



Financial Services Audit Committee Communication

Date: June 15, 2018

To: Great Lakes Water Authority Audit Committee

From: Lisa Mancini, Interim Financial Planning & Analysis Manager

Re: FY 2018 Operations & Maintenance Budget Update through May 31, 2018 and
Fiscal Year-End Amendments through June 30, 2018

Background: The Great Lakes Water Authority (GLWA) is in the process of closing May 31, 2018. A pre-close report has been prepared to present the current budget status as we approach the final day of our fiscal year on June 30, 2018.

Analysis: This report contains the following for review and discussion.

- ✓ Operations & Maintenance (O&M) Category Analysis
- ✓ Staffing – Budget vs. Actual
- ✓ Overtime by Major Budget Category
- ✓ Budget Amendment Report/Use of Unallocated Reserve

It should be noted that these interim reports are being prepared on an accrual basis which is currently under final review as the Financial Reporting & Accounting team is rolling out new monthly closing procedures.

Proposed Action: Receive and file report.

Great Lakes Water Authority
Fiscal Year 2018 Pre-Close Operations & Maintenance Budget to Actual Report
Through May 31, 2018

The purpose of this report is to summarize the status of the Operations & Maintenance (O&M) budget as of May 31, 2018. Twelve months of budget is in the columns with the blue heading contrasted with an 11-month equal pro-ration in the columns with a green header. It is important to note that the month of May 2018 is currently under review and has not been closed.

Great Lakes Water Authority Interim Pre-Close Budget to Actual Report - Revenue Requirement Budget Basis FY 2018 through May 31, 2018									
O&M Category	FY 2018 Original Budget	FY 2018 Amended Budget thru 5/31/2018	Percent of Total Amended Budget	Prorated FY 2018 Amended Budget (Eleven Months)	Actual (*) thru 05/31/2018 (Eleven Months)	Dollar Variance Positive/ (Negative)	Percent of Actual thru 5/31/2018	Percent Variance Positive/ (Negative)	
Personnel	\$ 101,113,100	\$ 101,041,000	30.7%	\$ 92,620,917	\$ 88,065,800	\$ 4,555,117	33.4%	95.1%	
Capital Outlay	7,353,400	7,114,700	2.2%	6,521,808	4,054,200	2,467,608	1.5%	62.2%	
Utilities	59,036,600	57,800,400	17.5%	52,983,700	44,733,300	8,250,400	17.0%	84.4%	
Chemicals	17,806,600	14,068,600	4.3%	12,896,217	11,417,600	1,478,617	4.3%	88.5%	
Supplies & Other	34,800,600	31,436,300	9.5%	28,816,608	21,387,200	7,429,408	8.1%	74.2%	
Contractual Services	127,816,900	112,743,400	34.2%	103,348,117	85,951,700	17,396,417	32.6%	83.2%	
Capital Program Allocation	(25,358,600)	(4,000,000)	-1.2%	(3,666,667)	(1,070,500)	(2,596,167)	-0.4%	29.2%	
Shared Services	(16,281,700)	(9,783,100)	-3.0%	(8,967,842)	(6,531,400)	(2,436,442)	-2.5%	72.8%	
Unallocated Reserves	6,353,900	2,220,600	0.7%	2,035,550	-	2,035,550	0.0%	0.0%	
O&M Legacy Pension Allocation	16,872,000	16,872,000	5.1%	15,466,000	15,466,000	-	5.9%	100.0%	
Total	\$ 329,512,800	\$ 329,513,900	100.0%	\$ 302,054,408	\$ 263,473,900	\$ 38,580,508	100.0%	87.2%	

(*) The close for May 2018 is under review. There are no known material adjustments; most common delays occur in contractual services and utilities.

As the table above shows, GLWA's spend is currently being estimated at 87.2% of the forecasted budget. The two largest categories of underbudget status, **Contractual Services** and **Utilities**, experience the most common delays in receiving invoices timely. These accounts are being reviewed to ensure that the accruals for unposted vendor invoices are adequate. The third largest area with a positive variance, **Supplies & Other**, may experience some lag, but to a much lesser extent. The 'Percent of Total Amended Budget' column and the 'Percent of Actual thru May 31, 2018, demonstrate that the budgeted amounts closely align with actual costs at 87.2%.

Great Lakes Water Authority
Staffing - Budget vs. Actual
As of May 31, 2018

Legend

Estimated Amount

Fiscal Year 2018

Line #	Annual Positions	Year to Date												
	Budgeted Positions (Staffing Plan)	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	
1	Employees	1,075.00	1,075.00	1,075.00	1,075.00	1,075.00	1,075.00	1,075.00	1,075.00	1,075.00	1,075.00	1,075.00	1,075.00	
2	Transition Services Contractors	102.00	102.00	102.00	102.00	102.00	102.00	102.00	102.00	102.00	102.00	102.00	102.00	
3	Total Positions	1,177.00	1,177.00	1,177.00	1,177.00	1,177.00	1,177.00	1,177.00	1,177.00	1,177.00	1,177.00	1,177.00	1,177.00	
	Budgeted FTEs (Based on Quarterly Hiring Assumptions) (Requested FTEs)													
4	Employees	1,053.00	1,053.00	1,053.00	1,053.00	1,053.00	1,053.00	1,059.50	1,059.50	1,059.50	1,065.50	1,065.50	1,065.50	
5	Transition Services Contractors	102.00	102.00	102.00	102.25	102.25	102.25	102.25	102.25	102.25	102.25	102.25	102.25	
6	Total Positions	1,155.00	1,155.00	1,155.00	1,155.25	1,155.25	1,155.25	1,161.75	1,161.75	1,161.75	1,167.75	1,167.75	1,167.75	
	Actual Employee Positions	FY2018 Year to Date												
7	Beginning Balances	873.00	870.00	896.00	899.00	909.00	920.00	924.00	924.00	947.00	961.00	957.00	968.00	873.00
8	New Hires	25.00	29.00	10.00	15.00	17.00	9.00	2.00	31.00	23.00	7.00	23.00		191.00
9	Rehires	-	1.00	-	1.00	-	-		2.00	-	1.00			5.00
10	Terminations	28.00	4.00	7.00	6.00	6.00	5.00	2.00	10.00	9.00	12.00	12.00		101.00
11	Ending Balance (1)	870.00	896.00	899.00	909.00	920.00	924.00	924.00	947.00	961.00	957.00	968.00	968.00	968.00
12	Ending Balance - Transition Service Contractors	80.00	80.00	80.00	80.00	89.00	83.00	83.00	83.00	87.00	75.00	75.00		
	Budget to Actual Variance - Vacant Positions													
13	(Row 1 minus Row 11)	205.00	179.00	176.00	166.00	155.00	151.00	151.00	128.00	114.00	118.00	107.00	107.00	
	Budget to Actual Variance - Transition Service Contractors													
14	(Row 2 minus Row 12)	22.00	22.00	22.00	22.00	13.00	19.00	19.00	19.00	15.00	27.00	27.00	102.00	
Note:	(1) Includes Active; Active-FMLA, and STD													
	Check Figure (New Hires - Terminations)	-3	25	3	9	11	4	0	21	14	-5	11		
	Difference, if any	-	-	-	-	-	-	-	-	-	-	-	-	

Great Lakes Water Authority
Staffing - Budget vs. Actual

Note; prior fiscal year (FY 2017)

Legend

Estimated Amount

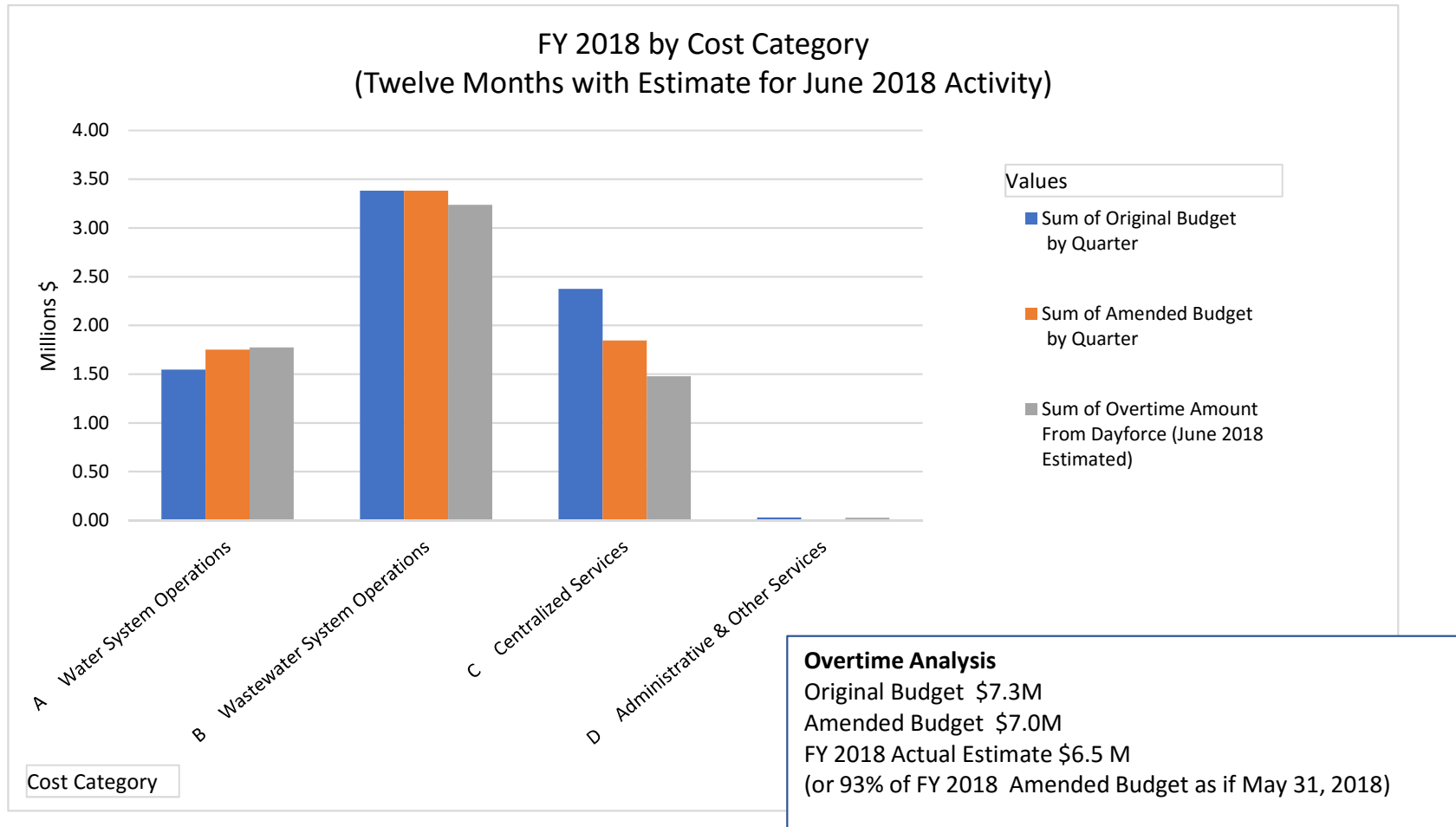
Fiscal Year 2017

Line #	Annual Positions	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	
	Budgeted "Positions" (Staffing Plan)													
1	Employees	995.00	995.00	995.00	995.00	995.00	995.00	995.00	995.00	995.00	995.00	995.00	995.00	
2	Transition Services Contractors	110.00	110.00	110.00	110.00	110.00	110.00	110.00	110.00	110.00	110.00	110.00	110.00	
3	Total Positions	1,105.00	1,105.00	1,105.00	1,105.00	1,105.00	1,105.00	1,105.00	1,105.00	1,105.00	1,105.00	1,105.00	1,105.00	
	Budgeted "FTEs" (Based on Quarterly Hiring Assumptions) (Requested FTEs)													
4	Employees	840.00	840.00	840.00	875.75	875.75	875.75	891.75	891.75	891.75	994.00	994.00	994.00	
5	Transition Services	102.00	102.00	102.00	102.00	102.00	102.00	102.00	102.00	102.00	102.00	102.00	102.00	
6	Total Positions	942.00	942.00	942.00	977.75	977.75	977.75	993.75	993.75	993.75	1,096.00	1,096.00	1,096.00	
	Actual Employee Positions													FY2017 Year to Date
7	Beginning Balances	770.00	781.00	791.00	783.00	791.00	793.00	798.00	799.00	801.00	814.00	836.00	848.00	770.00
8	New Hires	13.00	15.00	4.00	14.00	6.00	8.00	10.00	14.00	19.00	25.00	17.00	35.00	180.00
9	Rehires	-	-	-	1.00	-	2.00	-	-	-	-	2.00	2.00	7.00
10	Terminations	2.00	5.00	12.00	7.00	4.00	5.00	9.00	12.00	6.00	3.00	7.00	12.00	84.00
11	Ending Balance (1)	781.00	791.00	783.00	791.00	793.00	798.00	799.00	801.00	814.00	836.00	848.00	873.00	873.00
12	Ending Balance - Transition Service Contractors	100.00	100.00	100.00	95.00	95.00	95.00	90.00	90.00	90.00	85.00	85.00	85.00	
	Budget to Actual Variance - Vacant Positions													
13	(Row 1 minus Row 11)	214.00	204.00	212.00	204.00	202.00	197.00	196.00	194.00	181.00	159.00	147.00	122.00	
	Budget to Actual Variance - Transition Service Contractors													
14	(Row 2 minus Row 12)	10.00	10.00	10.00	15.00	15.00	15.00	20.00	20.00	20.00	25.00	25.00	25.00	
Note:	(1) Includes Active; Active-FMLA, and STD													
	Check Figure (New Hires - Terminations)	11	10	-8	7	2	3	1	2	13	22	10	23	
	Difference, if any	-	-	-	-	-	-	-	-	-	-	-	-	

Great Lakes Water Authority

Interim Budget to Actual Report - Revenue Requirement Budget Basis

FY 2018 through May 31, 2018



Great Lakes Water Authority
Interim Budget to Actual Report - Revenue Requirement Budget Basis
FY2018 through May 31 2018

Overtime by Major Budget Category	Overtime Hours from Dayforce (1.5x and 2.0x)	Original Budget by Quarter	Amended Budget by Quarter	Overtime Amount From Dayforce (1)	Dollar Variance Positive/ (Negative)	Percent Variance Positive/ (Negative)
FY 2018 Q1	44,560	1,832,125	1,746,275	1,641,983	104,292	6%
A Water System Operations	10,941	386,250	437,500	441,519	(4,019)	-1%
B Wastewater System Operations	21,402	845,000	845,000	776,412	68,588	8%
C Centralized Services	12,047	593,700	461,350	418,377	42,973	9%
D Administrative & Other Services	171	7,175	2,425	5,676	(3,251)	-134%
FY 2018 Q2	38,159	1,832,125	1,746,275	1,422,788	323,487	19%
A Water System Operations	10,406	386,250	437,500	411,667	25,833	6%
B Wastewater System Operations	19,224	845,000	845,000	701,733	143,267	17%
C Centralized Services	8,330	593,700	461,350	302,519	158,831	34%
D Administrative & Other Services	199	7,175	2,425	6,869	(4,444)	-183%
FY 2018 Q3	42,809	1,832,125	1,746,275	1,586,374	159,901	9%
A Water System Operations	11,300	386,250	437,500	449,594	(12,094)	-3%
B Wastewater System Operations	22,503	845,000	845,000	808,917	36,083	4%
C Centralized Services	8,828	593,700	461,350	321,408	139,942	30%
D Administrative & Other Services	178	7,175	2,425	6,456	(4,031)	-166%
FY 2018 Q4	34,509	1,832,125	1,746,275	1,268,907	477,368	27%
A Water System Operations	8,465	386,250	437,500	341,029	96,471	22%
B Wastewater System Operations	18,005	845,000	845,000	631,904	213,096	25%
C Centralized Services	7,883	593,700	461,350	290,532	170,818	37%
D Administrative & Other Services	157	7,175	2,425	5,442	(3,017)	-124%
Grand Total	160,037	7,328,500	6,985,100	5,920,052	1,065,048	15%

(1) Total amount per BS&A General Ledger for the eleven months ended May 31 2018 is \$5,660,670. Difference is due to coding change during 2017.

**Great Lakes Water Authority
Budget Amendment Report
Through June 30, 2018**

The purpose of this report is to present the Operations & Maintenance (O&M) budget amendments that have been processed for FY 2018 from January 1, 2018, through June 30, 2018. This report contains two parts: **Part 1** - Budget Amendments Processed for FY 2018 from January 1, 2018, through June 30, 2018 and **Part 2** - Analysis of Unallocated Reserves from January 1, 2018, through June 30, 2018.

Part 1 - Budget Amendments Processed for FY 2018 from January 1, 2018, through June 30, 2018

The following is an overview of the O&M budget amendments that have been processed for the 3rd and 4th Quarters of FY 2018.

- ✓ Many of the budget amendments recorded during the 3rd and 4th quarters have been reclassifications within a cost center or operating area to improve assignment of costs.
- ✓ A budget amendment (No. 8580) for \$360,000 was recorded to move budget to cover GLWA-CS-154 titled Investment Grade Energy Audit. This study, covered in the Energy, Research & Innovation group's budget, was created in FY 2018 to analyze GLWA's energy usage. The outcome of this study may lead to the development of capital projects for long term energy savings.
- ✓ A budget Amendment (No. 9229) for \$5,391,640 was recorded to move budget to cover PC-798A Change Order No. 1. This is the facilities maintenance requirement contract for Lakeshore Global Corporation which was approved at the Board of Directors Workshop on September 13, 2017. PC-798A is a skilled trades contract that is to augment GLWA staff and has assisted in successfully maintaining compliance with state and federal regulations, as well as GLWA's Administrative Consent Order (ACO) with the State of Michigan. The services also provide the necessary support for urgent and emergency projects requiring immediate attention or resources beyond the staff's ability.
- ✓ A budget amendment (No. 8582) for \$1,084,400 was recorded to move budget to cover GLWA-CON-219. This contract, approved by the GLWA Board on 1/24/2018, is for the removal and disposal of debris, cleaning and flowmeter services in the influent conduit at the Baby Creek Combined Sewer Overflow (CSO) facility.
- ✓ A budget amendment (No. 9104) for \$1,050,000 for DTE Electric Company was recorded to move budget for the rental of the generators that were needed while the second electrical feed was being repaired at the Water Resource Recovery Facility.
- ✓ A budget amendment (No. 9838) for \$373,000 was entered to move budget to cover Sigma CS-1481, Task 27. This document retention project is for the scanning of the as-built drawings for GLWA.

Part 2 - Analysis of Unallocated Reserves from January 1, 2018, through June 30, 2018

The table below identifies four categories of unallocated reserves by the four primary budget areas. This table includes the FY 2018 approved budget amounts as well as the net effect of the budget amendments as described below.

GL String	Description	FY 2018 Adopted Budget	Amendments Through 12.31.2017	QTR 3 Amendments Through 3.31.2018	QTR 4 Amendments Through 6.30.2018	Total Budget Increase/(Decrease) Through 6.30.2018	FY 2018 Amended Budget
5910-887601.000-832000-WS7310	Unallocated Reserve - Water System Operations	2,036,500	-	360,000	(2,055,800)	(1,695,800)	340,700
5910-887602.000-832000-WS7900	Unallocated Reserve - Centralized Services	1,897,400	(674,600)	(737,400)	232,700	(1,179,300)	718,100
5910-887603.000-832000-WS7900	Unallocated Reserve - Administrative Services	2,000,000	-	(1,310,000)	(689,700)	(1,999,700)	300
5960-897600.000-832000-SD8050	Unallocated Reserve - Wastewater System Operations	420,000	2,411,000	(360,000)	(1,309,500)	741,500	1,161,500
	Total Unallocated Reserve	\$ 6,353,900	\$ 1,736,400	\$ (2,047,400)	\$ (3,822,300)	\$ (4,133,300)	\$ 2,220,600

Third Quarter Budget Amendments

Unallocated Reserve – Water System Operations & Wastewater System Operations

There is one budget amendment (No. 8563) that equals **the \$360,000** shown in the table above for both the Water System and Wastewater System Operations.

- Budget was moved from Systems Control (a cost center within Water System Operations) to the **repairs & maintenance accounts of several Pumping Stations** (cost centers within Sewer System Operations). This reclass was **made to align the budget to the cost centers where the costs are being incurred**. Since two different funds (Water & Sewage Disposal) were being impacted by this reclass, the Unallocated Reserve accounts were used to balance the two funds. This resulted in an increase of \$360,000 to the Unallocated Reserve – Water System Operations and a decrease of (\$360,000) to the Unallocated Reserve – Wastewater System Operations.

Unallocated Reserve – Centralized Services

There are two items that equal the **(\$737,400)** shown in the table above.

- (\$620,400) – Budget amendment (No. 8716) was recorded to transfer costs to the newly formed Hazmat group. Prior to the formation of this new group, Hazmat services had been provided through a contract with the Detroit Fire Department. **Beginning on March 1, 2018, the GLWA Hazmat group was launched.** The budget required to make this new group operational was credited from the Unallocated Reserve.
- (\$117,000) – Budget amendment (No. 9182) was recorded to cover the budget needed for **the purchase of Bonfire** (a software as a service, or SaaS, solution) for the Procurement group. Bonfire spans the “end-to-end” procurement cycle from soliciting suppliers, receiving bids and proposals, evaluation & scoring, documenting awardee

decision, and managing the contract. This product was not included in the FY 2018 budget and resulted in an entry to reduce (credit) the Unallocated Reserve.

Unallocated Reserve – Administrative Services

There are three items that equal the **(\$1,310,000)** shown in the table above.

- (\$1,000,000) – A review of the current and projected activity posted in the **Enterprise Risk Management Insurance Fund** cost center (883411) was conducted in February 2018. The results of this review showed that an additional budget of \$1,700,000 would be required to cover the actual cost through the end of FY 2018. Examples of the types of coverage included in this cost center are **property & casualty insurance, brokerage services, and public officials & employment practices liability insurance**. Budget amendment (No. 9212) was recorded in the 3rd quarter to transfer \$1,000,000 from Unallocated Reserve. An additional analysis is currently being conducted to review activity through May 2018
- (\$215,000) – Budget amendment (No. 9575) was recorded to add budget to both the **Financial Planning & Analysis (884113) and Public Finance (884141) cost centers** for The Foster Group, contract GLWA-CS-195. **The contract amount was not known at the time the FY 2018 budget was adopted**. The difference between the amount budgeted and the actual contract amount was transferred from the Unallocated Reserve.
- (\$95,000) – An increase to the Contractual Professional Services budget for the Financial Reporting & Accounting group (884111) was needed to cover the **additional services required to manage the multiple projects** that are being initiated by this group. As multiple new processes are being developed in this group additional staff is needed, on a temporary basis, to assist with the management and documentation of these processes. This additional assistance provides the GLWA staff with the ability to assist with the development of the processes while being able to manage their day-to-day workload. The additional budget needed was transferred from the Unallocated Reserve (Budget Amendment No. 9595).

Fourth Quarter Budget Amendments

A review of several key areas of the O&M budget was undertaken during the third and fourth quarters of FY 2018. This resulted in amendments being processed in the fourth quarter. The three key areas were Personnel, Capital Program Allocation, and Shared Services.

Personnel – A comparison of the actual Salaries & Wages, as well as the Employee Benefits, to the amounts budgeted showed that an increase to the budget of these areas would be needed. The increase is due to the following.

- Increases in the **Salaries & Wages** and Benefits of existing GLWA staff during FY 2018 for various reasons (**market adjustments, merit raises, promotions**, etc.)

- Increase in **Employee Benefits due to the increase in premiums** charged for Calendar Year 2018. The amount of this increase was not known at the time the FY 2018 budget was prepared.

Based on the results of the review of the Salaries & Wages and Employee Benefits, several budget amendments were prepared to move budget from the Unallocated Reserves to the appropriate cost centers.

GL String	Description	Total Budget Increase/(Decrease) Personnel Review
5910-887601.000-832000-WS7310	Unallocated Reserve - Water System Operations	(410,500)
5910-887602.000-832000-WS7900	Unallocated Reserve - Centralized Services	(481,400)
5910-887603.000-832000-WS7900	Unallocated Reserve - Administrative Services	(273,600)
5960-897600.000-832000-SD8050	Unallocated Reserve - Wastewater System Operations	(750,300)
	Total Change to Unallocated Reserves	\$ (1,915,800)

Capital Program Allocation (contra accounts) – The FY 2018 budget was prepared based on a prior methodology for recording time allocated to capital projects. A more conservative approach is now being taken to focus on those individuals who are working directly on the capital projects rather than those who are working indirectly. In addition, there are processes being implemented to improve the tracking and reporting of the GLWA staff members' direct hours. Both scenarios have resulted in a decrease to the budget for the Capital Program Allocation contra accounts.

The following table shows the impact of the adjustment to the Capital Program Allocation budget on the Unallocated Reserve accounts.

GL String	Description	Total Budget Increase/(Decrease) Capital Program Allocation
5910-887601.000-832000-WS7310	Unallocated Reserve - Water System Operations	(3,164,000)
5910-887602.000-832000-WS7900	Unallocated Reserve - Centralized Services	(12,531,100)
5910-887603.000-832000-WS7900	Unallocated Reserve - Administrative Services	(105,600)
5960-897600.000-832000-SD8050	Unallocated Reserve - Wastewater System Operations	(143,200)
	Total Change to Unallocated Reserves	\$ (15,943,900)

Shared Services – The shared services budget was prepared based on the agreements as they were interpreted, before actual invoices were issued and the true-ups (actual costs incurred as compared to the estimates billed) analyzed. The billing trends for FY 2016 and FY 2017 were reviewed to improve the projection for FY 2018. This review has resulted in an overall decrease to the budget for Shared Services which are primarily contra accounts.

The following table shows the impact of the adjustment to the Shared Services budget on the Unallocated Reserve accounts.

GL String	Description	Total Budget Increase/(Decrease) Shared Services
5910-887601.000-832000-WS7310	Unallocated Reserve - Water System Operations	(235,600)
5910-887602.000-832000-WS7900	Unallocated Reserve - Centralized Services	(2,928,700)
5910-887603.000-832000-WS7900	Unallocated Reserve - Administrative Services	(1,732,600)
5960-897600.000-832000-SD8050	Unallocated Reserve - Wastewater System Operations	-
	Total Change to Unallocated Reserves	\$ (4,896,900)

In addition to the key areas mentioned above, a variety of other categories of expenses were reviewed. Some of the larger categories reviewed included **chemicals, utilities, and contractual services**. Budgets were moved either from or to the Unallocated Reserve accounts as deemed necessary. The impact of these budget amendments on the Unallocated Reserve accounts are as follows – **noting that it was an overall increase in reserve.**

GL String	Description	Total Budget Increase/(Decrease)
5910-887601.000-832000-WS7310	Unallocated Reserve - Water System Operations	3,554,300
5910-887602.000-832000-WS7900	Unallocated Reserve - Centralized Services	16,173,800
5910-887603.000-832000-WS7900	Unallocated Reserve - Administrative Services	1,422,200
5960-897600.000-832000-SD8050	Unallocated Reserve - Wastewater System Operations	6,785,000
	Total Change to Unallocated Reserves	\$ 27,935,300

Two additional budget amendments were processed during the fourth quarter; one impacting the Water System Operations Unallocated Reserves and one the Wastewater System Operations Unallocated Reserves.

Unallocated Reserve – Water System Operations

Budget amendment No. 9968 for **\$1,800,000** was processed to cover the O&M expenses incurred for sludge removal services to **preserve water quality and meet MDEQ requirements for the NPDES permit for wastewater operations**. This is a temporary scenario until further equipment enhancements are in place which is currently under consideration. This service is for the **Southwest Water Treatment Plant**.

Unallocated Reserve – Wastewater System Operations

A budget amendment (No. 9982) was processed to correct a previously posted budget amendment – **no financial impact, but it does create presentation challenges**. This amendment reclassified \$7,201,000 from the O&M Unallocated Reserves to the Improvement & Extension fund. This reclass will bring the O&M budget back in line with the Original Board Adopted Budget of \$329,512,800. **This scenario was caused by a clerical error at the time of budget load which could not be corrected by the system or their support center.**