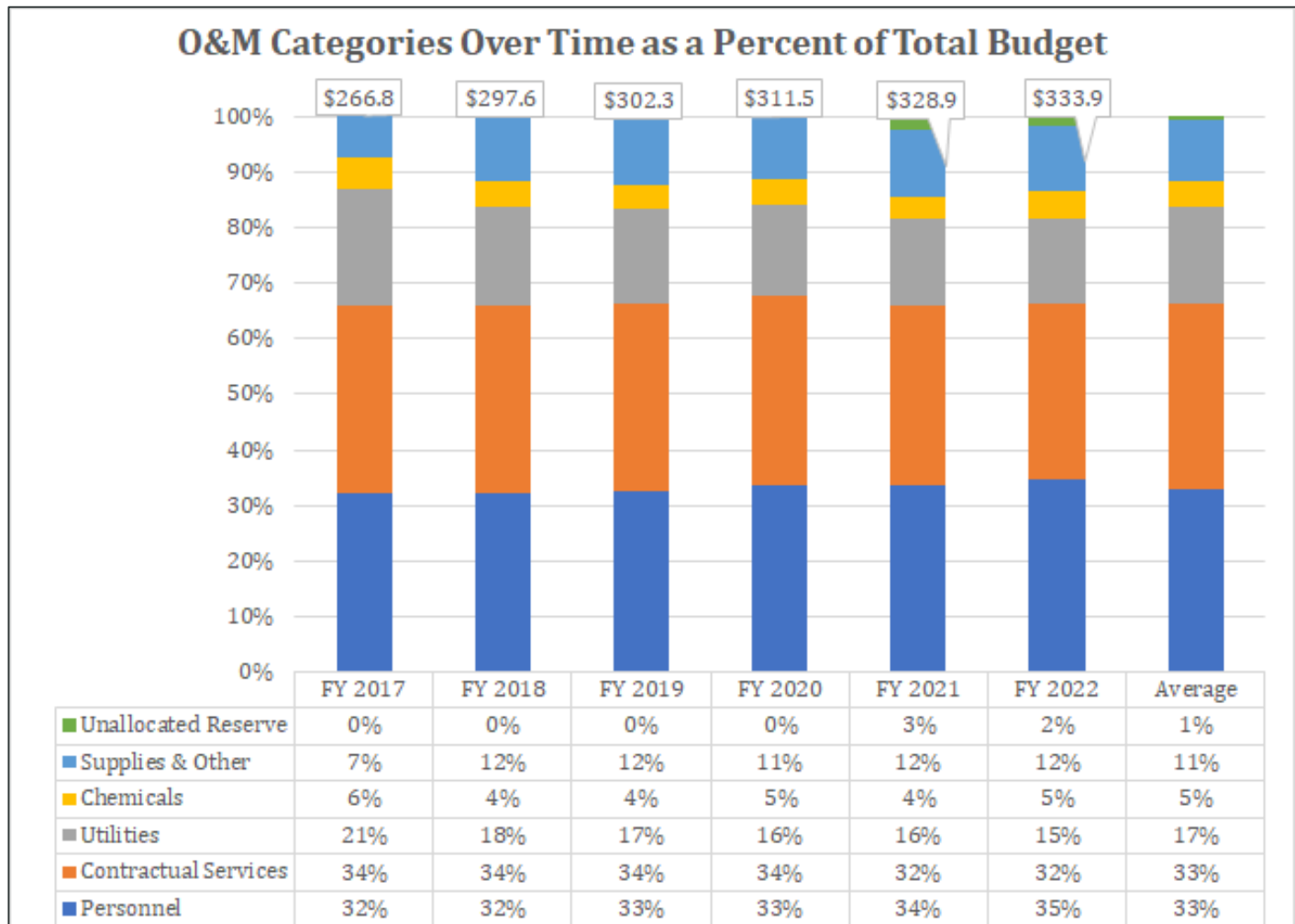
Sewer Operation and Maintenance (O&M) Expense

- ✓ Continued refinement of budget planning and execution from first full fiscal year to present.
- ✓ Majority of costs are non-discretionary.
- ✓ Four years of trend information supports a budget decrease without compromising system needs.

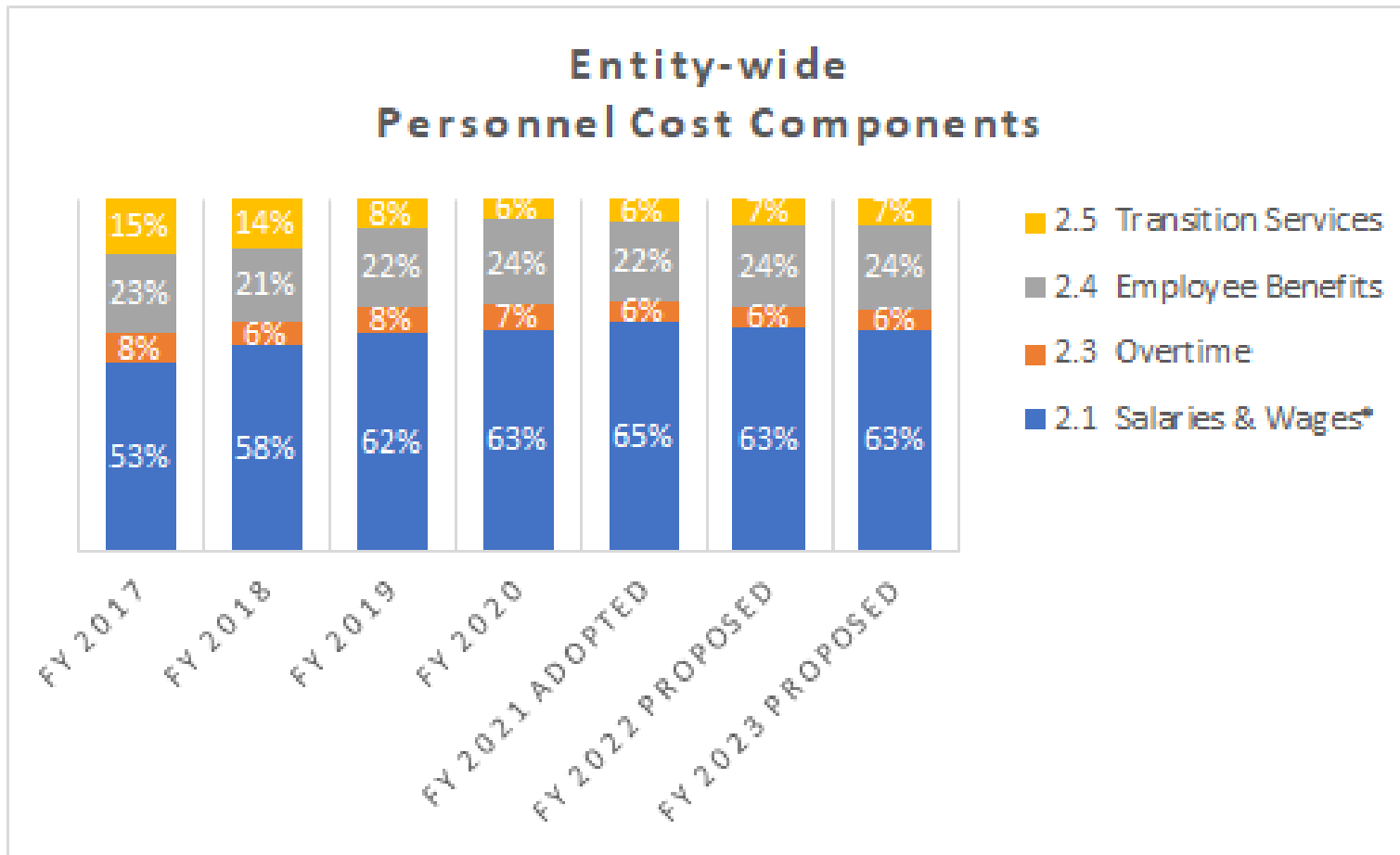


Expense Types are Stable Year over Year

- ✓ Variances are generally less than 3% of total budget – result of smoothing out O&M initiatives.
- ✓ An outcome of multi-year budgeting.
- ✓ Steady foundation for plan.



Personnel Cost Components – Entity-wide



Personnel Budgeting

Positions (Staffing Plan) – a one for one relationship

Full-time Equivalents (FTE) – a partial position factor applied to bridge position count to pro-rata dollars in the budget to account for turnover and part-time resources

Operating Area	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 Budget	FY 2022 Proposed
Chief Operating Officer Water Operations		354.00	360.00	363.00	365.25	383.25
Chief Operating Officer Wastewater Operations		432.50	434.50	432.25	436.75	431.25
Chief Planning Officer		63.50	60.25	64.25	63.25	56.00
Chief Administration & Compliance Officer		110.75	119.00	120.00	124.00	130.50
Chief Financial Officer		109.50	114.25	119.25	122.00	129.75
Chief Executive Officer		97.50	84.50	88.50	88.25	88.00
FTE Budgeted	1,106.00	1,167.75	1,172.50	1,187.25	1,199.50	1,218.75
Actual Filled at Year-end	881.00	968.00	1,024.00	1,059.00		
Percent Filled at Year-end	<u>80%</u>	<u>83%</u>	<u>87%</u>	<u>89%</u>		

Staffing Level – From 2016 Launch to Now

- ✓ GLWA’s Inaugural Bond transaction was launched in the “start up” calendar year. The Official Statement dated *October 1, 2016* notes “The fiscal year 2017 budget provides for 1,105 FTE positions of which 110 are budgeted to be staffed through services contracts.”
- ✓ The FY 2022 proposed budget identifies 1,219 FTEs.
- ✓ Why the shift over six years? A combination of:
 - 1) insourcing where more cost-effective (i.e. Hazmat);
 - 2) expanded services (training institute); and
 - 3) workforce development to reduce serious labor market risk (apprentices matched one-on-one with existing team members).
- ✓ Past, Present, Future View:

Status	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Positions Filled at Year-end	881	968	1,024	1,059		
FTEs Budgeted	1,106	1,168	1,171	1,187	1,200	1,219

Staffing Increases/Decreases

Great Lakes Water Authority
 FY 2022 Proposed Budget
 Staffing Analysis
 Friday, January 22, 2021

Service Area	Operating Area	Change In Staffing Plan	Change In FTEs	Position	Budget (*) with Fringes	Purpose of position
Positions Added in FY 2022						
Administrative Services	Financial Services	1	1.00	Professional Administrative Analyst	\$ 87,000	Contract Management
Administrative Services	Financial Services	1	1.00	Professional Administrative Analyst	87,000	Administrative Support and WRAP Support
Administrative Services	Financial Services	1	1.00	Professional Administrative Analyst	87,000	Business Inclusion & Diversity Program
Administrative Services	Financial Services	1	1.00	Management Professional	87,000	Project Management
Administrative Services	Financial Services	1	1.00	Management Professional	87,000	Accounting Supervisor
Administrative Services	Financial Services	1	1.00	Management Professional	87,000	Contract Management
Administrative Services	Financial Services	1	1.00	Management Professional	87,000	Reporting and analysis
Administrative Services	Financial Services	1	1.00	Management Professional	87,000	WRAP
Administrative Services	Financial Services	1	1.00	Management Professional	87,000	Business Inclusion & Diversity Program
Administrative Services	Financial Services	1	1.00	Manager	87,000	Contract Management
Administrative Services	Financial Services	1	1.00	Manager	87,000	Workload demand
Administrative Services	Financial Services	1	1.00	Procurement Specialist	87,000	Business Inclusion & Diversity Program
Administrative Services	Administrative & Compliance Services	1	1.00	Associate General Counsel	87,000	To handle more legal matters in house
Administrative Services	Administrative & Compliance Services	2	2.00	Office Support Specialist	174,000	Implementation & administratin of health and welfare plans and wellness initiatives
Centralized Services	Information Technology	3	3.00	Applications Analyst	261,000	Support new applicatoins being launched (EAM & ERP)
Centralized Services	Information Technology	1	0.50	Intern	43,500	Support new applicatoins being launched (EAM & ERP)
Centralized Services	Systems Operations Control	1	1.00	Electrical Instrumentation Control Technician (IA)	87,000	Apprenticeship program
Centralized Services	Fleet Operations	1	1.00	Manager	87,000	Fleet Operations

Staffing Increases/Decreases - continued

Great Lakes Water Authority FY 2022 Proposed Budget Staffing Analysis Friday, January 22, 2021						
Service Area	Operating Area	Change In Staffing Plan	Change In FTEs	Position	Budget (*) with Fringes	Purpose of position
Centralized Services	Field Service Operations	1	1.00	Inspector	87,000	Inspector Position Ramp up as Miss Dig shared service is ramped
Centralized Services	Field Service Operations	1	1.00	Electrical Instrumentation Control Technician (E)	87,000	Originally requested, subsequently to be removed (reclass to unallocated reserves)
Centralized Services	Field Service Operations	1	1.00	Management Professional	87,000	Workload demand
Centralized Services	Field Service Operations	4	4.00	Electrical Instrumentation Control Technician (EA)	348,000	Apprenticeship program
Centralized Services	Energy, Research & Innovation	1	1.00	Manager	87,000	Power Quality Manager
Water System Operations	Water Operating Services	4	4.00	Electrical Instrumentation Control Technician (EA)	348,000	Apprenticeship program
Water System Operations	Water Operating Services	1	1.00	Management Professional	87,000	Manage global contracts
Water System Operations	Water Operating Services	1	1.00	Management Professional	87,000	Manage the training and movement of apprentices throughout the 5 Water Treatment Plants
Water System Operations	Water Operating Services	1	1.00	Maintenance Technician	87,000	Workload demand
Water System Operations	Water Operating Services	1	1.00	Team Leader	87,000	Workload demand
Wastewater Operating Services	Wastewater Operating Services	5	5.00	Electrical Instrumentation Control Technician (EA)	435,000	Apprenticeship program
	Total positions added in FY 2022	42	41.50		\$ 3,610,500	
Positions Eliminated in FY 2022						
Administrative Services	Financial Services	-1	-0.50	Security Training Coord./Investigator - Part Time	\$ (43,500)	
Administrative Services	Financial Services	-2	-2.00	Office Support Specialist	(174,000)	

Staffing Increases/Decreases - continued

Great Lakes Water Authority
 FY 2022 Proposed Budget
 Staffing Analysis
 Friday, January 22, 2021

Service Area	Operating Area	Change In Staffing Plan	Change In FTEs	Position	Budget (*) with Fringes	Purpose of position
Administrative Services	Financial Services	-1	-1.00	Management Professional	(87,000)	
Administrative Services	Chief Executive Officer	-1	-0.25	Office Support Specialist	(21,750)	
Centralized Services	Planning Services	-1	-1.00	Office Support Specialist	(87,000)	
Centralized Services	Planning Services	-4	-2.00	Management Professional	(174,000)	
Centralized Services	Planning Services	-4	-0.75	Engineer	(65,250)	
Centralized Services	Planning Services	-2	-1.00	Intern	(87,000)	
Centralized Services	Planning Services	-2	-2.00	Electrical Instrumentation Control Technician (IA)	(174,000)	
Centralized Services	Planning Services	-2	-0.25	Applications Analyst	(21,750)	
Centralized Services	Planning Services	-1	-1.00	Manager	(87,000)	
	Total positions eliminated in FY 2022	-21	-11.75		\$ (1,022,250)	
Various	Changes in FTE for existing positions	0	-10.50	Timing differences from when positions were or will be filled		
	Total FY 2022 increase	21	19.25			

(*) Average - Includes Salaries & Wages, Overtime, Fringe Benefits)