



Memorandum

To: HONORABLE BOARD OF DIRECTORS

From: Sue McCormick, CEO

CC: William M. Wolfson, CACO

Date: August 6, 2020

RE: EXPLANATION OF CEO August 2020 KPIs – “RED, YELLOW, GREEN” REPORT

OVERVIEW Last month there was one “red”, one “yellow”, and two “white” indicators. This month there are one “red”, three “yellow”, and two “white” indicators.

Our Capital Improvement Program (CIP) spending rate remains “red.” We have previously detailed some of the reasons for this underperformance. In the last three months our performance for this metric has improved from 54 to 65%; despite the Continued COVID-19 pandemic. Our spending rate is slightly better for water CIP projects, 69%, versus wastewater projects, 60%.

Our measure that Water system wholesale monthly billed revenues will meet or exceed budgeted amount turned “yellow” and it remains “yellow” this month. GLWA has developed corrective strategies to address future impacts from the revenue variance. With the start of the new fiscal year we are reviewing this measure to see if it should be modified.

This month our measure for preventive maintenance projects completed as a percentage of total projects has turned “yellow.” 87% of the projects completed were preventative maintenance, which is slightly higher than the 85% benchmark. It appears that this change is due to an increase in the number of preventative maintenance tasks (PMs) performed by our operations team. Because operations only performs PM and the number of those PMs has increased as a result of their efficiency, we will continue to monitor to determine if adjustments are necessary.

Our value measure for security patrols is also “yellow” this month. Our ratio of reports to patrols is 1.6% slightly below the 1.9% to 2.7% range for “green.” We believe that the decrease in patrols per shift is related to a decline in activity that would typically require a response.

As previously indicated, the two “white” indicators relate to our valve exercising and rehabilitation program: The program was briefly paused as we wanted to have the

opportunity to evaluate the Phase 1 data before drafting a solicitation to restart the program. These metrics are white as we complete the solicitation necessary to restart the program. We expect the program to restart in the first quarter of Fiscal Year 2020-21.

SPECIFIC RED AND YELLOW MEASURES FOLLOW

EUM Attribute	Measure	Significance	Criteria	Status
Financial Viability	FY 2019 Total CIP Spend	Method for establishing spending is aligned with budgeted revenue	Green= >80% Yellow= 70-80% Red = < 70%	Red

Explanation and Responsive Actions: GLWA’s CIP spending rate continues to lag causing the metric to remain “red.” Although continuing to lag the performance increased from 62% of the target to 64% for the utility. The performance is slightly better on the water (68%) than the sewer projects (60%) for validating the role of wet weather experienced in 2019 has as a major contributor to the underspending in the capital program.

EUM Attribute	Measure	Significance	Criteria	Status
Financial Viability	Water system wholesale monthly billed revenues will meet or exceed budgeted amount through April 2020	Method for establishing revenue projections are reliable	Green=100% Yellow= 85-99% Red = <85%	Yellow

Explanation and Responsive Actions: The purpose of this measure is to test the reliability of revenue projections. This month the measure continues to be “yellow.” This is because Wholesale Water System billed revenues for FY 2020 (through May 31, 2020) are at 98.02% of budget and actual usage is at 94.80% of budget. This is 1.3% lower compared to the same period in FY 2019. It should be noted that subsequently for the month of June 2020, usage was nearly 18% above budgeted amounts with projected revenues for that month closer to \$2.6 million (9.07%) above budgeted amounts. Preliminary amounts for FY 2020 through June are approximately 2.9% below budgeted amounts for the year resulting is estimated revenues at \$2.98 million (0.9%) below budgeted amounts.

There are a number of observations related to this KPI:

1. July 2019 through February 2020: Lower than budgeted usage for July 2019 through February 2020. In total, this period experienced about 5% lower than budgeted usage.
 - a. Summer Usage: July 2019 usage was 13% lower than budgeted largely attributable to wet weather conditions that decreased summer demand. This was partially offset in August which is the only month thus far that had higher than budgeted usage.
 - b. Fall and Winter Months: Lower than expected use in these months may be somewhat attributed to a mild winter which resulted in fewer watermain breaks. That being said, the decline in non-peak months is consistent with service sector forecasting that tells us to continue to expect declining demands overall.
2. March and April 2020: March was on par with the fiscal year average of 5% lower than budgeted usage and April was about 6% lower than budgeted. The first two weeks of May were back to the fiscal year average of about 5% lower than budgeted. The takeaway is, that despite anticipated demand decline as a result COVID-19 operating scenarios, there was not a significant impact. March was consistent with the fiscal year average of 5% lower than budgeted usage, April was about 6% lower than budgeted, and the first two weeks of May were back to the fiscal year average of about 5% lower than budgeted.
3. May and June 2020: June 24, 2020: The forecasted reduction of wholesale water sales was updated to \$4.6 million for FY 2020 through June. This is lower than the \$6.5 million forecasted and reported to the Board in April 2020. Increased demand in May and June 2020 has helped to alleviate the previously forecasted shortfall. On June 24, 2020, the Board adopted budget amendments to account for the forecasted shortfall.
4. August 2020: Looking back, as noted above, the amount of reduced revenue from earlier in the fiscal year was partially recovered late in the fiscal year. Action was taken by the Board via budget amendments to reduce the budget accordingly. In the final analysis, the budget amendments were appropriately conservative and financial position is better than forecasted.
5. Future Charges Impact: The impact for FY 2022 Charges is that the lower demand will be reflected in the rolling, historical 36-month cycle that drives units of service calculation.

EUM Attribute	Measure	Significance	Criteria	Status
Infrastructure Strategy and Performance	Wastewater - Preventative maintenance projects completed as planned	Reduced risk of unplanned downtime or inefficiencies	Green = 80-100% Yellow = 60-80% Red = >60%	Yellow

Explanation and Responsive Actions: 87% of the projects completed within our Wastewater Operations Group were for preventative rather than corrective maintenance. Maintenance. This is slightly higher than the 85% benchmark. We will continue to monitor to determine if this is a single occurrence or the start of a trend.

EUM Attribute	Measure	Significance	Criteria	Status
Infrastructure Strategy and Performance	Water - 25 or more valves exercised per month	Reduced risk of unplanned downtime or emergency repairs	Green = 25 or more per month Yellow = 21 - 24 per month Red = 20 or less per month	White

EUM Attribute	Measure	Significance	Criteria	Status
Infrastructure Strategy and Performance	Water - 100% of GLWA valves assessed are operational.	Reduced risk of unplanned downtime and service interruption	Green = 90-100% Yellow = 80 - 90% Red = <80%	White

Explanation and Responsive Actions: The initial “pilot” phase of our valve assessment project has been completed. These metrics are white as we complete the solicitation necessary to move to Phase 2 of the program. The Phase 2 contract was approved by the Board in June 2020 and we are finalizing the contract for execution.

EUM Attribute	Measure	Significance	Criteria	Status
Enterprise Resiliency	GLWA security patrols will produce an average of 2 security reports (incident and facility inspection) per patrol.	Risk prevention	Green = 1.9 - 2.7 average reports per patrol Yellow = 1.5 - <1.9 or ,>2.7 - 2.9 average reports per patrol Red = <1.5 or >2.9 average reports per patrol	YELLOW

Explanation and Responsive Actions: Our value measure for security patrols is also “yellow” this month. Our ratio of reports to patrols is 1.6% slightly below the 1.9% to 2.7% range for “green.” We believe that the decrease in patrols per shift is related to a decline in activity that would typically require a response. Nonetheless, we will continue to monitor this measure to determine if any adjustment is required.