



Financial Services Audit Committee Communication

Date: April 23, 2021

To: Great Lakes Water Authority Audit Committee

From: Lisa L. Mancini, Financial Planning & Analysis Manager

Re: FY 2021 Second Quarter Budget Amendments through December 31, 2020 and Proposed Budget Amendment Resolution

Background: In accordance with the budget amendment policy, articles, and by-laws for the Great Lakes Water Authority, a quarterly budget amendment report is presented for review by the Audit Committee. If budget amendments are required at the appropriation level as defined by the corresponding fiscal year budget adoption resolution, the Audit Committee will review the proposed budget amendments and forward to the Board of Directors with a recommendation.

Analysis: The budget amendment report is organized in the following manner.

1. Appropriation Level - Revenue Requirement - Water and Sewer Systems

- a. Supplemental Information - Fund Level - Water System and Sewer System*
- b. Supplemental Information - Enterprise-wide Core Groups*
- c. Supplemental Information - Enterprise-wide Operations & Maintenance Account Type*
- d. Supplemental Information - Enterprise-wide Operations & Maintenance Department and Account Level Amendments (see Addendum)*

2. Appropriation Level – Improvement & Extension Fund – Water and Sewer Systems

3. Appropriation Level – Construction Bond Fund – Water and Sewer Systems

A budget amendment resolution reflecting the budget amendments is also attached.

Proposed Action: The Audit Committee recommends that the Board of Directors for the Great Lakes Water Authority adopt the proposed budget resolution for the second quarter FY 2021 budget amendment.

Appropriation Level - Revenue Requirement – Water System General Operating

Water System	FY 2021 Board Adopted Budget	Total 1st Quarter FY 2021 Amendments	Total 2nd Quarter FY 2021 Amendments	FY 2021 Amended Budget	FY 2021 Activity Thru 1/31/2021
Revenues					
Suburban Wholesale Customer Charges	\$ 314,252,200	\$ (1,118,600)	\$ -	\$ 313,133,600	\$ 188,475,100
Retail Service Charges	22,555,400	(629,900)	-	21,925,500	12,921,100
Investment Earnings	4,834,400	(3,564,800)	2,686,100	3,955,700	2,856,500
Other Revenues	-	-	229,000	229,000	161,300
Total Revenues	\$ 341,642,000	\$ (5,313,300)	\$ 2,915,100	\$ 339,243,800	\$ 204,414,000
Revenue Requirements					
Operations & Maintenance Expense	\$ 137,127,300	\$ (3,000,000)	\$ -	\$ 134,127,300	\$ 74,903,100
General Retirement System Legacy Pension	6,048,000	-	-	6,048,000	3,528,000
Debt Service	143,189,900	(5,753,900)	-	137,436,000	81,182,900
General Retirement System Accelerated Pension	6,268,300	-	-	6,268,300	3,656,500
Extraordinary Repair & Replacement Deposit	-	-	-	-	-
Water Residential Assistance Program Contribution	1,669,400	-	-	1,669,400	973,800
Lease Payment	22,500,000	-	-	22,500,000	13,125,000
Operating Reserve Deposit	876,600	(876,600)	-	-	-
DWSD Budget Shortfall Pending	-	-	-	-	(557,700)
Improvement & Extension Fund Transfer Pending	23,962,500	4,317,200	2,915,100	31,194,800	16,496,500
Total Revenue Requirements	\$ 341,642,000	\$ (5,313,300)	\$ 2,915,100	\$ 339,243,800	\$ 193,308,100

Appropriation Level – Revenue Requirement – Water System General Operating Budget Amendment Explanation	
<i>Revenues</i>	
Suburban Wholesale Customer Charges	<i>No budget amendment is required.</i>
Retail Services Charges	<i>No budget amendment is required.</i>
Investment Earnings	<i>The increase in the investment income is due to investments made prior to the pandemic maturing at interest rates that are higher than the current market environment. The budget amendment aligns investment income to levels reported in the quarterly investment reports.</i>
Other Revenues	<i>The budget amendment proposed is based on activity to date. This source of revenue fluctuates from year to year.</i>
<i>Revenue Requirements (Expenditures)</i>	
Operations & Maintenance Expense	<i>No budget amendment is required.</i>
General Retirement System Legacy Pension	<i>No budget amendment is required. Budget and funding are on a fixed schedule.</i>
Debt Service	<i>No budget amendment is required.</i>
General Retirement System Legacy Pension – Accelerated Payment	<i>No budget amendment is required. Budget and funding are on a fixed schedule.</i>
Extraordinary Repair & Replacement	<i>No budget amendment is required. This is a formulaic requirement in the Master Bond Ordinance. Based on adopted and amended budget, no adjustment is required.</i>
Water Residential Assistance Program Contribution	<i>No budget amendment is required. Budget is fixed at time of budget adoption.</i>
Lease Payment	<i>No budget amendment is required. Lease payment is established in accordance with terms of the lease.</i>
Operating Reserve Deposit	<i>Based on further review and analysis, this operating reserve is no longer required.</i>

Appropriation Level – Revenue Requirement – Water System General Operating Budget Amendment Explanation	
DWSD Budget Shortfall Pending	<i>No budget amendment is proposed at this time. Represents budget shortfall attributable to decline in collections since declaration of COVID-19 pandemic emergency. The 2018 Memorandum of Understanding provides guidance related to repayment to the extent that the shortfall is not cured by other means before June 30th of the subsequent year. Communication with DWSD Management indicates that a shortfall, should one occur, will be cured by year-end.</i>
Improvement & Extension Fund Transfer Pending	<i>Represents annual funding for pay-as-you-go capital improvement program. Budget amendments to investment earnings, other revenues, debt service, and DWSD budget shortfall affect this line item.</i>

Appropriation Level - Revenue Requirement – Sewer System

Sewer System	FY 2021 Board Adopted Budget	Total 1st Quarter FY 2021 Amendments	Total 2nd Quarter FY 2021 Amendments	FY 2021 Amended Budget	FY 2021 Activity Thru 1/31/2021
Revenues					
Suburban Wholesale Customer Charges	\$ 277,011,800	\$ (2,958,300)	\$ -	\$ 274,053,500	\$ 157,012,500
Retail Service Charges	190,112,100	(2,152,400)	-	187,959,700	110,091,600
Industrial Waste Control Charges	8,775,400	(92,100)	-	8,683,300	4,629,300
Pollutant Surcharges	5,262,800	(55,200)	-	5,207,600	3,527,900
Investment Earnings	5,589,200	(4,602,300)	1,791,200	2,778,100	1,843,000
Other Revenues	-	-	574,000	574,000	326,800
Total Revenues	\$ 486,751,300	\$ (9,860,300)	\$ 2,365,200	\$ 479,256,200	\$ 277,431,100
Revenue Requirements					
Operations & Maintenance Expense	\$ 184,946,100	\$ (2,650,100)	\$ -	\$ 182,296,000	\$ 98,208,500
General Retirement System Legacy Pension	10,824,000	-	-	10,824,000	6,314,000
Debt Service	209,739,900	(7,959,500)	-	201,780,400	119,793,000
General Retirement System Accelerated Pension	11,620,700	-	-	11,620,700	6,778,700
Extraordinary Repair & Replacement Deposit	-	-	-	-	-
Water Residential Assistance Program Contribution	2,415,100	-	-	2,415,100	1,408,800
Lease Payment	27,500,000	-	-	27,500,000	16,041,700
Operating Reserve Deposit	-	-	-	-	-
DWSD Budget Shortfall Pending	-	-	-	-	2,837,500
Improvement & Extension Fund Transfer Pending	39,705,500	749,300	2,365,200	42,820,000	23,473,800
Total Revenue Requirements	\$ 486,751,300	\$ (9,860,300)	\$ 2,365,200	\$ 479,256,200	\$ 274,856,000

Appropriation Level – Revenue Requirement – Sewer System General Operating Budget Amendment Explanation	
Revenues	
Suburban Wholesale Customer Charges	<i>No budget amendment is required.</i>
Retail Services Charges	<i>No budget amendment is required.</i>
Industrial Waste Control Charges	<i>No budget amendment is required.</i>
Pollutant Surcharges	<i>No budget amendment is required.</i>
Investment Earnings	<i>The increase in the investment income is due to investments made prior to the pandemic maturing at interest rates that are higher than the current market environment. The budget amendment aligns investment income to levels reported in the quarterly investment reports.</i>
Other Revenues	<i>The budget amendment proposed is based on activity to date. This source of revenue fluctuates from year to year.</i>
Revenue Requirements (Expenditures)	
Operations & Maintenance Expense	<i>No budget amendment is required.</i>
General Retirement System Legacy Pension	<i>No budget amendment is required. Budget and funding are on a fixed schedule.</i>
Debt Service	<i>No budget amendment is required.</i>
General Retirement System Legacy Pension – Accelerated Payment	<i>No budget amendment is required. Budget and funding are on a fixed schedule.</i>
Extraordinary Repair & Replacement	<i>No budget amendment is required. This is a formulaic requirement in the Master Bond Ordinance. Based on adopted and amended budget, no adjustment is required.</i>
Water Residential Assistance Program Contribution	<i>No budget amendment is required. Budget is fixed at time of budget adoption.</i>
Lease Payment	<i>No budget amendment is required. Lease payment is established in accordance with terms of the lease.</i>

Appropriation Level – Revenue Requirement – Sewer System General Operating Budget Amendment Explanation	
Operating Reserve Deposit	<i>Based on further review and analysis, this operating reserve is no longer required.</i>
DWSD Budget Shortfall Pending	<i>No budget amendment is proposed at this time. Represents budget shortfall attributable to decline in collections since declaration of COVID-19 pandemic emergency. The 2018 Memorandum of Understanding provides guidance related to repayment to the extent that the shortfall is not cured by other means before June 30th of the subsequent year. Communication with DWSD Management indicates that plans are cautiously optimistic that the shortfall will be cured by year-end.</i>
Improvement & Extension Fund Transfer Pending	<i>Represents annual funding for pay-as-you-go capital improvement program. Budget amendments to investment earnings, other revenues, debt service, and DWSD budget shortfall affect this line item.</i>

Supplemental Information – Operating Fund Level - Water System and Sewer System

System	FY 2021 Board Adopted Budget	Total 1st Quarter FY 2021 Amendments	Total 2nd Quarter FY 2021 Amendments	FY 2021 Amended Budget	FY 2021 Activity Thru 1/31/2021
Water System Operations	\$ 137,127,300	\$ (3,000,000)	\$ -	\$ 134,127,300	\$ 74,903,200
Wastewater System Operations	184,946,100	(2,650,100)	-	182,296,000	98,208,500
Total	\$ 322,073,400	\$ (5,650,100)	\$ -	\$ 316,423,300	\$173,111,700

Totals may be off due to rounding.

As shown in the table above, there are no budget amendments for transfers of resources between the water and sewer funds. It is unforeseen that such an amendment would occur as each system is accounted for as a stand-alone entity. The purpose of this table is to transparently report that funds from one system do not provide budget support to the other system.

Supplemental Information - Enterprise-wide Core Groups

O&M Major Budget Categories (Core Groups)	FY 2021 Board Adopted Budget	Total 1st Quarter FY 2021 Amendments	Total 2nd Quarter FY 2021 Amendments	FY 2021 Amended Budget	FY 2021 Activity Thru 1/31/2021
A Water System Operations	\$ 71,966,400	\$ (1,146,600)	\$ -	\$ 70,819,800	\$ 41,828,900
B Wastewater System Operations	115,676,400	(701,300)	-	114,975,100	61,657,900
C Centralized Services	102,721,300	(2,382,900)	-	100,338,400	53,965,200
D Administrative & Other Service	31,709,300	(1,419,200)	-	30,290,100	15,659,700
Total	\$ 322,073,400	\$ (5,650,000)	\$ -	\$ 316,423,400	\$173,111,700

Totals may be off due to rounding.

A subset of the operating funds are core groups that account for A) direct cost of water operations, B) direct cost of sewer operations, C) centralized services (e.g. field services, security, information technology, facilities, and fleet), D) administrative services (e.g. finance, public affairs, general counsel, and organizational development). The costs of the latter two categories are allocated to the water and sewer systems based upon an internal cost allocation plan that is performed on an annual basis. Through the second quarter FY 2021, there are no amendments that cross the core groups. For more activity within these groups, see *Supplemental Information - Enterprise-wide Operations & Maintenance Department and Account Level Amendments (Addendum 1)*.

Supplemental Information - Enterprise-wide Operations & Maintenance Account Type

O&M Expense Categories (Account Type)	FY 2021 Board Adopted Budget	Total 1st Quarter FY 2021 Amendments	Total 2nd Quarter FY 2021 Amendments	FY 2021 Amended Budget	FY 2021 Activity Thru 1/31/2021
Personnel Costs	\$ 110,333,100	\$ (1,527,100)	\$ (123,800)	\$ 108,682,200	\$ 63,584,000
Utilities	51,937,000	-	-	51,937,000	30,241,000
Chemicals	13,419,800	-	-	13,419,800	8,455,900
Supplies & Other	38,620,800	400,000	(1,521,300)	37,499,500	17,197,700
Contractual Services	106,154,600	(1,372,200)	2,005,000	106,787,400	58,092,100
Capital Program Allocation	(3,447,700)	-	127,500	(3,320,200)	(1,786,700)
Shared Services	(3,412,900)	-	(1,117,100)	(4,530,000)	(2,672,300)
Unallocated Reserve	8,468,700	(3,150,800)	629,700	5,947,600	-
Total	\$ 322,073,400	\$ (5,650,100)	\$ -	\$ 316,423,300	\$173,111,700

Totals may be off due to rounding.

The table above presents the Operations & Maintenance budget by the major expense categories (account type).

For additional detail and the explanation of the key changes to the FY 2021 budget within these categories, see *Supplemental Information - Enterprise-wide Operations & Maintenance Department and Account Level Amendments (Addendum 1)*.

For an additional view of the Operations & Maintenance budget by expense category (account type) and by departmental level, see *Supplemental Information - Enterprise-wide Operations & Maintenance Account Type and Departmental Level Amendments (Addendum 2)*.

Supplemental Information - Unallocated Reserve by Core Group

O&M Unallocated Reserves	FY 2021 Board Adopted Budget	Total 1st Quarter FY 2021 Amendments	Total 2nd Quarter FY 2021 Amendments	FY 2021 Amended Budget
Water System Operations	\$ 1,729,300	\$ (436,900)	\$ -	\$ 1,292,400
Wastewater System Operations	4,603,900	(1,701,300)	(584,000)	2,318,600
Centralized Services	1,637,200	(642,900)	1,089,600	2,083,900
Administrative & Other Services	498,300	(369,700)	124,100	252,700
Total	\$ 8,468,700	\$ (3,150,800)	\$ 629,700	\$ 5,947,600

An Unallocated Reserve account is established for each of the four core groups. Budget is assigned to these accounts to cover expenditures not known at the time the budget is developed (merit increases, fluctuations within maintenance contracts and usage of utilities and chemicals, projects and initiatives not planned at the time the initial budget was developed, etc.). It is GLWA's internal budget directive for each area, group, and team to manage their needs to an amount within the initial budget. If required, an amendment is made from the unallocated reserve. If an area does not require as much funding as was established in the original budget, that department's budgeted expenses are reduced, and the unallocated reserve is increased.

For additional information on the FY 2021 changes to the unallocated reserve, see *Supplemental Information - Enterprise-wide Operations & Maintenance Department and Account Level Amendments (Addendum 1)*.

Appropriation Level – Improvement & Extension Fund – Water System

Water Improvement & Extension Fund	FY 2021 Board Adopted Budget	Total 1st Quarter FY 2021 Amendments	Total 2nd Quarter FY 2021 Amendments	FY 2021 Amended Budget	FY 2021 Activity Thru 1/31/2021
Revenues					
Transfers In from General Operating	\$ 23,962,500	\$ 4,317,200	\$ 2,915,100	\$ 31,194,800	\$ 16,496,500
Earnings on Investments (a)	-	-	3,048,400	3,048,400	2,440,800
Net Use of Reserves	68,929,500	(4,317,200)	(937,100)	63,675,200	-
Total Revenues	\$ 92,892,000	\$ -	\$ 5,026,400	\$ 97,918,400	\$ 18,937,300
Expenditures					
Water System Revenue Transfers Out (a)	\$ -	\$ -	\$ 3,048,400	\$ 3,048,400	\$ 2,623,500
Capital Outlay	17,892,000	-	-	17,892,000	4,809,300
Revenue Financed Capital - Operating Transfer to Construction Fund	75,000,000	-	1,978,000	76,978,000	24,840,700
Total Expenditures	\$ 92,892,000	\$ -	\$ 5,026,400	\$ 97,918,400	\$ 32,273,500

(a) Note: As outlined in the Master Bond Ordinance, the investment earnings in the I&E Fund are transferred to the Receiving Fund. The impact is to reduce revenue required from charges when calculating the annual Revenue Requirement budget.

Appropriation Level – Improvement & Extension Fund – Water System Budget Amendment Explanation	
Revenues	
Water System Revenue Transfers In	<i>The proposed budget amendment is to match the amount available for transfer from FY 2021 revenue requirement based upon general operating fund performance. (see I&E Fund Transfer Pending line on the Appropriation Level-Revenue Requirement-Water System General Operating table)</i>

Appropriation Level – Improvement & Extension Fund – Water System Budget Amendment Explanation	
Earnings on Investments	<i>Had not been budgeted as there is a corresponding transfer of earnings back to general operating fund as allowed by the Master Bond Ordinance. The net effect on the I&E Fund is zero as the earnings are budgeted and accounted for in the operating fund to lower revenue requirement for charges. Amendment is for estimated amount and aligns to the levels reported in the quarterly investment reports.</i>
Net Use (Source) of Reserves	<i>This amount represents the net amount of revenues less expenses. A negative amount represents an increase in reserves from current year activity rather than a use of reserves.</i>
Expenditures	
Water System Revenue Transfers Out (Earnings on Investments)	<i>Had not been budgeted as there is a corresponding transfer of earnings back to general operating fund as allowed by the Master Bond Ordinance (so the net effect on the I&E Fund is zero). Amendment is for estimated amount. Amount offsets Earnings on Investments. Any variance between the two line items represents a timing difference.</i>
Capital Outlay	<i>No budget amendment is required.</i>
Revenue Financed Capital – Transfer to Construction Fund	<i>The proposed budget amendment reflects the additional funding that is anticipated to be needed based on the increase in the Capital spend rate.</i>

Appropriation Level - Improvement & Extension Fund – Sewer System

Sewer Improvement & Extension Fund	FY 2021 Board Adopted Budget	Total 1st Quarter FY 2021 Amendments	Total 2nd Quarter FY 2021 Amendments	FY 2021 Amended Budget	FY 2021 Activity Thru 1/31/2021
Revenues					
Transfers In from General Operating	\$ 39,705,500	\$ 749,300	\$ 2,365,200	\$ 42,820,000	\$ 23,473,800
Receipt of DWSD Shortfall Loan	19,288,300	-		19,288,300	10,991,000
Earnings on Investments (a)	-	-	1,401,300	1,401,300	982,700
Net Use of Reserves	3,987,300	(749,300)	(343,600)	2,894,400	-
Total Revenues	\$ 62,981,100	\$ -	\$ 3,422,900	\$ 66,404,000	\$ 35,447,500
Expenditures					
Sewer System Revenue Transfers Out (a)	\$ -	\$ -	\$ 1,401,300	\$ 1,401,300	\$ 1,111,900
Capital Outlay	20,481,100	-	-	20,481,100	\$ 4,067,300
Revenue Financed Capital - Operating Transfer to Construction Fund	42,500,000	-	2,021,600	44,521,600	3,997,200
Total Expenditures	\$ 62,981,100	\$ -	\$ 3,422,900	\$ 66,404,000	\$ 9,176,400

(a) Note: As outlined in the Master Bond Ordinance, the investment earnings in the I&E Fund are transferred to the Receiving Fund. The impact is to reduce revenue required from charges when calculating the annual Revenue Requirement budget.

Appropriation Level – Improvement & Extension Fund – Sewer System Budget Amendment Explanations	
Revenues	
Sewer System Revenue Transfers In	<i>The proposed budget amendment is to match the amount available for transfer from FY 2021 revenue requirement based upon general operating fund performance. (see I&E Fund Transfer Pending line on the Appropriation Level-Revenue Requirement-Sewer System General Operating table)</i>

Appropriation Level – Improvement & Extension Fund – Sewer System Budget Amendment Explanations	
Earnings on Investments	<i>Had not been budgeted as there is a corresponding transfer of earnings back to general operating fund as allowed by the Master Bond Ordinance. The net effect on the I&E Fund is zero as the earnings are budgeted and accounted for in the operating fund to lower revenue requirement for charges. Amendment is for estimated amount and aligns to the levels reported in the quarterly investment reports.</i>
Net Use of Revenues	<i>This amount represents the net amount of revenues less expenditures. A negative amount represents an increase in reserves from current year activity rather than a use of reserves.</i>
<i>Expenditures</i>	
Water System Revenue Transfers Out (Earnings on Investments)	<i>Had not been budgeted as there is a corresponding transfer of earnings back to general operating fund as allowed by the Master Bond Ordinance (so the net effect on the I&E Fund is zero). Amendment is for estimated amount. Amount offsets Earnings on Investments. Any variance between the two line items represents a timing difference.</i>
Capital Outlay	<i>No budget amendment is required.</i>
Revenue Financed Capital – Transfer to Construction Fund	<i>The proposed budget amendment reflects the additional funding that is anticipated to be needed based on the increase in the Capital spend rate.</i>

Appropriation Level – Construction Fund – Water System

Water Construction Fund	FY 2021 Board Adopted Budget	Total 1st Quarter FY 2021 Amendments	Total 2nd Quarter FY 2021 Amendments	FY 2021 Amended Budget	FY 2021 Activity Thru 1/31/2021
Revenues					
Transfer from Improvement & Extension Fund	\$ 75,000,000	\$ -	\$ 1,978,000	\$ 76,978,000	\$ 24,840,700
Bond Proceeds	-	-	-	-	-
Grant Revenues (SRF Loans)	12,365,800	-	-	12,365,800	10,632,400
Earnings on Investments	820,400	(639,900)	(153,700)	26,800	18,800
Net Use of Reserves	22,486,800	639,900	153,700	23,280,400	-
Total Revenues	\$ 110,673,000	\$ -	\$ 1,978,000	\$ 112,651,000	\$ 35,491,900
Expenditures					
Capital Improvement Plan	\$ 147,564,000	\$ -	\$ -	\$ 147,564,000	\$ 71,586,300
Capital Spend Rate Adjustment	(36,891,000)	-	1,978,000	(34,913,000)	-
Total Expenditures	\$ 110,673,000	\$ -	\$ 1,978,000	\$ 112,651,000	\$ 71,586,300

Appropriation Level – Construction Fund – Water System Budget Amendment Explanations

Revenues	
Transfers from Improvement & Extension Fund	<i>The proposed budget amendment is to match the amount available for transfer from the FY 2021 Improvement & Extension Fund (see Revenue Financed Capital-Operating Transfer to Construction Fund line on the Appropriation Level-Improvement & Extension Fund-Water System table). The amount is based on the change in the Capital spend rate.</i>
Bond Proceeds	<i>No budget amendment is required.</i>

Appropriation Level – Construction Fund – Water System Budget Amendment Explanations	
Grant Revenues (State Revolving Fund Loans)	<i>No budget amendment is required. State revolving fund loan disbursements are on a reimbursement basis. The amount and timing of funds fluctuates with project expenditures incurred. Details related to the SRF projects are presented in the quarterly debt report. The most recent quarterly debt report is presented in the February 2021 Audit Committee binder which provides details related to the SRF funding and associated projects.</i>
Earnings on Investments	<i>The decrease in the investment income is due to the depletion of bond proceeds available for use. The amendment aligns investment income to levels reported in the quarterly investment reports.</i>
Net Use of Revenues	<i>This amount represents the net amount of revenues less expenditures. A “use of reserves” indicates a spend down of prior year reserves. The amount has been amended to offset the reduction to the Earnings on Investments.</i>
Expenditures	
Capital Improvement Plan	<i>No budget amendment is required.</i>
Capital Spend Rate Assumption Adjustment	<i>The Board of Directors adopts a capital spending ratio assumption (SRA) which allows the realities of capital program delivery to align with the financial plan. The SRA is an analytical approach to bridge the total dollar amount of projects in the CIP with what can realistically be spent due to limitations beyond GLWA’s control and/or delayed for nonbudgetary reasons. Those limitations, whether financial or non-financial, necessitate the SRA for budgetary purposes, despite the prioritization established. Amendments to the spend rate assumption are made to align the projected financial use of resources with revised capital improvement plan spending forecasts. The most recent quarterly construction work-in-progress report is presented in the March 2021 Audit Committee binder.</i>

Appropriation Level – Construction Fund – Sewer System

Sewer Construction Fund	FY 2021 Board Adopted Budget	Total 1st Quarter FY 2021 Amendments	Total 2nd Quarter FY 2021 Amendments	FY 2021 Amended Budget	FY 2021 Activity Thru 1/31/2021
Revenues					
Transfer from Improvement & Extension Fund	\$ 42,500,000	\$ -	\$ 2,021,600	\$ 44,521,600	\$ 3,997,200
Bond Proceeds	-	-	-	-	-
Grant Revenues (SRF Loans)	33,200,000	-	-	33,200,000	8,676,100
Earnings on Investments	497,700	(388,200)	(81,900)	27,600	22,400
Net Use of Reserves	6,781,300	388,200	81,900	7,251,400	-
Total Revenues	\$ 82,979,000	\$ -	\$ 2,021,600	\$ 85,000,600	\$ 12,695,700
Expenditures					
Capital Improvement Plan	\$ 110,638,000	\$ -	\$ -	\$ 110,638,000	\$ 47,674,700
Capital Spend Rate Adjustment	(27,659,000)	-	2,021,600	(25,637,400)	-
Total Expenditures	\$ 82,979,000	\$ -	\$ 2,021,600	\$ 85,000,600	\$ 47,674,700

Appropriation Level – Construction Fund – Sewer System Budget Amendment Explanations

Revenues	
Transfers from Improvement & Extension Fund	<i>The proposed budget amendment is to match the amount available for transfer from the FY 2021 Improvement & Extension Fund (see Revenue Financed Capital-Operating Transfer to Construction Fund line on the Appropriation Level-Improvement & Extension Fund-Sewer System table). The amount is based on the change in the Capital spend rate.</i>
Bond Proceeds	<i>No budget amendment is required.</i>

Appropriation Level – Construction Fund – Sewer System Budget Amendment Explanations	
Grant Revenues (State Revolving Fund Loans)	<i>No budget amendment is required. State revolving fund loan disbursements are on a reimbursement basis. The amount and timing of funds fluctuates with project expenditures incurred. Details related to the SRF projects are presented in the quarterly debt report. The most recent quarterly debt report is presented in the February 2021 Audit Committee binder which provides details related to the SRF funding and associated projects.</i>
Earnings on Investments	<i>The decrease in the investment income is due to the depletion of bond proceeds available for use. The amendment aligns investment income to levels reported in the quarterly investment reports.</i>
Net Use of Revenues	<i>This amount represents the net amount of revenues less expenditures. A “use of reserves” indicates a spend down of prior year reserves. The amount has been amended to offset the reduction to the Earnings on Investments.</i>
Expenditures	
Capital Improvement Plan	<i>No budget amendment is required.</i>
Capital Spend Rate Adjustment	<i>The Board of Directors adopts a capital spending ratio assumption (SRA) which allows the realities of capital program delivery to align with the financial plan. The SRA is an analytical approach to bridge the total dollar amount of projects in the CIP with what can realistically be spent due to limitations beyond GLWA’s control and/or delayed for nonbudgetary reasons. Those limitations, whether financial or non-financial, necessitate the SRA for budgetary purposes, despite the prioritization established. Amendments to the spend rate assumption are made to align the projected financial use of resources with revised capital improvement plan spending forecasts. The most recent quarterly construction work-in-progress report is presented in the March 2021 Audit Committee binder.</i>



ADDENDUM 1

Supplemental Information –

Enterprise-wide Operations & Maintenance Department and Account Level Amendments

The summary of budget amendments for operations & maintenance department and account level amendments are organized by the four core groups. The FY 2021 second quarter budget amendments result in a net zero change to all categories: A - Water System Operations, B - Sewer System Operations, C – Centralized Services, and D – Administrative & Other Services.

GLWA's internal budget directive is for each area, group, and team to manage their needs to an amount within the initial budget. To the extent that is not possible, an amendment is made from the unallocated reserve. If savings are incurred, or an area appears to not require as much funding as established in the original budget, that department's budgeted expenses are reduced, and the unallocated reserve is increased. In administering the budget, there are several refinements to departments and account categories. An explanation of larger items (greater than \$500,000) is included in the table in Addendum 1.

ADDENDUM 1

Supplemental Information Enterprise-wide Operations & Maintenance Department and Account Level Amendments

Total 2nd Quarter FY 2021		
Departmental and Account Level Amendments	Amendments	Explanation of Key Items
Administrative Services	0	
Board of Directors	(24,100)	
Personnel	1,200	
Supplies & Other	(25,300)	
Procurement Director	0	
Contractual Services	15,000	
Personnel	75,000	
Supplies & Other	(90,000)	
Public Affairs	0	
Contractual Services	(10,000)	
Supplies & Other	10,000	
Transformation	(200,000)	
Personnel	(200,000)	
Treasury	100,000	
Shared Services	100,000	
Unallocated Reserve - Administrative Services	124,100	
Unallocated Reserves	124,100	
Centralized Services	0	
Facility Operations	(224,900)	
Personnel	(224,900)	
Field Service Operations	127,500	
Capital Program Allocation	127,500	
Fleet Operations	224,900	
Personnel	224,900	
Info Tech Enterprise Asset Mgmt Systems	(594,900)	
Shared Services	(594,900)	Adjust Shared Services for continuation of agreements through the end of FY 2021 (Offset Unallocated Reserves)
Info Technology Infrastructure	(2,325,600)	
Shared Services	(325,600)	
Supplies & Other	(2,000,000)	Transfer the budget for Lakeshore Global contract to Systems Operations Control
Info Technology Security & Risk	(35,000)	
Shared Services	(35,000)	
Info Technology Service Delivery	(166,600)	
Shared Services	(166,600)	
Systems Analytics	(95,000)	
Shared Services	(95,000)	
Systems Operations Control	2,000,000	
Contractual Services	2,000,000	Transfer the budget for Lakeshore Global contract from Info Technology Infrastructure
Unallocated Reserve - Centralized Services	1,089,600	
Unallocated Reserves	1,089,600	The offset to the increase to the shared services budget of \$1,217,124 is Unallocated Reserves
Wastewater System Operations	0	
7 Mile Combined Sewer Overflow	4,700	
Contractual Services	4,700	
Baby Creek Combined Sewer Overflow	18,000	
Contractual Services	18,000	
Belle Isle Combined Sewer Overflow	1,200	
Contractual Services	1,200	
Connor Creek Combined Sewer Overflow	17,100	
Contractual Services	17,100	
Hubble Southfield CSO	4,100	
Contractual Services	4,100	
Leib Combined Sewer Overflow	3,800	
Contractual Services	3,800	
Oakwood Combined Sewer Overflow	7,800	
Contractual Services	7,800	
Puritan Fenkell Combined Sewer Overflow	5,100	
Contractual Services	5,100	
St Aubin Combined Sewer Overflow	7,900	
Contractual Services	7,900	
Suburban Only Green Infrastructure Allocation	584,000	
Supplies & Other	584,000	To add budget for the Suburban Green Infrastructure Allocation (offset Unallocated Reserves)
Unallocated Reserve - Wastewater System Operations	(584,000)	
Unallocated Reserves	(584,000)	Unallocated Reserves were used to add budget for the Suburban Green Infrastructure Allocation
Wastewater Operations	(69,700)	
Contractual Services	(69,700)	
Grand Total	0	

Totals may be off due to rounding



**Quarterly Budget Amendment Report
FY 2021 Ending December 31, 2020**

ADDENDUM 2

Supplemental Information –

Enterprise-wide Operations & Maintenance Account Type and Department Level Amendments

The table in Addendum 2 summarizes the FY 2021 budget amendments for operations & maintenance by the major expense categories (account type). The explanations for the larger items can be found in Addendum 1.

ADDENDUM 2

Supplemental Information

Enterprise-wide Operations & Maintenance Account Type and Department Level Amendments

Expense Categories and Departmental Level Amendments	Total 2nd Quarter FY 2021 Amendments
Capital Program Allocation	127,500
Field Service Operations	127,500
Contractual Services	2,005,000
7 Mile Combined Sewer Overflow	4,700
Baby Creek Combined Sewer Overflow	18,000
Belle Isle Combined Sewer Overflow	1,200
Connor Creek Combined Sewer Overflow	17,100
Hubble Southfield CSO	4,100
Leib Combined Sewer Overflow	3,800
Oakwood Combined Sewer Overflow	7,800
Procurement Director	15,000
Public Affairs	(10,000)
Puritan Fenkell Combined Sewer Overflow	5,100
St Aubin Combined Sewer Overflow	7,900
Systems Operations Control	2,000,000
Wastewater Operations	(69,700)
Personnel	(123,800)
Board of Directors	1,200
Facility Operations	(224,900)
Fleet Operations	224,900
Procurement Director	75,000
Transformation	(200,000)
Shared Services	(1,117,100)
Info Tech Enterprise Asset Mgmt Systems	(594,900)
Info Technology Infrastructure	(325,600)
Info Technology Security & Risk	(35,000)
Info Technology Service Delivery	(166,600)
Systems Analytics	(95,000)
Treasury	100,000
Supplies & Other	(1,521,300)
Board of Directors	(25,300)
Info Technology Infrastructure	(2,000,000)
Procurement Director	(90,000)
Public Affairs	10,000
Suburban Only Green Infrastructure Allo	584,000
Unallocated Reserves	629,700
Unallocated Reserve - Administrative Services	124,100
Unallocated Reserve - Centralized Services	1,089,600
Unallocated Reserve - Wastewater System Operations	(584,000)
Grand Total	0

Totals may be off due to rounding