



# One Water Partnership Meeting

*May 28, 2020*



**GLWA**  
*Great Lakes Water Authority*

# Agenda

- Welcome & Agenda Review
- GLWA: From Response to Recovery
- Water System Flow Observations
- Financial Update
- Updates & Announcements
- Closing Remarks

# GLWA: From Response to Recovery

*Sue McCormick*

*Chief Executive Officer*



# Response to Recovery: An Evolution

GLWA has been successful in its response to the COVID-19 pandemic because we have understood that like with any crisis, our response must evolve as the situation has evolved. That will remain true as we move forward from here.

But the fact is, we are a resilient organization, well-supported by strong relationships and provisions in place made in consultation with our Member Partners, Regulators and Other Stakeholders.

Collaboration is in our DNA as we work together within the GLWA team or with our partners. Thank you for adapting so quickly to engaging through remote platforms and doing it in numbers greater than before. The benefit of our collective is that we can leverage each other's experience and share knowledge. That has served us well in these unprecedented circumstances.

# So what have we done

## There are certainly KEYS TO OUR SUCCESS

- Immediate opening of our Emergency Operations Center (EOC)
  - Daily calls have kept all areas in sync and provided for quick and seamless adjustments; allowed us to be one step ahead of practices that came out as orders (local, state and federal agencies)
- Clear, honest and concise communication
  - Board of Directors/Team Members/Member Partners
  - Weekly CEO Updates
  - Operational changes and updates
  - Thanks to our team members (social media/banners/facility monitors)
- Immediate action by our Procurement Team to secure commitment from our Vendor Community to ensure adequate supply of critical item

# Response to Recovery: An Evolution

## **KEY TO OUR SUCCESS - ESTABLISHED PRIORITIES:**

**Safeguard team members health and ensure the continuity of operations and service levels to our member partners**

### **Actions:**

- Suspended non-critical business travel
- Suspended non-critical contractor travel to GLWA facilities
- Placed team members on flexible work arrangements where possible
- Provided a \$1/hr. to front-line, operational team members on-site
- Instituted a Visitor Questionnaire at GLWA facilities
- Implemented temperature checks at GLWA facilities
- Required PPE and enhanced sanitation at all GLWA facilities
- Providing on-site testing for all GLWA team members working on-site at GLWA facilities (Phase 1) and those returning to the workplace (Phase 2)

# Response to Recovery: An Evolution

## **KEY TO OUR SUCCESS**

- Provide for the overall health and well-being of team members
  - Mental health resources available in GLWA's Employee Assistance Program
  - Wellness resources available from GLWA's healthcare providers
  - Mindfulness and meditation resources available from the state of Michigan ([www.headspace.com/MI](http://www.headspace.com/MI))
  - Distress hotlines available from state and federal agencies
  - Family wellness resources from state and federal agencies

# Response to Recovery: Preparing for the 'New Normal'

The situation is stabilizing, and we are shifting our focus from response to recovery.

- Priorities are the same: *Safeguard team members health and assure the continuity of operations and service levels to our member partners*
- Taking a gradual and measured approach to assure we don't create a problem where there is not one now





# Response to Recovery: Preparing for the New Normal

## RECOVERY/RECONSTITUTION

- We are developing GLWA's COVID-19 Safe Workplace Standards which consider six main elements to be applied at GLWA facilities:
  - Team member testing
  - Health screenings and monitoring
  - Workplace physical changes, practices and distancing
  - Use of PPE such as face coverings and masks
  - Worksite and vehicle cleaning
  - Distribution of Supplies
- We will follow the City of Detroit established guidelines for the facilities where we share occupancy with DWSD.

# Response to Recovery: Preparing for the New Normal

- We are following CDC guidelines and the Governor's Executive Orders
- Each facility is being evaluated and each Area, Group and Team is identifying priorities for team member return from remote workspaces.
- Some facilities have significant physical challenges
- Plans are being reviewed by:
  - Our Executive Leadership Team
  - Our Emergency Operations Center Group
  - Our COVID-19 Task Force
- We anticipate first written plans may become available in the next few weeks
- All plans are subject to change based on ongoing evaluation (Evolution)



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*Great Lakes Water Authority*



# Water System Flow Observations

*Suzanne Coffey, P.E.*  
*Chief Planning Officer*



# Key Takeaways

## *What's been observed?*

- Wholesale water use has been lower than expected many of the months this Fiscal Year (FY 2020).
- Overall we are projecting that wholesale water use will be down about 5% for FY 2020.
- Our data does not show that the pandemic has had a significant impact on the wholesale customer class's water usage.

## *What does that mean for member partners?*

FY 2020 wholesale water revenues estimated to be under budget approx. \$6.6 M

- Largely due to the declining overall usage, not COVID-19



# Observations

# FY 2020 Wholesale Water Usage

## Lower Than Budgeted Usage

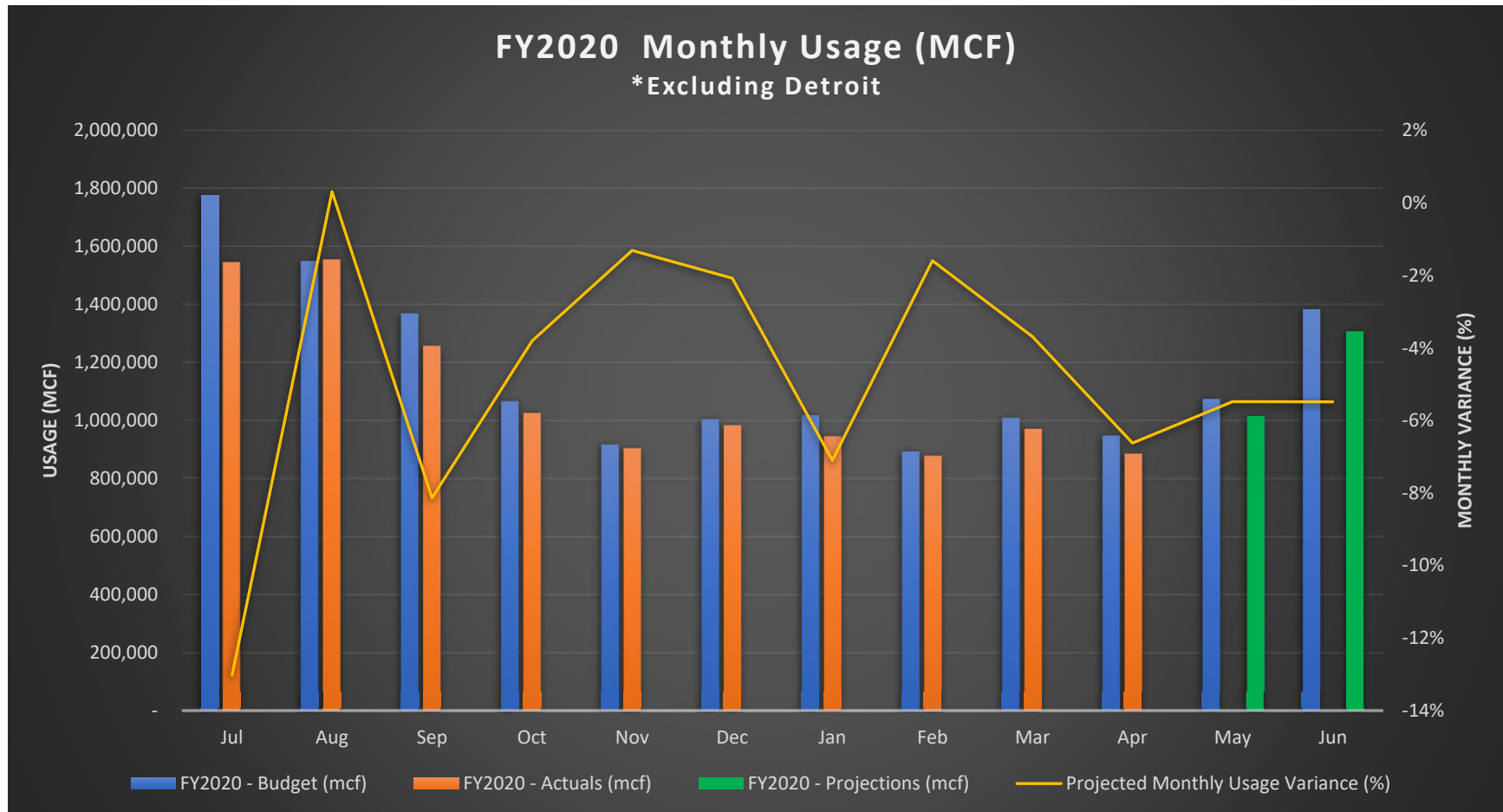
### *July through February*

- Started off the fiscal year with July usage being 13% lower than budgeted
- August was the only month thus far that had higher than budgeted usage
- Less than 1% higher than budgeted
- Fall and Winter months had lower than expected use.
  - May be somewhat attributed to mild winter/fewer watermain breaks
- In total, this period experienced about 5% lower than budgeted usage

### *Since March*

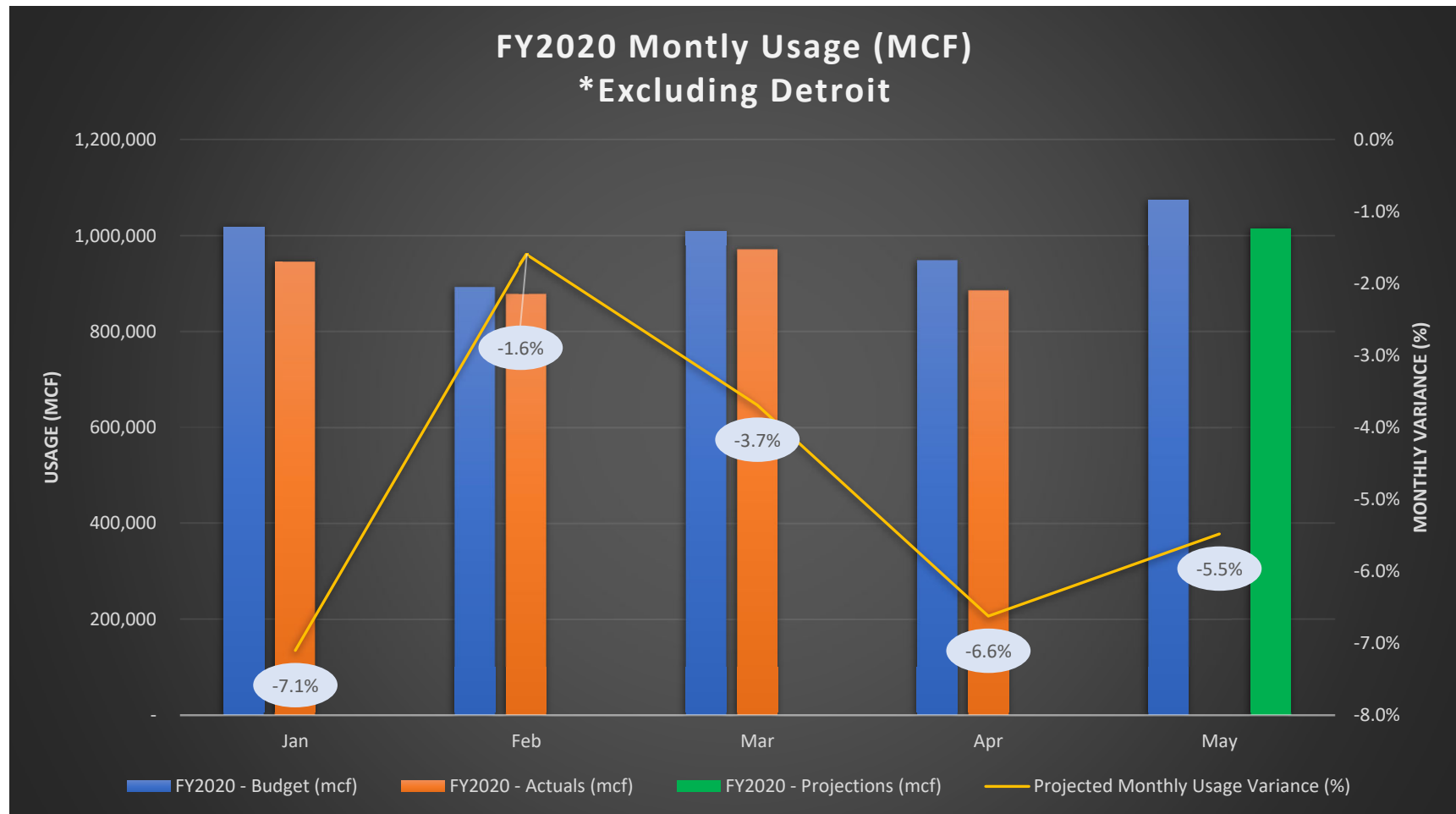
- March was on par with the fiscal year average of 5% lower than budgeted usage
- April was about 6% lower than budgeted
- The first two weeks of May are back to the fiscal year average of about 5% lower than budgeted

# FY 2020 Wholesale Water Usage Budget, Actual & Variances - Fiscal Year

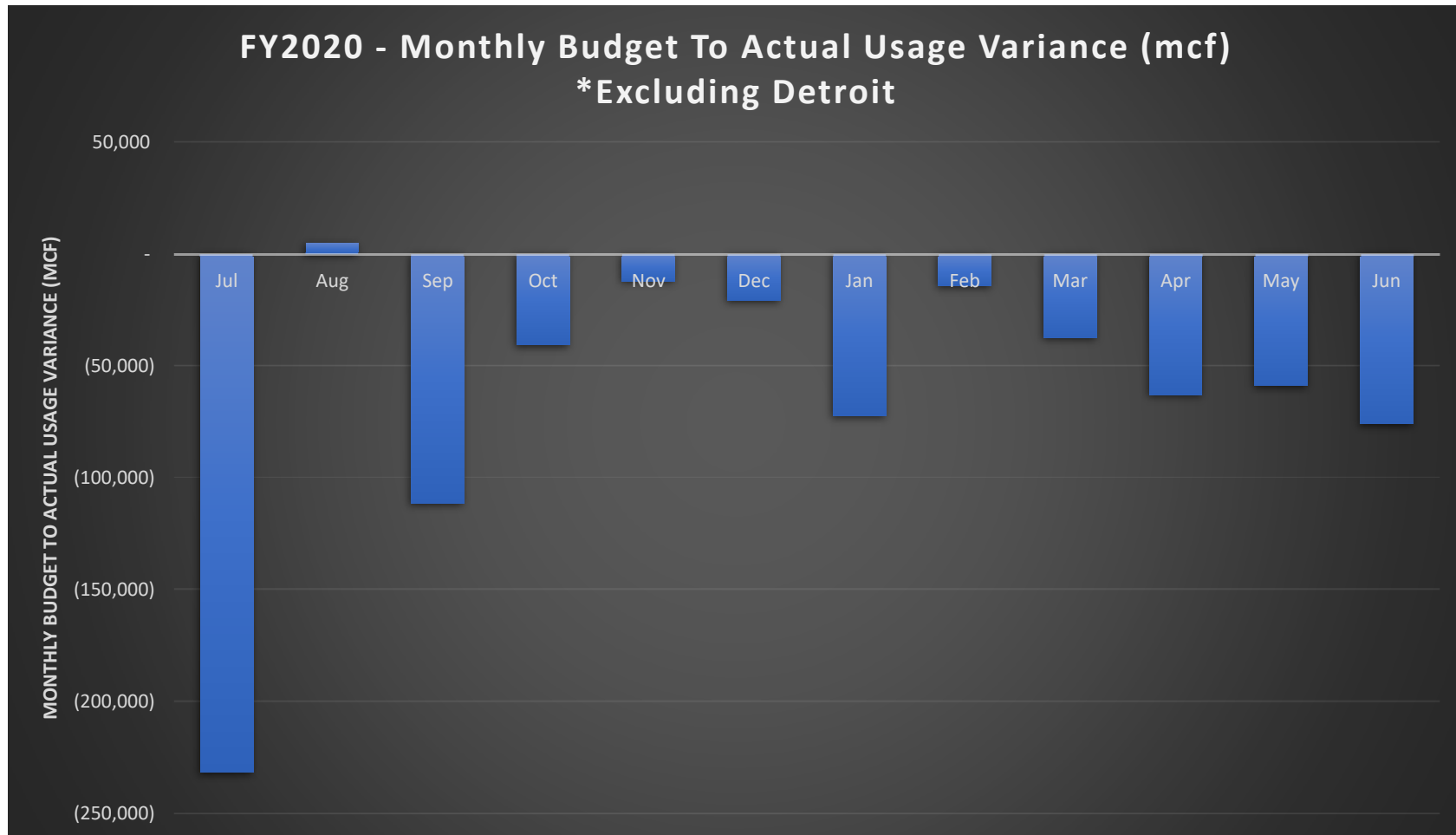




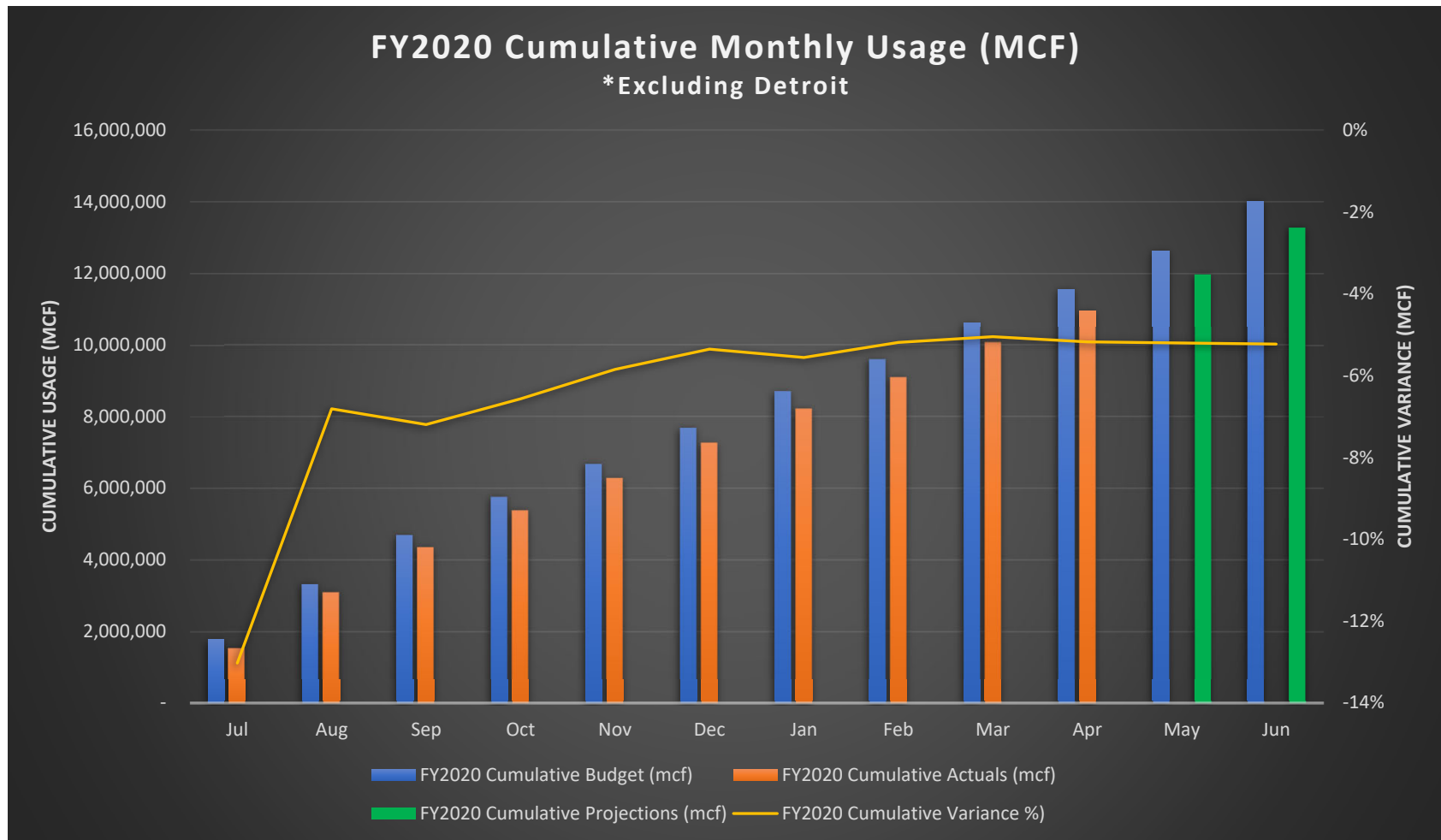
# FY 2020 Wholesale Water Usage Budget, Actual & Variances – Jan through May



# FY 2020 Wholesale Water Usage Budget to Actual Variances - Monthly



# FY 2020 Wholesale Water Usage Budget, Actual & Variances - Cumulative



# FY 2020 Wholesale Water Usage

## *Key Takeaways*

- FY 2020 usage is projected to remain at about 5% lower than budgeted
- We are not seeing a clear impact on wholesale usage from the pandemic



Questions?

# Financial Updates

*Nicolette Bateson, CPA*

*Chief Financial Officer & Treasurer*



# Financial Services Update - Takeaways

- ✓ FY 2020 Headlines
  - Declining water sales trend continues
  - COVID-19 Pandemic impacts GLWA “expenses” more than revenues
- ✓ FY 2021 Headline – Defer FY 2021 Charge Adjustment from July 1<sup>st</sup> to October 1<sup>st</sup>
- ✓ Good news! Bond Ratings Upgrades
- ✓ More good news! Successful Water System Bond Refunding
- ✓ Plan, Do, Check, Act: WRAP Program Review
- ✓ Adapting to New Normal
  - ✓ Audit Committee meetings continue
  - ✓ Aligning Vendor, GLWA, City of Detroit COVID-19 Safety Standards
  - ✓ Move from paper transactions
  - ✓ All other initiatives continue

# Declining Water Sales Trend Continues



- FY 2020 forecast reflects a 5% negative wholesale water system revenue variance (~ \$6.5 million)
- Most of this variance (\$4.7 million or 72%) occurred from July 2019 thru March 2020
- Revenue impact varies by Member Partner community
- Reminder: water revenue requirement is billed 60% equal monthly fixed amount and 40% commodity/usage based)
- Impact for FY 2022 Charges: Rolling, historical 36-month cycle that drives units of service calculation



# COVID-19 impacts GLWA “expense”

## *Background*

- ✓ Expenses (a/k/a revenue requirement) include GLWA Operations and Maintenance as well as GLWA’s debt service and other financial obligations
- ✓ Connection to DWSD budget and collection performance based on the foundational lease agreements.
  - ✓ DWSD annual revenue requirement is fixed
    - Unlike wholesale 60% fixed and 40% commodity
  - ✓ The DWSD “bill” is paid via retail customer receipts being deposited into Master Bond Ordinance Trust Account
  - ✓ In addition to service charges, this includes defined obligations such as debt service for pre-effective date local system improvements
  - ✓ *If DWSD collections are not at breakeven level with these financial obligations, GLWA provides the budgetary cashflow to bridge the shortfall*

# Revenue Forecast Based on WAMR Data Through May 21, 2020

## BUDGET VS. ACTUAL USAGE AND REVENUE BASED ON WAMR DATA AS OF MAY 21, 2020

Month	FY 2020 - Budget		FY 2020 - Actuals		FY 2020 - Variance			
	Variance		Volume	Revenue	Volume	Revenue	Volume	Revenue
	Volume	Revenue						
	Mcf	\$	Mcf	\$	Mcf	%	\$	%
July	1,777,138	32,544,400	1,545,631	30,356,570	(231,507)	-13.0%	(2,187,830)	-6.7%
August	1,549,587	30,383,100	1,554,426	30,501,606	4,839	0.3%	118,506	0.4%
September	1,368,496	28,270,400	1,257,111	27,278,750	(111,385)	-8.1%	(991,650)	-3.5%
October	1,066,653	25,351,200	1,026,086	25,007,145	(40,567)	-3.8%	(344,055)	-1.4%
November	917,034	24,049,100	905,016	23,933,012	(12,018)	-1.3%	(116,088)	-0.5%
December	1,004,420	24,714,000	983,589	24,535,948	(20,831)	-2.1%	(178,052)	-0.7%
January	1,018,192	24,861,000	945,874	24,246,312	(72,318)	-7.1%	(614,688)	-2.5%
February	893,007	23,780,800	878,794	23,689,167	(14,213)	-1.6%	(91,633)	-0.4%
March	1,008,766	24,753,300	971,559	24,450,300	(37,207)	-3.7%	(303,000)	-1.2%
April	948,751	24,262,000	885,900	23,733,000	(62,851)	-6.6%	(529,000)	-2.2%
May	1,073,966	25,549,300	1,000,500	24,883,300	(73,466)	-6.8%	(666,000)	-2.6%
June	1,383,200	28,595,300	1,288,600	27,849,900	(94,600)	-6.8%	(745,400)	-2.6%
<b>Total</b>	<b>14,009,210</b>	<b>317,113,900</b>	<b>13,243,087</b>	<b>310,465,010</b>	<b>(766,123)</b>	<b>-5.5%</b>	<b>(6,648,890)</b>	<b>-2.1%</b>

Achievement of Budget Through December	94.64%	97.76%
Achievement of Budget Through February	94.81%	97.94%
Achievement of Budget Through March	94.95%	98.03%
Achievement of Budget Through April	94.82%	98.01%
Achievement of Budget Through June	94.53%	97.90%

Negative Revenue Variance- Jan to March:	(4,708,490)
Negative Revenue Variance- April to June:	(1,940,400)
<b>Total</b>	<b>(6,648,890)</b>

# Step One: Address GLWA Direct Budget

- ✓ Wholesale revenue shortfall
- ✓ Investment income shortfall
- ✓ COVID-19 expenses
- ✓ Reductions in all categories of expense

Great Lakes Water Authority Operations & Maintenance Budget Impacts of COVID-19 FY 2020 Contingency & Continuity Resources As of April 21, 2020				
Line #	Category	Water	Sewer	Total
1	<i>Vacant Positions</i>			98
2	<i>Salary As originally budgeted for those vacant positions</i>			\$ 5,914,000
3	Vacant Salary - As adjusted earlier in FY 2020 within line item versus use of contingency for merit, progression, and market	\$ 1,340,000	\$ 1,517,000	\$ 2,857,000
4	Vacant Fringes based on Line 3 above	352,000	354,000	706,000
5	Cashflow - pause on start/defer project	409,000	613,000	1,022,000
6	Cashflow - slower project pace	354,000	1,256,000	1,610,000
7	Budget - Other (cancel; amend; reduction or positive cost variance)	2,010,000	3,047,000	5,057,000
8	Cashflow - Capital Program Management progress	(312,000)	(288,000)	(600,000)
9	Increased expenses as a result of COVID-19	(721,000)	(1,079,000)	(1,800,000)
10	Designate Use of Unallocated Reserve as of January 31, 2020	3,983,000	4,500,000	8,483,000
11	<b>Subtotal - Expenses</b>	<b>7,415,000</b>	<b>9,920,000</b>	<b>17,335,000</b>
12	Wholesale Water Revenue Variance through March 2020	(4,600,000)	-	(4,600,000)
13	Wholesale Water Revenue Variance estimated April through June 2020	(1,800,000)	-	(1,800,000)
14	Investment Income	(1,000,000)	(1,000,000)	(2,000,000)
15	<b>Subtotal - Revenues</b>	<b>(7,400,000)</b>	<b>(1,000,000)</b>	<b>(8,400,000)</b>
16	<b>FY 2020 Contingency &amp; Continuity Resources After Adjustments</b>	<b>\$ 15,000</b>	<b>\$ 8,920,000</b>	<b>\$ 8,935,000</b>

## Step Two: DWSD Budget Shortfall

- ✓ COVID-19 has impacted DWSD retail system collections
- ✓ GLWA and DWSD staff communicate regularly to mitigate this shortfall
- ✓ Remedies as outlined in the 2018 MOU
- ✓ This will likely require a budget amendment to reduce I&E contribution to fund the shortfall which will be repaid at a later date (amount under evaluation)

Water System						
Cash Collection Period (millions)	2019		2020		Difference	
Prior to Declaration of COVID-19 Pandemic Emergency						
January	\$	8.57	\$	10.10	\$	1.53 17.8%
February	\$	8.65	\$	9.23	\$	0.58 6.8%
Declaration of COVID-19 Pandemic Emergency Mid-Month						
March	\$	9.33	\$	7.92	\$	(1.41) -15.1%
Ongoing Pandemic Operating Scenario						
April	\$	9.23	\$	6.56	\$	(2.66) -28.9%
May to Date (5.26.2020)	\$	8.48	\$	7.79	\$	(0.69) -8.2%
Sewer System						
Cash Collection Period (millions)	2019		2020		Difference	
Prior to Declaration of COVID-19 Pandemic Emergency						
January	\$	20.6	\$	22.9	\$	2.29 11.1%
February	\$	20.3	\$	22.2	\$	1.97 9.7%
Declaration of COVID-19 Pandemic Emergency Mid-Month						
March	\$	21.5	\$	18.7	\$	(2.75) -12.8%
Ongoing Pandemic Operating Scenario						
April	\$	20.5	\$	16.7	\$	(3.79) -18.5%
May to Date (5.26.2020)	\$	17.9	\$	19.5	\$	1.57 8.8%

# FY 2021 Headline – Defer FY 2021 Charge Adjustment from July 1<sup>st</sup> to October 1<sup>st</sup>

- ✓ On March 11, 2020 the GLWA Board approved water and sewer charge schedules for Fiscal Year 2021.
- ✓ On April 22, 2020, the GLWA Board approved a delay in the effective date of the approved Fiscal Year 2021 charges from July 1, 2020 to October 1, 2020 to provide budget relief to Member Partner communities as a result of COVID-19 challenges.
- ✓ The budget impact of this delay is estimated at \$3.2 million for the water system and \$2.6 million for the sewer system.
  - ✓ The GLWA budget will be amended in the first quarter of Fiscal Year 2021 for this revenue reduction. The associated expense reductions will be presented to the GLWA Board in June 2020.

# Good news! Bond Rating Upgrades

## S&P Global Ratings

**Water: Affirmed** senior at AA- and second lien at A+.

**Sewer: Upgraded** senior by one notch to AA- and second lien sewer system to A+.

**Outlook:** Stable

**Comments:** Wholesaler serving a large area (not dependent on any single entity to fulfill its financial commitments), comprehensive budgeting practices, and a capital improvement plan (CIP) that is forward-looking and not tied to regulatory compliance mandates.

## Moody's Investors Service

**Upgraded** both water system and sewer system senior lien ratings one notch to A1 and both its second lien ratings one notch to A2.

**Outlook:** Stable

**Comments:** Strong operating trends, healthy liquidity, and an “experienced management team [that] remains committed to measured revenue growth through annual revenue requirement increases, while at the same time maintaining an affordable rate structure ...”.

## Fitch Ratings

**Upgraded** both water system and sewer system senior lien bonds by one notch to A+, and its second lien bonds by one notch to an A.

**Outlook:** Stable



**Comments:** “reflects sustained improvement to the Authority’s financial profile,” citing stable charge setting practices, accumulation of cash reserves, and prospects for achieving or beating expectations help to insulate GLWA from potential credit risks.

Also cited GLWA’s plans to use pay-as-you-go capital funding to moderate debt levels as a key factor in this outlook adjustment.

# More good news!

## Successful Water System Bond Refunding

- ✓ **Savings for the Region and Low-Cost Financing for DWSD Water CIP**
- ✓ **Scope:** April 30, 2020, \$463 million bond sale, which included \$377.5 million of a taxable refunding of outstanding GLWA water system debt, and approximately \$85.5 million par amount in new water system bonds with a premium generating \$100 for DWSD local water system improvements.
- ✓ **Savings:** *GLWA regional water system will realize a net cash flow savings of approximately \$103 million over the life of the refinanced bonds; translates to a present value of these future savings to be over \$66 million.*
- ✓ **Competitive:** The new money bonds for the DWSD provided the lowest long-term cost of new money borrowing since the Authority's inception on January 1, 2016.
- ✓ **Strong Investor Interest**
  - ✓ Over \$1.6 billion in investor orders for the \$463 million in bonds offered which allowed GLWA to secure lower yields at final pricing.
  - ✓ Nearly 50 separate institutional investors placed orders for the water system refunding and more than 30 institutions placed orders for the Water New Money sale. In addition, retail orders were placed on behalf of several individual retail investors.
- ✓ **Ratings:** Pre-COVID 19 ratings upgrades remained in place.

# Plan, Do, Check, Act:

## WRAP Program Review

The current contract for Water Residential Assistance Program Third Party Administrator (CS-010) with Wayne Metro will expire on December 31, 2020.

Consistent with GLWA Board Procurement Policy, a competitive solicitation will be sought so that a contract is not in place with a vendor for more than five years.

### Two-step approach:

1. Currently soliciting technical advisor services to review current program strengths and areas for improvements
  - ✓ Includes Member Partner engagement (details forthcoming)
2. Feedback from technical advisor and stakeholders will shape the scope for a competitive request for proposal



# Adapting to the New Normal

- ✓ Audit Committee meetings continue
- ✓ Aligning Vendor, GLWA, City of Detroit COVID-19 safety standards
  - ✓ Vendor Resource Guide on GLWA website
- ✓ Move from paper transactions
  - ✓ Emailing of monthly invoices
  - ✓ Look for an upcoming request to go with paperless payment
  - ✓ Enhanced data security
- ✓ All other initiatives continue
  - ✓ Sewer Shares Think Tank continues to meet
  - ✓ **Next up:** Water charges methodology





Questions?

# Updates & Announcements

*Madison Merzlyakov*



# Closing Remarks

*Sue McCormick*

*Chief Executive Officer*





**GLWA**  
*Great Lakes Water Authority*



# FY 2020 Water Revenue Forecast NB1

- Reduced usage affects the portion of the revenue requirement allocated to commodity charge
- Presented estimated revenue variance to GLWA Board of Directors on April 22, 2020
  - ✓ *FY 2020 projected negative revenue variance was \$6.4 million*
  - ✓ *Currently estimated FY 2020 negative revenue variance is \$6.6 million through 5/21/2020*

<b>Great Lakes Water Authority</b> <b>FY 2020 Water Revenue Forecast</b> <b>Variance to FY 2020 Budget</b>			
	April 22, 2020 Board Meeting (Before March 2020 Billings)	Estimate Based on May 14, 2020 WAMR Data	Estimate Based on Preliminary May 21, 2020 WAMR Data
Revenue Variance through March 2020	(\$4,600,000)	(\$4,700,000)	(\$4,700,000)
Estimate Variance April through June	(1,800,000)	(1,700,000)	(1,900,000)
Total Estimated FY 2020 Revenue Variance	(\$6,400,000)	(\$6,400,000)	(\$6,600,000)

## Slide 38

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**NB1**

Slide is good but redundant. Do not include in live presentation.

Nicolette Bateson, 5/28/2020