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**Sponsors:** Nicolette Bateson

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Date	Ver.	Action By	Action	Result
10/28/2020	1	Board of Directors	Approved	Pass

**Resolution to Approve the Proposed FY 2021 Budget Amendments**

Agenda of: October 28, 2020  
Item No.: **2020-368**

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

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

**DATE:** October 23, 2020

**RE: Proposed FY 2021 First Quarter Budget Amendments**

**MOTION**

Upon recommendation of Nicolette Bateson, Chief Financial Officer/Treasurer, the Board of Directors (Board) of the Great Lakes Water Authority (GLWA) **Approves the Proposed FY 2021 First Quarter Budget Amendments as presented;** and 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 that action, the COVID-19 pandemic 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.

In response to the COVID-19 pandemic, the recommendation to change the effective date for the implementation of 2020-083 "Resolution Regarding Approval of FY 2021 Schedule of Service Charges," from July 1, 2020 to October 1, 2020 was presented to the Board of Directors (Board) of the Great Lakes Water Authority (GLWA) at the GLWA board meeting on April 22, 2020. The plan for an operational and budget reduction was presented to the Board at its meeting on June 24, 2020.

While Michigan has seen positive results from its efforts to slow the spread of the COVID-19 virus, the ultimate duration and impact of the virus continue to remain 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. In response, on September 23, 2020, the GLWA Board of Directors approved the deferral of the effective date for the FY 2021 Schedule of Service Charges from October 1, 2020 to January 1, 2021.

## **JUSTIFICATION**

By delaying the effective date of its adjustment to the Charges by one half of the fiscal year, GLWA member partners will experience a 50% percent decrease in the increase to their wholesale water and/or sewer costs for FY 2021. 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. Similarly, GLWA is able to make necessary spending and/or budget adjustments as the impact of the current COVID-19 pandemic is better understood. Based on what we know to date, the proposed budget amendments for the first quarter FY 2021 have been prepared (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. Attached is a communication to the Audit Committee dated October 23, 2020 which proposes the budget amendments for the first quarter of FY 2021.

## **BUDGET IMPACT**

The delay of the effective date of the FY 2021 Schedule of Service Charges and the reduction in Investment Earnings will reduce the revenue available for water operations by approximately \$5,313,300 and for sewer operations by \$9,860,300. The plan for the proposed FY 2021 budget reductions, attached, fully addresses this revenue reduction for the combined total of \$15,173,600.

**COMMITTEE REVIEW**

This matter was reviewed by the GLWA Audit Committee at its meeting on October 23, 2020. The Audit Committee recommends that the Board of Directors for the Great Lakes Water Authority adopt the proposed FY 2021 budget amendments as presented.

**SHARED SERVICES IMPACT**

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