



**FY 2024 Third Quarter
Budget Amendment Report
Through March 31, 2024
& Proposed Budget Amendment
Resolution**

Presented to the Audit Committee
June 17, 2024

Updated June 18, 2024

Presented to the Board of Directors on June 26, 2024



Financial Services Audit Committee Communication

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 in addition to a corresponding budget amendment resolution.

Analysis: The budget amendment report is presented with a table followed by commentary in the following order.

- 1. Appropriation Level - Revenue Requirement - Water and Sewer Systems**
 - A. Water System Revenue Requirement
 - B. Sewer System Revenue Requirement
 - C. Operations & Maintenance by Fund – Water System and Sewer System*
 - D. Operations & Maintenance by Service Area*
 - E. Unallocated Reserve by Service Area*

- 2. Appropriation Level – Debt Service – Water and Sewer Systems**
 - A. Water System Debt Service Coverage Calculation
 - B. Sewer System Debt Service Coverage Calculation

- 3. Appropriation Level – Improvement & Extension Fund – Water and Sewer Systems**
 - A. Water System Improvement & Extension Fund
 - B. Sewer System Improvement & Extension Fund

- 4. Appropriation Level – Construction Fund – Water and Sewer Systems**
 - A. Water System Construction Fund
 - B. Sewer System Construction Fund

- 5. Supplemental Information - Operations & Maintenance**
 - A. Enterprise-wide Operations & Maintenance by Expense Category
 - B. Operations & Maintenance Expense by Service Area and Expense Category
 - C. Operations & Maintenance Utilities by Fund – Water System and Sewer System

- 6. Proposed Budget Amendment Resolution**

* Denotes Supplemental information



Table 1A Commentary - Water System - Revenue Requirement - Appropriation Level

Revenues

Increase to the Water System revenues of \$1.6 million is the net of the following.

- *\$2.5 million wholesale revenue decrease* – Due to the water usage by member communities being less than projected.
- *\$4.0 million Investment Earnings increase* – Based on a detailed analysis of the projected investment earnings and cash flows for the year based on actual through April 30, 2024. Interest rates provided by the Authority’s investment advisor used in prior projections were below actual earnings rates due to no cuts in the federal funds rate as anticipated.

Revenue Requirements

Net increase to the Water Operations & Maintenance (O&M) Expense of \$2 million. The primary drivers for this increase include the following.

- Within the Water System Operations service area increases in Utilities (\$1.6 million), the Capital Program Allocation (\$1.0 million) and Supplies (\$0.6 million) were offset with the use of the Unallocated Reserve (\$3.3 million) resulting in a net \$46 thousand increase for this service area.
- The allocation of Centralized Services and Administrative Services to Water Operations increased by \$1.9 million.
 - The Centralized Services allocation increase of \$1.5 million is primarily due to contractual services for increased staff augmentation, more repairs, and increased spend on various tasks related to the Lakeshore Global contract.
 - The Administrative Services allocation increase of \$0.4 million is due to increases in personnel for merit adjustments and increased insurance premium that were offset by decreases in other contractual services and use of unallocated reserve.
- Additional detail follows later in this report - see Table 5B - Supplemental Information – Operations & Maintenance Expense by Service Area and Expense Category

The overall net increase in O&M was offset with the increased investment earnings and a modest decrease to the Improvement & Extension Fund of \$400,000.



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Table 1B Commentary - Sewer System - Revenue Requirement – Appropriation Level

Revenues

Net increase to Sewer System revenues of \$5.9 million is largely due to the following.

- *\$5.8 million investment earnings increase* – Based on a detailed analysis of the projected investment earnings and related cash flows for the year based on actual through April 30, 2024. Interest rates provided by the Authority’s investment advisor used in prior projections were below actual earnings rates due to no cuts in the federal funds rate as anticipated.

Revenue Requirements

Increase to the Sewer Operations & Maintenance Expense of \$2.8 million is the result of the following.

- Within the Wastewater System Operations area increases in Supplies & Other (\$3.1 million) mainly due to repair & maintenance activities, Utilities (\$1.0 million) due to increased commodity rates, Chemicals (\$0.8 million) due to increased commodity rates, Contractual Services (\$0.4 million), Personnel (\$0.3 million), and the Capital Program Allocation (\$0.2 million) increased line items by \$5.8 million. Much of these increases were offset with the use of the remaining Unallocated Reserve (\$3.0 million) established for sewer system O&M needs.
- The allocation of Centralized Services and Administrative Services to Wastewater Operations increased by \$0.5 million.
 - The Centralized Services allocation is nonmaterial as it relates to Wastewater (\$41 thousand).
 - The Administrative Services allocation increase (\$0.4 million) is due to increases in personnel for merit adjustments and increased insurance premium that were offset by decreases in other contractual services and use of unallocated reserve.
- Additional detail follows later in this report - see *Table 5B - Supplemental Information –Operations & Maintenance Expense by Service Area and Expense Category*

The I&E recovered by \$3 million due to the budget amendment for increased investment earnings being greater than the increased O&M expenses.



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Table 1C - Supplemental Information – Operations & Maintenance by Fund - Water System and Sewer System

System	FY 2024 Board Adopted Budget	Total 1st Quarter FY 2024 Amendments	Total 2nd Quarter FY 2024 Amendments	Total 3rd Quarter FY 2024 Amendments	FY 2024 Amended Budget	FY 2024 Activity Thru 3/31/2024
Water System	\$ 152,906,400	\$ 10,194,100	\$ 3,782,400	\$ 1,990,200	\$ 168,873,100	\$ 119,158,800
Sewer System	205,643,700	14,484,700	1,897,100	2,848,000	224,873,500	163,824,400
Total	\$ 358,550,100	\$ 24,678,800	\$ 5,679,500	\$ 4,838,200	\$ 393,746,600	\$ 282,983,200

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.

Table 1D - Supplemental Information – Operations and Maintenance by Service Area

Service Area	FY 2024 Board Adopted Budget	Total 1st Quarter FY 2024 Amendments	Total 2nd Quarter FY 2024 Amendments	Total 3rd Quarter FY 2024 Amendments	FY 2024 Amended Budget	FY 2024 Activity Thru 3/31/2024
A Water System Operations	\$ 82,732,800	\$ 5,005,400	\$ 3,025,400	\$ 46,300	\$ 90,809,900	\$ 62,621,900
B Wastewater System Operations	132,934,300	8,721,500	2,692,800	2,373,300	146,721,900	108,233,600
C Centralized Services	106,900,500	9,636,900	(602,200)	1,533,000	117,468,200	84,919,700
D Administrative & Other Services	35,982,500	1,315,000	563,500	885,600	38,746,600	27,209,600
Total	\$ 358,550,100	\$ 24,678,800	\$ 5,679,500	\$ 4,838,200	\$ 393,746,600	\$ 282,984,800

Totals may be off due to rounding.

The \$4.8 million total in FY 2024 Q3 budget amendments is attributable to A) direct cost of water operations, B) direct cost of sewer operations, C) centralized services (e.g., systems resiliency, field services, security, information technology, facilities, and fleet), D) administrative services (e.g., financial services, public affairs, general counsel, and organizational development). The costs of the latter two categories, centralized and administrative, are allocated to the water and sewer systems based upon an



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internal cost allocation plan that is performed on an annual basis. Further detail about the proposed amendments is shown in Tables 5A, B, and C.

Table 1E - Supplemental Information - Unallocated Reserve by Service Area

O&M Unallocated Reserves	FY 2024 Board Adopted Budget	Total 1st Quarter FY 2024 Amendments	Total 2nd Quarter FY 2024 Amendments	Total 3rd Quarter FY 2024 Amendments	FY 2024 Amended Budget
Water System Operations	\$ 3,331,400	\$ 9,900	\$ -	\$ (3,341,300)	\$ -
Wastewater System Operations	3,089,900	(9,900)	-	(3,080,000)	-
Centralized Services	1,722,200	-	-	(1,722,200)	-
Administrative & Other Services	652,300	-	-	(652,300)	-
Total	\$ 8,795,800	\$ -	\$ -	\$ (8,795,800)	\$ -

Totals may be off due to rounding.

An Unallocated Reserve account is established for each of the four service areas. A 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 a service 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.

The Unallocated Reserves have been drawn down by \$8.8 million to offset the increase of \$13.6 million in O&M expenses in Q3 FY 2024 as shown by category in *Table 5B - Supplemental Information – Operations & Maintenance Expense by Service Area and Expense Category*.



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Table 2A - Appropriation Level – Debt Service Coverage Calculation – Water System

Water System - Debt Service Coverage Calculation	FY 2024 Adopted Budget	1st Quarter FY 2024 Amendments Regional System	1st Quarter FY 2024 Amendments Local System	Estimated 1Q Adjustment to Local System Budget	FY 2024 Amended Budget	2nd Quarter FY 2024 Amendments Regional System	2nd Quarter FY 2024 Amendments Local System	Estimated 2Q Adjustment to Local System Budget	FY 2024 Amended Budget	3rd Quarter FY 2024 Amendments Regional System	3rd Quarter FY 2024 Amendments Local System	Estimated 3Q Adjustment to Local System Budget	FY 2024 Amended Budget
	Revenues												
1 Regional System Wholesale Revenues	\$ 366,077,800	\$ (4,000,000)	\$ -	\$ -	\$ 362,077,800	\$ (5,837,500)	\$ -	\$ -	\$ 356,240,300	\$ (2,500,000)	\$ -	\$ -	\$ 353,740,300
2 Local System Revenues	89,140,400	-	-	-	89,140,400	-	-	-	89,140,400	-	-	-	89,140,400
3 Miscellaneous Revenue (Local System)	4,210,000	-	-	-	4,210,000	-	-	-	4,210,000	-	-	-	4,210,000
4 Non-Operating Revenue (Regional System)	4,236,700	8,265,000	-	-	12,501,700	2,418,200	-	-	14,919,900	4,074,000	-	-	18,993,900
5 Total Revenues	\$ 463,664,900	\$ 4,265,000	\$ -	\$ -	\$ 467,929,900	\$ (3,419,300)	\$ -	\$ -	\$ 464,510,600	\$ 1,574,000	\$ -	\$ -	\$ 466,084,600
Revenue Requirements													
Operations & Maintenance Expense													
6 Regional System Wholesale Expenses	\$ 152,906,400	\$ 10,194,100	\$ -	\$ -	\$ 163,100,500	\$ 3,782,400	\$ -	\$ -	\$ 166,882,900	\$ 1,990,200	\$ -	\$ -	\$ 168,873,100
7 Local System Expenses	44,756,000	-	-	-	44,756,000	-	-	-	44,756,000	-	-	-	44,756,000
8 GRS Pension allocable to Regional System	-	-	-	-	-	-	-	-	-	-	-	-	-
9 GRS Pension allocable to Local System	-	-	-	-	-	-	-	-	-	-	-	-	-
10 Total Operations & Maintenance Expense	197,662,400	10,194,100	-	-	207,856,500	3,782,400	-	-	211,638,900	1,990,200	-	-	213,629,100
11 Net Revenues after Operations & Maintenance Expense	\$ 266,002,500	\$ (5,929,100)	\$ -	\$ -	\$ 260,073,400	\$ (7,201,700)	\$ -	\$ -	\$ 252,871,700	\$ (416,200)	\$ -	\$ -	\$ 252,455,500
Debt Service by Lien													
12 Senior Lien Bonds	\$ 136,224,100	\$ 3,653,400	\$ -	\$ -	\$ 139,877,500	\$ -	\$ -	\$ -	\$ 139,877,500	\$ -	\$ -	\$ -	\$ 139,877,500
13 Second Lien Bonds	51,754,500	-	-	-	51,754,500	-	-	-	51,754,500	-	-	-	51,754,500
14 SRF Junior Lien Bonds	16,469,500	(502,200)	-	169,300	16,136,600	(397,900)	-	(63,900)	15,674,800	-	-	-	15,674,800
15 Total Debt Service	\$ 204,448,100	\$ 3,151,200	\$ -	\$ 169,300	\$ 207,768,600	\$ (397,900)	\$ -	\$ (63,900)	\$ 207,306,800	\$ -	\$ -	\$ -	\$ 207,306,800
Debt Service Coverage													
16 Senior Lien Bonds (11)/(12)	1.95	(0.09)	0.00	0.00	1.86	(0.05)	0.00	0.00	1.81	(0.00)	0.00	0.00	1.80
17 Second Lien Bonds (11) / [(12)+(13)]	1.42	(0.06)	0.00	0.00	1.36	(0.04)	0.00	0.00	1.32	(0.00)	0.00	0.00	1.32
18 SRF Junior Lien Bonds (11) / (15)	1.30	(0.05)	0.00	0.00	1.25	(0.03)	0.00	0.00	1.22	(0.00)	0.00	0.00	1.22

* Rows highlighted in light grey in the above table are designed to align with the DWSD Budget. The approved GLWA budget was based on preliminary DWSD budget information.

** Total Debt Service, highlighted in dark grey (Row 15) in the above table, is adopted by the GLWA Board and amended as needed.

For purposes of Debt Service coverage, the Regional and Local (DWSD) revenue less operations & maintenance (O&M) expense is combined to determine net revenues to calculate the Debt Service Coverage. The Board adopts the Debt Service amount shown on line 15 of the Water System Debt Service Coverage Calculation table on the previous page. This is the amount necessary to pay the principal and interest on all Regional Water System bonds and to restore any reserves therefore established in the Master Bond Ordinance.



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Table 2B - Appropriation Level – Debt Service Coverage Calculation – Sewer System

Updated: 6/18/2024

Sewer System - Debt Service Coverage Calculation	FY 2024 Adopted Budget	1st Quarter FY 2024 Amendments Regional System	1st Quarter FY 2024 Amendments Local System	Estimated 1Q Adjustment to Local System Budget	FY 2024 Amended Budget	2nd Quarter FY 2024 Amendments Regional System	2nd Quarter FY 2024 Amendments Local System	Estimated 2Q Adjustment to Local System Budget	FY 2024 Amended Budget	3rd Quarter FY 2024 Amendments Regional System	3rd Quarter FY 2024 Amendments Local System	Estimated 3Q Adjustment to Local System Budget	FY 2024 Amended Budget
Revenues													
1 Regional System Wholesale Revenues	\$ 493,169,700	\$ -	\$ -	\$ -	\$ 493,169,700	\$ (14,833,000)	\$ -	\$ -	\$ 478,336,700	\$ -	\$ -	\$ -	\$ 478,336,700
2 Local System Revenues	83,940,300	-	-	-	83,940,300	-	-	-	83,940,300	-	-	-	83,940,300
3 Miscellaneous Revenue (Local System)	8,500,000	-	-	-	8,500,000	-	-	-	8,500,000	-	-	-	8,500,000
4 Non-Operating Revenue (Regional System)	7,457,300	9,317,000	-	-	16,774,300	1,301,000	-	-	18,075,300	5,936,500	-	-	24,011,800
5 Total Revenues	\$ 593,067,300	\$ 9,317,000	\$ -	\$ -	\$ 602,384,300	\$ (13,532,000)	\$ -	\$ -	\$ 588,852,300	\$ 5,936,500	\$ -	\$ -	\$ 594,788,800
Revenue Requirements													
Operations & Maintenance Expense													
6 Regional System Wholesale Expenses	\$ 205,643,700	\$ 14,484,700	\$ -	\$ -	\$ 220,128,400	\$ 1,897,100	\$ -	\$ -	\$ 222,025,500	\$ 2,848,000	\$ -	\$ -	\$ 224,873,500
7 Local System Expenses	55,655,400	-	-	-	55,655,400	-	-	-	55,655,400	-	-	-	55,655,400
8 GRS Pension allocable to Regional System	-	-	-	-	-	-	-	-	-	-	-	-	-
9 GRS Pension allocable to Local System	-	-	-	-	-	-	-	-	-	-	-	-	-
10 Total Operations & Maintenance Expense	261,299,100	14,484,700	-	-	275,783,800	1,897,100	-	-	277,680,900	2,848,000	-	-	280,528,900
11 Net Revenues after Operations & Maintenance Expense	\$ 331,768,200	\$ (5,167,700)	\$ -	\$ -	\$ 326,600,500	\$ (15,429,100)	\$ -	\$ -	\$ 311,171,400	\$ 3,088,500	\$ -	\$ -	\$ 314,259,900
Debt Service by Lien													
12 Senior Lien Bonds	\$ 155,429,200	\$ 3,510,900	\$ -	\$ -	\$ 158,940,100	\$ -	\$ -	\$ -	\$ 158,940,100	\$ -	\$ -	\$ -	\$ 158,940,100
13 Second Lien Bonds	53,273,500	106,600	-	-	53,380,100	-	-	-	53,380,100	-	-	-	53,380,100
14 SRF Junior Lien Bonds	51,847,200	(164,200)	-	(48,600)	51,634,400	(806,100)	-	(59,500)	50,768,800	-	-	-	50,768,800
15 Total Debt Service	\$ 260,549,900	\$ 3,453,300	\$ -	\$ (48,600)	\$ 263,954,600	\$ (806,100)	\$ -	\$ (59,500)	\$ 263,089,000	\$ -	\$ -	\$ -	\$ 263,089,000
Debt Service Coverage													
16 Senior Lien Bonds (11)/(12)	2.13	(0.08)	0.00	0.00	2.05	(0.10)	0.00	0.00	1.96	0.02	0.00	0.00	1.98
17 Second Lien Bonds (11) / [(12)+(13)]	1.59	(0.05)	0.00	0.00	1.54	(0.07)	0.00	0.00	1.47	0.01	0.00	0.00	1.48
18 SRF Junior Lien Bonds (11) / (15)	1.27	(0.04)	0.00	0.00	1.24	(0.05)	0.00	0.00	1.18	0.01	0.00	0.00	1.19

* Rows highlighted in light grey in the above table are designed to align with the DWSD Budget. The approved GLWA budget was based on preliminary DWSD budget information.

** Total Debt Service, highlighted in dark grey (Row 15) in the above table, is adopted by the GLWA Board.

For purposes of Debt Service coverage, we look at the combined Regional and Local (DWSD) revenue less operations & maintenance (O&M) expense to determine net revenues to calculate the Debt Service Coverage. The Board adopts the Debt Service amount shown on line 15 of the Sewer System Debt Service Coverage Calculation table on the previous page. This is the amount necessary to pay the principal and interest on all Regional Sewer System bonds and to restore any reserves therefore established in the Master Bond Ordinance.



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Table 3A - Water System - Improvement & Extension Fund - Appropriation Level

Water Improvement & Extension Fund	FY 2024 Board Adopted Budget	Total 1st Quarter FY 2024 Amendments	Total 2nd Quarter FY 2024 Amendments	Total 3rd Quarter FY 2024 Amendments	FY 2024 Amended Budget	FY 2024 Activity Thru 3/31/2024
Inflows						
Water System Transfers In from General Operating	\$ 30,178,200	\$ (8,590,300)	\$ (5,403,800)	\$ (416,200)	\$ 15,767,900	\$ 16,190,900
Transfer in from Water Construction	-	-	-	4,303,700	\$ 4,303,700	\$ -
Earnings on Investments (a)	1,694,800	510,400	860,000	4,139,800	7,205,000	5,384,400
Net Use (Increase) of Reserves	(10,926,100)	26,139,300	(16,568,100)	(7,049,900)	(8,404,800)	(8,718,400)
Total Inflows	\$ 20,946,900	\$ 18,059,400	\$ (21,111,900)	\$ 977,400	\$ 18,871,800	\$ 12,856,900
Outflows						
Water System Revenue Transfers Out (a)	\$ 1,694,800	\$ 510,400	\$ 860,000	\$ 4,139,800	\$ 7,205,000	\$ 3,916,200
Capital Improvement Plan Spending	-	-	-	-	-	-
Capital Outlay	11,539,100	(3,488,000)	2,278,100	1,337,600	11,666,800	8,940,700
Revenue Financed Capital - Transfer to Construction Fund	7,713,000	21,037,000	(24,250,000)	(4,500,000)	-	-
Total Outflows	\$ 20,946,900	\$ 18,059,400	\$ (21,111,900)	\$ 977,400	\$ 18,871,800	\$ 12,856,900

(a) Note: As outlined in the Master Bond Ordinance, the investment earnings in the I&E Fund are transferred to the Receiving Fund to then offset revenue requirement needs.

Table 3A Commentary – Water System - Improvement & Extension Fund - Appropriation Level

Inflows

- Transfers In from General Operating - The proposed budget amendment is to match the amount available for transfer from the FY 2024 revenue requirement based upon general operating fund performance. (see Table 1A - Appropriation Level - Water System Revenue Requirement line item I&E Fund Transfer Pending).
- Transfer in from Water Construction - The Water Construction fund received grant funds for prior year expenditures made with revenue financed capital from the I & E Fund. A transfer will be done to return this funding back to the I&E Fund.



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- Earnings on Investments - The proposed budget amendment reflects an adjustment based on the projected investment earnings for the year. Interest rates provided by the Authority's investment advisor previously were below actual earnings rates due to no cuts in the federal funds rate as anticipated. Note: There is a corresponding transfer of earnings back to the 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.
- Net Use (Increase) of Reserves - 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.

Outflows

- Water System Revenue Transfers Out (Earnings on Investments) - The increase is based on the projected investment earnings. Note: This line offsets Earnings on Investments and represents the transfer of earnings back to the general operating fund as required by the Master Bond Ordinance. Any variance in activity between the two lines represents a timing difference.
- Capital Improvement Plan Spending - No budget amendment is required. This line represents an adjustment to the projects in the Board adopted capital improvement plan (CIP) that do not meet the criteria for debt financing as well as other unique, nonrecurring projects/purchases for the betterment of the system.
- Capital Outlay - The proposed budget amendment reflects an increase in spending of \$1.3 million mainly due to the Emerson upgrade project and Q4 Lake Huron Water Plant Monorail project.
- Revenue Financed Capital – Transfer to Construction Fund - The proposed budget amendment reflects a rebalancing of use of I&E and Construction funds for Capital Projects.



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Updated: 6/18/2024

Table 3B - Sewer System - Improvement & Extension Fund - Appropriation Level

Sewer Improvement & Extension Fund	FY 2024 Board Adopted Budget	Total 1st Quarter FY 2024 Amendments	Total 2nd Quarter FY 2024 Amendments	Total 3rd Quarter FY 2024 Amendments	FY 2024 Amended Budget	FY 2024 Activity Thru 3/31/2024
Inflows						
Sewer System Transfers In from General Operating	\$ 30,172,600	\$ (5,238,500)	\$ (14,623,000)	\$ 3,088,500	\$ 13,399,600	\$ 18,700,600
Sewer System Transfers In from Construction Fund	-	-	12,775,200	1,237,600	14,012,800	12,775,200
Grant Revenues & Capital Contributions	-	-	-	40,000	40,000	-
Earnings on Investments (a)	2,133,000	2,426,700	1,870,700	390,600	6,821,000	5,000,900
Net Use (Increase) of Reserves	(15,202,100)	40,795,300	(35,025,900)	(8,906,100)	(18,338,800)	(27,473,200)
Total Inflows	\$ 17,103,500	\$ 37,983,500	\$ (35,003,000)	\$ (4,149,400)	\$ 15,934,600	\$ 9,003,500
Outflows						
Sewer System Revenue Transfers Out (a)	\$ 2,133,000	\$ 2,426,700	\$ 1,870,700	\$ 390,600	\$ 6,821,000	\$ 4,304,800
Capital Improvement Plan Spending	-	-	-	-	-	-
Capital Outlay	14,970,500	(3,443,200)	1,126,300	(3,540,000)	9,113,600	4,698,700
Revenue Financed Capital - Transfer to Construction Fund	-	39,000,000	(38,000,000)	(1,000,000)	-	-
Total Outflows	\$ 17,103,500	\$ 37,983,500	\$ (35,003,000)	\$ (4,149,400)	\$ 15,934,600	\$ 9,003,500

(a) 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.

Table 3B Commentary- Sewer System - Improvement & Extension Fund - Appropriation Level

Inflows

- Transfers In from General Operating - The proposed budget amendment is to match the amount available for transfer from the FY 2024 revenue requirement based upon general operating fund performance. (see Table 1B - Appropriation Level - Sewer System Revenue Requirement line item I&E Fund Transfer Pending).
- Transfer in from Sewer Construction - The Sewer Construction fund received grant funds for prior year expenditures made with revenue financed capital from the I & E Fund. A transfer will be done to return this funding back to the I&E Fund.
- Grant Revenues & Capital Contributions - The budget increase is related to additional grant funds that are expected.



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- Earnings on Investments - The proposed budget amendment reflects an adjustment based on the projected investment earnings for the year. Interest rates provided by the Authority's investment advisor previously were below actual earnings rates due to no cuts in the federal funds rate as anticipated. Note: There is a corresponding transfer of earnings back to the 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.
- Net Use (Increase) of Reserves - 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.

Outflows

- Sewer System Revenue Transfers Out (Earnings on Investments) - The increase is based on the projected investment earnings. Note: This line offsets Earnings on Investments and represents the transfer of earnings back to the general operating fund as required by the Master Bond Ordinance. Any variance in activity between the two lines represents a timing difference.
- Capital Improvement Plan Spending - No budget amendment is required. This line represents an adjustment to the projects in the Board adopted capital improvement plan (CIP) that do not meet the criteria for debt financing as well as other unique, nonrecurring projects/purchases for the betterment of the system.
- Capital Outlay - The proposed budget amendment reflects a decrease in spending of \$3.5 million primarily due to delays in the Ovation and Cyber security upgrade projects thru the end of FY24.
- Revenue Financed Capital – Transfer to Construction Fund - The proposed budget amendment reflects a rebalancing of use of I&E and Construction funds for Capital Projects.



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Table 4A - Water System – Construction Fund – Appropriation Level

Water Construction Fund	FY 2024 Board Adopted Budget	Total 1st Quarter FY 2024 Amendments	Total 2nd Quarter FY 2024 Amendments	Total 3rd Quarter FY 2024 Amendments	FY 2024 Amended Budget	FY 2024 Activity Thru 3/31/2024
Inflows						
Transfer from Improvement & Extension Fund	\$ 7,713,000	\$ 21,037,000	\$ (24,250,000)	\$ (4,500,000)	\$ -	\$ -
Bond Proceeds	-	150,000,000	-	570,000	150,570,000	150,570,000
Bond Fund Earnings on Investments	1,864,700	3,500,000	1,500,000	1,286,300	8,151,000	5,997,800
SRF loan proceeds	97,102,000	(34,297,000)	(497,900)	(27,120,100)	35,187,000	31,616,500
Grant Revenues & Capital Contributions	-	-	5,000,000	3,651,700	8,651,700	-
Net Use (Increase) of Reserves	132,580,300	(154,500,000)	(16,752,100)	30,977,200	(7,694,600)	(63,254,100)
Total Inflows	\$ 239,260,000	\$ (14,260,000)	\$ (35,000,000)	\$ 4,865,100	\$ 194,865,100	\$ 124,930,200
Outflows						
Transfer to Improvement & Extension Fund	\$ -	\$ -	\$ -	\$ 4,303,700	\$ 4,303,700	\$ -
Bond Cost of Issuance	-	-	-	561,400	561,400	561,400
Capital Improvement Plan	239,260,000	-	-	-	239,260,000	124,368,800
Capital Spend Rate Adjustment	-	(14,260,000)	(35,000,000)	-	(49,260,000)	-
Total Outflows	\$ 239,260,000	\$ (14,260,000)	\$ (35,000,000)	\$ 4,865,100	\$ 194,865,100	\$ 124,930,200
<i>Capital Spending Ratio</i>	<i>100.0%</i>	<i>94.0%</i>	<i>79.4%</i>	<i>79.4%</i>	<i>79.4%</i>	

Table 4A Commentary - Water System – Construction Fund – Appropriation Level

Inflows

- Transfers from Improvement & Extension Fund - The proposed budget amendment is to match the amount available for transfer to the FY 2024 Improvement & Extension Fund (see Table 3A - Appropriation Level - Water System Improvement & Extension Fund line item Revenue Financed Capital - Transfer to Construction Fund). The proposed budget amendment reflects a rebalancing of use of I&E and Construction funds for Capital Projects.
- Bond Proceeds - The budget amendment is to align the activity related to the cost of issuance funds received and disbursed.



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- Earnings on Investments - The proposed budget amendment reflects an adjustment based on the projected investment earnings for the year. Interest rates provided by the Authority's investment advisor previously were below actual earnings rates due to no cuts in the federal funds rate as anticipated.
- State Revolving Fund Loans - State Revolving Fund (SRF) loan disbursements are on a reimbursement basis. The amount and timing of revenues fluctuates with project expenditures incurred. The proposed amendment reflects the timing of project design and construction activity. Details related to the SRF projects are presented in the semiannual debt report. The most recent semiannual debt report is presented in the [April 2024 Audit Committee binder](#) which provides details related to the SRF funding and associated projects.
- Grant Revenues & Capital Contributions - The budget increase is related to additional grant funds that are expected.
- Net Use (increase) of Reserves - This amount represents the net amount of revenues less expenditures. A "use of reserves" indicates a spend down of prior year reserves.

Outflows

- Transfer to Improvement & Extension Fund - The Water Construction fund received grant funds for prior year expenditures made with revenue financed capital from the I & E Fund. A transfer will be done to return this funding back to the I&E Fund.
- Bond Cost of Issuance - The budget amendment is to align the activity related to the cost of issuance funds received and disbursed.
- Capital Improvement Plan - No budget amendment is required. This line represents the [original CIP Plan approved by the Board for FY 2024](#).
- Capital Spend Rate Assumption Adjustment - No budget amendment is required. 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



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improvement plan spending forecasts. The most recent quarterly construction work-in-progress (CWIP) report is presented in the [March 2024 Audit Committee binder](#)

Table 4B - Sewer System – Construction Fund – Appropriation Level

Sewer Construction Fund	FY 2024 Board Adopted Budget	Total 1st Quarter FY 2024 Amendments	Total 2nd Quarter FY 2024 Amendments	Total 3rd Quarter FY 2024 Amendments	FY 2024 Amended Budget	FY 2024 Activity Thru 3/31/2024
Inflows						
Transfer from Improvement & Extension Fund	\$ -	\$ 39,000,000	\$ (38,000,000)	\$ (1,000,000)	\$ -	\$ -
Bond Proceeds	-	100,000,000	-	315,500	100,315,500	100,315,500
Bond Fund Earnings on Investments	2,365,600	4,500,000	1,750,000	1,126,400	9,742,000	7,111,800
SRF loan proceeds	47,253,000	7,423,000	(5,251,500)	(20,402,500)	29,022,000	18,970,300
Grant Revenues & Capital Contributions			25,000,000	4,743,000	29,743,000	25,000,000
Net Use (Increase) of Reserves	149,442,400	(184,984,000)	4,276,700	16,762,500	(14,502,400)	(52,784,600)
Total Inflows	\$ 199,061,000	\$ (34,061,000)	\$ (12,224,800)	\$ 1,544,900	\$ 154,320,100	\$ 98,613,000
Outflows						
Transfer to Improvement & Extension Fund	\$ -	\$ -	\$ 12,775,200	\$ 1,237,600	\$ 14,012,800	\$ 12,775,200
Bond Cost of Issuance				\$ 307,300	307,300	127,900
Capital Improvement Plan	199,061,000	-	-	-	199,061,000	85,709,900
Capital Spend Rate Adjustment	-	(34,061,000)	(25,000,000)	-	(59,061,000)	-
Total Outflows	\$ 199,061,000	\$ (34,061,000)	\$ (12,224,800)	\$ 1,544,900	\$ 154,320,100	\$ 98,613,000
<i>Capital Spending Ratio</i>	<i>100.0%</i>	<i>82.9%</i>	<i>70.3%</i>	<i>70.3%</i>	<i>70.3%</i>	

Table 4B Commentary - Sewer System – Construction Fund – Appropriation Level

Inflows

- Transfers from Improvement & Extension Fund - The proposed budget amendment is to match the amount available for transfer from the FY 2024 Improvement & Extension Fund (see Table 3B - Appropriation Level - Sewer System



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Improvement & Extension Fund line item Revenue Financed Capital - Transfer to Construction Fund). The proposed budget amendment reflects a rebalancing of use of I&E and Construction funds for Capital Projects.

- Bond Proceeds - The budget amendment is to align the activity related to the cost of issuance funds received and disbursed.
- Earnings on Investments - The proposed budget amendment reflects an adjustment based on the projected investment earnings for the year. Interest rates provided by the Authority's investment advisor previously were below actual earnings rates due to no cuts in the federal funds rate as anticipated.
- State Revolving Fund Loans - State Revolving Fund (SRF) loan disbursements are on a reimbursement basis. The amount and timing of revenues fluctuates with project expenditures incurred. The proposed amendment reflects the timing of project design and construction activity. Details related to the SRF projects are presented in the semiannual debt report. The most recent semiannual debt report is presented in the [April 2024 Audit Committee binder](#) which provides details related to the SRF funding and associated projects.
- Grant Revenues & Capital Contributions - The budget increase is related to additional grant funds that are expected.
- Net Use (Increase) of Reserves - This amount represents the net amount of revenues less expenditures. A "use of reserves" indicates a spend down of prior year reserves.

Outflows

- Transfer to Improvement & Extension Fund – The Sewer Construction fund received grant funds for prior year expenditures made with revenue financed capital from the I & E Fund. A transfer will be done to return this funding back to the I&E Fund.
- Bond Cost of Issuance - The budget amendment is to align the activity related to the cost of issuance funds received and disbursed.
- Capital Improvement Plan - No budget amendment is required. This line represents the original [CIP Plan approved by the Board for FY 2024](#).
- Capital Spend Rate Adjustment - No budget amendment is required. 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



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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 (CWIP) report is presented in the [March 2024 Audit Committee binder](#).

Table 5A - Supplemental Information - Enterprise-wide Operations & Maintenance by Expense Category

O&M Expense Categories	FY 2024 Board Adopted Budget	Total 1st Quarter FY 2024 Amendments	Total 2nd Quarter FY 2024 Amendments	Total 3rd Quarter FY 2024 Amendments	FY 2024 Amended Budget	FY 2024 Activity Thru 3/31/2024
Personnel Costs	\$ 120,887,100	\$ 285,000	\$ 1,834,800	\$ 2,645,600	\$ 125,652,500	\$ 92,386,800
Utilities	63,395,200	8,220,300	(426,100)	2,634,000	73,823,400	54,321,400
Chemicals	30,451,800	2,656,800	(1,148,300)	863,800	32,824,100	22,532,100
Supplies & Other	34,019,500	8,642,500	3,344,300	(642,500)	45,363,800	30,774,400
Contractual Services	106,889,200	4,874,200	2,154,300	6,996,200	120,913,900	86,491,200
Capital Program Allocation	(4,232,700)	-	471,600	1,136,900	(2,624,200)	(1,813,700)
Shared Services	(1,655,800)	-	(551,100)	-	(2,206,900)	(1,739,200)
Unallocated Reserve	8,795,800	-	-	(8,795,800)	-	-
Total	\$ 358,550,100	\$ 24,678,800	\$ 5,679,500	\$ 4,838,200	\$ 393,746,600	\$ 282,953,000

Totals may be off due to rounding.

The table above presents the Operations & Maintenance budget by the major expense categories enterprise wide. Further explanation of the proposed amendment is best viewed and explained by the four service areas: A - Water System Operations, B - Sewer System Operations, C – Centralized Services, and D – Administrative & Other Services.



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GLWA's internal budget directive is for each service 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.

The following table shows the cumulative FY 2024 budget amendments by Expense Category for the four service areas. Explanations for the 3rd quarter budget amendments follow the table for recommended amendments that exceed \$500,000.



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Table 5B - Supplemental Information –Operations & Maintenance Expense by Service Area and Expense Category

Major Budget Categories and Expense Categories	Total 1st Quarter FY 2024 Amendments	Total 2nd Quarter FY 2024 Amendments	Total 3rd Quarter FY 2024 Amendments	Total FY 2024 Budget Amendments
A Water System Operations	\$ 5,005,400	\$ 3,025,400	\$ 46,300	\$ 8,077,100
Capital Outlay	-	24,000	(4,000)	20,000
Capital Program Allocation	-	-	970,800	970,800
Chemicals	1,000,000	-	15,000	1,015,000
Contractual Services	418,000	684,500	102,300	1,204,800
Personnel	-	934,800	116,800	1,051,600
Shared Services	-	-	-	-
Supplies & Other	(174,500)	774,600	581,700	1,181,800
Unallocated Reserve	9,900	-	(3,341,300)	(3,331,400)
Utilities	3,752,000	607,500	1,605,000	5,964,500
B Wastewater System Operations	\$ 8,721,500	\$ 2,692,800	\$ 2,373,300	\$ 13,787,600
Capital Outlay	-	-	176,200	176,200
Capital Program Allocation	-	471,600	166,100	637,700
Chemicals	1,656,800	(1,148,300)	848,800	1,357,300
Contractual Services	1,100,000	1,056,300	442,400	2,598,700
Personnel	-	880,500	(310,200)	570,300
Shared Services	-	(216,100)	-	(216,100)
Supplies & Other	1,506,300	2,682,400	3,086,000	7,274,700
Unallocated Reserve	(9,900)	-	(3,080,000)	(3,089,900)
Utilities	4,468,300	(1,033,600)	1,044,000	4,478,700
C Centralized Services	\$ 9,636,900	\$ (602,200)	\$ 1,533,000	\$ 10,567,700
Capital Outlay	-	(612,200)	(735,000)	(1,347,200)
Contractual Services	2,256,200	(319,000)	6,200,500	8,137,700
Personnel	70,000	61,000	1,595,000	1,726,000
Shared Services	-	(296,100)	-	(296,100)
Supplies & Other	7,310,700	564,100	(3,805,300)	4,069,500
Unallocated Reserve	-	-	(1,722,200)	(1,722,200)
D Administrative & Other Services	\$ 1,315,000	\$ 563,500	\$ 885,600	\$ 2,764,100
Contractual Services	1,100,000	732,500	251,000	2,083,500
Personnel	215,000	(41,500)	1,244,000	1,417,500
Shared Services	-	(38,900)	-	(38,900)
Supplies & Other	-	(88,600)	57,900	(30,700)
Unallocated Reserve	-	-	(652,300)	(652,300)
Utilities	-	-	(15,000)	(15,000)
	\$ 24,678,800	\$ 5,679,500	\$ 4,838,200	\$ 35,196,500



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Table 5B Commentary - Supplemental Information –Operations & Maintenance Expense by Service Area and Expense Category

A – Water System Operations – Net change = \$46 thousand

- Utilities – Increase of \$1.6 million – Gas is the primary driver at \$0.8 million within Water Plants due to cost per MMBTU (Million British Thermal Units) not decreasing as originally expected. Electric increase of \$0.8 million is due to increases in electricity charges per kWh (kilowatt hour) and includes an additional \$0.6 million increase for electricity charges for pumping stations.
- Capital Program Allocation – Increase of \$1.0 million - Driven by 18 unfilled Water Engineering positions (11.25 FTE) and lower project activity by personnel.
- Supplies and Other – \$0.6 million increase – Related increased costs due to maintenance requirements for lift, pump, cone valve repairs and for other equipment repairs necessary for reliability and criticality considerations.
- Personnel – \$0.2 million increase – Primarily driven by an overtime increase of \$0.3 million due to vacancies and increased work demands, which is offset by (\$0.1) million salary reduction within Water Engineering.
- Unallocated Reserve - Decrease \$3.3 million – Adjusted down to a \$0 balance to offset the increases of O&M of \$3.4 million.

B – Wastewater System Operations – Net change = \$2.4 million.

- Personnel - \$0.3 million decrease – Employee Benefits was decreased based on current projected spend (\$0.8 million), this is offset by an increase in Overtime due to unfilled positions (\$0.5 million). Year-to-date personnel increased \$0.6 million primarily due to back filling positions through the Lakeshore facilities contract (\$0.9 million), offset by the reduction noted for Q3 as well as a reduction in salaries (\$0.1 million)
- Utilities - \$1.0 million increase – This increase is for Electricity (\$0.9 million) due to increased rates and Gas (\$0.7 million) due to cost per MMBTU (Million British Thermal Units) not decreasing as expected. This is offset by reduction in Water (\$0.3 million) and Sewage (\$0.3 million) volumes at the Oakwood CSO (Combined Sewer Overflow).
- Chemicals - \$0.8 million increase – This increase is primarily in the CSO's (Combined Sewer Overflow) for Sodium Hypochlorite. The increase is based on conversations with operations personnel regarding the number of truckloads on order and on the current year to date use.



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- Supplies & Other – \$3.1 million increase – This increase is mostly for equipment repairs (\$2.7 million). Most of the work is being done at the WRRF (Water Resource Recovery Facility), including Incinerator #11 rebuild, grit channel chain, cleaning, and repairs, and electrical work (\$1.6 million). Work done at the CSO's (Combined Sewer Overflow) included sodium hypochlorite tank maintenance, conveyor repairs, and chemical feed pump maintenance (\$1.0 million). There is also a \$0.2 million increase for operating supplies, due to increased lab supplies and safety supplies at the WRRF (Water Resource Recovery Facility).
- Contractual Services - \$0.4 million increase – This increase is primarily due to the write-off from CIP project 270003, “Long-term CSO Control Plan Update” (\$0.6 million), offset by a reduction in the forecast facilities maintenance contract through the year end (\$0.2 million)
- Capital Program Allocation - \$0.2 million Increase - The capitalized labor was adjusted based on the effective rate of capital hours as reported through the BigTime system.
- Unallocated Reserve - Decrease \$3.1 million – Adjusted down to a \$0 balance to offset the increases of O&M of \$5.5 million.

C – Centralized Services – Net Change = \$1.5 million

Centralized Services is comprised of many different operational units. For this reason, variances are organized by business unit/cost center.

- Planning Services - \$ 2.5 million decrease
 - *Systems Planning & Development (decrease \$0.5 million)*
 - Regional Flood Mitigation Study moved to Systems Resiliency (\$300K)
 - Budget for Good Sewer Metering initiative (CDM Michigan) reduced by (\$140K) - contract in renewal.
 - *Systems Analytics (decrease \$0.3 million)*
 - Transitional labor budget (PCI, Inc) reduced (\$200K) - more work is being performed by GLWA personnel.
 - Remaining budget for Units of Service (Phase I) eliminated (Project Complete) (\$30K)
 - Remaining budget for Good Sewer Metering (CDM Michigan) eliminated (\$60K)
 - Information Technology budget (West Coast Labour Systems, Inc) reduced (\$20K)
 - *Capital Improvement Planning (decrease \$1.6 million)*



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- Budget for I&E expense that was moved to O&M in Q1 will not be used and is transitioned to reserves (\$1.57M)
- *All Other Departments - (\$0.1 million decrease)*
- Other Centralized Services - \$ 6.0 million increase:
 - *Systems Operations Control (increase \$3.2 million)*
 - Debris removal with Lakeshore Global Corporation not budgeted \$1.1 million; Wade Trim Associates Inc and other spend not budgeted \$0.5 million.
 - More repairs with Lakeshore Global Corporation Staff Augmentation contract \$1.2 million.
 - More PCI LLC spend on professional engineering services for Instrumentation & SCADA Sys \$0.3 million; Gauge-Adjusted Radar Rainfall (GARR) service with Vieux & Associates Inc. not budgeted \$0.1million.
 - *Field Service Operations (increase \$4.3 million)*
 - Higher spend on Staff Augmentation with Lakeshore Global Corporation (\$1.6 million increase).
 - Higher spend on major repairs(water transmission main, valves and other priority repairs) and task orders with Lakeshore Global Corporation (\$1.5 million increase)
 - Lower spend in emergency and urgent sewer evaluation repair and rehabilitation (increase \$1.2 million).
 - *Energy, Research & Innovation (decrease \$0.4 million)*
 - Contractual Professional Services-All Water spend not budgeted in FY24 \$0.4 million.
 - *All Other Departments (decrease \$1.1 million)*
- Unallocated Reserve - Decrease \$1.7 million – Adjusted down to a \$0 balance to offset the increases of O&M of \$3.3 million.

D – Administrative & Other Services – Net change = \$0.9 million

- Personnel - Increase \$1.3 million – Primarily due to mid-year merit adjustments to wages and the corresponding benefits.
- Contractual Services – Increase \$0.2 million – Primarily due an increase of \$1.6 million in the business insurance premiums in Enterprise Risk Management Insurance Policy since the FY24 budget was created which is offset by



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decreases of \$1.4 million in other administrative contractual services. The insurance premium increases have been accounted for in the FY25-FY29 board adopted budget.

- Unallocated Reserve - Decrease \$0.7 million – Adjusted down to a \$0 balance to offset the increases of O&M of \$1.5 million.

Table 5C - Supplemental Information – Operations & Maintenance Utilities by Fund – Water System and Sewer System

This table summarizes the FY 2024 quarterly budget amendments for Utilities by fund and utility type (account type). One of the primary increases in operations and maintenance costs throughout FY 2024 was utilities. Increases continued in FY 2024 with an increase of \$2.6 million making the total budget amendment increases \$10.4 million for FY 2024.

Utilities		Total 1st Quarter FY 2024 Amendments	Total 2nd Quarter FY 2024 Amendments	Total 3rd Quarter FY 2024 Amendments	Total FY 2024 Budget Amendments
A	Water System Operations	\$ 3,752,000	\$ 607,500	\$ 1,605,000	\$ 5,964,500
	Electric	3,749,000	1,148,500	764,000	5,661,500
	Gas	3,000	(580,000)	808,000	231,000
	Sewage Service	-	39,000	33,000	72,000
B	Wastewater System Operations	\$ 4,468,300	\$ (1,033,600)	\$ 1,044,000	\$ 4,478,700
	Electric	200,000	1,124,000	909,800	2,233,800
	Gas	(306,000)	(3,082,400)	746,700	(2,641,700)
	Sewage Service	309,700	(65,000)	(331,900)	(87,200)
	Water Service	4,264,600	989,800	(280,600)	4,973,800
Grand Total		\$ 8,220,300	\$ (426,100)	\$ 2,649,000	\$ 10,443,200



Table 5C Commentary - Supplemental Information – Operations & Maintenance Utilities by Fund – Water System and Sewer System

- *A Water System - Utilities – \$1.6 million increase* – Gas is the primary driver at \$0.8 million within Water Plants due to cost per MMBTU (Million British Thermal Units) not decreasing as originally expected. Electric increase of \$0.8 million is due to increases in electricity charges per kWh (kilowatt hour) and includes an additional \$0.6 million increase for electricity charges for pumping stations.
 - Year-to-date - increased \$5.9 million - primarily driven by current fiscal year increases in electricity charges per kWh (kilowatt hour).
- *B Wastewater System - Utilities - \$1.0 million increase* – This increase is for Electricity (\$0.9 million) due to increased rates and Gas (\$0.7 million) due to cost per MMBTU (Million British Thermal Units) not decreasing as expected. This is offset by reduction in Water (\$0.3 million) and Sewage (\$0.3 million) volumes at the Oakwood CSO (Combined Sewer Overflow).
 - Year-to-date - increased \$4.5 million - primarily due to water service at the WRRF (\$5.0) million which included resolution of previous years unbilled amounts, offset by reduction in Gas (\$0.4 million)

Great Lakes Water Authority

Resolution 2024-198

Resolution Adopting the Budget Amendments through the Third Quarter of FY 2024

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 2024 budget on February 22, 2023, for the twelve-month fiscal year beginning July 1, 2023;

WHEREAS Following a review of the budget amendment report through the FY 2024 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	\$ 340,540,600	\$ 333,229,600	\$ 282,687,600	\$ 282,878,600
Less: Bad Debt	-	No Change	-	No Change
Less: Pending Bad Debt Recovery Credit	-	(5,026,500)	-	(15,000,000)
Retail Service Charges	25,537,200	No Change	196,569,600	No Change
Industrial Waste Control Charges	-	No Change	8,584,200	8,560,200
Pollutant Surcharges	-	No Change	5,328,300	No Change
<i>Investment Earnings - Unrestricted</i>	<i>3,067,000</i>	<i>12,640,000</i>	<i>5,567,000</i>	<i>16,096,000</i>
Investment Earnings - Restricted for Debt Service	<u>994,700</u>	<u>5,411,000</u>	<u>1,490,300</u>	<u>6,786,000</u>
Investment Earnings	4,061,700	18,051,000	7,057,300	22,882,000
Other Revenues	175,000	942,900	400,000	1,129,800
Total Revenues	<u>\$ 370,314,500</u>	<u>\$ 372,734,200</u>	<u>\$ 500,627,000</u>	<u>\$ 502,348,500</u>
Revenue Requirements				
Operations & Maintenance Expense	\$ 152,906,400	\$ 168,873,100	\$ 205,643,700	\$ 224,873,500
Debt Service	159,482,800	162,236,100	228,328,300	230,975,500
General Retirement System Accelerated Pension	3,395,500	1,505,500	6,479,300	3,096,800
Extraordinary Repair & Replacement Deposit	-	No Change	-	No Change
Water Residential Assistance Program Contribution	1,851,600	No Change	2,503,100	No Change
Regional System Lease	22,500,000	No Change	27,500,000	No Change
Receiving Fund Working Capital Requirement	-	No Change	-	No Change
Improvement & Extension Fund Transfer	<u>30,178,200</u>	<u>15,767,900</u>	<u>30,172,600</u>	<u>13,399,600</u>
Total Revenue Requirements	<u>\$ 370,314,500</u>	<u>\$ 372,734,200</u>	<u>\$ 500,627,000</u>	<u>\$ 502,348,500</u>

WHEREAS Following a review of the budget amendment report through the FY 2024 Third Quarter, the appropriations established with the adoption of the amounts necessary to pay the principal of and interest on all Regional bonds and to restore any reserves therefore established in the Master Bond Ordinance for the water system and the sewer system are amended as shown in the table below;

Debt Service Coverage Calculation				
Appropriation Category	Water System		Sewer System	
	Adopted	Amended	Adopted	Amended
Debt Service by Lien				
Senior Lien Bonds	\$ 136,224,100	\$ 139,877,500	\$ 155,429,200	\$ 158,940,100
Second Lien Bonds	51,754,500	No Change	53,273,500	53,380,100
SRF Junior Lien Bonds	16,469,500	15,674,800	51,847,200	50,768,800
Total Debt Service	\$ 204,448,100	\$ 207,306,800	\$ 260,549,900	\$ 263,089,000

WHEREAS Following a review of the budget amendment report through the FY 2024 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
Inflows				
Transfers In from General Operating	\$ 30,178,200	\$ 15,767,900	\$ 30,172,600	\$ 13,399,600
Transfers In from Construction Fund	-	4,303,700	-	14,012,800
Grant Revenues & Capital Contributions	-	-	-	40,000
Earnings on Investments	1,694,800	7,205,000	2,133,000	6,821,000
Net Use of Reserves	(10,926,100)	(8,404,800)	(15,202,100)	(18,338,800)
Total Inflows	\$ 20,946,900	\$ 18,871,800	\$ 17,103,500	\$ 15,934,600
Outflows				
Water/Sewer System Revenue Transfers Out	\$ 1,694,800	\$ 7,205,000	\$ 2,133,000	\$ 6,821,000
Capital Improvement Plan Spending	-	No Change	-	No Change
Capital Outlay	11,539,100	11,666,800	14,970,500	9,113,600
Revenue Financed Capital -				
Transfer to Construction Fund	7,713,000	-	-	No Change
Total Outflows	\$ 20,946,900	\$ 18,871,800	\$ 17,103,500	\$ 15,934,600

WHEREAS Following a review of the budget amendment report through the FY 2024 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
Inflows				
Transfer from Improvement & Extension Fund	\$ 7,713,000	\$ -	\$ -	No Change
Bond Proceeds	-	150,570,000	-	100,315,500
Earnings on Investments	1,864,700	8,151,000	2,365,600	9,742,000
SRF loan proceeds	97,102,000	35,187,000	47,253,000	29,022,000
Grant Revenues & Capital Contributions	-	8,651,700	-	29,743,000
Net (Use) Increase of Reserves	132,580,300	(7,694,600)	149,442,400	(14,502,400)
Total Inflows	<u>\$ 239,260,000</u>	<u>\$ 194,865,100</u>	<u>\$ 199,061,000</u>	<u>\$ 154,320,100</u>
Outflows				
Transfer to Improvement & Extension Fund	-	4,303,700	-	14,012,800
Bond Cost of Issuance	-	561,400	-	307,300
Capital Improvement Plan	239,260,000	No Change	199,061,000	No Change
Capital Spend Rate Adjustment	-	(49,260,000)	-	(59,061,000)
Total Outflows	<u>\$ 239,260,000</u>	<u>\$ 194,865,100</u>	<u>\$ 199,061,000</u>	<u>\$ 154,320,100</u>
Capital Spending Ratio	100.0%	79.4%	100.0%	70.3%

WHEREAS The GLWA Audit Committee reviewed the budget amendments at its meeting on June 17, 2024; and

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

NOW THEREFORE BE IT:

RESOLVED That the GLWA Board approves the FY 2024 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.