



Audit Committee

Wednesday, June 24, 2020 at 1:00 p.m.

www.GLWater.org

Conference Call Dial-In: Call 866-528-2256 Access Code 9169911

AGENDA

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF AGENDA
4. APPROVAL OF MINUTES
 - A. None
5. PUBLIC PARTICIPATION
6. OLD BUSINESS
 - A. None
7. NEW BUSINESS
 - A. Proposed FY 2020 Budget Amendments (Page 1)
8. REPORTS
9. INFORMATION
 - A. Proposed Legislation Update – Senate Bill 690 (Page 39)
Re: COVID-19 Response
10. LOOK AHEAD
 - Next Audit Committee Meetings
 - A. Regular Meeting July 17, 2020 at 8:00 a.m.
11. OTHER MATTERS
12. ADJOURNMENT



Date: June 24, 2020

To: Great Lakes Water Authority Audit Committee

From: Lisa L Mancini, Financial Planning & Analysis Manager

Re: FY 2020 Quarterly Budget Amendments through June 30, 2020 and Proposed Budget Amendment Resolution

Background: In accordance with the budget amendment policy, articles, and by-laws for the Great Lakes Water Authority, a quarterly budget amendment report is presented for review by the Audit Committee. If budget amendments are required at the appropriation level as defined by the corresponding fiscal year budget adoption resolution, the Audit Committee will review the proposed budget amendments and forward to the Board of Directors with a recommendation.

Analysis: The budget amendment report is organized in the following manner.

1. Appropriation Level - Revenue Requirement - Water and Sewer Systems

- a. Supplemental Information - Fund Level - Water System and Sewer System*
- b. Supplemental Information - Enterprise-wide Core Groups*
- c. Supplemental Information - Enterprise-wide Operations & Maintenance Account Type*
- d. Supplemental Information - Enterprise-wide Operations & Maintenance Department and Account Level Amendments (see Addendum)*

2. Appropriation Level - Improvement & Extension Fund - Water and Sewer Systems

3. Appropriation Level - Construction Bond Fund - Water and Sewer Systems

A budget amendment resolution reflecting the budget amendments is also attached.

Proposed Action: The Audit Committee recommends that the Board of Directors for the Great Lakes Water Authority adopt the proposed budget resolution for the FY 2020 budget amendments.



Quarterly Budget Amendment Report
FY 2020
Ending June 30, 2020

Appropriation Level - Revenue Requirement – Water System General Operating

Water System	FY 2020 Board Adopted Budget	1st Quarter FY 2020 Amendments	2nd Quarter FY 2020 Amendments	3rd Quarter FY 2020 Amendments	4th Quarter FY 2020 Amendments	Net Adjustment	FY 2020 Amended Budget	FY 2020 Activity Thru 3/31/2020
Revenues								
Suburban Wholesale Customer Charges	\$ 309,284,500	\$ -	\$ -	\$ -	\$ (4,650,300)	\$ (4,650,300)	\$ 304,634,200	\$ 228,970,141
Retail Service Charges	21,295,500	-	-	-	-	-	21,295,500	15,971,600
Investment Earnings	9,084,200	-	-	-	(1,000,000)	(1,000,000)	8,084,200	5,469,400
Other Revenues	-	-	-	-	2,400	2,400	2,400	2,400
Total Revenues	\$ 339,664,200	\$ -	\$ -	\$ -	\$ (5,647,900)	\$ (5,647,900)	\$ 334,016,300	\$ 250,413,541
Revenue Requirements								
Operations & Maintenance Expense	\$ 131,490,500	\$ -	\$ -	\$ -	\$ (4,650,300)	\$ (4,650,300)	\$ 126,840,200	\$ 97,062,300
General Retirement System Legacy Pension	6,048,000	-	-	-	-	-	6,048,000	4,536,000
Debt Service	137,557,600	-	-	-	(1,558,800)	(1,558,800)	135,998,800	99,167,510
General Retirement System Accelerated Pension	6,268,300	-	-	-	-	-	6,268,300	4,701,222
Extraordinary Repair & Replacement Deposit	-	-	-	-	-	-	-	-
Water Residential Assistance Program Contribution	1,698,300	-	-	-	-	-	1,698,300	1,273,725
Lease Payment	22,500,000	-	-	-	-	-	22,500,000	16,875,000
Operating Reserve Deposit	3,976,000	-	-	-	-	-	3,976,000	2,982,000
DWSD Budget Shortfall Pending	-	-	-	-	1,230,400	1,230,400	1,230,400	922,800
Improvement & Extension Fund Transfer Pending	30,125,500	-	-	-	(669,200)	(669,200)	29,456,300	22,593,751
Total Revenue Requirements	\$ 339,664,200	\$ -	\$ -	\$ -	\$ (5,647,900)	\$ (5,647,900)	\$ 334,016,300	\$ 250,114,308



Appropriation Level – Revenue Requirement – Water System General Operating Budget Amendment Explanation	
Revenues	
Suburban Wholesale Customer Charges	<i>As reported in the monthly Audit Committee binders, a negative demand variance from a) summer 2019 weather conditions and b) ongoing trend of reduced demand in off-peak months existed throughout most of the fiscal year. Recent demand in June has narrowed the potential shortfall. At this time, an amendment is proposed for the revenue shortfall forecast of approximately \$4.6 million.</i>
Retail Services Charges	<i>No amendment is proposed.</i>
Investment Earnings	<i>Decrease in earnings due to market conditions since declaration of COVID-19 pandemic emergency.</i>
Other Revenues	<i>Amendment proposed based on activity to date. This source of revenue fluctuates from year to year.</i>
Revenue Requirements (Expenditures)	
Operations & Maintenance Expense	<i>Expenses were reduced to align with charge revenue reductions. Additional information related to the details of how this was accomplished is provided in this report.</i>
General Retirement System Legacy Pension	<i>Budget and funding are on a fixed schedule. No budget amendment is required.</i>
Debt Service	<i>Decrease largely due to May 2020 refunding transaction.</i>
General Retirement System Legacy Pension – Accelerated Payment	<i>Budget and funding are on a fixed schedule. No budget amendment is required.</i>
Extraordinary Repair & Replacement	<i>This is a formulaic requirement in the Master Bond Ordinance. Based on adopted and amended budget, no adjustment is required.</i>
Water Residential Assistance Program Contribution	<i>Budget is fixed at time of budget adoption. No amendment is required.</i>



Appropriation Level – Revenue Requirement – Water System General Operating Budget Amendment Explanation	
Lease Payment	<i>Lease payment is established in accordance with terms of the lease. No amendments are required for FY 2020.</i>
Operating Reserve Deposit	<i>This is a formulaic requirement in the Master Bond Ordinance. Based on adopted and amended budget, no adjustment is required.</i>
DWSD Budget Shortfall Pending	<i>Represents budget shortfall attributable to decline in collections since declaration of COVID-19 pandemic emergency. The 2018 Memorandum of Understanding provides guidance related to repayment to the extent that the shortfall is not cured by other means before June 30th of the subsequent year.</i>
Improvement & Extension Fund Transfer Pending	<i>Represents annual funding for pay-as-you-go capital improvement program. Budget amendments to investment earnings, debt service, and DWSD budget shortfall affect this line item.</i>



**Quarterly Budget Amendment Report
FY 2020
Ending June 30, 2020**

Appropriation Level - Revenue Requirement - Sewer System

Sewer System	FY 2020 Board Adopted Budget	1st Quarter FY 2020 Amendments	2nd Quarter FY 2020 Amendments	3rd Quarter FY 2020 Amendments	4th Quarter FY 2020 Amendments	Net Adjustment	FY 2020 Amended Budget	FY 2020 Activity Thru 3/31/2020
Revenues								
Suburban Wholesale Customer Charges	\$ 272,323,600	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 272,323,600	\$ 201,484,900
Retail Service Charges	185,807,300	-	-	-	-	-	185,807,300	139,355,500
Industrial Waste Control Charges	13,743,600	-	-	-	(5,910,000)	(5,910,000)	7,833,600	6,209,800
Pollutant Surcharges	-	-	-	-	5,910,000	5,910,000	5,910,000	4,683,100
Investment Earnings	8,730,800	-	-	-	(1,000,000)	(1,000,000)	7,730,800	6,345,400
Other Revenues	-	-	-	-	400,000	400,000	400,000	342,800
Total Revenues	\$ 480,605,300	\$ -	\$ -	\$ -	\$ (600,000)	\$ (600,000)	\$ 480,005,300	\$ 358,421,500
Revenue Requirements								
Operations & Maintenance Expense	\$ 187,057,200	\$ -	\$ -	\$ -	\$ (5,131,400)	\$ (5,131,400)	\$ 181,925,800	\$ 125,351,800
General Retirement System Legacy Pension	10,824,000	-	-	-	-	-	10,824,000	8,118,000
Debt Service	215,738,800	-	-	-	(1,048,100)	(1,048,100)	214,690,700	158,005,747
General Retirement System Accelerated Pension	11,620,700	-	-	-	-	-	11,620,700	8,715,528
Extraordinary Repair & Replacement Deposit	-	-	-	-	-	-	-	-
Water Residential Assistance Program Contribution	2,403,000	-	-	-	-	-	2,403,000	1,802,250
Lease Payment	27,500,000	-	-	-	-	-	27,500,000	20,625,003
Operating Reserve Deposit	-	-	-	-	-	-	-	-
DWSD Budget Shortfall Pending	-	-	-	-	10,243,500	10,243,500	10,243,500	4,715,488
Improvement & Extension Fund Transfer Pending	25,461,600	-	-	-	(4,664,000)	(4,664,000)	20,797,600	19,096,200
Total Revenue Requirements	\$ 480,605,300	\$ -	\$ -	\$ -	\$ (600,000)	\$ (600,000)	\$ 480,005,300	\$ 346,430,016



Appropriation Level – Revenue Requirement – Water System General Operating Budget Amendment Explanation	
Revenues	
Suburban Wholesale Customer Charges	<i>No amendment is proposed.</i>
Retail Services Charges	<i>No amendment is proposed.</i>
Industrial Waste Control Charges	<i>Previously this line included pollutant surcharges. The budget amendment is to reclassify those charges to a new line. The net budget impact is zero.</i>
Pollutant Surcharges	<i>See explanation for Industrial Waste Control Charges.</i>
Investment Earnings	<i>Decrease in earnings due to market conditions since declaration of COVID-19 pandemic emergency.</i>
Other Revenues	<i>Amendment proposed based on activity to date. This source of revenue fluctuates from year to year.</i>
Revenue Requirements (Expenditures)	
Operations & Maintenance Expense	<i>Enterprise-wide centralized services and administrative expenses were reduced to achieve corresponding revenue charge revenue reductions for the water system. Additional information related to the details of how this was accomplished is provided in this report.</i>
General Retirement System Legacy Pension	<i>Budget and funding are on a fixed schedule. No budget amendment is required.</i>
Debt Service	<i>Decrease largely due to forecast versus actual timing of state revolving fund loan draws, interest for a new money bond issue that was deferred, and an adjustment for a variable rate debt.</i>
General Retirement System Legacy Pension – Accelerated Payment	<i>Budget and funding are on a fixed schedule. No budget amendment is required.</i>
Extraordinary Repair & Replacement	<i>This is a formulaic requirement in the Master Bond Ordinance. Based on adopted and amended budget, no adjustment is required.</i>



Appropriation Level – Revenue Requirement – Water System General Operating Budget Amendment Explanation	
Water Residential Assistance Program Contribution	<i>Budget is fixed at time of budget adoption. No amendment is required.</i>
Lease Payment	<i>Lease payment is established in accordance with terms of the lease. No amendments are required for FY 2020.</i>
Operating Reserve Deposit	<i>This is a formulaic requirement in the Master Bond Ordinance. Based on adopted and amended budget, no adjustment is required.</i>
DWSD Budget Shortfall Pending	<i>Represents budget shortfall attributable to decline in collections since declaration of COVID-19 pandemic emergency. The 2018 Memorandum of Understanding provides guidance related to repayment to the extent that the shortfall is not cured by other means before June 30th of the subsequent year.</i>
Improvement & Extension Fund Transfer Pending	<i>Represents annual funding for pay-as-you-go capital improvement program. Budget amendments to investment earnings, debt service, and DWSD budget shortfall affect this line item.</i>

Supplemental Information – Operating Fund Level - Water System and Sewer System

System	FY 2020 Board Adopted Budget	1st Quarter FY 2020 Amendments	2nd Quarter FY 2020 Amendments	3rd Quarter FY 2020 Amendments	4th Quarter FY 2020 Amendments	Net Adjustment	FY 2020 Amended Budget	FY 2020 Activity Thru 3/31/2020
Water System Operations	\$ 131,490,500	\$ -	\$ -	\$ -	\$ (4,650,300)	\$ (4,650,300)	\$ 126,840,200	\$ 97,062,300
Wastewater System Operations	187,057,200	-	-	-	(5,131,400)	(5,131,400)	181,925,800	125,351,800
Total	\$ 318,547,700	\$ -	\$ -	\$ -	\$ (9,781,700)	\$ (9,781,700)	\$ 308,766,000	\$222,414,100

As shown in the table above, there are no budget amendments for transfers of resources between the water and sewer funds. It is unforeseen that such an amendment would occur as each system is accounted for as a stand-alone entity. The purpose of this table is to transparently report that funds from one system do not provide budget support to the other system.



Supplemental Information - Enterprise-wide Core Groups

O&M Major Budget Categories (Core Groups)	FY 2020 Board Adopted Budget	1st Quarter FY 2020 Amendments	2nd Quarter FY 2020 Amendments	3rd Quarter FY 2020 Amendments	4th Quarter FY 2020 Amendments	Net Adjustment	FY 2020 Amended Budget	FY 2020 Activity Thru 3/31/2020
A Water System Operations	\$ 66,021,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 66,021,100	\$ 53,833,200
B Wastewater System Operations	115,985,300	-	-	-	-	-	115,985,300	78,818,800
C Centralized Services	106,913,500	-	-	-	(9,181,700)	(9,181,700)	97,731,800	68,984,600
D Administrative & Other Services	29,627,800	-	-	-	(600,000)	(600,000)	29,027,800	20,777,500
Total	\$ 318,547,700	\$ -	\$ -	\$ -	\$ (9,781,700)	\$ (9,781,700)	\$ 308,766,000	\$222,414,100

A subset of the operating funds are core groups that account for A) direct cost of water operations, B) direct cost of sewer operations, C) centralized services (e.g. field services, security, information technology, facilities, and fleet), D) administrative services (e.g. finance, public affairs, general counsel, and organizational development). The costs of the latter two categories are allocated to the water and sewer systems based upon an internal cost allocation plan that is performed on an annual basis. Through the entire FY 2020, there are no amendments that cross the core groups. For more activity within these groups, see *Supplemental Information - Enterprise-wide Operations & Maintenance Department and Account Level Amendments (Addendum 1)*.

Supplemental Information - Enterprise-wide Operations & Maintenance Account Type

O&M Expense Categories (Account Type)	FY 2020 Board Adopted Budget	1st Quarter FY 2020 Amendments	2nd Quarter FY 2020 Amendments	3rd Quarter FY 2020 Amendments	4th Quarter FY 2020 Amendments	Net Adjustment	FY 2020 Amended Budget	FY 2020 Activity Thru 3/31/2020
Personnel Costs	\$ 105,090,700	\$ -	\$ (698,125)	\$ -	\$ (2,889,253)	\$ (3,587,378)	\$ 101,503,322	\$ 78,371,900
Utilities	51,333,700	-	(993,000)	-	190,390	(802,610)	\$ 50,531,090	38,412,900
Chemicals	13,898,600	-	-	-	120,000	120,000	\$ 14,018,600	10,529,100
Supplies & Other	36,392,000	-	871,020	-	(3,139,170)	(2,268,150)	\$ 34,123,850	24,075,400
Contractual Services	115,306,800	-	(8,294,895)	-	(3,036,920)	(11,331,815)	\$ 103,974,985	77,428,000
Capital Program Allocation	(5,414,300)	-	1,898,900	-	393,900	2,292,800	\$ (3,121,500)	(2,394,900)
Shared Services	(5,025,100)	-	(64,250)	-	94,000	29,750	\$ (4,995,350)	(4,008,300)
Unallocated Reserve	6,965,300	-	7,280,350	-	(1,514,647)	5,765,703	\$ 12,731,003	-
Total	\$ 318,547,700	\$ -	\$ -	\$ -	\$ (9,781,700)	\$ (9,781,700)	\$ 308,766,000	\$ 222,414,100

The table above presents the Operations & Maintenance budget by the major expense categories (account type).

For additional detail and the explanation of the larger changes to the FY 2020 budget within these categories, see *Supplemental Information - Enterprise-wide Operations & Maintenance Department and Account Level Amendments (Addendum 1)*.

For an additional view of the Operations & Maintenance budget by expense category (account type) and by departmental level, see *Supplemental Information - Enterprise-wide Operations & Maintenance Account Type and Departmental Level Amendments (Addendum 2)*.

Supplemental Information - Unallocated Reserve by Core Group

O&M Unallocated Reserves	FY 2020 Board Adopted Budget	1st Quarter FY 2020 Amendments	2nd Quarter FY 2020 Amendments	3rd Quarter FY 2020 Amendments	4th Quarter FY 2020 Amendments	Net Adjustment	FY 2020 Amended Budget
Water System Operations	\$ 2,697,200	\$ -	\$ (2,226,300)	\$ -	\$ (451,800)	\$ (2,678,100)	\$ 19,100
Wastewater System Operations	3,264,851	-	3,000,000	-	4,755,128	7,755,128	11,019,979
Centralized Services	652,983	-	6,726,650	-	(6,363,000)	363,650	1,016,633
Administrative & Other Services	350,212	-	(220,000)	-	545,025	325,025	675,237
Total	\$ 6,965,246	\$ -	\$ 7,280,350	\$ -	\$ (1,514,647)	\$ 5,765,703	\$ 12,730,949

An Unallocated Reserve account is established for each of the four core groups. Budget is assigned to these accounts to cover expenditures not known at the time the budget is developed (merit increases, fluctuations within maintenance contracts and usage of utilities and chemicals, projects and initiatives not planned at the time the initial budget was developed, etc.). It is GLWA's internal budget directive for each area, group, and team to manage their needs to an amount within the initial budget. If required, an amendment is made from the unallocated reserve. If an area does not require as much funding as was established in the original budget, that department's budgeted expenses are reduced, and the unallocated reserve is increased.

As we look toward the FY 2020 fiscal year-end, of the four core groups, the budget for Water System Operations is the closest to actual. This group is being monitored closely. In running the activity report through June 21, 2020, the daily average *actual* expense is \$177,000 while the daily average *budgeted* expense is \$180,000.

For additional information on the FY 2020 changes to the unallocated reserve, see *Supplemental Information - Enterprise-wide Operations & Maintenance Department and Account Level Amendments (Addendum 1)*.



Appropriation Level – Improvement & Extension Fund – Water System

Water Improvement & Extension Fund	FY 2020 Board Adopted Budget	1st Quarter FY 2020 Amendments	2nd Quarter FY 2020 Amendments	3rd Quarter FY 2020 Amendments	4th Quarter FY 2020 Amendments	Net Adjustment	FY 2020 Amended Budget	FY 2020 Activity Thru 3/31/2020
Revenues								
Water System Revenue Transfers In	\$ 30,125,500	\$ -	\$ -	\$ -	\$ (669,200)	\$ (669,200)	\$ 29,456,300	\$ 22,593,800
Earnings on Investments	-	-	-	-	4,500,000	4,500,000	4,500,000	3,212,700
Net Use of Reserves	24,999,800	-	-	-	(48,267,109)	(48,267,109)	(23,267,309)	-
Total Revenues	\$ 55,125,300	\$ -	\$ -	\$ -	\$ (44,436,309)	\$ (44,436,309)	\$ 10,688,991	\$ 25,806,500
Expenditures								
Water System Revenue Transfers Out	\$ -	\$ -	\$ -	\$ -	\$ 4,500,000	\$ 4,500,000	\$ 4,500,000	\$ 3,912,100
Capital Improvement Plan-I&E Funded	-	-	1,173,179	-	-	1,173,179	1,173,179	1,994,800
Capital Outlay	10,125,300	-	(1,173,179)	-	(3,936,309)	(5,109,488)	5,015,812	3,896,100
Revenue Financed Capital - Operating Transfer to Construction Fund	45,000,000	-	-	-	(45,000,000)	(45,000,000)	-	-
Total Expenditures	\$ 55,125,300	\$ -	\$ -	\$ -	\$ (44,436,309)	\$ (44,436,309)	\$ 10,688,991	\$ 9,803,000

Appropriation Level – Improvement & Extension Fund – Water System Budget Amendment Explanation	
Revenues	
Water System Revenue Transfers In	<i>To match the amount available for transfer from FY 2020 revenue requirement based upon general operating fund performance.</i>
Earnings on Investments	<i>Has not been budgeted as there is a corresponding transfer of earnings back to general operating fund as allowed by the Master Bond Ordinance. The net effect on the I&E Fund is zero as the earnings are budgeted and accounted for in the operating fund to lower revenue requirement for charges. Amendment is for estimated amount.</i>
Net Use (Source) of Reserves	<i>This amount represents the net amount of revenues less expenses. A negative amount represents an increase in reserves from current year activity rather than a use of reserves.</i>



Appropriation Level – Improvement & Extension Fund – Water System Budget Amendment Explanation	
<i>Expenditures</i>	
Water System Revenue Transfers Out (Earnings on Investments)	<i>Has not been budgeted as there is a corresponding transfer of earnings back to general operating fund as allowed by the Master Bond Ordinance (so the net effect on the I&E Fund is zero). Amendment is for estimated amount. Amount offsets Earnings on Investments. Any variance between the two line items represents a timing difference.</i>
Capital Improvement Plan Projects – I&E Funded	<i>Represents projects in the Board adopted capital improvement plan (CIP) that do not meet the criteria for debt financing.</i>
Capital Outlay	<i>Overall decrease in spending than planned. Partially driven by shift in organizational priorities as a result of the COVID-19 pandemic.</i>
Revenue Financed Capital – Transfer to Construction Fund	<i>Original budget presumed a certain level of capital spending which did not occur. No transfer therefor necessary as sufficient bond funds exist and should be utilized first.</i>

Appropriation Level - Improvement & Extension Fund – Sewer System

Sewer Improvement & Extension Fund	FY 2020 Board Adopted Budget	1st Quarter FY 2020 Amendments	2nd Quarter FY 2020 Amendments	3rd Quarter FY 2020 Amendments	4th Quarter FY 2020 Amendments	Net Adjustment	FY 2020 Amended Budget	FY 2020 Activity Thru 3/31/2020
Revenues								
Sewer System Revenue Transfers In	\$ 25,461,600	\$ -	\$ -	\$ -	\$ (4,664,000)	\$ (4,664,000)	\$ 20,797,600	\$ 33,227,500
Earnings on Investments	-	-	-	-	1,800,000	1,800,000	1,800,000	1,391,000
Net Use of Reserves	(5,339,400)	-	-	-	(3,656,809)	(3,656,809)	(8,996,209)	-
Total Revenues	\$ 20,122,200	\$ -	\$ -	\$ -	\$ (6,520,809)	\$ (6,520,809)	\$ 13,601,391	\$ 34,618,500
Expenditures								
Sewer System Revenue Transfers Out	\$ -	\$ -	\$ -	\$ -	\$ 1,800,000	\$ 1,800,000	\$ 1,800,000	\$ 1,461,000
Capital Outlay	20,122,200	-	-	-	(8,320,809)	(8,320,809)	11,801,391	\$ 4,381,900
Revenue Financed Capital	-	-	-	-	-	-	-	-
Total Expenditures	\$ 20,122,200	\$ -	\$ -	\$ -	\$ (6,520,809)	\$ (6,520,809)	\$ 13,601,391	\$ 5,842,900

Appropriation Level – Improvement & Extension Fund – Sewer System Budget Amendment Explanations	
Revenues	
Sewer System Revenue Transfers In	<i>To match the amount available for transfer from FY 2020 revenue requirement based upon general operating fund performance.</i>
Earnings on Investments	<i>Has not been budgeted as there is a corresponding transfer of earnings back to general operating fund as allowed by the Master Bond Ordinance. The net effect on the I&E Fund is zero as the earnings are budgeted and accounted for in the operating fund to lower revenue requirement for charges. Amendment is for estimated amount.</i>
Net Use of Revenues	<i>This amount represents the net amount of revenues less expenditures. A negative amount represents an increase in reserves from current year activity rather than a use of reserves.</i>



Appropriation Level – Improvement & Extension Fund – Sewer System Budget Amendment Explanations	
<i>Expenditures</i>	
Water System Revenue Transfers Out (Earnings on Investments)	<i>Has not been budgeted as there is a corresponding transfer of earnings back to general operating fund as allowed by the Master Bond Ordinance (so the net effect on the I&E Fund is zero). Amendment is for estimated amount. Amount offsets Earnings on Investments. Any variance between the two line items represents a timing difference.</i>
Capital Outlay	<i>Overall decrease in spending than planned. Partially driven by shift in organizational priorities as a result of the COVID-19 pandemic.</i>
Revenue Financed Capital – Transfer to Construction Fund	<i>No such transfer needed this year based upon level of binds funds available for capital improvement plan expenditures.</i>



Appropriation Level – Construction Bond Fund – Water System

Water Construction Bond Fund	FY 2020 Board Adopted Budget	1st Quarter FY 2020 Amendments	2nd Quarter FY 2020 Amendments	3rd Quarter FY 2020 Amendments	4th Quarter FY 2020 Amendments	Net Adjustment	FY 2020 Amended Budget	FY 2020 Activity Thru 3/31/2020
Revenues								
Transfer from Improvement & Extension	\$ 45,000,000	\$ -	\$ -	\$ -	\$ (45,000,000)	\$ (45,000,000)	\$ -	\$ -
Bond Proceeds	-	-	-	-	-	-	-	-
Grant Revenues (SRF Loans)	5,531,000	-	-	-	7,367,300	7,367,300	12,898,300	6,498,500
Earnings on Investments	1,487,700	-	-	-	-	-	1,487,700	1,100,900
Net Use of Reserves	55,416,600	(15,488,144)	(12,948,106)	(4,131,668)	37,632,700	5,064,782	60,481,382	-
Total Revenues	\$ 107,435,300	\$ (15,488,144)	\$ (12,948,106)	\$ (4,131,668)	\$ -	\$ (32,567,918)	\$ 74,867,382	\$ 7,599,400
Capital Improvement Plan	\$ 143,247,000	\$ (15,488,144)	\$ (61,010)	\$ (4,131,668)	\$ -	\$ (19,680,822)	\$ 123,566,178	\$ 46,600,900
Capital Spend Rate Adjustment	(35,811,700)	-	(12,887,096)	-	-	(12,887,096)	(48,698,796)	-
Total Expenditures	\$ 107,435,300	\$ (15,488,144)	\$ (12,948,106)	\$ (4,131,668)	\$ -	\$ (32,567,918)	\$ 74,867,382	\$ 46,600,900

Appropriation Level – Construction Bond Fund – Water System Budget Amendment Explanations

Revenues	
Transfers from Improvement & Extension Fund	<i>The financial plan focuses on spending bond proceeds first for the capital improvement plan (CIP) then I&E funds. The initial budget for FY 2020 anticipated a higher level of CIP spend than what has occurred. Sufficient bond funds remain to pay for the actual expenditures; therefore no transfer will be needed for FY 2020.</i>
Bond Proceeds	<i>There were no water system bond proceeds for FY 2020.</i>
Grant Revenues (State Revolving Fund Loans)	<i>State revolving fund loan disbursements are on a reimbursement basis. The amount and timing of funds fluctuates with project expenditures incurred. Details related to the SRF projects are presented in the quarterly debt report. The most recent quarterly debt report is presented in the May 2020 Audit Committee binder which provides details related to the SRF funding and associated projects.</i>
Earnings on Investments	<i>No amendment needed at this time.</i>



Appropriation Level – Construction Bond Fund – Water System Budget Amendment Explanations	
Net Use of Revenues	<i>This amount represents the net amount of revenues less expenditures. A “use of reserves” indicates a spend down of prior year reserves. The amount has been amended to reflect eliminated need for I&E funds for FY 2020 (sufficient bond funds are available based upon a revised spend rate).</i>
Expenditures	
Capital Improvement Plan	<i>After contracts are awarded at amounts variant from the CIP plan and more reliable anticipated spend data becomes available, the amended budget for the current fiscal year may increase or decrease by way of “Capital Reserve” budget amendments.</i>
Capital Spend Rate Assumption Adjustment	<i>The Board of Directors adopts a capital spending ratio assumption (SRA) which allows the realities of capital program delivery to align with the financial plan. The SRA is an analytical approach to bridge the total dollar amount of projects in the CIP with what can realistically be spent due to limitations beyond GLWA’s control and/or delayed for nonbudgetary reasons. Those limitations, whether financial or non-financial, necessitate the SRA for budgetary purposes, despite the prioritization established. Amendments to the spend rate assumption are made to align the projected financial use of resources with revised capital improvement plan spending forecasts. The most recent quarterly construction work-in-progress report is presented in the June 2020 Audit Committee binder.</i>



Appropriation Level – Construction Bond Fund – Sewer System

Sewer Construction Bond Fund	FY 2020 Board Adopted Budget	1st Quarter FY 2020 Amendments	2nd Quarter FY 2020 Amendments	3rd Quarter FY 2020 Amendments	4th Quarter FY 2020 Amendments	Net Adjustment	FY 2020 Amended Budget	FY 2020 Activity Thru 3/31/2020
Revenues								
Transfer from Improvement & Extension	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bond Proceeds	78,960,000	-	-	-	(78,960,000)	(78,960,000)	-	-
Grant Revenues (SRF Loans)	29,342,000	-	-	-	11,163,000	11,163,000	40,505,000	20,387,400
Earnings on Investments	41,100	-	-	-	1,158,900	1,158,900	1,200,000	995,400
Net Use of Reserves	12,766,900	1,558,000	(49,698,000)	300,000	66,638,100	18,798,100	31,565,000	-
Total Revenues	\$ 121,110,000	\$ 1,558,000	\$ (49,698,000)	\$ 300,000	\$ -	\$ (47,840,000)	\$ 73,270,000	\$ 21,382,800
Capital Improvement Plan	\$ 161,479,900	\$ 1,558,000	\$ (6,453,995)	\$ 300,000	\$ -	\$ (4,595,995)	\$ 156,883,905	\$ 53,469,600
Capital Spend Rate Adjustment	(40,369,900)	-	(43,244,005)	-	-	(43,244,005)	(83,613,905)	-
Total Expenditures	\$ 121,110,000	\$ 1,558,000	\$ (49,698,000)	\$ 300,000	\$ -	\$ (47,840,000)	\$ 73,270,000	\$ 53,469,600

Appropriation Level – Construction Bond Fund – Sewer System Budget Amendment Explanations

Revenues	
Transfers from Improvement & Extension Fund	<i>The financial plan focuses on spending bond proceeds first for the capital improvement plan (CIP) then I&E funds. Sufficient bond funds remain to pay for the actual expenditures; therefore no transfer will be needed for FY 2020.</i>
Bond Proceeds	<i>Based upon a) reduction in forecasted capital improvement program spend and b) increased availability of lower cost state revolving fund loans, the need for new bond proceeds for FY 2020 was eliminated.</i>
Grant Revenues (State Revolving Fund Loans)	<i>GLWA was able to utilize more of lower cost state revolving fund loans rather than requiring a new money bond transaction. The most recent quarterly debt report is presented in the May 2020 Audit Committee binder which provides details related to the SRF funding and associated projects.</i>
Earnings on Investments	<i>Amount increased based upon higher investable balances available.</i>

Appropriation Level – Construction Bond Fund – Sewer System Budget Amendment Explanations	
Net Use of Revenues	<i>This amount represents the net amount of revenues less expenditures. A “use of reserves” indicates a spend down of prior year reserves. The amount has been amended to reflect eliminated need for bond funds for FY 2020 (sufficient bond funds are available based upon a revised spend rate).</i>
Expenditures	
Capital Improvement Plan	<i>After contracts are awarded at amounts variant from the CIP plan and more reliable anticipated spend data becomes available, the amended budget for the current fiscal year may increase or decrease by way of “Capital Reserve” budget amendments.</i>
Capital Spend Rate Adjustment	<i>The Board of Directors adopts a capital spending ratio assumption (SRA) which allows the realities of capital program delivery to align with the financial plan. The SRA is an analytical approach to bridge the total dollar amount of projects in the CIP with what can realistically be spent due to limitations beyond GLWA’s control and/or delayed for nonbudgetary reasons. Those limitations, whether financial or non-financial, necessitate the SRA for budgetary purposes, despite the prioritization established. Amendments to the spend rate assumption are made to align the projected financial use of resources with revised capital improvement plan spending forecasts. The most recent quarterly construction work-in-progress report is presented in the June 2020 Audit Committee binder.</i>



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 2020 budget amendments for categories A - Water System Operations and B - Sewer System Operations net to zero. The net budget amendments result in a reduction to categories C – Centralized Services (\$9.2 million) and D – Administrative & Other Services (\$600,000). 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 larger items (greater than \$500,000) is included in the table in Addendum 1.

Departmental and Account Level Amendments	FY 2020 Amendments	Explanation for Items Greater Than \$500,000
A Water System Operations	-	Note "Category A" Water System budget amendments nets to zero.
Adams Road Pumping Station	75,000	
Supplies & Other	75,000	
COO - Water Operations & Field Services	73,100	
Capital Program Allocation	13,500	
Contractual Services	(20,400)	
Personnel Costs	80,000	
Ford Rd Pumping Station	50,000	
Utilities	50,000	
Franklin Road Pumping Station	14,000	
Supplies & Other	50,000	
Utilities	(36,000)	
Haggerty Road Pumping Station	(23,300)	
Utilities	(23,300)	
Imlay Pumping Station	565,000	
Supplies & Other	65,000	
Utilities	500,000	Budget added based on review of historical spend and projected FY 2020 utilization
Lake Huron Water Plant	123,700	
Capital Program Allocation	36,900	
Chemicals	100,000	
Contractual Services	(358,200)	
Personnel Costs	(114,400)	
Supplies & Other	350,000	
Utilities	109,400	
Newburgh Pumping Station	(28,300)	
Utilities	(28,300)	
North Service Center Pumping Station	350,000	
Supplies & Other	150,000	
Utilities	200,000	
Northeast Water Plant	(278,800)	
Chemicals	75,000	
Contractual Services	(285,200)	
Personnel Costs	6,000	
Utilities	(74,600)	
Rochester Pumping Station	50,000	
Utilities	50,000	
Schoolcraft Pumping Station	60,000	
Supplies & Other	60,000	

Departmental and Account Level Amendments	FY 2020 Amendments	Explanation for Items Greater Than \$500,000
Southwest Water Plant	2,169,200	
Capital Program Allocation	(10,700)	
Chemicals	150,000	
Contractual Services	1,686,900	Mobile Dredging CON-170; Sludge removal from basins & flocc chambers - Adjust budget for projected FY 2020 contract utilization.
Personnel Costs	200,000	
Supplies & Other	(97,000)	
Utilities	240,000	
Springwells Water Plant	(234,900)	
Capital Program Allocation	84,000	
Chemicals	(120,000)	
Contractual Services	140,000	
Personnel Costs	190,000	
Supplies & Other	(260,000)	
Utilities	(268,900)	
Unallocated Reserve - Water System Operations	(2,678,100)	
Unallocated Reserve	(2,678,100)	The majority of the Water System Unallocated Reserves was transferred to the Southwest Water Plant/Contractual Services for the Mobile Dredging contract
Water Director	(316,200)	
Capital Program Allocation	10,400	
Contractual Services	(17,000)	
Personnel Costs	42,400	
Supplies & Other	(352,000)	
Water Engineering	(95,500)	
Contractual Services	150,000	
Personnel Costs	(204,900)	
Supplies & Other	(40,600)	
Water Quality	72,900	
Capital Program Allocation	38,500	
Chemicals	40,000	
Personnel Costs	(39,400)	
Shared Services	53,000	
Supplies & Other	(19,200)	
Water Works Park	27,600	
Capital Program Allocation	90,000	
Chemicals	225,000	
Contractual Services	(75,900)	
Personnel Costs	(141,500)	

Departmental and Account Level Amendments	FY 2020 Amendments	Explanation for Items Greater Than \$500,000
Supplies & Other	(160,000)	
Utilities	90,000	
West Chicago Rd Pumping Station	(15,400)	
Utilities	(15,400)	
Ypsilanti Pumping Station	40,000	
Utilities	40,000	
B Wastewater System Operations	-	Note "Category B" Sewer System budget amendments nets to zero.
Baby Creek Combined Sewer Overflow	(1,000,000)	
Supplies & Other	(1,000,000)	Project for debris removal deferred due to community coordination efforts
BDF, COF & Hauling	(2,112,030)	
Contractual Services	(1,750,000)	Reduction in hauling and landfill costs due to change in disposal operations optimizing the Biodryer Facility
Personnel Costs	(112,030)	
Utilities	(250,000)	
Blue Hill Pumping Station	107,600	
Supplies & Other	107,600	
Chief Operating Officer Wastewater	(870,000)	
Contractual Services	(870,000)	Contract for regulatory support over-budgeted for year; contracted not renewed by General Counsel
Combined Sewer Overflow	(25,823)	
Personnel Costs	(25,823)	
Conner Pumping Station	(230,000)	
Utilities	(230,000)	
Connor Creek Combined Sewer Overflow	100,000	
Utilities	100,000	
Fairview Pumping Station	(115,000)	
Supplies & Other	(130,000)	
Utilities	15,000	
Fox Creek Pumping Station	(15,300)	
Utilities	(15,300)	
Freud Pumping Station	284,700	
Supplies & Other	40,000	
Utilities	244,700	
Leib Combined Sewer Overflow	110,000	
Supplies & Other	110,000	
Oakwood Combined Sewer Overflow	(85,000)	
Utilities	(85,000)	
Oakwood Pumping Station	(56,500)	
Supplies & Other	(56,500)	
Unallocated Reserve - Wastewater System Operations	7,755,128	

Departmental and Account Level Amendments	FY 2020 Amendments	Explanation for Items Greater Than \$500,000
Unallocated Reserve	7,755,128	Wastewater Operations has a large number of contracts that vary in utilization from year-to-year (maintainance, 'as needed', etc.). Utilities and Chemicals usage varies as well. The budgets for these line items are determined based on spend history as well as projected utilization for that fiscal year. Fluctuations are managed through transfers to and from the Unallocated Reserves.
Wastewater Dewatering Process	(21,750)	
Personnel Costs	(21,750)	
Wastewater Director	22,390	
Personnel Costs	22,390	
Wastewater Engineering	(222,131)	
Contractual Services	(20,000)	
Personnel Costs	(202,131)	
Wastewater Incineration Process	(223,306)	
Personnel Costs	(223,306)	
Wastewater Laboratories	247,970	
Chemicals	45,000	
Personnel Costs	202,970	
Wastewater Operations	(1,920,368)	
Contractual Services	(410,000)	Lakeshore Global skilled labor contract - Reduction in the number of contractors performing "non-essential" duties at WRRF.
Personnel Costs	(90,368)	
Utilities	(1,420,000)	Budget reduced due to the following: The move to utilize the River Rouge Outfall which uses a chemical that is not diluted resulting in the use of less water; and the repairs to the Chlorination Building dilution system.
Wastewater Primary Process	(133,640)	
Chemicals	(100,000)	
Personnel Costs	(33,640)	
Wastewater Process Control	(1,170,640)	
Chemicals	(45,000)	
Contractual Services	(500,000)	Budget was reduced for contractor support from an Information Technology controlled contract.
Personnel Costs	(295,640)	
Supplies & Other	(330,000)	Portable radios system replacement - The scope for this project is under development and will not begin until FY 2021
Wastewater Secondary Process	(426,300)	
Chemicals	(250,000)	
Personnel Costs	23,700	
Supplies & Other	(200,000)	
C Centralized Services	(9,181,700)	Note "Category C" Centralized Services budget amendments net to a decrease of (9,181,700)
Asset Management	(2,658,000)	

Departmental and Account Level Amendments	FY 2020 Amendments	Explanation for Items Greater Than \$500,000
Contractual Services	(2,200,000)	Water Transmission System Pipe Integrity Program (TSIP) - The start date of this program was delayed due to COVID-19. This program will begin during the later part of FY 2021.
Personnel Costs	(338,000)	
Supplies & Other	(120,000)	
Capital Improvement Planning	4,378,700	
Capital Program Allocation	1,776,200	AECOM Capital Program Management services - The portion of this contract that can be capitalized has been moved to the Capital Improvement Program (CIP). This eliminates the need to record time worked on capital projects in the Operations & Maintenance (O&M) section of the budget. Capital Program Allocation is a "contra" account which represents an offset to the Personnel Costs and Contractual Services for expenses incurred in the O&M account that can be capitalized.
Contractual Services	2,700,000	AECOM - FY 2020 project costs projected to come in higher than what was included in the approved budget. Overall spend on project is still on target. FY 2020 utilization of contract greater than planned.
Personnel Costs	(97,500)	
Chief Planning Officer	(100,000)	
Contractual Services	(100,000)	
Energy, Research & Innovation	5,900	
Capital Program Allocation	63,800	
Personnel Costs	(177,300)	
Supplies & Other	119,400	
Facility Operations	359,100	
Capital Program Allocation	61,800	
Contractual Services	591,900	Budget added for O&M portion of CIP project for Clark Construction (CON-252); GDI, Inc. COVID-19 Deep Cleaning for all GLWA sites.
Personnel Costs	(146,400)	
Supplies & Other	(148,200)	
Field Service Operations	(4,722,100)	
Capital Program Allocation	128,400	
Contractual Services	(4,500,000)	Valve Exercising Water Main System contract GLWA-WS-695C unused base construction work and allowance at closeout of project. (\$2.0 million); FY 2020 reduced for various maintenance contracts based on review of historical spend and projected FY 2020 utilization. (\$2.5 million)
Personnel Costs	(417,100)	
Supplies & Other	66,600	
Fleet Operations	178,500	
Contractual Services	200,000	
Supplies & Other	(21,500)	
HazMat	(18,000)	
Supplies & Other	(18,000)	

Departmental and Account Level Amendments	FY 2020 Amendments	Explanation for Items Greater Than \$500,000
Info Tech Business Productivity Systems	(624,419)	
Contractual Services	(824,000)	GIS Strategic Services - Project deferred to FY 2021 (\$280k); Budget transferred for reorganization of Information Technology departments (\$544k)
Personnel Costs	(212,000)	
Supplies & Other	411,581	Budget transferred for reorganization of Information Technology departments
Info Tech Enterprise Asset Mgmt Systems	(492,831)	
Contractual Services	(770,823)	Budget transferred for reorganization of Information Technology departments
Shared Services	(425,250)	Adjustment for extension of IT Shared Services contracts
Supplies & Other	703,242	Budget transferred for reorganization of Information Technology departments
Info Technology Infrastructure	-	
Contractual Services	500,000	
Supplies & Other	(500,000)	
Info Technology Project Management Office	-	
Contractual Services	(15,000)	
Supplies & Other	15,000	
Info Technology Security & Risk	(85,000)	
Personnel Costs	(85,000)	
Info Technology Service Delivery	(850,000)	
Personnel Costs	(49,500)	
Supplies & Other	(800,500)	Microsoft Operating System licenses were previously purchased on an individual basis are now incorporated into the Microsoft Enterprise License Agreement (\$250k); Enterprise MFP (Multi Function Printers) - purchase delayed due to other projects taking priority (\$250k); Purchase of laptops delayed till FY 2021 (\$200k); ITSM (Information Technology Service Management system) - Subscription renewal moved to FY 2021 (\$100k)
Office of the CIO	-	
Contractual Services	2,000	
Supplies & Other	(2,000)	
Security and Integrity	(25,000)	
Contractual Services	(99,940)	
Personnel Costs	99,940	
Supplies & Other	(25,000)	
Systems Analytics	(3,773,000)	
Contractual Services	(3,050,000)	The FY 2020 utilization of the following contracts is projected to be less than budget: East Side Modeling project (\$1.0 million); West Side Modeling (\$200,000); Sewer Shares Update (\$500k); Metering condition assessment at CSO Facilities (\$400,000); Applied Science Dye Testing (\$650k); CDM Smith Sewer Metering (\$300k); PCI CON-179 Sewer Meter Pits (\$450k); Black & Veatch contract started earlier than budgeted \$450k

FY 2020		
Departmental and Account Level Amendments	Amendments	Explanation for Items Greater Than \$500,000
Personnel Costs	(690,000)	Reduction in Salaries & Wages and Fringe Benefits for 10 vacant positions not filled in FY 2020 as planned.
Shared Services	(33,000)	
Systems Operations Control	(2,064,900)	
Contractual Services	(2,726,700)	Reduce budget for maintenance contracts (switchgear maintenance & testing, specialized maintenance services) based on review of historical spend and projected utilization for FY 2020 (\$2.7 million)
Personnel Costs	729,800	
Supplies & Other	(57,000)	
Utilities	(11,000)	
Systems Planning	945,700	
Contractual Services	1,200,000	Wastewater Master Plan completed earlier than planned; additional budget needed \$1.2 million
Personnel Costs	(227,500)	
Supplies & Other	(26,800)	
Unallocated Reserve - Centralized Services	363,650	
Unallocated Reserve	363,650	
D Administrative & Other Services	(600,000)	Note "Category D" Administrative Services budget amendments net to a decrease of (600,000)
Board of Directors	(64,400)	
Personnel Costs	(20,100)	
Supplies & Other	(44,300)	
Chief Administrative Officer	(86,396)	
Contractual Services	(13,500)	
Personnel Costs	(78,996)	
Supplies & Other	6,100	
Chief Executive Officer	(47,200)	
Contractual Services	(62,000)	
Supplies & Other	14,800	
Chief Financial Officer	(55,300)	
Contractual Services	107,800	
Personnel Costs	(164,000)	
Supplies & Other	900	
Data Analytics & Internal Audit	(5,800)	
Contractual Services	39,000	
Personnel Costs	(44,800)	
Enterprise Risk Management and Safety	(860,500)	
Contractual Services	(600,000)	Transfer Risk Management Insurance Fund budget to Enterprise Risk Mgt. Insurance Fund department
Personnel Costs	(260,500)	
Enterprise Risk Mgt. Insurance Fund	600,000	
Contractual Services	600,000	Transfer Risk Management Insurance Fund budget from Enterprise Risk Management and Safety department
Financial Planning & Analysis	60,000	

Departmental and Account Level Amendments	FY 2020 Amendments	Explanation for Items Greater Than \$500,000
Contractual Services	140,000	
Personnel Costs	(80,000)	
Financial Reporting & Accounting	3,200	
Contractual Services	1,200	
Personnel Costs	12,000	
Supplies & Other	(10,000)	
General Counsel	(41,000)	
Contractual Services	208	
Supplies & Other	(41,208)	
Logistics and Materials	379,196	
Contractual Services	392,520	Add budget for Warehouse Process Improvement Initiatives including Oracle WAM improvements, procedures manual, cycle count system, performance management program, and other consulting services.
Personnel Costs	55,200	
Supplies & Other	(84,614)	
Utilities	16,090	
Organizational Development	(498,201)	
Contractual Services	(510,000)	The need for the external trainer services in this line item will be reduced in FY 2020 due to COVID-19 restrictions.
Personnel Costs	(78,201)	
Supplies & Other	90,000	
Owners' Representative	(3,661)	
Contractual Services	50,000	
Personnel Costs	(69,225)	
Supplies & Other	15,564	
Procurement Director	25,194	
Contractual Services	46,820	
Personnel Costs	77,689	
Supplies & Other	(99,315)	
Public Affairs	(136,457)	
Contractual Services	26,000	
Personnel Costs	(89,257)	
Supplies & Other	(73,200)	
Public Finance	88,600	
Contractual Services	72,500	
Personnel Costs	17,100	
Supplies & Other	(1,000)	
Reporting and Compliance	71,000	
Personnel Costs	71,000	

Departmental and Account Level Amendments	FY 2020 Amendments	Explanation for Items Greater Than \$500,000
Transformation	(576,300)	
Personnel Costs	(575,300)	Reduction of budget for four transitional contractors; budgeted in FY 2020 but deferred to FY 2021.
Supplies & Other	(1,000)	
Treasury	223,000	
Contractual Services	(200,000)	
Personnel Costs	(12,000)	
Shared Services	435,000	Adjustment to Shared Services Bank Fees based on review of FY 2020 trends
Unallocated Reserve - Administrative Services	325,025	
Unallocated Reserve	325,025	
Grand Total	(9,781,700)	



ADDENDUM 2

Supplemental Information –

Enterprise-wide Operations & Maintenance Account Type and Department Level Amendments

The table in Addendum 2 summarizes the FY 2020 budget amendments for operations & maintenance by the major expense categories (account type). The explanations for the larger items can be found in Addendum 1.

Expense Categories and Departmental Level Amendments	FY 2020 Amendments
Capital Program Allocation	2,292,800
Capital Improvement Planning	1,776,200
COO - Water Operations & Field Services	13,500
Energy, Research & Innovation	63,800
Facility Operations	61,800
Field Service Operations	128,400
Lake Huron Water Plant	36,900
Southwest Water Plant	(10,700)
Springwells Water Plant	84,000
Water Director	10,400
Water Quality	38,500
Water Works Park	90,000
Chemicals	120,000
Lake Huron Water Plant	100,000
Northeast Water Plant	75,000
Southwest Water Plant	150,000
Springwells Water Plant	(120,000)
Wastewater Laboratories	45,000
Wastewater Primary Process	(100,000)
Wastewater Process Control	(45,000)
Wastewater Secondary Process	(250,000)
Water Quality	40,000
Water Works Park	225,000
Contractual Services	(11,331,815)
Asset Management	(2,200,000)
BDF, COF & Hauling	(1,750,000)
Capital Improvement Planning	2,700,000
Chief Administrative Officer	(13,500)
Chief Executive Officer	(62,000)
Chief Financial Officer	107,800
Chief Operating Officer Wastewater	(870,000)
Chief Planning Officer	(100,000)
COO - Water Operations & Field Services	(20,400)
Data Analytics & Internal Audit	39,000
Enterprise Risk Management and Safety	(600,000)
Enterprise Risk Mgt. Insurance Fund	600,000
Facility Operations	591,900
Field Service Operations	(4,500,000)
Financial Planning & Analysis	140,000
Financial Reporting & Accounting	1,200
Fleet Operations	200,000
General Counsel	208
Info Tech Business Productivity Systems	(824,000)
Info Tech Enterprise Asset Mgmt Systems	(770,823)

Expense Categories and Departmental Level Amendments	FY 2020 Amendments
Info Technology Infrastructure	500,000
Info Technology Project Management Office	(15,000)
Lake Huron Water Plant	(358,200)
Logistics and Materials	392,520
Northeast Water Plant	(285,200)
Office of the CIO	2,000
Organizational Development	(510,000)
Owners' Representative	50,000
Procurement Director	46,820
Public Affairs	26,000
Public Finance	72,500
Security and Integrity	(99,940)
Southwest Water Plant	1,686,900
Springwells Water Plant	140,000
Systems Analytics	(3,050,000)
Systems Operations Control	(2,726,700)
Systems Planning	1,200,000
Treasury	(200,000)
Wastewater Engineering	(20,000)
Wastewater Operations	(410,000)
Wastewater Process Control	(500,000)
Water Director	(17,000)
Water Engineering	150,000
Water Works Park	(75,900)
Personnel Costs	(3,587,378)
Asset Management	(338,000)
BDF, COF & Hauling	(112,030)
Board of Directors	(20,100)
Capital Improvement Planning	(97,500)
Chief Administrative Officer	(78,996)
Chief Financial Officer	(164,000)
Combined Sewer Overflow	(25,823)
COO - Water Operations & Field Services	80,000
Data Analytics & Internal Audit	(44,800)
Energy, Research & Innovation	(177,300)
Enterprise Risk Management and Safety	(260,500)
Facility Operations	(146,400)
Field Service Operations	(417,100)
Financial Planning & Analysis	(80,000)
Financial Reporting & Accounting	12,000
Info Tech Business Productivity Systems	(212,000)
Info Technology Security & Risk	(85,000)
Info Technology Service Delivery	(49,500)
Lake Huron Water Plant	(114,400)

Expense Categories and Departmental Level Amendments	FY 2020 Amendments
Logistics and Materials	55,200
Northeast Water Plant	6,000
Organizational Development	(78,201)
Owners' Representative	(69,225)
Procurement Director	77,689
Public Affairs	(89,257)
Public Finance	17,100
Reporting and Compliance	71,000
Security and Integrity	99,940
Southwest Water Plant	200,000
Springwells Water Plant	190,000
Systems Analytics	(690,000)
Systems Operations Control	729,800
Systems Planning	(227,500)
Transformation	(575,300)
Treasury	(12,000)
Wastewater Dewatering Process	(21,750)
Wastewater Director	22,390
Wastewater Engineering	(202,131)
Wastewater Incineration Process	(223,306)
Wastewater Laboratories	202,970
Wastewater Operations	(90,368)
Wastewater Primary Process	(33,640)
Wastewater Process Control	(295,640)
Wastewater Secondary Process	23,700
Water Director	42,400
Water Engineering	(204,900)
Water Quality	(39,400)
Water Works Park	(141,500)
Shared Services	29,750
Info Tech Enterprise Asset Mgmt Systems	(425,250)
Systems Analytics	(33,000)
Treasury	435,000
Water Quality	53,000
Supplies & Other	(2,268,150)
Adams Road Pumping Station	75,000
Asset Management	(120,000)
Baby Creek Combined Sewer Overflow	(1,000,000)
Blue Hill Pumping Station	107,600
Board of Directors	(44,300)
Chief Administrative Officer	6,100
Chief Executive Officer	14,800
Chief Financial Officer	900
Energy, Research & Innovation	119,400

Expense Categories and Departmental Level Amendments	FY 2020 Amendments
Facility Operations	(148,200)
Fairview Pumping Station	(130,000)
Field Service Operations	66,600
Financial Reporting & Accounting	(10,000)
Fleet Operations	(21,500)
Franklin Road Pumping Station	50,000
Freud Pumping Station	40,000
General Counsel	(41,208)
HazMat	(18,000)
Imlay Pumping Station	65,000
Info Tech Business Productivity Systems	411,581
Info Tech Enterprise Asset Mgmt Systems	703,242
Info Technology Infrastructure	(500,000)
Info Technology Project Management Office	15,000
Info Technology Service Delivery	(800,500)
Lake Huron Water Plant	350,000
Leib Combined Sewer Overflow	110,000
Logistics and Materials	(84,614)
North Service Center Pumping Station	150,000
Oakwood Pumping Station	(56,500)
Office of the CIO	(2,000)
Organizational Development	90,000
Owners' Representative	15,564
Procurement Director	(99,315)
Public Affairs	(73,200)
Public Finance	(1,000)
Schoolcraft Pumping Station	60,000
Security and Integrity	(25,000)
Southwest Water Plant	(97,000)
Springwells Water Plant	(260,000)
Systems Operations Control	(57,000)
Systems Planning	(26,800)
Transformation	(1,000)
Wastewater Process Control	(330,000)
Wastewater Secondary Process	(200,000)
Water Director	(352,000)
Water Engineering	(40,600)
Water Quality	(19,200)
Water Works Park	(160,000)
Unallocated Reserve	5,765,703
Unallocated Reserve - Administrative Services	325,025
Unallocated Reserve - Centralized Services	363,650
Unallocated Reserve - Wastewater System Operations	7,755,128
Unallocated Reserve - Water System Operations	(2,678,100)

Expense Categories and Departmental Level Amendments	FY 2020 Amendments
Utilities	(802,610)
BDF, COF & Hauling	(250,000)
Conner Pumping Station	(230,000)
Connor Creek Combined Sewer Overflow	100,000
Fairview Pumping Station	15,000
Ford Rd Pumping Station	50,000
Fox Creek Pumping Station	(15,300)
Franklin Road Pumping Station	(36,000)
Freud Pumping Station	244,700
Haggerty Road Pumping Station	(23,300)
Imlay Pumping Station	500,000
Lake Huron Water Plant	109,400
Logistics and Materials	16,090
Newburgh Pumping Station	(28,300)
North Service Center Pumping Station	200,000
Northeast Water Plant	(74,600)
Oakwood Combined Sewer Overflow	(85,000)
Rochester Pumping Station	50,000
Southwest Water Plant	240,000
Springwells Water Plant	(268,900)
Systems Operations Control	(11,000)
Wastewater Operations	(1,420,000)
Water Works Park	90,000
West Chicago Rd Pumping Station	(15,400)
Ypsilanti Pumping Station	40,000
Grand Total	(9,781,700)

..Title

Proposed FY 2020 Fourth Quarter Budget Amendments

..Body

Agenda of: June 24, 2020

Item No.: **2020-216**

Amount: N/A

TO: The Honorable
Board of Directors
Great Lakes Water Authority

FROM: Sue F. McCormick
Chief Executive Officer
Great Lakes Water Authority

DATE: June 24, 2020

RE: Proposed FY 2020 Fourth Quarter Budget Amendments

MOTION

Upon recommendation of Nicolette Bateson, Chief Financial Officer/Treasurer, the Board of Directors (Board) of the Great Lakes Water Authority (GLWA), approves the **Proposed FY 2020 Fourth Quarter Budget Amendments as presented**; and authorizes the CEO to take such other action as may be necessary to accomplish the intent of this vote.

BACKGROUND

The founding legal documents for the Great Lakes Water Authority (GLWA) provide a structure for budget preparation, adoption, and amendment.

JUSTIFICATION

At the time of preparing the agenda on June 22, 2020, compiling and validating the final budget amendment report is in process. That report will be distributed on the morning of June 23, 2020. While the detailed report is in process, it should be noted that there

are no surprises as the monthly Audit Committee reports proactively identify trends, areas of caution, and positive variances.

Key takeaways for the fourth quarter budget amendment process include the following.

1. The budget for both the water and sewer systems are balanced.
2. There is a local system budget shortfall in both the water and sewer systems. The impact is a reduced contribution to the improvement and extension (I&E) fund for the respective systems. Repayment of the shortfall is later credited to the respective I&E funds. This is deemed to be a COVID-19 impact.
3. Reduction of investment income of \$1 million for both the water and sewer fund as reported to the Board in April 2020 as a result of market conditions. This is deemed to be a COVID-19 impact.
4. Forecasted reduction of wholesale water sales of \$4.6 million for FY 2020. This is lower than the \$6.4 million previously forecasted and reported to the Board in April 2020. Most of the shortfall occurred through January 2020 and is attributable to reduced water demand in the first quarter FY 2020 due to weather conditions combined with overall, service sector experience of declining demands in off-peak months. Recent increased demand in June 2020 has helped to alleviate the previously forecasted shortfall.
5. Debt service will be amended to reflect the timing of draws on state revolving fund loan programs.
6. There are positive variances in all core categories. The caveat is that direct cost of water operations is within 2% of budget. There is a possibility for that budget to be exceeded depending on chemical and utility demand in the last ten days of FY 2020. The direct cost of sewer operations continues to have a positive O&M variance.

BUDGET IMPACT

The overall budget, despite amendment, continues to be balanced.

COMMITTEE REVIEW

The Audit Committee is reviewing this matter at a special meeting on June 24, 2020 prior to the Board meeting that day.

SHARED SERVICES IMPACT

This item does not impact the shared services agreement between GLWA and DWSD.

Great Lakes Water Authority

Resolution 2020 - XXX

Resolution Adopting the Budget Amendments through the Fourth Quarter of FY 2020

By Board Member:

WHEREAS The Great Lakes Water Authority (“GLWA” or the “Authority”) assumed the operation of the regional water and sewer systems on January 1, 2016 (the “Effective Date”) pursuant to Water System and Sewer System Lease Agreements between the GLWA and the City of Detroit dated June 12, 2015; and

WHEREAS In accordance with the by-laws of the GLWA, further defined by its budget amendment policy, the Board shall amend the budget as needed based upon a quarterly report from the chief executive officer; and

WHEREAS The GLWA Board adopted the FY 2020 budget on March 13, 2019 for the twelve-month fiscal year beginning July 1, 2020;

WHEREAS Following a review of the budget amendment report through the FY 2020 Fourth Quarter, the appropriations established with the adoption of the general operating budget for the water system and the sewer systems are amended as shown in the table below;

General Operating Appropriation Category	Water System		Sewer System	
	Adopted	Amended	Adopted	Amended
Revenues				
Suburban Wholesale Customer Charges	\$ 309,284,500	\$ 304,634,200	\$ 272,323,600	No Change
Retail Service Charges	21,295,500	21,295,500	185,807,300	No Change
Industrial Waste Control Charges	-	-	13,743,600	7,833,600
Pollutant Surcharges	-	-	-	5,910,000
Investment Earnings	9,084,200	8,084,200	8,730,800	7,730,800
Other Revenues	-	2,400	-	400,000
Total Revenues	<u>\$ 339,664,200</u>	<u>\$ 334,016,300</u>	<u>\$ 480,605,300</u>	<u>\$ 480,005,300</u>
Revenue Requirements				
Operations & Maintenance Expense	\$ 131,490,500	\$ 126,840,200	\$ 187,057,200	\$ 181,925,800
General Retirement System Legacy Pension	6,048,000	6,048,000	10,824,000	10,824,000
Debt Service	137,557,600	135,998,800	215,738,800	214,690,700
General Retirement System Accelerated Pension	6,268,300	6,268,300	11,620,700	11,620,700
Extraordinary Repair & Replacement Deposit	-	-	-	-
Water Residential Assistance Program Contributi	1,698,300	1,698,300	2,403,000	2,403,000
Lease Payment	22,500,000	22,500,000	27,500,000	27,500,000
Operating Reserve Deposit	3,976,000	3,976,000	-	-
DWSD Budget Shortfall Pending	-	1,230,400	-	10,243,500
Improvement & Extension Fund Transfer	30,125,500	29,456,300	25,461,600	20,797,600
Total Revenue Requirements	<u>\$ 339,664,200</u>	<u>\$ 334,016,300</u>	<u>\$ 480,605,300</u>	<u>\$ 480,005,300</u>

WHEREAS Following a review of the budget amendment report through the FY 2020 Fourth Quarter, the appropriations established with the adoption of the improvement and extension fund budget for the water system and the sewer systems are amended as shown in the table below;

Improvement & Extension Fund				
Appropriation Category	Water System		Sewer System	
	Adopted	Amended	Adopted	Amended
Revenues				
Transfers In from General Operating	\$ 30,125,500	\$ 29,456,300	\$ 25,461,600	\$ 20,797,600
Earnings on Investments	-	4,500,000	-	1,800,000
Net Use of Reserves	24,999,800	(23,267,300)	(5,339,400)	(8,996,200)
Total Revenues	<u>\$ 55,125,300</u>	<u>\$ 10,689,000</u>	<u>\$ 20,122,200</u>	<u>\$ 13,601,400</u>
Expenditures				
Water System Revenue Transfers Out	\$ -	\$ 4,500,000	\$ -	\$ 1,800,000
Capital Improvement Plan-I&E Funded	-	1,173,200	-	-
Capital Outlay	10,125,300	5,015,800	20,122,200	11,801,400
Revenue Financed Capital	45,000,000	-	-	-
Total Expenditures	<u>\$ 55,125,300</u>	<u>\$ 10,689,000</u>	<u>\$ 20,122,200</u>	<u>\$ 13,601,400</u>

WHEREAS Following a review of the budget amendment report through the FY 2020 Fourth Quarter, the appropriations established with the adoption of the construction bond fund budget for the water system and the sewer systems are amended as shown in the table below;

Construction Bond Fund				
Appropriation Category	Water System		Sewer System	
	Adopted	Amended	Adopted	Amended
Revenues				
Transfer from Improvement & Extension Fund	\$ 45,000,000	\$ -	\$ -	\$ -
Bond Proceeds	-	-	78,960,000	-
Grant Revenues (SRF Loans)	5,531,000	12,898,300	29,342,000	40,505,000
Earnings on Investments	1,487,700	1,487,700	41,100	1,200,000
Net Use of Reserves	55,416,600	60,481,400	12,766,900	31,565,000
Total Revenues	<u>\$ 107,435,300</u>	<u>\$ 74,867,400</u>	<u>\$ 121,110,000</u>	<u>\$ 73,270,000</u>
Expenditures				
Project Expenditures	\$ 107,435,300	\$ 74,867,400	\$ 121,110,000	\$ 73,270,000
Total Expenditures	<u>\$ 107,435,300</u>	<u>\$ 74,867,400</u>	<u>\$ 121,110,000</u>	<u>\$ 73,270,000</u>

WHEREAS The GLWA Audit Committee reviewed the budget amendments at its meetings on June 24, 2020; and

WHEREAS An affirmative vote of 5 Board Members is necessary for the adoption of this Resolution,

NOW THEREFORE BE IT:

RESOLVED That the GLWA Board approves through the FY 2020 Fourth Quarter Budget Amendments; and be it finally

RESOLVED That the Chief Executive Officer, and the Chief Financial Officer/Treasurer are authorized to take such other action as may be necessary to accomplish the intent of this resolution.



Financial Services Audit Committee Communication

Date: June 23, 2020

To: Great Lakes Water Authority Audit Committee

From: Nicolette Bateson, CPA
Chief Financial Officer & Treasurer

Re: Proposed Legislation Update – Senate Bill 690 Re: COVID-19 Response

Background: The purpose of this memo is to provide an update related to Senate Bill 690 Re: COVID-19 Response. The full bill is available [online](#).

Analysis: Our colleagues at the Detroit Water & Sewerage Department recently provided a summary of key provisions which begins on page 16 at the above link.

Summary of Michigan Senate Bill 690

- Passed State House and Senate on June 17, 2020; headed to Governor Whitmer for signature
- Sec. 404 – Water Utility Assistance Funds
 - Michigan Department of Health and Human Services creates residential emergency relief program
 - Direct payment to Water Utilities
 - \$25M available to reimburse Water Utilities for:
 - Arrearage forgiveness up to \$700 per customer during state of emergency
 - 25% discount on monthly bills through 12/1/2020
 - Water Utility must agree to:
 - Suspend shut off to eligible customers for 90 days beyond date customer receives assistance
 - Forgive 25% of bill for eligible customers until 12/1/2020
 - No collection or credit score actions
 - Notify customer about program
 - Provide benefits to existing WRAP customers
 - Eligible Customers must be:
 - Eligible for food assistance program
 - Have new arrearages after 3/1/2020 and during state of emergency
 - MDHHS may use community assistance providers to administer program; 4% administrative fee
 - Unused or unallotted funds will not lapse prior to “tentative project completion date” of 12/20/2020

Proposed Action: Receive and file report.