

## Legislation Text

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### Proposed Deferral of FY 2021 Charges

**Agenda of:** September 23, 2020

**Item No.:** **2020-331**

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

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

**DATE:** June 24, 2020

**RE: Approval of the Proposed Deferral of the FY 2021 Charges**

### MOTION

Upon recommendation of Nicolette Bateson, Chief Financial Officer/Treasurer, the Board of Directors (Board) of the Great Lakes Water Authority (GLWA) **approves the Deferral of the FY 2021 Charges from October 1, 2020 to January 1, 2021;** 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.

On June 24, 2020, in response to the COVID-19 pandemic, the GLWA Board of Directors, approved the deferral of 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.

As of September 21, 2020, 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, however, 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.

### **JUSTIFICATION**

By delaying the effective date of FY 2021 Charge adjustments by one quarter 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.

To accommodate this relief to Member Partner communities, GLWA will make necessary spending and/or budget adjustments across all areas of spending - both operating and capital categories - to effectuate this deferral. Other revenue assumptions are also being reviewed. Presently staff is reviewing line items to present a budget amendment proposal to the Audit Committee on September 25, 2020 to align the financial plan with this proposed action.

### **BUDGET IMPACT**

The additional delay of the effective date of the FY 2021 Schedule of Service Charges will further reduce the revenue available for water operations by approximately \$3,000,000 and for sewer operations by \$2,650,000. The plan for the proposed FY 2021 budget categories affected will be presented to the Audit Committee at its next meeting on September 25, 2020 to achieve the additional combined total revenue reduction of \$5,650,000.

### **COMMITTEE REVIEW**

Given the emergency nature of our operating environment, this matter has been discussed at the August 2020 GLWA Audit Committee under but was not presented for action at that time (see attached CFO Update to Audit Committee dated August 21, 2020). Further, this topic has been raised by Board Members at prior monthly meetings. Given the scheduling of meetings, directional support in conversations with Board Members at prior public meetings, and concurrent efforts by the GLWA management team to achieve this desired outcome, this matter is being presented directly to the Board of Directors for timely communication with Member Partners.

### **SHARED SERVICES IMPACT**

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