



Financial Services Audit Committee Communication

Date: May 21, 2021

To: Great Lakes Water Authority Audit Committee

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

Re: FY 2021 Third Quarter Budget Amendments through March 31, 2021 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. When 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: Highlights of the third quarter budget amendments include the following.

- A. Entity-wide, operations and maintenance expense of \$212.9 million through March 31, 2021 is 67% of the proposed amended total of \$316.4 million. The variance from a pro-rata benchmark of 75% allows for the expected trend of relatively higher fourth quarter expenses due to the seasonality of certain expenses and some year-end accruals at actual versus estimate.
- B. The Capital Spending Ratio for the water capital improvement plan has increased from 75% to 92% which equates to \$19.7 million. This results in an increase to the transfer from the Water Improvement & Extension Fund to the Water Construction Fund for that amount since there are no longer revenue bond proceeds available in accordance with GLWA's financial plan. The Capital Spending Ratio for the sewer capital improvement plan has remained at the original 75%.
- C. Given that this is the first year the funding for the capital improvement plans are being funded solely from I&E Funds and state revolving funds, a working capital transfer of \$13.3 million for water is also reflected in the proposed budget amendments.

The attached budget amendment report is organized in the following manner.

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

- A. Water System General Operating Fund*
- B. Sewer System General Operating Fund*
- C. Total Operating Fund Level – Water System and Sewer System*
- D. Enterprise-wide Core Groups*
- E. Enterprise-wide Operations & Maintenance Account Type*
- F. Unallocated Reserve by Core Group*

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

- A. Water System Improvement & Extension Fund*
- B. Sewer System Improvement & Extension Fund*

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

- A. Water System Construction Fund*
- B. Sewer System Construction Fund*

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 third quarter FY 2021 budget amendments.



Quarterly Budget Amendment Report
 FY 2021 Ending March 31, 2021

Table 1A Water - 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	Total 3rd Quarter FY 2021 Amendments	FY 2021 Amended Budget	FY 2021 Activity Thru 3/31/2021
Revenues						
Suburban Wholesale Customer Charges	\$ 314,252,200	\$ (1,118,600)	\$ -	\$ -	\$ 313,133,600	\$ 237,680,000
Retail Service Charges	22,555,400	(629,900)	-	-	21,925,500	16,575,400
Investment Earnings	4,834,400	(3,564,800)	2,686,100	-	3,955,700	3,476,200
Other Revenues	-	-	229,000	-	229,000	227,200
Total Revenues	\$ 341,642,000	\$ (5,313,300)	\$ 2,915,100	\$ -	\$ 339,243,800	\$ 257,958,800
Revenue Requirements						
Operations & Maintenance Expense	\$ 137,127,300	\$ (3,000,000)	\$ -	\$ -	\$ 134,127,300	\$ 91,455,100
General Retirement System Legacy Pension	6,048,000	-	-	-	6,048,000	4,536,000
Debt Service	143,189,900	(5,753,900)	-	-	137,436,000	104,667,100
General Retirement System Accelerated Pension	6,268,300	-	-	-	6,268,300	4,701,200
Extraordinary Repair & Replacement Deposit	-	-	-	-	-	-
Water Residential Assistance Program Contribution	1,669,400	-	-	-	1,669,400	1,252,100
Lease Payment	22,500,000	-	-	-	22,500,000	16,875,000
Operating Reserve Deposit	876,600	(876,600)	-	-	-	-
DWSD Budget Shortfall/(Surplus) Pending	-	-	-	-	-	1,320,800
Improvement & Extension Fund Transfer Pending	23,962,500	4,317,200	2,915,100	-	31,194,800	22,375,800
Total Revenue Requirements	\$ 341,642,000	\$ (5,313,300)	\$ 2,915,100	\$ -	\$ 339,243,800	\$ 247,183,100



Quarterly Budget Amendment Report
 FY 2021 Ending March 31, 2021

Appropriation Level – Revenue Requirement – Water 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>
Investment Earnings	<i>No budget amendment is required.</i>
Other Revenues	<i>No budget amendment is required.</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>
Operating Reserve Deposit	<i>Based on further review and analysis, this operating reserve is no longer required.</i>



Quarterly Budget Amendment Report
 FY 2021 Ending March 31, 2021

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 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 revenues, investment earnings, debt service, and DWSD budget shortfall affect this line item.</i>



Quarterly Budget Amendment Report
 FY 2021 Ending March 31, 2021

Table 1B Sewer - Appropriation Level - Revenue Requirement – Sewer System General Operating

Sewer System	FY 2021 Board Adopted Budget	Total 1st Quarter FY 2021 Amendments	Total 2nd Quarter FY 2021 Amendments	Total 3rd Quarter FY 2021 Amendments	FY 2021 Amended Budget	FY 2021 Activity Thru 3/31/2021
Revenues						
Suburban Wholesale Customer Charges	\$ 277,011,800	\$ (2,958,300)	\$ -	\$ -	\$ 274,053,500	\$ 202,413,700
Retail Service Charges	190,112,100	(2,152,400)	-	-	187,959,700	141,418,200
Industrial Waste Control Charges	8,775,400	(92,100)	-	(998,600)	7,684,700	5,972,500
Pollutant Surcharges	5,262,800	(55,200)	-	900,000	6,107,600	4,579,500
Investment Earnings	5,589,200	(4,602,300)	1,791,200	-	2,778,100	2,261,300
Other Revenues	-	-	574,000	(160,000)	414,000	363,400
Total Revenues	\$ 486,751,300	\$ (9,860,300)	\$ 2,365,200	\$ (258,600)	\$ 478,997,600	\$ 357,008,600
Revenue Requirements						
Operations & Maintenance Expense	\$ 184,946,100	\$ (2,650,100)	\$ -	\$ -	\$ 182,296,000	\$ 121,476,500
General Retirement System Legacy Pension	10,824,000	-	-	-	10,824,000	8,118,000
Debt Service	209,739,900	(7,959,500)	-	-	201,780,400	153,430,300
General Retirement System Accelerated Pension	11,620,700	-	-	-	11,620,700	8,715,500
Extraordinary Repair & Replacement Deposit	-	-	-	-	-	-
Water Residential Assistance Program Contribution	2,415,100	-	-	-	2,415,100	1,811,300
Lease Payment	27,500,000	-	-	-	27,500,000	20,625,000
Operating Reserve Deposit	-	-	-	-	-	-
DWSD Budget Shortfall/(Surplus) Pending	-	-	-	-	-	4,278,000
Improvement & Extension Fund Transfer Pending	39,705,500	749,300	2,365,200	(258,600)	42,561,400	31,162,300
Total Revenue Requirements	\$ 486,751,300	\$ (9,860,300)	\$ 2,365,200	\$ (258,600)	\$ 478,997,600	\$ 349,616,900



Quarterly Budget Amendment Report
 FY 2021 Ending March 31, 2021

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>The reduction in meter counts is the result of the COVID-19 economic downturn.</i>
Pollutant Surcharges	<i>Additional excess levels have resulted in an increase in the billings for FY 2021.</i>
Investment Earnings	<i>No budget amendment is required.</i>
Other Revenues	<i>The reduction in dump token receipts is the result of the COVID-19 economic downturn.</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>
Operating Reserve Deposit	<i>Based on further review and analysis, this operating reserve is no longer required.</i>



Quarterly Budget Amendment Report
 FY 2021 Ending March 31, 2021

Appropriation Level – Revenue Requirement – Sewer 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 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 revenues, investment earnings, debt service, and DWSD budget shortfall affect this line item.</i>



Quarterly Budget Amendment Report
 FY 2021 Ending March 31, 2021

Table 1C - 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	Total 3rd Quarter FY 2021 Amendments	FY 2021 Amended Budget	FY 2021 Activity Thru 3/31/2021
Water System Operations	\$ 137,127,300	\$ (3,000,000)	\$ -	\$ -	\$ 134,127,300	\$ 91,455,100
Wastewater System Operations	184,946,100	(2,650,100)	-	-	182,296,000	121,476,500
Total	\$ 322,073,400	\$ (5,650,100)	\$ -	\$ -	\$ 316,423,300	\$212,931,600

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.



Quarterly Budget Amendment Report
 FY 2021 Ending March 31, 2021

Table 1D - 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	Total 3rd Quarter FY 2021 Amendments	FY 2021 Amended Budget	FY 2021 Activity Thru 3/31/2021
A Water System Operations	\$ 71,966,400	\$ (1,146,600)	\$ -	\$ -	\$ 70,819,800	\$ 50,322,300
B Wastewater System Operations	115,676,400	(701,300)	-	-	114,975,100	77,143,400
C Centralized Services	102,721,300	(2,382,900)	-	-	100,338,400	65,289,200
D Administrative & Other Service	31,709,300	(1,419,200)	-	-	30,290,100	20,176,700
Total	\$ 322,073,400	\$ (5,650,000)	\$ -	\$ -	\$ 316,423,400	\$212,931,600

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 third 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)*.



Quarterly Budget Amendment Report
 FY 2021 Ending March 31, 2021

Table 1E - 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	Total 3rd Quarter FY 2021 Amendments	FY 2021 Amended Budget	FY 2021 Activity Thru 3/31/2021
Personnel Costs	\$ 110,333,100	\$ (1,527,100)	\$ (123,800)	\$ (265,900)	\$ 108,416,300	\$ 81,069,800
Utilities	51,937,000	-	-	-	51,937,000	38,858,400
Chemicals	13,419,800	-	-	-	13,419,800	10,524,500
Supplies & Other	38,620,800	400,000	(1,521,300)	(229,700)	37,269,800	20,885,300
Contractual Services	106,154,600	(1,372,200)	2,005,000	(572,600)	106,214,800	67,284,300
Capital Program Allocation	(3,447,700)	-	127,500	(8,500)	(3,328,700)	(2,277,100)
Shared Services	(3,412,900)	-	(1,117,100)	18,000	(4,512,000)	(3,413,600)
Unallocated Reserve	8,468,700	(3,150,800)	629,700	1,058,700	7,006,300	-
Total	\$ 322,073,400	\$ (5,650,100)	\$ -	\$ -	\$ 316,423,300	\$212,931,600

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)*.



Quarterly Budget Amendment Report
 FY 2021 Ending March 31, 2021

Table 1F - 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	Total 3rd 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	8,500	2,092,400
Administrative & Other Services	498,300	(369,700)	124,100	1,050,200	1,302,900
Total	\$ 8,468,700	\$ (3,150,800)	\$ 629,700	\$ 1,058,700	\$ 7,006,300

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)*.



Quarterly Budget Amendment Report
 FY 2021 Ending March 31, 2021

Table 2A - 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	Total 3rd Quarter FY 2021 Amendments	FY 2021 Amended Budget	FY 2021 Activity Thru 3/31/2021
Revenues						
Transfers In from General Operating	\$ 23,962,500	\$ 4,317,200	\$ 2,915,100	\$ -	\$ 31,194,800	\$ 22,375,800
Earnings on Investments (b)	-	-	3,048,400	-	3,048,400	2,953,300
Net Use of Reserves (a)	68,929,500	(4,317,200)	(937,100)	30,022,000	93,697,200	-
Total Revenues	\$ 92,892,000	\$ -	\$ 5,026,400	\$ 30,022,000	\$ 127,940,400	\$ 25,329,100
Expenditures						
Water System Revenue Transfers Out (b)	\$ -	\$ -	\$ 3,048,400	\$ -	\$ 3,048,400	\$ 2,914,200
Capital Spending - Other	-	-	-	4,977,600	4,977,600	3,256,400
Capital Outlay	17,892,000	-	-	(8,000,000)	9,892,000	7,861,600
Revenue Financed Capital - Operating Transfer to Construction Fund	75,000,000	-	1,978,000	33,044,400	110,022,400	40,788,900
Total Expenditures	\$ 92,892,000	\$ -	\$ 5,026,400	\$ 30,022,000	\$ 127,940,400	\$ 54,821,100
<i>(a) Beginning Net Position</i>					\$ 288,752,600	
<i>Net Use of Reserves</i>					\$ (93,697,200)	
<i>Projected Ending Net Position</i>					\$ 195,055,400	

(b) 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.



Quarterly Budget Amendment Report
 FY 2021 Ending March 31, 2021

Appropriation Level – Improvement & Extension Fund – Water System Budget Amendment Explanation	
Revenues	
Transfers In from General Operating	<i>No budget amendment is required. This amount on this line matches the amount available for transfer from the 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>
Earnings on Investments	<i>No budget amendment is required. Earnings on Investments is budgeted at zero 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.</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>No budget amendment is required. This line offsets Earnings on Investments and represents the transfer of earnings back to the general operating fund as allowed by the Master Bond Ordinance. Any variance between the two lines represents a timing difference.</i>
Capital Spending - Other	<i>The proposed budget amendment represents projects in the Board adopted capital improvement plan (CIP) that do not meet the criteria for debt financing.</i>
Capital Outlay	<i>The proposed budget amendment reflects the decrease in spending which is partially driven by the shift in organizational priorities resulting from the COVID-19 pandemic.</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>



Quarterly Budget Amendment Report
 FY 2021 Ending March 31, 2021

Table 2B - 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	Total 3rd Quarter FY 2021 Amendments	FY 2021 Amended Budget	FY 2021 Activity Thru 3/31/2021
Revenues						
Transfers In from General Operating	\$ 39,705,500	\$ 749,300	\$ 2,365,200	\$ (258,600)	\$ 42,561,400	\$ 31,162,300
Receipt of DWSO Shortfall Loan	19,288,300	-	-	-	19,288,300	14,131,300
Earnings on Investments (b)	-	-	1,401,300	-	1,401,300	1,208,300
Net Use of Reserves (a)	3,987,300	(749,300)	(343,600)	(4,513,000)	(1,618,600)	-
Total Revenues	\$ 62,981,100	\$ -	\$ 3,422,900	\$ (4,771,600)	\$ 61,632,400	\$ 46,501,900
Expenditures						
Sewer System Revenue Transfers Out (b)	\$ -	\$ -	\$ 1,401,300	\$ -	\$ 1,401,300	\$ 1,180,600
Capital Spending - Other	-	-	-	1,020,800	1,020,800	2,987,700
Capital Outlay	20,481,100	-	-	(2,750,000)	17,731,100	\$ 5,246,700
Revenue Financed Capital - Operating Transfer to Construction Fund	42,500,000	-	2,021,600	(3,042,400)	41,479,200	15,990,800
Total Expenditures	\$ 62,981,100	\$ -	\$ 3,422,900	\$ (4,771,600)	\$ 61,632,400	\$ 25,405,800
<i>(a) Beginning Net Position (excludes Shortfall Loan Principal)</i>					<i>\$ 135,520,700</i>	
<i>Net Use of Reserves</i>					<i>1,618,600</i>	
<i>Projected Ending Net Position</i>					<i>\$ 137,139,300</i>	

(b) 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	
Transfers In from General Operating	<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>
Earnings on Investments	<i>No budget amendment is required. Earnings on Investments is budgeted at zero 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.</i>
Net Use (Source) of Reserves	<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>
Expenditures	
Sewer System Revenue Transfers Out (Earnings on Investments)	<i>No budget amendment is required. This line offsets Earnings on Investments and represents the transfer of earnings back to the general operating fund as allowed by the Master Bond Ordinance. Any variance between the two lines represents a timing difference.</i>
Capital Spending – Other	<i>The proposed budget amendment represents projects in the Board adopted capital improvement plan (CIP) that do not meet the criteria for debt financing.</i>
Capital Outlay	<i>The proposed budget amendment reflects the decrease in spending which is partially driven by the shift in organizational priorities resulting from the COVID-19 pandemic.</i>
Revenue Financed Capital – Transfer to Construction Fund	<i>The proposed budget amendment reflects the change in funding that is anticipated to be needed based on a combination of the projected Capital spend rate and the amount of the projects in the CIP that do not meet the criteria for debt financing (will be funded out of I&E instead of Construction funds – see ‘Capital Spending – Other’ above).</i>



Quarterly Budget Amendment Report
 FY 2021 Ending March 31, 2021

Table 3A - Appropriation Level – Construction Bond Fund – Water System

Water Construction Fund	FY 2021 Board Adopted Budget	Total 1st Quarter FY 2021 Amendments	Total 2nd Quarter FY 2021 Amendments	Total 3rd Quarter FY 2021 Amendments	FY 2021 Amended Budget	FY 2021 Activity Thru 3/31/2021
Revenues						
Transfer from Improvement & Extension Fund	\$ 75,000,000	\$ -	\$ 1,978,000	\$ 33,044,400	\$ 110,022,400	\$ 40,788,900
Bond Proceeds	-	-	-	-	-	-
Grant Revenues (SRF Loans)	12,365,800	-	-	-	12,365,800	12,793,100
Earnings on Investments	820,400	(639,900)	(153,700)	-	26,800	19,100
Net Use of Reserves (a)	22,486,800	639,900	153,700	(15,307,100)	7,973,300	-
Total Revenues	\$ 110,673,000	\$ -	\$ 1,978,000	\$ 17,737,300	\$ 130,388,300	\$ 53,601,100
Expenditures						
Capital Improvement Plan (b)	\$ 147,564,000	\$ -	\$ -	\$ (4,977,600)	\$ 142,586,400	\$ 93,270,800
Capital Spend Rate Adjustment	(36,891,000)	-	1,978,000	22,714,900	(12,198,100)	-
Total Expenditures (b)	\$ 110,673,000	\$ -	\$ 1,978,000	\$ 17,737,300	\$ 130,388,300	\$ 93,270,800
<i>(a) Beginning Net Position</i>					\$ 20,806,300	
<i>Net Use of Reserves</i>					(7,973,300)	
<i>Projected Ending Net Position</i>					<u>\$ 12,833,000</u>	
<i>(b) Plus Direct I&E Projects</i>	-				4,977,600	
<i>Total CIP Expenditures</i>	<i>110,673,000</i>				<i>135,365,900</i>	
<i>Total Published Capital Improvement Plan</i>	<i>147,564,000</i>				<i>147,564,000</i>	
<i>Capital Spending Ratio</i>	<i>75%</i>				<i>92%</i>	



Appropriation Level – Construction Bond 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>
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 May 2021 Audit Committee binder which provides details related to the SRF funding and associated projects.</i>
Earnings on Investments	<i>No budget amendment is required.</i>
Net Use (Source) of Reserves	<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 reflect the anticipated increase in the Capital spend rate from 75% to 92% and the resulting need for the additional transfer in of I&E funds for FY 2021.</i>
Expenditures	
Capital Improvement Plan	<i>The proposed budget amendment represents projects in the Board adopted capital improvement plan (CIP) that do not meet the criteria for debt financing. This amount is reflected on the ‘Capital Spending – Other’ line on the Water Improvement & Extension Fund table.</i>



Quarterly Budget Amendment Report
 FY 2021 Ending March 31, 2021

Appropriation Level – Construction Bond Fund – Water System Budget Amendment Explanations	
Capital Spend Rate Assumption Adjustment	<p><i>The proposed budget amendment represents the increase in the projected Capital spend rate for the Water CIP from 75% to 92%. 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></p>



Quarterly Budget Amendment Report
 FY 2021 Ending March 31, 2021

Table 3B - Appropriation Level – Construction Bond Fund – Sewer System

Sewer Construction Fund	FY 2021 Board Adopted Budget	Total 1st Quarter FY 2021 Amendments	Total 2nd Quarter FY 2021 Amendments	Total 3rd Quarter FY 2021 Amendments	FY 2021 Amended Budget	FY 2021 Activity Thru 3/31/2021
Revenues						
Transfer from Improvement & Extension Fund	\$ 42,500,000	\$ -	\$ 2,021,600	\$ (3,042,400)	\$ 41,479,200	\$ 15,990,800
Bond Proceeds	-	-	-	-	-	-
Grant Revenues (SRF Loans)	33,200,000	-	-	-	33,200,000	11,380,500
Earnings on Investments	497,700	(388,200)	(81,900)	-	27,600	22,500
Net Use of Reserves (a)	6,781,300	388,200	81,900	9,500	7,260,900	-
Total Revenues	\$ 82,979,000	\$ -	\$ 2,021,600	\$ (3,032,900)	\$ 81,967,700	\$ 27,393,800
Expenditures						
Capital Improvement Plan (b)	\$ 110,638,000	\$ -	\$ -	\$ (1,020,800)	\$ 109,617,200	\$ 61,104,900
Capital Spend Rate Adjustment	(27,659,000)	-	2,021,600	(2,012,100)	(27,649,500)	-
Total Expenditures (b)	\$ 82,979,000	\$ -	\$ 2,021,600	\$ (3,032,900)	\$ 81,967,700	\$ 61,104,900
<i>(a) Beginning Net Position</i>					\$ 23,311,100	
<i>Net Use of Reserves</i>					(7,260,900)	
<i>Projected Ending Net Position</i>					<u>\$ 16,050,200</u>	
<i>(b) Plus Direct I&E Projects</i>	-				1,020,800	
<i>Total CIP Expenditures</i>	82,979,000				82,988,500	
<i>Total Published Capital Improvement Plan</i>	110,638,000				110,638,000	
<i>Capital Spending Ratio</i>	75%				75%	



Appropriation Level – Construction Bond 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 as well as adjustments for projects in the CIP that do not meet the criteria for debt financing.</i>
Bond Proceeds	<i>No budget amendment is required.</i>
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 May 2021 Audit Committee binder which provides details related to the SRF funding and associated projects.</i>
Earnings on Investments	<i>No budget amendment is required.</i>
Net Use (Source) of Reserves	<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 reflect the anticipated change in the Capital spend rate for FY 2021.</i>
Expenditures	
Capital Improvement Plan	<i>The proposed budget amendment represents projects in the Board adopted capital improvement plan (CIP) that do not meet the criteria for debt financing. This amount is reflected on the ‘Capital Spending – Other’ line on the Sewer Improvement & Extension Fund table.</i>



Appropriation Level – Construction Bond Fund – Sewer System Budget Amendment Explanations

Capital Spend Rate Adjustment

The proposed budget amendment represents the change in the projected Capital spend rate for the Sewer CIP. The Capital Spending Ratio remains at 75%. 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](#).



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 third 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

Departmental and Account Level Amendments	Total 3rd Quarter FY 2021 Amendments	Explanation of Key Items
Administrative Services	0	
Board of Directors	(15,000)	
Personnel	2,100	
Supplies & Other	(17,100)	
Chief Executive Officer	(74,700)	
Contractual Services	(63,200)	
Personnel	12,000	
Supplies & Other	(23,500)	
Chief Financial Officer	(40,000)	
Contractual Services	116,000	
Personnel	(129,000)	
Supplies & Other	(27,000)	
Data Analytics & Internal Audit	(460,600)	
Contractual Services	(250,000)	
Personnel	(204,000)	
Supplies & Other	(6,600)	
Financial Planning & Analysis	76,600	
Contractual Services	119,000	
Personnel	(32,000)	
Supplies & Other	(10,400)	
Financial Reporting & Accounting	(520,100)	
Contractual Services	(498,000)	
Personnel	32,900	
Supplies & Other	(55,000)	
Logistics and Materials	269,600	
Contractual Services	179,600	
Supplies & Other	90,000	
OD Administration	(15,000)	
Contractual Services	(15,000)	
Public Affairs	15,000	
Contractual Services	15,000	
Public Finance	97,900	
Contractual Services	107,000	
Personnel	(5,000)	
Supplies & Other	(4,100)	
Reporting and Compliance	26,300	
Contractual Services	(3,000)	
Personnel	35,100	
Supplies & Other	(5,800)	
Transformation	(167,300)	
Personnel	(124,900)	
Supplies & Other	(42,400)	
Treasury	(242,900)	
Contractual Services	(280,000)	
Personnel	24,900	
Shared Services	18,000	
Supplies & Other	(5,800)	
Unallocated Reserve - Administrative Services	1,050,200	
Unallocated Reserves	1,050,200	Savings have been recognized within various Administrative Services cost centers: -Contractual Services: Change in the start date and fluxuation in usage of contracts -Personnel: Timing changes in the hiring of team members -Supplies & Other: Due to COVID-19 savings has been recognized in areas such as supplies, travel, and training/internal meetings
Centralized Services	0	
HazMat	(6,400)	
Capital Program Allocation	(6,400)	
Security and Integrity	(2,100)	
Capital Program Allocation	(2,100)	
Personnel	122,000	
Supplies & Other	(122,000)	
Unallocated Reserve - Centralized Services	8,500	
Unallocated Reserves	8,500	
Grand Total	0	

Totals may be off due to rounding



ADDENDUM 2

Supplemental Information –

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

The table in Addendum 2 summarizes the FY 2021 third quarter 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 3rd Quarter FY 2021 Amendments
Capital Program Allocation	(8,500)
HazMat	(6,400)
Security and Integrity	(2,100)
Contractual Services	(572,600)
Chief Executive Officer	(63,200)
Chief Financial Officer	116,000
Data Analytics & Internal Audit	(250,000)
Financial Planning & Analysis	119,000
Financial Reporting & Accounting	(498,000)
Logistics and Materials	179,600
OD Administration	(15,000)
Public Affairs	15,000
Public Finance	107,000
Reporting and Compliance	(3,000)
Treasury	(280,000)
Personnel	(265,900)
Board of Directors	2,100
Chief Executive Officer	12,000
Chief Financial Officer	(129,000)
Data Analytics & Internal Audit	(204,000)
Financial Planning & Analysis	(32,000)
Financial Reporting & Accounting	32,900
Public Finance	(5,000)
Reporting and Compliance	35,100
Security and Integrity	122,000
Transformation	(124,900)
Treasury	24,900
Shared Services	18,000
Treasury	18,000

ADDENDUM 2

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

Expense Categories and Departmental Level Amendments	Total 3rd Quarter FY 2021 Amendments
Supplies & Other	(229,700)
Board of Directors	(17,100)
Chief Executive Officer	(23,500)
Chief Financial Officer	(27,000)
Data Analytics & Internal Audit	(6,600)
Financial Planning & Analysis	(10,400)
Financial Reporting & Accounting	(55,000)
HazMat	0
Logistics and Materials	90,000
Public Affairs	0
Public Finance	(4,100)
Reporting and Compliance	(5,800)
Security and Integrity	(122,000)
Transformation	(42,400)
Treasury	(5,800)
Unallocated Reserves	1,058,700
Unallocated Reserve - Administrative Services	1,050,200
Unallocated Reserve - Centralized Services	8,500
Grand Total	0

Totals may be off due to rounding

Great Lakes Water Authority

Resolution 2021 - 195

Resolution Adopting the Budget Amendments through the Third Quarter of FY 2021

By Board Member:

WHEREAS The Great Lakes Water Authority (“GLWA” or the “Authority”) assumed the operation of the regional water and sewer systems on January 1, 2016 (the “Effective Date”) pursuant to Water System and Sewer System Lease Agreements between the GLWA and the City of Detroit dated June 12, 2015; and

WHEREAS In accordance with the by-laws of the GLWA, further defined by its budget amendment policy, the Board shall amend the budget as needed based upon a quarterly report from the Chief Financial Officer; and

WHEREAS The GLWA Board adopted the FY 2021 budget on March 11, 2020 for the twelve-month fiscal year beginning July 1, 2020;

WHEREAS Following a review of the budget amendment report through the FY 2021 Third Quarter, the appropriations established with the adoption of the general operating budget for the water system and the sewer system are amended as shown in the table below;

General Operating Appropriation Category	Water System		Sewer System	
	Adopted	Amended	Adopted	Amended
Revenues				
Suburban Wholesale Customer Charges	\$ 314,252,200	\$ 313,133,600	\$ 277,011,800	\$ 274,053,500
Retail Service Charges	22,555,400	21,925,500	190,112,100	187,959,700
Industrial Waste Control Charges	-	-	8,775,400	7,684,700
Pollutant Surcharges	-	-	5,262,800	6,107,600
Investment Earnings	4,834,400	3,955,700	5,589,200	2,778,100
Other Revenues	-	229,000	-	414,000
Total Revenues	\$ 341,642,000	\$ 339,243,800	\$ 486,751,300	\$ 478,997,600
Revenue Requirements				
Operations & Maintenance Expense	\$ 137,127,300	\$ 134,127,300	\$ 184,946,100	\$ 182,296,000
General Retirement System Legacy Pension	6,048,000	No Change	10,824,000	No Change
Debt Service	143,189,900	137,436,000	209,739,900	201,780,400
General Retirement System Accelerated Pension	6,268,300	No Change	11,620,700	No Change
Extraordinary Repair & Replacement Deposit	-	-	-	-
Water Residential Assistance Program Contributi	1,669,400	No Change	2,415,100	No Change
Lease Payment	22,500,000	No Change	27,500,000	No Change
Operating Reserve Deposit	876,600	-	-	-
DWSD Budget Shortfall Pending	-	-	-	-
Improvement & Extension Fund Transfer	23,962,500	31,194,800	39,705,500	42,561,400
Total Revenue Requirements	\$ 341,642,000	\$ 339,243,800	\$ 486,751,300	\$ 478,997,600

WHEREAS Following a review of the budget amendment report through the FY 2021 Third Quarter, the appropriations established with the adoption of the improvement and extension fund budget for the water system and the sewer system are amended as shown in the table below;

Improvement & Extension Fund Appropriation Category	Water System		Sewer System	
	Adopted	Amended	Adopted	Amended
Revenues				
Transfers In from General Operating	\$ 23,962,500	\$ 31,194,800	\$ 39,705,500	\$ 42,561,400
Receipt of DWSD Shortfall Loan	-	-	19,288,300	No Change
Earnings on Investments	-	3,048,400	-	1,401,300
Net Use of Reserves	68,929,500	93,697,200	3,987,300	(1,618,600)
Total Revenues	<u>\$ 92,892,000</u>	<u>\$ 127,940,400</u>	<u>\$ 62,981,100</u>	<u>\$ 61,632,400</u>
Expenditures				
Water/Sewer System Revenue Transfers Out	\$ -	\$ 3,048,400	\$ -	\$ 1,401,300
Capital Spending - Other	-	4,977,600	-	1,020,800
Capital Outlay	17,892,000	9,892,000	20,481,100	17,731,100
Revenue Financed Capital - Operating				
Transfer to Construction Fund	75,000,000	110,022,400	42,500,000	41,479,200
Total Expenditures	<u>\$ 92,892,000</u>	<u>\$ 127,940,400</u>	<u>\$ 62,981,100</u>	<u>\$ 61,632,400</u>

WHEREAS Following a review of the budget amendment report through the FY 2021 Third Quarter, the appropriations established with the adoption of the construction fund budget for the water system and the sewer system are amended as shown in the table below;

Construction Fund Appropriation Category	Water System		Sewer System	
	Adopted	Amended	Adopted	Amended
Revenues				
Transfer from Improvement & Extension Fund	\$ 75,000,000	110,022,400	\$ 42,500,000	41,479,200
Bond Proceeds	-	-	-	-
Grant Revenues (SRF Loans)	12,365,800	No Change	33,200,000	No Change
Earnings on Investments	820,400	26,800	497,700	27,600
Net Use of Reserves	22,486,800	7,973,300	6,781,300	7,260,900
Total Revenues	<u>\$ 110,673,000</u>	<u>\$ 130,388,300</u>	<u>\$ 82,979,000</u>	<u>\$ 81,967,700</u>
Expenditures				
Project Expenditures	\$ 110,673,000	130,388,300	\$ 82,979,000	81,967,700
Total Expenditures	<u>\$ 110,673,000</u>	<u>\$ 130,388,300</u>	<u>\$ 82,979,000</u>	<u>\$ 81,967,700</u>
Capital Spending Ratio	75%	92%	75%	No Change

WHEREAS The GLWA Audit Committee reviewed the budget amendments at its meetings on May 21, 2021; and

WHEREAS An affirmative vote of 5 Board Members is necessary for the adoption of this Resolution,

NOW THEREFORE BE IT:

RESOLVED That the GLWA Board approves the FY 2021 Third Quarter Budget Amendments; and be it finally

RESOLVED That the Chief Executive Officer, and the Chief Financial Officer/Treasurer are authorized to take such other action as may be necessary to accomplish the intent of this resolution.