

Memorandum

To: HONORABLE BOARD OF DIRECTORS

From: Suzanne R. Coffey, P.E., CEO

CC: William M. Wolfson, CACO

Date: September 8, 2022

RE: **EXPLANATION OF CEO September 2022 KPIs “RED, YELLOW, GREEN” REPORT**

OVERVIEW Last month there were four “yellow” and two “red” indicators. This month there are four “yellow” and two “red” indicators.

Our first “red” indicator relates to GLWA’s total CIP spend. For this measure to be “green” GLWAs must expend at least 80% of its approved capital spending plan. This month we reported data from June and July 2022. For June the indicator was green with the Capital Improvement Program having ended FY 2022 at over 81% of the approved capital spending plan. For July the indicator the indicator was “red” at just over 69%. This underperformance continues to be seen on wastewater projects which start the first month of the fiscal year at 40% of the approved capital spending plan. Water projects began fiscal year ’23 at just over 87% of the approved capital spending plan. As earlier indicated we believe this underperformance is due to supply chain issues, the need to rebid a project, adjustments made to other system projects to allow for necessary system repairs, and continued wet weather challenges. GLWA also recognizes that there is growing pressure on the supply change and are planning for future impacts and will continue to monitor causation and performance in this area with an eye on intermediate adjustments to the CIP.

Our second “red” indicator is a quarterly metric regarding staffing. As reported last month, this measure of quarterly staffing retention was “red” for the second quarter of calendar year 2022. In order for this measure to be “Green” GLWA’s retention rate must exceed the average retention rate for the service sector. For the calendar year quarter ending June 30, 2022, GLWA’s retention rate was 94.1% slightly below the service sector average of 94.96%. This is reflective of the historically tight labor market.

As indicated last month, “GLWA is hopeful that having current signed Collective Bargaining Agreements with all its unions with adjustments to certain job classifications as well as the

receipt of annual merit adjustments effective July 1, 2022, will help reduce the number of separations.” We see support for this as the monthly staffing metric was green this month.

Our first “yellow” indicator relates to the reliability of wholesale water and sewer revenue projection. For the last eight months this measure has been “yellow”. It is “yellow” again this month, the final month of FY 2022. For this measure to return to “green,” water system wholesale billed revenues will equal at least 100% of the budgeted amount. Last month we reported data from May 2022 and the measure was “yellow” with billed revenues at 98.5 % of budgeted charge revenue. This month we reported data from June 2022 and the measure remains “yellow” with billed revenues slightly improving to 98.7 % of budgeted charge revenue. This result is consistent with our preliminary analysis that predicted continued improvements anticipated for this area. GLWA addressed this performance shortfall through 3rd and 4th quarter budget amendments.

Our second “yellow” indicator is the measure of the ratio of preventative work orders to total maintenance work orders for the wastewater operations group. For this measure to be “green” preventative maintenance work orders must be 75 percent and 85 percent of total work orders. This month the indicator was “yellow” at 89 percent. While GLWA will continue to monitor this area, we do not believe operational changes are required at this time.

Our third “yellow” indicator is the measure of the ratio of operable valves to valves assessed. Last month this indicator was also “yellow”. The goal for this metric is 100% of GLWA valves are operational. Last month we reported that 80.6 % of GLWA valves assessed were operational. This month the percentage of operational valves has slightly improved to 80.7%. As previously stated, it is not unreasonable to expect this indicator to remain “yellow” for the foreseeable future underscoring the value of this project.

Our fourth “yellow” indicator relates to our network up-time percentage. For this metric to be “green” the network must be up at least 99.98% of the time Last month the indicator was “yellow” with an uptime of 99.97% This month our network up time declined slightly to 99.94% causing the indicator to remain “yellow.” During this period GLWA again experienced downtime due to power outages at five sites which contributed to the decline in overall performance. Although GLWA will continue to monitor this issue, given the very slight decline, we do not feel additional action is necessary at this time.

SPECIFIC RED AND YELLOW MEASURES ON THE FOLLOWING PAGE:

EUM Attribute	Measure	Significance	Criteria	Status
Financial Viability	Water system wholesale billed revenues will meet or exceed budgeted amount	Methods for establishing revenue projections are reliable	<i>Green</i> 100% <i>Yellow</i> 85% - 99% <i>Red</i> <85%	Yellow

Explanation and Responsive Actions: This measure relates to the reliability of wholesale water and sewer revenue projection. For this measure to remain “green” water system wholesale billed revenues will equal at least 100% of the budgeted amount. Last month we reported data from May 2022 and the measure was “yellow” with billed revenues at 98.5 % of budgeted charge revenue. This month we reported data from June 2022 and the measure remains “yellow” with billed revenues slightly improving to 98.7 % of budgeted charge revenue. This result is consistent with our preliminary analysis that predicted continued improvements anticipated for this area. GLWA addressed this performance shortfall through 3rd and 4th quarter budget amendments.

EUM Attribute	Measure	Significance	Criteria	Status
Infrastructure Strategy and Performance	Wastewater - Preventative maintenance projects completed as a percentage of total projects	Reduced risk of unplanned downtime or inefficiencies	<i>Green</i> = 75-85% <i>Yellow</i> = >85% <i>Red</i> = <75%	Yellow

Explanation and Responsive Actions: For this measure to be “green” completed preventive maintenance projects must be between 75 and 85% of total completed maintenance projects. This month the indicator was “yellow” at 89 percent. While GLWA will continue to monitor this area, we do not believe operational changes are required at this time.

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	<i>Green</i> >90% <i>Yellow</i> 80% - 90% <i>Red</i> <80%	Yellow

Explanation and Responsive Actions: Our valve assessment project measure remains “yellow” this month but has slightly improved from the previous month. As the Board is aware, under this project, valves are currently defined in one of three categories – minor repair, rehabilitation, or replacement. Where the valve ultimately ends up is determined at the end of the project which means that a valve can go from minor repair to rehabilitated during the contract and may be operational by the end of the contract period.

EUM Attribute	Measure	Significance	Criteria	Status
Enterprise Resiliency	Total CIP spend 80% or greater than approved spending plan	Method for establishing spending is aligned with budgeted revenue	<i>Green</i> >80% <i>Yellow</i> 70-80% <i>Red</i> < 70%	Red

Explanation and Responsive Actions: For this measure to be “green” GLWA’s capital spending must be 80% or greater of the approved spending plan. This month the CIP spend began Fiscal Year ’23 as “red” remaining at just over 69% of the approve capital spending plan. The underperformance was primarily driven by underperformance on sewer lateral asset capital projects. GLWA continues to believe that underperformance is due to supply chain issues, the need to rebid a project, adjustments to system projects to allow for system repairs, as well as continued wet weather challenges. GLWA will continue to monitor causation and performance in this area. GLWA also recognize that there is growing pressure on the supply change and are planning for future impacts and will continue to monitor causation and performance in this area with an eye on intermediate adjustments to the CIP.

EUM Attribute	Measure	Significance	Criteria	Status
Enterprise Resiliency	All GLWA sites with Wide Area Network connections will have 100% availability	Network connectivity promotes employee productivity	<i>Green</i> >99.98% <i>Yellow</i> 99.50% - 99.98% <i>Red</i> <99.50%	Yellow

Explanation and Responsive Actions: This month our network was up 99.94% of the time, below the 99.98 % goal. This month our network up time declined slightly to 99.94% causing the indicator to remain “yellow.” During this period GLWA again experienced downtime due to power outages at five sites which contributed to the decline in overall performance. Although GLWA will continue to monitor this issue, given the slight decline, we do not feel additional action is necessary at this time.

EUM Attribute	Measure	Significance	Criteria	Status
Employee and Leadership Development	GLWA's employee retention rate will exceed the 94.9 % industry average rate	Organizational development employee retention	<i>Green = higher retention rate</i> <i>Yellow = industry ave ret rate</i> <i>Red = lower retention rate</i>	RED

Explanation and Responsive Actions: This indicator is a quarterly metric regarding staffing. As reported last month, this measure of quarterly staffing retention was “red” for the second quarter of calendar year 2022. In order for this measure to be “Green” GLWA’s retention rate must exceed the average retention rate for the service sector. For the calendar year quarter ending June 30, 2022, GLWA’s retention rate was 94.1% slightly below the service sector average of 94.96%. This is reflective of the historically tight labor market.

As indicated last month, “GLWA is hopeful that having current signed Collective Bargaining Agreements with all its unions with adjustments to certain job classifications as well as the receipt of annual merit adjustments effective July 1, 2022, will help reduce the number of separations.” We see support for this as the monthly staffing metric was green this month.