



Financial Services Audit Committee Communication

Date: September 25, 2020

To: Great Lakes Water Authority Audit Committee

From: Nicolette N. Bateson, CPA, Chief Financial Officer & Treasurer

Re: Proposed Changes to Annual Charges Rollout Schedule

Background: As we began working on the schedule for the upcoming budget and charges season, it became apparent that we would need to bring a proposed budget to the Board in December 2020. Given the lack of current year actual information that would be available for budget and charges development due to timing (first quarter FY 2021), as well as being peak time for presenting the annual audit and related subsequent filings, we have begun to outline an alternative schedule for the implementation of charges from July 1 each year to October 1. This slide in the schedule would provide for additional time to present and deliberate on a budget and charges package rather than the rushed process that has occurred each year. The revised schedule would also maintain the timelines for notification, review, public hearing, and implementation outlined in our service agreements with Member Partners. This concept was shared at the One Water Co-Chair meeting and received positive feedback – in particular, it was noted that this may be a way to address frustration expressed by Member Partners in the annual survey related to the condensed schedule in receiving the charges worksheet with little time to react. A similar dynamic occurs at the Board of Directors level as quick turnaround times do not allow for meaningful discussion and alignment among members of the Board or time to align Board and Member Partner priorities.

Analysis: By amending the business cycle to implement charges with an effective date of October 1st annually, sufficient time would allow the budget and related charges to be presented as a package to the Board in March with a public hearing in April, and approval in either April or May.

Pros:

1. Allows for availability of more current year actual information for decision making (six to seven months versus three) for both operating and capital program spending
2. Annual audited financial report draft in November and final in December (prefer to have audited amounts for prior year actual in proposed budget document)

3. Sufficient time for external consultant to convert budget into charges
4. Provides time to introduce goals and objectives to Board prior to the presentation of the budget and charges that align with those goals and objectives
5. Sufficient time for more meaningful Board of Director engagement in budget, charges, financial plan before rollout to Member Partners
6. Additional time with Member Partners as budgets and charges are developed
7. Strained Financial Services Area team member resources (peak of budget and audited financial report presentation) occurring at same time
8. Reduced peak time constraints on Financial Services Area team allows for comprehensive budget document to be presented before budget adoption
9. Time of year with limited access to operating unit team members to work through last minute budget updates and questions
10. Consistent with the FY 2021 Amended Budget effective July 1, 2020 that defers charge implementation to October 1, 2020
11. Era of charge stability results in modest charge adjustments between Member Partners; opportunity exists to provide Member Partners with reasonable estimates for those with a July 1st start to their fiscal year
12. DWSD budget inputs including use of lease payment (required by May 1 each year for upcoming fiscal year per lease agreement) and adopted budget (March 23rd every year) impacts debt service coverage calculation
13. Continued Max Day/Peak Hour values on a calendar year basis, per water contract, aligns with this schedule
14. Allows for more time to review summer values from June 1st through August 31st
15. Aligns with timing of Sewer Charges Methodology review which is underway and future start date of Water Charges Methodology review

Cons:

1. Effort to explain the differential in timing in the first year to Member Partners and their constituents and forecasting assumptions

Other Topics:

1. Future considerations for Charges Work Group:
 - a. Modernize the notification and public hearing verbiage in the water model contract to replace mailings by US Mail with electronic notification
 - b. Parameters around budget and charges dates are predicated on state statutes which are not applicable to authorities
2. Exhibit B date in water contracts remains the same
3. Contract alignment cycle remains the same

Budget Impact: None

Proposed Action: The GLWA Audit Committee recommends that the Board of Directors supports the proposal to modify the annual charges rollout business cycle to achieve an annual charges effective date of October 1st.