



Legislation Text

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Proposed Capital Program Spend Rate Assumption Policy

Agenda of: November 28, 2018

Item No.: **2018-1017**

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: November 28, 2018

RE: Proposed Capital Program Spend Rate Assumption Policy

MOTION

Upon recommendation of Nicolette Bateson, Chief Financial Officer/Treasurer, The Board of Directors (Board) of the Great Lakes Water Authority (GLWA), **approves the Capital Program Spend Rate Assumption Policy**; and authorizes the CEO to take such other action as may be necessary to accomplish the intent of this vote.

BACKGROUND

Developing the annual financial plan involves numerous assumptions and interdependent analysis. A significant area of analysis is bridging the dollar sum of the proposed Capital Improvement Plan (CIP) with the forecast of actual spend for budgeting and financial planning. A forecast of actual spend recognizes the reality of delays in delivery of a complex capital program with several internal and external factors which may impact timing and priorities. Ignoring these realities would otherwise increase the amount borrowed resulting in an increase in customer charges and a decrease in GLWA's long-term financial sustainability.

Establishing a financial policy for the Capital Spend Rate Assumption formalizes the practice and engages stakeholders in the discussion early on in the financial planning cycle in an open and transparent manner.

Attached is a proposed policy for the Board's consideration as reviewed and revised by the Audit Committee. It should be noted that this matter was presented to the Audit Committee at its meeting on November 16, 2018 and October 26, 2018. Attached is a copy of Agenda Item 6D from that Audit Committee binder which provides additional background

information.

COMMITTEE REVIEW

This matter was reviewed by the Audit Committee at its meeting on November 16, 2018. The Audit Committee unanimously recommended that the GLWA Board adopt the policy as amended.