

Memorandum

To: HONORABLE BOARD OF DIRECTORS

From: Sue McCormick, CEO

CC: William M. Wolfson, CACO

Date: July 2, 2020

RE: EXPLANATION OF CEO July 2020 KPIs – “RED, YELLOW, GREEN” REPORT

OVERVIEW Last month there was one “red”, one “yellow”, and two “white” indicators. This month there are one “red”, one “yellow”, and two “white” indicators.

Our Capital Improvement Program (CIP) spending rate remains “red.” We have previously detailed some of the reasons for this underperformance. In the last two months our performance for this metric has improved from 54 to 62%; despite the COVID-19 pandemic and associated state of emergency.

Last month our measure that Water system wholesale monthly billed revenues will meet or exceed budgeted amount turned “yellow” and it remains “yellow” this month. GLWA has developed corrective strategies to address future impacts from the revenue variance.

As previously indicated, the two “white” indicators relate to our valve exercising and rehabilitation program: The program was briefly paused as we wanted to have the opportunity to evaluate the Phase 1 data before drafting a solicitation to restart the program. These metrics are white as we complete the solicitation necessary to restart the program. We expect the program to restart in the first quarter of Fiscal Year 2020-21.

SPECIFIC RED AND YELLOW MEASURES ON FOLLOWING PAGE

EUM Attribute	Measure	Significance	Criteria	Status
Financial Viability	FY 2019 Total CIP Spend	Method for establishing spending is aligned with budgeted revenue	Green= >80% Yellow= 70-80% Red = < 70%	Red

Explanation and Responsive Actions: GLWA's CIP spending rate continues to lag causing the metric to remain "red." Although continuing to lag the performance increased from 57% of the target to 62%. This represents a spending rate increase of 5% in the last month and 8% in the last two months. This performance improvement occurred despite the COVID-19 pandemic. As previously indicated, wet weather experienced in 2019 has been identified as a major contributor to the underspending in the capital program.

EUM Attribute	Measure	Significance	Criteria	Status
Financial Viability	Water system wholesale monthly billed revenues will meet or exceed budgeted amount through April 2020	Method for establishing revenue projections are reliable	Green=100% Yellow= 85-99% Red = <85%	Yellow

Explanation and Responsive Actions: The purpose of this measure is to test the reliability of revenue projections. This month the measure has turned "yellow." There are a number of observations related to this KPI:

1. Lower Than Budgeted Usage for July 2019 through February 2020: In total, this period experienced about 5% lower than budgeted usage.
 - a. Summer Usage: July 2019 usage was 13% lower than budgeted largely attributable to wet weather conditions that decreased summer demand. This was partially offset in August which is the only month thus far that had higher than budgeted usage.
 - b. Fall and Winter Months: Lower than expected use in these months may be somewhat attributed to a mild winter which resulted in fewer watermain breaks. That being said, the decline in non-peak months is consistent with service sector forecasting that tells us to continue to expect declining demands overall.

2. Looking ahead: March was on par with the fiscal year average of 5% lower than budgeted usage and 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. The takeaway is, that despite anticipated demand decline as a result COVID-19 operating scenarios, there was not a significant impact. March was consistent with the fiscal year average of 5% lower than budgeted usage, April was about 6% lower than budgeted, and the first two weeks of May are back to the fiscal year average of about 5% lower than budgeted.
3. The financial impact of approximately \$6.5 million, and related pending June 2020 budget amendments, for the decreased revenue was included in an April 22, 2020 communication to the Board of Directors with additional discussion at the April 24, 2020 Audit Committee meeting.
4. The forecasted reduction of wholesale water sales was updated to \$4.6 million for FY 2020 through June. This is lower than the \$6.5 million previously forecasted and reported to the Board in April 2020. Recent increased demand in May and June 2020 has helped to alleviate the previously forecasted shortfall. On June 24, 2020, the Board adopted budget amendments to account for the forecasted shortfall.
5. Future Charges Impact: The impact for FY 2022 Charges is that the lower demand will be reflected in the rolling, historical 36-month cycle that drives units of service calculation.

EUM Attribute	Measure	Significance	Criteria	Status
Infrastructure Strategy and Performance	Water - 25 or more valves exercised per month	Reduced risk of unplanned downtime or emergency repairs	Green = 25 or more per month Yellow= 21 - 24 per month Red = 20 or less per month	White

EUM Attribute	Measure	Significance	Criteria	Status
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Infrastructure Strategy and Performance	Water - 100% of GLWA valves assessed are operational.	Reduced risk of unplanned downtime and service interruption	Green = 90-100% Yellow = 80 - ,90% Red = <80%	White
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Explanation and Responsive Actions: The initial “pilot” phase of our valve assessment project has been completed. These metrics are white as we complete the solicitation necessary to move to Phase 2 of the program. The Phase 2 contract was approved by the Board in June 2020 and we are finalizing the contract for execution.

EUM Attribute	Measure	Significance	Criteria	Status
Enterprise Resiliency	All GLWA sites (59) with Wide Area Network (WAN) connections will have 100% availability excluding schedule down time for maintenance.	Network Connectivity promotes Employee Productivity	Green = 99.98- 100% Yellow >=99.50% and <99.98% Red <99.50%	YELLOW

Explanation and Responsive Actions: This month the network had connections available 99.97 percent of the time. The cause of this underperformance was power outages at two sites.