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**Title:** Adjustment in Effective Date for GLWA Fiscal Year 2020-21 Charge Adjustment

**Sponsors:** Nicolette Bateson

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| Date      | Ver. | Action By          | Action              | Result |
|-----------|------|--------------------|---------------------|--------|
| 4/22/2020 | 1    | Board of Directors | Approved as Amended | Pass   |

**Adjustment in Effective Date for GLWA Fiscal Year 2020-21 Charge Adjustment**

Agenda of: April 22, 2020  
Item No.: **2020-139**  
Amount: N//A

**TO:** The Honorable  
Board of Directors  
Great Lakes Water Authority

**FROM:** Sue F. McCormick  
Chief Executive Officer  
Great Lakes Water Authority

**DATE:** April 21, 2020

**RE: Adjustment in Effective Date for GLWA Fiscal Year 2020-21 Charge Adjustment**

MOTION

Upon recommendation of Nicolette Bateson, Chief Financial Officer/Treasurer, the Board of Directors (Board) of the Great Lakes Water Authority (GLWA):

1. Approves changing the effective date for the implementation of 2020-083 "Resolution Regarding Approval of FY 2021 Schedule of Service Charges," be changed from July 1, 2020 to October 1, 2020;
2. In approving this change to the effective date for the FY 2021 Schedule of Service Charges, it is the Board's expectation the Chief Financial Officer/Treasurer will bring a

plan for operational and budget reduction to the Board by its first meeting in June, 2020 and any necessary amendments to the Budget for Fiscal Year 2020-21 to the Board for its review and approval on or before November 30, 2020; and

3. Authorizes the CEO to take such other action as may be necessary to accomplish the intent of this vote.

### **BACKGROUND**

On March 11, 2020, the Board adopted [Resolution 2020-083, "Resolution Regarding Approval of FY 2021 Schedule of Service Charges <https://glwater.legistar.com/LegislationDetail.aspx?ID=4341833&GUID=41FF3725-7998-4299-8061-FC2BFEDB81B4&Options=&Search=&FullText=1>](https://glwater.legistar.com/LegislationDetail.aspx?ID=4341833&GUID=41FF3725-7998-4299-8061-FC2BFEDB81B4&Options=&Search=&FullText=1)" (the Charges). Since the Board took this action, the COVID-19 pandemic has afflicted the United States, causing President Donald Trump to declare a national emergency and Michigan Governor Gretchen Whitmer to declare a state of emergency in Michigan. Further, Governor Whitmer issued Stay Home/ Stay Safe Orders, which currently run through April 30, 2020. In addition, Governor Whitmer issued orders preventing local utilities from discontinuing water service during the declared State of Emergency.

While Michigan has recently seen positive results from its efforts to slow the spread of the COVID-19 virus, the ultimate duration and impact of the virus remains unclear. Similarly, the duration and effects of the COVID-19 pandemic on the national economy, Michigan economy, and local economies within the GLWA service area remains unknown.

### **JUSTIFICATION**

By delaying the effective date of its adjustment to the Charges by one quarter of the fiscal year, GLWA member partners will experience a 25% percent decrease in the increase to their wholesale water and/or sewer costs. This decrease will allow the member-partner utilities to have the flexibility to adjust their operations and cash flows in order to better provide service to their customers and account for any potential lag in collections. The action also gives GLWA the ability to make necessary spending and/or budget adjustments over time as the future impact of the current COVID-19 pandemic is better understood. Once that impact is understood, GLWA's Chief Financial Officer/Treasurer will bring any necessary budget amendments to the Board (a) reflecting the impact of the COVID-19 pandemic on GLWA's operations and revenues and (b) allowing GLWA to continue to operate in a fiscally prudent manner with a balanced budget.

### **BUDGET IMPACT**

The Board's action will reduce the revenue available for water operations by approximately three million dollars (\$3,000,000) and for sewer operations by two million, six hundred and fifty thousand dollars (\$2,650,000). The ultimate impact on the budget is unknown as management has not fully implemented operational adjustments necessary to respond to this change in anticipated revenue.

### **COMMITTEE REVIEW**

This matter was presented directly to the full Board of Directors.

**SHARED SERVICES IMPACT**

This item does not impact the shared services agreement between GLWA and DWSD.