

# FY 2019 Annual Financial Results

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*Presentation to the GLWA Board of Directors*

*December 19, 2019*



# Key Takeaways

- ✓ Clean audit opinion
- ✓ Report addresses multiple stakeholder groups with varied interests
- ✓ Achieving financial goals
- ✓ FY 2019 provides three full fiscal years of operating results

# Overview

For the year ending June 30, 2019, GLWA has continued to demonstrate commitment to goals established, reliability and transparency in reporting and continuous improvement in operations. This is reflected in financial results from the Comprehensive Annual Financial Report (CAFR) that show:

- **Liquidity** – 1,058 days cash on hand for water and 495 days cash on hand for sewer (CAFR page 98)
- **Excellent Debt Service Coverage** – 2.04 times for Water senior lien bonds and 2.10 times for Sewage Disposal senior lien bonds (CAFR pages 129-130)
- **Revenue Stability** – wholesale budgeted revenues within one percent, \$3 million, less than budget for the water system and 0.5 percent, \$1.5 million, greater than budget for the sewage disposal system (CAFR pages 95-96)
- **Controlled Spending** – overall Operations & Maintenance budget positive variance of \$3.8 million, or 3.17 percent, for the water system and \$17.1 million, or 8.93 percent, for the sewage disposal system (CAFR pages 91-93)

# Statement of Net Position

Key Highlights from pages 24 & 25 of the CAFR include:

- **Current Assets to Current Liabilities**
  - Current ratio (current assets/current liabilities) confirms GLWA's ability to cover obligations to bondholders
- **Net Position**
  - Remains in a deficit due mainly to the revaluation of assets and acquisition of debt as part of the stand-up of GLWA
  - Asset valuation results in unusually high depreciation expense in the short-term
  - Higher than average debt contributes to relative net deficit position

# Schedule of Revenues, Expenses and Changes in Net Position

Key Highlights from page 27 of the CAFR include:

- **Capital Adjustment**
  - Once it has been determined that construction will not proceed related costs are charged to capital adjustments in the operating expenses
  - This includes any costs previously recorded in construction work in process
  - GLWA recorded FY 19 capital adjustments of \$2.26 million in the Sewage Disposal Fund
- **Water Residential Assistance Program (WRAP)**
  - Expense reflected on schedule is the amount paid by GLWA to Wayne Metro for FY 19
  - This is not the same as the revenue requirement transfers
  - Monthly revenue requirements transfers are transfers of cash from Receiving to a Restricted Cash account (highlighted in Footnote 5, CAFR page 45)

# Footnotes: Restricted Assets

Key Highlights from Footnote 5 on pages 45 - 47 of the CAFR include:

- **Unrestricted Cash Position**
  - Remains strong primarily due to increased Improvement and Extension Fund deposits
  - Unrestricted cash increased from the prior year by approximately \$30 million for the Water Fund and \$57 million for the Sewage Disposal Fund
- **Debt Reserves**
  - Current reserves are historically low
  - There is the potential for additional reductions should bond ratings continue to improve
- **WRAP**
  - Restricted cash for WRAP reflects the balance life-to-date of revenue requirement transfers plus account interest earned less distributions to Wayne Metro
  - This differs from the expense reflected on Schedule of Revenues, Expenses and Changes in Net Position discussed earlier and on page 27 of the CAFR

# Footnotes: DWSD Loan Receivable

Key Highlights from Footnote 7 on pages 48 - 49 of the CAFR include:

- \$9.4 million payments in FY 2019 on the 2016-2017 loan receivable principal (with an additional \$1.0 million in interest)
- A new receivable recorded for \$24 million on the FY 2018 shortfall
  - Payments began July 1, 2019 and have been timely (as reported in the monthly financial reports)
- No additional loan receivable for FY 2020 because FY 2019 closed with positive net receipts for DWSD Water and Sewer
- DWSD is closely managing cash receipts over disbursements for FY 2020 to reduce the risk of a shortfall in the current fiscal year

# Footnotes: Capital Assets

Key Highlights from Footnote 9 on pages 50 - 52 of the CAFR include:

- **Construction in Progress Increase**
  - Recruitment and retention of additional top engineering talent
  - Expanded vendor participation in bid responses
  - Additional internal pre-bid meetings to support effective procurement and project launch



# Footnotes: Long-Term Debt

Key Highlights from Footnote 12 on pages 53 - 64 of the CAFR include:

- **October 2018 Refunding and New Money Transaction**
  - \$178 million refunding for the Water System
  - \$208 million refunding for the Sewage Disposal System
  - New money issuance of \$82 million for DWSD Sewer System
  - FY 2019 results reflect these transactions in the increase/decrease activity columns as noted
- **State Revolving Fund Loans**
  - These low-interest loans continue to be utilized as an important, ongoing means of financing key projects
  - Listed in full on CAFR page 59
  - Updates in the Quarterly Debt Report section throughout the fiscal year

# Footnotes: Net Investment in Capital Assets

Key Highlights from Footnote 13 on pages 64 – 65 of the CAFR include:

- For the year-ended June 30, 2019, the net position classifications were reevaluated based on upcoming governmental accounting standard revisions, and the following changes were made from the prior year:
  - Net investment in capital assets classification now includes the portion of the lease payable pursuant to the application of *Governmental Accounting Standards Board Statement No. 69: Government Combinations and Disposals of Government Operations* for the Authority's acquisition.
  - The unspent construction bond proceeds are now offset by the related bond liability.
  - Lease obligation and the corresponding asset are now treated as components of the net investment in capital assets.
  - **The total net position amounts have not been impacted as a result of these classification changes.**

# Footnotes: Legacy Pension

Key Highlights from Footnote 18 on pages 71 - 77 of the CAFR include:

- **The Legacy Pension Net Pension Liability**
  - The General Retirement System (GRS) allocation to “DWSD” (this is the GLWA and DWSD share) decreased \$66.8 million from \$254.5 million as of June 30, 2017 to \$187.7 million as of June 30, 2018
  - This is primarily due to a reduction of \$30.3 million in changes in assumptions associated with plan assets and the annual \$42.9 million payment
  - The GLWA financial impact for the current year CAFR is recognition of a pension surplus rather than expense this year on the Statement of Revenues, Expenses and Changes in Net Position
  - Funded status remains stable from the prior year
  - A detailed pension report will be provided to the GLWA Audit Committee separately in January following the release of the GRS annual financial report

# Schedule of Operations & Maintenance Expense

Key Highlights from this Budget to Actual Schedule on pages 90 - 94 of the CAFR include:

- **Favorable Results Presented in a Familiar Format**
  - Actual results \$20.9 million under budget, \$3.8 million for the Water Fund and \$17.1 million for the Sewage Disposal Fund
  - Variances were recognized throughout the year and recorded to the unallocated reserve
  - These savings are reflected in the cumulative optimization transfers to the Improvement and Extension Funds

# Revenue Requirements

Key Highlights from the Revenue Requirements Schedules on pages 95 - 97 of the CAFR include:

- **Alignment with Water and Wastewater Charges**
  - Provides an overview of financial results using the revenue requirements model
  - Positive variance of \$3.4 million for the Water System and \$20.1 million for the Sewage System
  - Variances due mainly to close management of Operations & Maintenance expenses for both systems
- **NEW! Crosswalk to Schedule of Revenue, Expenses & Changes in Net Position**
  - Schedule is included in the monthly financial report
  - Has been integrated into the CAFR to provide the same reconciliation between the accrual-based financial statements and GLWA's revenue requirements basis of reporting
- **One-Pager to Come**
  - A new one-pager is in the works reflecting these two schedules for key stakeholders