

ADDENDUM 1

Supplemental Information –

Enterprise-wide Operations & Maintenance Department and Account Level Amendments

The summary of budget amendments for operations & maintenance (department and account level amendments) are organized by the four core groups. The FY 2023 fourth quarter budget amendments result in an increase to A - Water System Operations and B - Sewer System Operations and net zero changes to the remaining two categories: C - Centralized Services and D - Administrative & Other Services.

GLWA's internal budget directive is for each area, group, and team to manage their needs to an amount within the initial budget. To the extent that is not possible, an amendment is made from the unallocated reserve. If savings are incurred, or an area appears to not require as much funding as established in the original budget, that department's budgeted expenses are reduced, and the unallocated reserve is increased. In administering the budget, there are several refinements to departments and account categories. An explanation of key items is included in the table in Addendum 1.

Items greater than \$500,000 include the following (see the table on the following page).

- A - Water System Operations - Net change = \$4.5 million
 - Utilities - Increase of \$4.8 million - Details can be found in *Addendum 2 - Supplemental Information - Enterprise-wide Operations & Maintenance Account Type and Department Level Amendments*.
 - Capital Program Allocation - Increase of \$0.9 million - This is the portion of Personnel costs which are attributed to the Capital Improvement Plan. The amount in this category is shown as negative as this is a "contra" account which represents an offset to the Personnel costs section of the O&M budget. During FY 2023, the actual hours reported by engineers working on capital projects came in less than what was forecasted.
 - Chemicals - Increase of \$0.8 million - Adjustment for increase in chemical costs, primarily Chlorine, Phosphoric Acid, Hydrofluorosilicic Acid (Fluoride), and Alum based on estimated usage in FY 2023. The budget for chemicals was amended in the second quarter of FY 2023. An additional adjustment is being made with the fourth quarter amendments.
 - Unallocated Reserves - Decrease of \$1.7 million - The Unallocated Reserves were utilized for the refinement of various account categories within the Water Operations area, primarily utilities. The total amount of Unallocated

ADDENDUM 1

Supplemental Information –

Enterprise-wide Operations & Maintenance Department and Account Level Amendments

Reserves (\$2.3 million at the time of the FY 2023 budget approval) was insufficient to cover the increases that have been experienced in FY 2023, especially to utilities and chemicals. An increase in the O&M budget for the overall Water System is, therefore, being requested.

- B – Wastewater System Operations – Net change = \$4.0 million.
 - Utilities – Increase of \$4.2 million – Details can be found in *Addendum 2 – Supplemental Information – Enterprise-wide Operations & Maintenance Account Type and Department Level Amendments*.
 - Supplies & Other – Increase of \$1.1 million – This increase is primarily due to the increased need for the repairs to, and replacement of, equipment. Increases include Conner Creek Combined Sewer Overflow – replacement of stop logs (\$0.4 million increase); Fairview Pumping Station – increase in pump and other equipment repairs due to damage resulting from the June/July 2021 wet weather events (\$0.5 million increase); Wastewater Primary Process – equipment repairs to improve the rack & grit system and primary clarification (\$1.6 million increase). Decreases include Wastewater Incineration Process – equipment repairs under the refractory inspection contract delayed while the scope for this contract is under review (\$1.1 million decrease); Wastewater Operations – HVAC costs coming in under budget (\$0.4 million decrease);
 - Capital Program Allocation – Increase of \$0.5 million – This is the portion of Personnel costs which are attributed to the Capital Improvement Plan. The amount in this category is shown as negative as this is a “contra” account which represents an offset to the Personnel costs section of the O&M budget. During FY 2023, the actual hours reported by engineers working on capital projects came in less than what was forecasted.
 - Personnel – Decrease of \$1.5 million – This decrease is due to the timing of filling vacant positions, especially those that are hard to fill in this tight labor market. In addition, there was a decrease in the utilization of the facilities maintenance contract being used to fill vacant positions as existing GLWA team members have assumed some of the required maintenance tasks.
 - Contractual Services – Decrease of \$0.5 million – As was identified in the Personnel section, above, there was a decrease in the utilization of the facilities maintenance contract being used to fill vacant positions as existing GLWA team members have assumed some of the required maintenance tasks.

ADDENDUM 1

Supplemental Information –

Enterprise-wide Operations & Maintenance Department and Account Level Amendments

- C – Centralized Services – Net change = zero
 - Contractual Services – Increase of \$1.0 million – The primary drivers for the increase in this category are as follows: Increased utilization by Systems Control of the specialize services contracts for the remote site work on sewer level sensors (\$1.8 million increase); increase utilization of the HED Michigan contract for the 14 Mile road water main break (\$1.3 million increase); additional support needed from AECOM for the Capital Improvement Plan (\$0.9 million increase); a reduction in the utilization of as-needed contracts by Facility Operations (\$0.6 million decrease); a reduction in several Information Technology contracts (Trimble Unity implementation contract and Magnolia Rivers GIS contract - \$0.8 million decrease); the AT&T Global Network Services contract is coming in lower than budget (\$1.5 million decrease).
 - Personnel – Decrease of \$0.8 million – This decrease is primarily due to the delay in filling vacant positions, especially those that are hard to fill in this tight labor market.
 - Supplies & Other – Decrease of \$0.6 million – The primary driver for the decrease in this category is the reduced need for Oracle Database licenses (\$0.3 million decrease).

- D – Administrative & Other Services – Net change = zero – The primary change in this area is an increase in Contractual Services of \$0.6 million. This increase is primarily due to the following: Enterprise Risk Management and Safety (\$0.4 million decrease) due to the reduced usage of the NTH Environmental Health and Safety Compliance Services contract (usage varies from year to year); and the Enterprise Risk Management Insurance Fund (\$1.0 million increase) due to increases in the business insurance premiums.

ADDENDUM 1

Supplemental Information –

Enterprise-wide Operations & Maintenance Department and Account Level Amendments

The table below shows the fourth quarter FY 2023 budget amendments per Expense Category for the four core groups.

Major Budget Categories and Expense Categories	Total 4th Quarter FY 2023 Amendments
A Water System Operations	4,519,000
Capital Program Allocation	854,300
Chemicals	774,100
Contractual Services	(422,000)
Personnel	(256,000)
Supplies & Other	470,000
Unallocated Reserve	(1,674,900)
Utilities	4,773,500
B Wastewater System Operations	3,981,000
Capital Program Allocation	455,400
Chemicals	274,800
Contractual Services	(520,300)
Personnel	(1,489,300)
Shared Services	(79,900)
Supplies & Other	1,082,000
Unallocated Reserve	22,300
Utilities	4,236,000
C Centralized Services	-
Capital Program Allocation	191,200
Contractual Services	992,000
Personnel	(808,700)
Supplies & Other	(559,200)
Unallocated Reserve	154,700
Utilities	30,000
D Administrative & Other Services	-
Contractual Services	597,000
Personnel	(302,900)
Shared Services	10,000
Supplies & Other	48,300
Unallocated Reserve	(419,400)
Utilities	67,000
Grand Total	8,500,000