

Great Lakes Water Authority

*Supplemental
FY 2019-2023 Financial
Plan Information*



Areas for potential budget reductions (Reduce overall O&M Budget from 2% Increase to 0%)
FY 2019

46% 54%
46% 54%

ABCD Group	ABCD Descriptions	Cost Center Description	Account Description	Chief	FP&A Liai:	Amount of Cut	Water	Sewer
D	Administrative	Organizational Development	Contractual Operating Services	Terri - OD	Sondra Hu	\$ 700,000.00	\$ 322,000.00	\$ 378,000.00
C	Centralized Services	Office of the CIO	Contract Services-Information Technology	Jeff - IT	Sondra Hu	\$ 300,000.00	\$ 138,000.00	\$ 162,000.00
C	Centralized Services	Info Technology Service Delivery	Contract Services-Information Technology	Jeff - IT	Sondra Hu	\$ 77,000.00	\$ 35,420.00	\$ 41,580.00
C	Centralized Services	Info Technology Service Delivery	Printing	Jeff - IT	Sondra Hu	\$ 100,000.00	\$ 46,000.00	\$ 54,000.00
C	Centralized Services	Info Technology Enterprise Application	Contract Services-Information Technology	Jeff - IT	Sondra Hu	\$ 300,000.00	\$ 138,000.00	\$ 162,000.00
C	Centralized Services	Info Technology Business Application	Technology	Jeff - IT	Sondra Hu	\$ 200,000.00	\$ 92,000.00	\$ 108,000.00
C	Centralized Services	Info Technology Business Application	Repairs & Maintenance-Software	Jeff - IT	Sondra Hu	\$ 1,000,000.00	\$ 460,000.00	\$ 540,000.00
B-CSO	Wastewater System Operations	Baby Creek Combined Sewer Overflow	Utilities - Sewage	Suzanne - Wastewater	Robert Arl	\$ 55,900.00		\$ 55,900.00
B-CSO	Wastewater System Operations	St Aubin Combined Sewer Overflow	Utilities - Sewage	Suzanne - Wastewater	Robert Arl	\$ 10,000.00		\$ 10,000.00
B-CSO	Wastewater System Operations	Leib Combined Sewer Overflow	Utilities - Sewage	Suzanne - Wastewater	Robert Arl	\$ 10,000.00		\$ 10,000.00
B-CSO	Wastewater System Operations	Baby Creek Combined Sewer Overflow	Utilities - Water	Suzanne - Wastewater	Robert Arl	\$ 87,600.00		\$ 87,600.00
B-CSO	Wastewater System Operations	St Aubin Combined Sewer Overflow	Utilities - Water	Suzanne - Wastewater	Robert Arl	\$ 20,000.00		\$ 20,000.00
B-CSO	Wastewater System Operations	Leib Combined Sewer Overflow	Utilities - Water	Suzanne - Wastewater	Robert Arl	\$ 20,000.00		\$ 20,000.00
B	Wastewater System Operations	Wastewater Operations	Utilities - Water	Suzanne - Wastewater	Robert Arl	\$ 130,000.00		\$ 130,000.00
B	Wastewater System Operations	Wastewater Process Control	Contractual Operating Services	Suzanne - Wastewater	Robert Arl	\$ 830,000.00		\$ 830,000.00
B	Wastewater System Operations	Wastewater Incineration Process	Operating Supplies-Chemicals	Suzanne - Wastewater	Robert Arl	\$ 400,000.00		\$ 400,000.00
B	Wastewater System Operations	Wastewater Secondary Process	Operating Supplies-Chemicals	Suzanne - Wastewater	Robert Arl	\$ 390,000.00		\$ 390,000.00
B	Wastewater System Operations	Wastewater Primary Process	Operating Supplies-Chemicals	Suzanne - Wastewater	Robert Arl	\$ 500,000.00		\$ 500,000.00
B	Wastewater System Operations	Wastewater Dewatering Process	Operating Supplies-Chemicals	Suzanne - Wastewater	Robert Arl	\$ 300,000.00		\$ 300,000.00
B	Wastewater System Operations	Industrial Waste Control	Postage	Suzanne - Wastewater	Robert Arl	\$ 20,000.00		\$ 20,000.00
B	Wastewater System Operations	Industrial Waste Control	Repairs & Maintenance-Equipment	Suzanne - Wastewater	Robert Arl	\$ 30,000.00		\$ 30,000.00
C	Centralized Services	Facility Operations	Contractual Buildings & Ground Maintenance	Cheryl - Facilities	Charise Cc	\$ 2,000,000.00	\$ 920,000.00	\$ 1,080,000.00
C	Centralized Services	Field Service Operations	Contractual Operating Services	Cheryl - Field Services	Charise Cc	\$ 3,000,000.00	\$ 1,380,000.00	\$ 1,620,000.00
C	Centralized Services	Field Service Operations	Operating Supplies		Charise Cc	\$ 1,000,000.00	\$ 460,000.00	\$ 540,000.00
Potential (						\$ 11,480,500.00	\$ 3,991,420.00	\$ 7,489,080.00
							Target:	
Potential Cuts Needed:							\$ 6,561,800.00	\$ 9,310,000.00
Remaining Cuts to Identify:							\$ 2,570,380.00	\$ 1,820,920.00

GLWA FINANCIAL METRICS & SELECTED PEER COMPARISON (AS REPORTED BY MOODY'S)

SELECTED PEER GROUP

Issuer	System Type	~Population Served (Retail + Wholesale)	Moody's	S&P	Fitch
Baltimore (City of) Sewer Enterprise, MD	Sewer	1,800,000	Aa2	AA	-
Baltimore (City of) Water Enterprise, MD	Water	1,500,000	Aa2	AA	-
Boston Water & Sewer Commission, MA	Combined	800,000	Aa1	AA+	AA+
Cleveland (City of) Water Enterprise, OH	Water	1,400,000	Aa1	AA	-
District of Columbia Water & Sewer Authority, DC	Combined	2,200,000	Aa1	AAA	AA
Great Lakes Water Authority (DWSD), MI – Water Enterprise	Water	3,800,000	A3	A-	A
Great Lakes Water Authority (DWSD), MI – Sewer Enterprise	Sewer	2,800,000	A3	A-	A
New York City Municipal Water Finance Authority, NY	Combined	8,000,000	Aa1	AA+	AA+
Northeast Ohio Regional Sewer District, OH	Sewer	1,000,000	Aa1	AA+	-
Philadelphia (City of) Water and Sewer Enterprise, PA	Combined	2,000,000	A1	A+	A+
San Francisco Public Utilities Commission Sewer Enterprise, CA	Sewer	1,000,000	Aa3	AA	-
San Francisco Public Utilities Commission Water Enterprise, CA	Water	2,600,000	Aa3	AA-	-

Source: Ratings from EMMA as of January 12, 2017.. Figures from Moody's MFRA as of January 12, 2017. Moody's MFRA data as of FY16 for SFPUC, FY15 for NY Water, Philadelphia Water, Boston WSC, Cleveland Water, DC Water, GLWA and Northeast Ohio Regional Sewer District; and as of FY14 for Baltimore Water & Sewer

GLWA FINANCIAL METRICS & SELECTED PEER COMPARISON (AS REPORTED BY MOODY'S)

COVERAGE METRICS

Issuer	Senior Debt Service Coverage		Total Debt Service Coverage	
	Actual (x)	Required (x)	Actual (x)	Required (x)
Baltimore (City of) Sewer Enterprise, MD	2.2	1.15	1.8	1.00
Baltimore (City of) Water Enterprise, MD	2.1	1.15	1.7	1.00
Boston Water & Sewer Commission, MA	2.0	1.25	1.6	1.00
Cleveland (City of) Water Enterprise, OH	2.3	1.25	2.2	1.00
DC Water & Sewer Authority, DC	5.0	1.20	2.0	1.00
Great Lakes Water Authority (DWSD), MI – W	1.4	1.20	1.4	1.00
Great Lakes Water Authority (DWSD), MI – S	1.4	1.20	1.4	1.00
NY City Municipal Water Finance Authority, NY	12.4	1.15	5.4	1.00
Northeast Ohio Regional Sewer District, OH	2.0	1.15	1.6	1.00
Philadelphia Water and Sewer Enterprise, PA	1.5	1.20	1.5	1.00
San Francisco PUC Sewer Enterprise, CA	1.8	1.25	1.8	1.00
San Francisco PUC Water Enterprise, CA	1.3	1.25	1.3	1.00

Source: Figures from Moody's MFRA as of January 12, 2017. Moody's MFRA data as of FY16 for SFPUC, FY15 for NY Water, Philadelphia Water, Boston WSC, Cleveland Water, DC Water, GLWA and Northeast Ohio Regional Sewer District; and as of FY14 for Baltimore Water & Sewer. Debt service coverage is calculated as adjusted by Moody's and may not align with indenture calculations.

Note: GLWA Senior and Total Debt Service Coverage as shown by MFRA, which shows all debt service for GLWA as Senior Debt Service.

GLWA FINANCIAL METRICS & SELECTED PEER COMPARISON (AS REPORTED BY MOODY'S)

LIQUIDITY AND DEBT METRICS

Issuer	Days Cash			Debt to Operating Revenues		
	Total Current Cash, Cash Equivalents and Investments (\$000s)	Total O&M Expenses (\$000s)	Day's Cash	Long-Term Debt Outstanding (\$000s)	Operating Revenues (\$000s)	Debt to Operating Revenues (x)
Baltimore (City of) Sewer Enterprise, MD	97,705	123,993	287.6	893,942	221,181	4.04
Baltimore (City of) Water Enterprise, MD	38,768	113,947	124.2	656,121	158,678	4.13
Boston Water & Sewer Commission, MA	8,647	272,767	11.6*	512,895	349,002	1.47
Cleveland (City of) Water Enterprise, OH	296,294	166,580	649.2	800,953	301,276	2.66
DC Water & Sewer Authority, DC	197,084	274,366	262.2	2,548,506	549,915	4.63
Great Lakes Water Authority (DWSD), MI – W	99,145	160,773	225.1	2,424,380	364,278	6.66
Great Lakes Water Authority (DWSD), MI – S	197,070	210,702	341.4	3,533,419	505,672	6.99
NY City Municipal Water Finance Authority, NY	1,238,122	1,517,132	297.9	30,933,343	3,791,135	8.16
Northeast Ohio Regional Sewer District, OH	396,851	106,047	1365.9	1,617,836	280,430	5.77
Philadelphia Water and Sewer Enterprise, PA	80,070	376,528	77.6	2,110,797	676,867	3.12
San Francisco PUC Sewer Enterprise, CA	159,241	175,501	331.2	1,007,593	254,531	3.96
San Francisco PUC Water Enterprise, CA	324,052	220,622	536.1	4,193,155	417,429	10.05

*Although BWSC typically reports \$5-10 million in unrestricted cash balances, total system liquidity is generally more robust due to a number of designated operating reserves that, although reported as restricted, generally are available for any lawful purpose

Source: Figures from Moody's MFRA as of January 12, 2017. Moody's MFRA data as of FY16 for SFPUC, FY15 for NY Water, Philadelphia Water, Boston WSC, Cleveland Water, DC Water, GLWA and Northeast Ohio Regional Sewer District; and as of FY14 for Baltimore Water & Sewer.

GLWA FINANCIAL METRICS & SELECTED PEER COMPARISON (AS REPORTED BY MOODY'S)

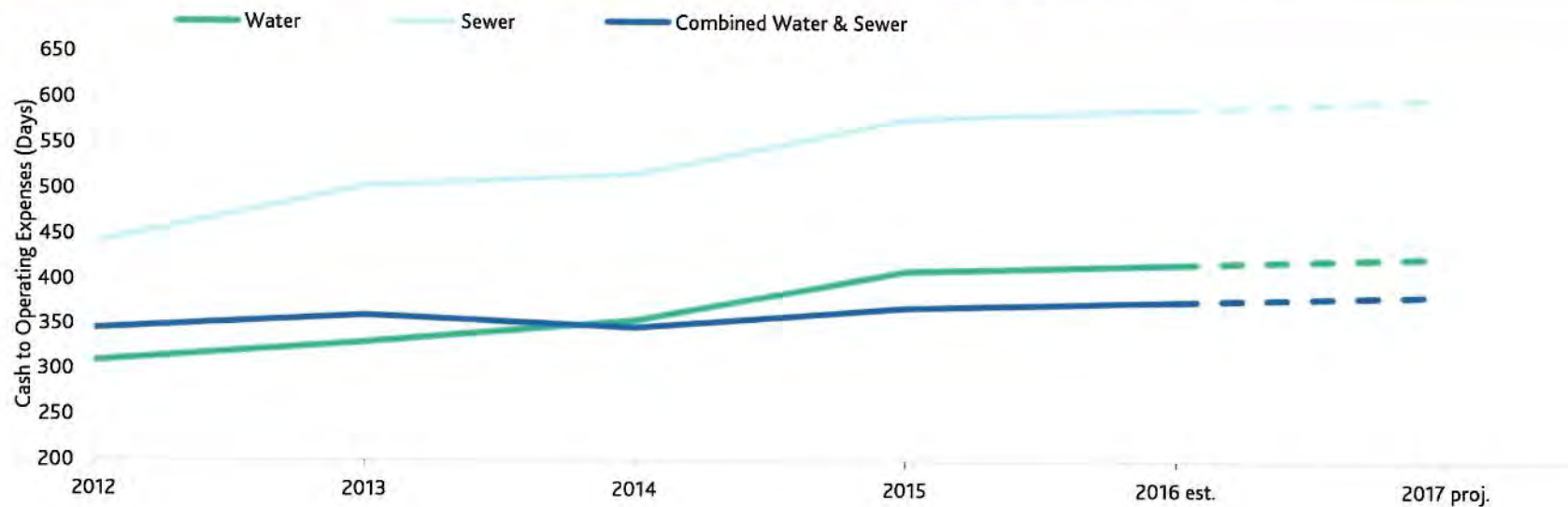
DEBT METRICS

Issuer	Population Served (Retail + Wholesale)	Long-Term Debt per Capita	
		Long-Term Debt Outstanding (\$000s)	Debt Per Capita (\$)
Baltimore (City of) Sewer Enterprise, MD	1,800,000	893,942	497
Baltimore (City of) Water Enterprise, MD	1,500,000	656,121	437
Boston Water & Sewer Commission, MA	800,000	512,895	641
Cleveland (City of) Water Enterprise, OH	1,400,000	800,953	572
District of Columbia Water & Sewer Authority, DC	2,200,000	2,548,506	1,158
Great Lakes Water Authority (DWSD), MI – W	3,800,000	2,424,380	638
Great Lakes Water Authority (DWSD), MI – S	2,800,000	3,533,419	1,262
NY City Municipal Water Finance Authority, NY	8,000,000	30,933,343	3,867
Northeast Ohio Regional Sewer District, OH	1,000,000	1,617,836	1,618
Philadelphia Water and Sewer Enterprise, PA	2,000,000	2,110,797	1,055
San Francisco PUC Sewer Enterprise, CA	1,000,000	1,007,593	1,008
San Francisco PUC Water Enterprise, CA	2,600,000	4,193,155	1,613

Source: Long-term debt figures from Moody's MFRA as of January 12, 2017. Population served from latest issuer filings with EMMA as of January 12, 2016. Moody's MFRA data as of FY16 for SFPUC, FY15 for NY Water, Philadelphia Water, Boston WSC, Cleveland Water, DC Water, GLWA and Northeast Ohio Regional Sewer District; and as of FY14 for Baltimore Water & Sewer

TRENDS IN WATER & SEWER SYSTEM LIQUIDITY

Sector Median Unrestricted Cash to Operating Expenses



Impact of Net Revenue Adjustments on Debt Service Coverage Ratios

- A \$1 million adjustment to Net Revenues impacts debt service coverage ratios by ...

	<u>Water System</u>	<u>Sewer System</u>
<u>Debt Service</u>		
1 Senior Lien	127,687,400	142,376,800
2 Senior Lien + Second Lien	170,540,200	186,366,900
3 All Bonds	172,905,300	233,252,400
<u>Impact on Coverage of a \$1 million adjustment to Net Revenue</u>		
4 Senior Lien	0.008	0.007
5 Senior Lien + Second Lien	0.006	0.005
6 All Bonds	0.006	0.004

FY 2019 BUDGET and "System Charge" Adjustments

- Average "System Charge Adjustment" is 2.7% for Water and 1.1% for Sewer

	Water System				Sewer System				Total GLWA			
<u>Annual BUDGET</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>Change</u>	<u>% Change</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>Change</u>	<u>% Change</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>Change</u>	<u>% Change</u>
Operation and Maintenance Expense	121.6	125.3	3.7	3.1%	191.1	193.1	2.0	1.1%	312.6	318.4	5.8	1.9%
Master Bond Ordinance Commitments	173.7	171.3	(2.4)	-1.4%	262.5	269.7	7.2	2.7%	436.2	441.0	4.8	1.1%
Deposit to Improvement & Extension Fund	32.8	38.0	5.2	15.9%	11.9	12.0	0.1	0.7%	44.7	50.0	5.3	11.8%
TOTAL BUDGET	328.1	334.7	6.6	2.0%	465.5	474.8	9.3	2.0%	793.6	809.5	15.9	2.0%
<u>less: "Non Customer" Revenue</u>												
Investment Earnings & Miscellaneous	(4.2)	(3.8)	0.4	-9.7%	(2.8)	(4.6)	(1.8)	66.2%	(7.0)	(8.4)	(1.4)	20.1%
Genesee County Drain Commission	(3.7)	0.0	3.7	-100.0%	NA	NA	NA	NA	(3.7)	0.0	3.7	-100.0%
Subtotal Revenue Requirement "Offsets"	(7.9)	(3.8)	4.1	-51.7%	(2.8)	(4.6)	(1.8)	66.2%	(10.7)	(8.4)	2.3	-21.4%
Preliminary Revenue Req't from Charges	320.2	330.8	10.7	3.3%	462.7	470.2	7.5	1.6%	782.9	801.1	18.2	2.3%
plus: Expected "System" Bad Debt	1.3	1.5	0.3	19.8%	7.2	4.7	(2.5)	-35.4%	8.5	6.2	(2.3)	-27.1%
Revenue Required from Charges	321.4	332.4	10.9	3.4%	469.9	474.9	4.9	1.1%	791.4	807.3	15.9	2.0%
Proforma Billed Revenue - Existing Charges	321.4	323.6	2.2	0.7%	469.9	470.0	0.0	0.0%	791.4	793.6	2.2	0.3%
Charge Revenue Adjustment Needed		8.8				4.9				13.7		
% Charge Revenue Adjustment Needed		2.7%				1.1%				1.7%		

Sewer System Revenue Requirement for FY 2019 (i.e. BUDGET) & Five-Year Plan

	Sewer					
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Revenue Requirement Elements						
O&M	191,079,400	193,122,000	206,772,800	207,253,000	213,914,600	213,336,900
<i>O&M Percent Change</i>		1%	7%	0%	3%	0%
MBO Commitments	260,743,000	269,677,500	280,055,900	281,611,500	292,071,900	284,378,600
<i>MBO Percent Change</i>		3%	4%	1%	4%	-3%
I&E	13,677,700	12,010,600	6,973,800	24,690,100	28,110,300	57,745,200
<i>I&E Percent Change</i>		-12%	-42%	254%	14%	105%
Total	465,500,100	474,810,100	493,802,500	513,554,600	534,096,800	555,460,700
		<u>2.0%</u>	<u>4.0%</u>	<u>4.0%</u>	<u>4.0%</u>	<u>4.0%</u>
Draft Revenue Requirement Elements as a Percent						
O&M	41.0%	40.7%	41.9%	40.4%	40.1%	38.4%
MBO Commitments	56.0%	56.8%	56.7%	54.8%	54.7%	51.2%
I&E	2.9%	2.5%	1.4%	4.8%	5.3%	10.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

- ✓ Preserves commitment to 4% promise with 2% BUDGET increase for FY 2019.
- ✓ Relatively modest increase to I&E transfer over the five-year plan; objective is to strategically vary by fiscal year to manage charge adjustments and capital funding.

Water System Revenue Requirement for FY 2019 (i.e. BUDGET) & Five-Year Plan

	Water					
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Revenue Requirement Elements						
O&M	121,562,000	125,311,800	148,145,500	151,587,200	155,712,200	150,153,200
<i>O&M Percent Change</i>		3%	18%	2%	3%	-4%
MBO Commitments	173,735,500	171,344,400	182,744,100	191,986,500	192,811,700	201,434,300
<i>MBO Percent Change</i>		-1%	7%	5%	0%	4%
I&E	32,821,200	38,024,900	17,178,700	18,417,300	27,946,700	39,941,900
<i>I&E Percent Change</i>		16%	-55%	7%	52%	43%
Total	328,118,700	334,681,100	348,068,300	361,991,000	376,470,600	391,529,400
		<u>2.0%</u>	<u>4.0%</u>	<u>4.0%</u>	<u>4.0%</u>	<u>4.0%</u>
Draft Revenue Requirement Elements as a Percent						
O&M	37.0%	37.4%	42.6%	41.9%	41.4%	38.4%
MBO Commitments	52.9%	51.2%	52.5%	53.0%	51.2%	51.4%
I&E	10.0%	11.4%	4.9%	5.1%	7.4%	10.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

- ✓ Preserves commitment to 4% promise with 2% BUDGET increase for FY 2019.
- ✓ Relatively modest increase to I&E transfer over the five-year plan; objective is to strategically vary by fiscal year to manage charge adjustments and capital funding.

Great Lakes Water Authority

Improvement & Extension Funds and Construction Bond Funds

DISCUSSION DRAFT as of February 28, 2018 - FY 2019 & FY 2020 Biennial Budget and Five Year Plan (FY 2019 thru FY 2023)

Based on Revised FY 2019 - 2013 Capital Improvement Plan presented February 2018

Net Position Analysis (principally cash less accounts payable for these funds)

	As of 6/30/2017	Projected FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Water Improvement & Extension Fund		184,000,000	204,795,100	207,514,600	194,721,300	101,868,300	88,821,700
Sources		32,821,200	38,024,900	17,178,700	18,417,300	27,596,700	34,241,900
Uses		(12,026,100)	(35,305,400)	(29,972,000)	(111,270,300)	(40,643,300)	(19,407,800)
Net Activity		20,795,100	2,719,500	(12,793,300)	(92,853,000)	(13,046,600)	14,834,100
Ending Balance	184,000,000	204,795,100	207,514,600	194,721,300	101,868,300	88,821,700	103,655,800
 Water Construction Bond Fund		173,000,000	143,272,000	91,149,000	110,237,000	47,476,000	40,708,000
Sources		10,315,000	13,915,000	156,671,000	92,973,000	171,532,000	157,507,000
Uses		(40,043,000)	(66,038,000)	(137,583,000)	(155,734,000)	(178,300,000)	(175,174,000)
Net Activity		(29,728,000)	(52,123,000)	19,088,000	(62,761,000)	(6,768,000)	(17,667,000)
Ending Balance	173,000,000	143,272,000	91,149,000	110,237,000	47,476,000	40,708,000	23,041,000
	357,000,000	348,067,100	298,663,600	304,958,300	149,344,300	129,529,700	126,696,800
 Sewer Improvement & Extension		115,000,000	116,651,600	111,393,200	109,074,100	122,823,400	133,534,700
Sources		13,677,700	9,010,600	18,373,800	31,840,100	36,610,300	57,395,200
Uses		(12,026,100)	(14,269,000)	(20,692,900)	(18,090,800)	(25,899,000)	(21,551,200)
Net Activity		1,651,600	(5,258,400)	(2,319,100)	13,749,300	10,711,300	35,844,000
Ending Balance	115,000,000	116,651,600	111,393,200	109,074,100	122,823,400	133,534,700	169,378,700
 Sewer Construction Bond Fund		136,000,000	115,142,000	60,767,000	72,050,000	129,917,000	19,739,000
Sources		49,774,000	50,808,000	122,438,000	169,819,000	26,233,000	167,767,000
Uses		(70,632,000)	(105,183,000)	(111,155,000)	(111,952,000)	(136,411,000)	(168,458,000)
Net Activity		(20,858,000)	(54,375,000)	11,283,000	57,867,000	(110,178,000)	(691,000)
Ending Balance	136,000,000	115,142,000	60,767,000	72,050,000	129,917,000	19,739,000	19,048,000
 Total	251,000,000	231,793,600	172,160,200	181,124,100	252,740,400	153,273,700	188,426,700

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MEMORANDUM

Summary of FY 2019 BUDGET Changes

February 27, 2018

To: Nicolette Bateson

From: Bart Foster

You have asked for commentary and observations regarding a comparison of the FY 2019 GLWA BUDGET¹ request with that utilized for the FY 2018 water and sewer charges. The accompanying exhibits present a high level summary of our review.

As noted in prior correspondence on this matter, the FY 2019 BUDGET request represents a 2% increase compared to FY 2018 figures for both the Water Fund and the Sewer Fund. The executive summary budget request categorizes the overall revenue requirements into three major categories:

- Operation and maintenance expenses for the Regional System;
- Master Bond Ordinance (MBO) requirements, the largest of which is debt service; and
- Planned deposits to the Regional System account of the Improvement and Extension (I&E) Fund to finance capital improvements.

The left side of the attached exhibits present the relative changes in each of these categories when comparing the FY 2019 and FY 2018 figures. As noted on Exhibit Page 1, the 2% increase for the Water Fund is characterized by a moderate operating expense increase, a reduction in MBO requirements (largely associated with a naturally occurring reduction in debt service related to the optimized structure resulting from the Series 2016 Refunding Bonds), and a material increase in expected transfers to the I&E Fund. The changes in the operating expense increase is summarized by major cost pool is shown on the right side of Exhibit Page 1, and reflect moderate increases in each major cost pool.

The same presentation is made for the Sewer Fund BUDGET on Exhibit Page 2. The majority of the 2% BUDGET increase is related to increased MBO requirements. The sewer debt service for FY 2019 reflects a natural increase that results from the optimized structure resulting from the Series 2016 Refunding Bonds. As we have noted in prior correspondence, the Sewer operating expense increase is a combination of significant increases in the Combined Sewer Overflow (CSO) and Oakland Macomb Interceptor (OMID) cost pools, and reductions in the Common-to-All (CTA SHARES) and Industrial Waste Control (IWC) cost pools.

We trust that this brief summary is responsive to your request and we are prepared to discuss this matter at your convenience.

¹ In keeping with prior presentations, reference to the BUDGET in all capital letters is intended to apply to the comprehensive revenue requirement, including the operation and maintenance expenses, debt service and other Master Bond Ordinance requirements, and deposits to the GLWA Regional Improvement and Extension Account.

Summary of FY 2019 Water BUDGET Changes Compared to FY 2018 BUDGET - \$ millions

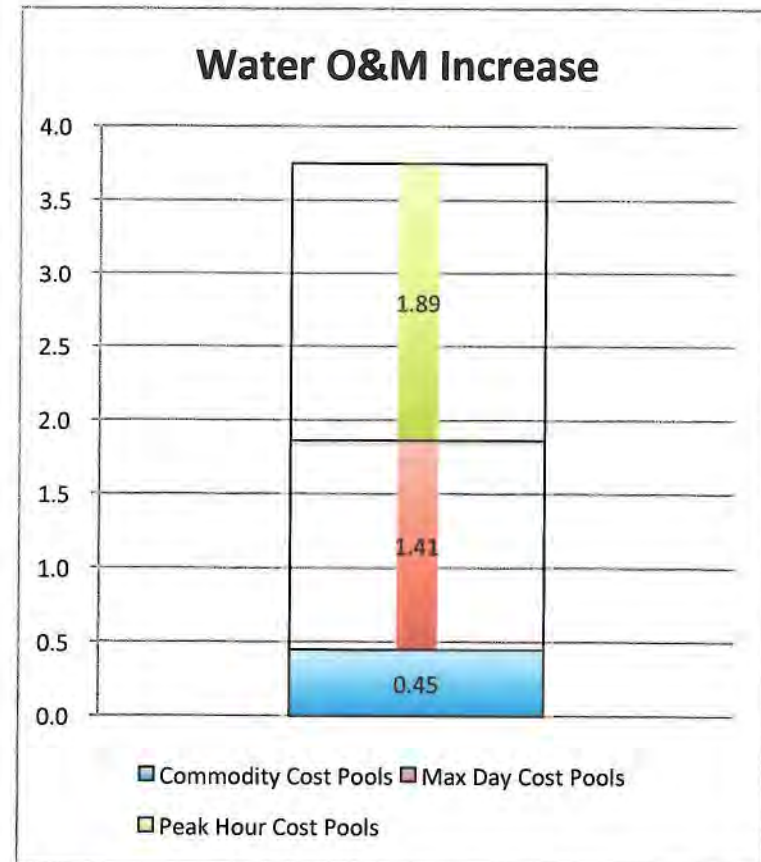
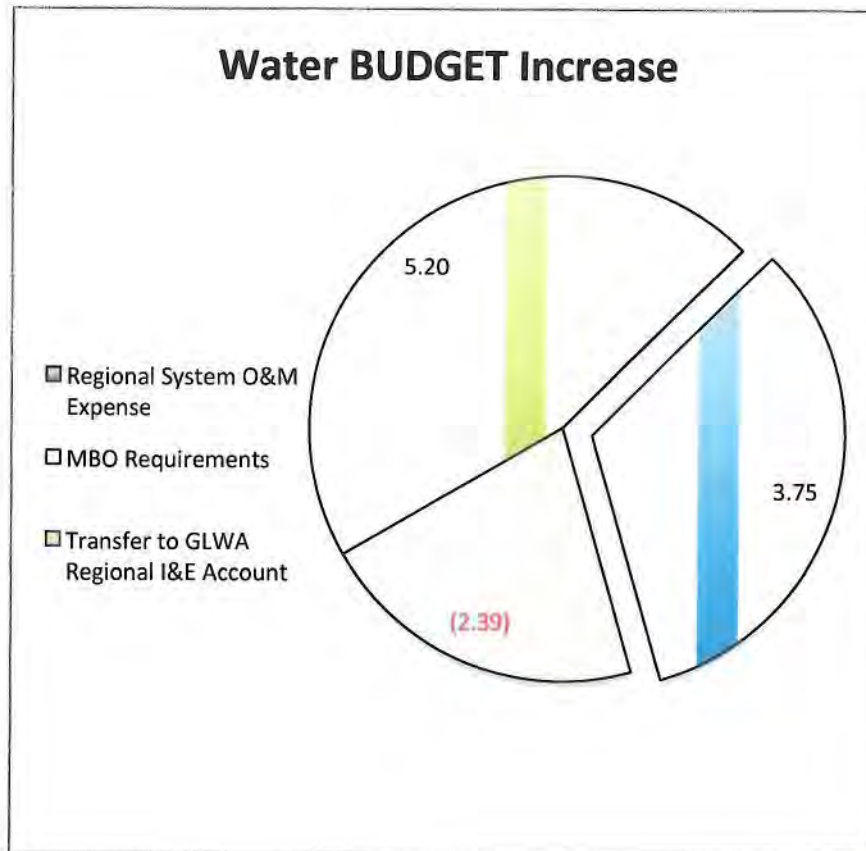
Exhibit Page 1

	<u>Water BUDGET Increase</u>	
Regional System O&M Expense	3.75	3.1%
MBO Requirements	(2.39)	2.7%
Transfer to GLWA Regional I&E Account	5.20	15.9%

Total Gross BUDGET	6.56	2.0%

	<u>O&M Increase</u>
Commodity Cost Pools	0.45
Max Day Cost Pools	1.41
Peak Hour Cost Pools	1.89

Total O&M Budget	3.75



TFG

THE FOSTER GROUP

PRELIMINARY

2/27/18

Summary of FY 2019 Sewer BUDGET Changes Compared to FY 2018 BUDGET - \$ millions

Exhibit Page 2

	<u>Sewer BUDGET Increase</u>	
Regional System O&M Expense	2.04	1.1%
MBO Requirements	7.18	2.7%
Transfer to GLWA Regional I&E Account	0.09	0.7%

Total Gross BUDGET	9.31	2.0%

	<u>O&M Increase</u>
CTA SHAREs Cost Pool	(4.25)
CSO Cost Pool	8.61
OMID Cost Pool	1.97
IWC Cost Pool	(4.28)

Total O&M Budget	2.04

