



Financial Services Audit Committee Communication

Date: April 28, 2023

To: Great Lakes Water Authority Audit Committee

From: Nicolette N. Bateson, CPA, Chief Financial Officer & Treasurer

Re: CFO Update

Emerging Topics in Utility Finance

Grants Management - This past several Financial Services Area team members were engaged in professional development activities to position GLWA in addressing emerging topics. A cross-functional team from Grants Management, Procurement, and General Counsel attended the three-day annual National Grants Management Association (NGMA) that was attended by over 1,200 grants management professionals and featured over 40 breakout sessions. NGMA provides comprehensive full lifecycle grants management training, professional certification, continuing professional education, tools and resources, and a forum for networking with grants industry professionals. They serve all levels of government (federal, state, local, tribal), nonprofit organizations, institutions of higher education, and affiliated private sector organizations.

American Water Works Association – This month I was a panelist at the *AWWA Water 2023: Legal, Financial, and Executive Challenges & Opportunities workshop*. Topics at the event included:

- Water Infrastructure Policy and Funding: The View from Washington
- The Bipartisan Infrastructure Law (BIL) - Legal, Financial and Executive Challenges and Opportunities in a Rising Interest Rate Environment
- The Build America, Buy America Act (BABA): Successfully Managing the Legal, Regulatory, and Financial Challenges of This Evolving Program
- Green Financing and ESG in the Water Space: The DC Water Experience
- Hot Topics in Water Finance 2023

Annual Chief Financial Officer (CFO) Forum – This event brings together 50+/- CFOs from the largest public water utilities in the U.S. At that event I was able to present the topic of Affordability & Assistance programs. Being at this event, and connecting with colleagues, is always beneficial. As it relates to the topic presented, the experience reinforced the leadership demonstrated in our region on this critical topic.

Environmental, Social, and Governance (ESG) Framework for GLWA

GLWA has been selected for a pilot with the firm of Plante & Moran to develop an ESG framework for a water utility. GLWA's ESG efforts are often explained as it relates to individual initiatives but not through a more comprehensive lens. Establishing a framework provides a) a way to better tell the story of what we do, b) focus on how future initiatives align with a framework, and c) supports measurable progress. The project began with forming a cross-functional team to lead the effort as well as a presentation to Executive Leadership team. Presently we are identifying focus groups with internal and external stakeholders, finalizing stakeholder engagement invitations, and a related survey. A further report

Debt Management Activities

Board Action - State Revolving Fund - At the Board of Directors meeting on April 26, 2023 the following resolution was adopted which was not previously presented to the Audit Committee: 2023-143 - Resolution to Adopt the project plan for the Pump Station No. 2 Variable Frequency Drive (VFD) Replacement project for FY 2024 Clean Water State Revolving Fund (CWSRF) (\$12 million)

New State Revolving Fund Loan Guidance - [Public Act 132 of 2022](#) changed the term "disadvantaged" community to "overburdened community" and adds the new term "significantly overburdened community". In the latter half of 2022, the state of Michigan Department of Environment, Great lakes, and Environment (EGLE) released guidance related to new definitions for the state revolving fund loan program. The GLWA team is working with EGLE representatives on the application of this criteria as to how "community" relates to a regional water authority. Deadlines for the submittals are May 1, 2023 for the Clean Water SRF program and June 1, 2023 for Drinking Water SRF. GLWA's internal target date for submittal is one month in advance of those dates. As a point of understanding, below are the new definitions from EGLE's [website](#).

What does "Overburdened Communities" mean?

(1) "Overburdened community" means a municipality in which all of the following conditions are met:

(a) Users within the area served by a proposed drinking water project, sewage treatment works project, or stormwater treatment project are directly assessed for the costs of construction.

(b) The median household income of the area served by a proposed drinking water, sewage treatment works project or stormwater treatment project does not exceed 100% of the statewide median annual household income for this state.

(c) The municipality demonstrates at least one of the following:

*(i) The taxable value per capita of the area served by a project falls into the communities representing the lowest 20% of Michigan's population within that category. **For FY24, the value is \$22,920 per capita.***

(ii) The annual user costs for the corresponding portion of the water system (sewage and stormwater treatment or drinking water) exceed 1% of the median annual household income of the area served by the proposed project.

(2) A community which qualifies as a significantly overburdened community would also be considered an overburdened community. However, any potential benefits may only be applied under one designation or the other.

Significantly Overburdened Communities

(3) "Significantly overburdened community" means a municipality in which all of the following conditions are met:

(a) Users within the area served by a proposed drinking water project, sewage treatment works project, or stormwater treatment project are directly assessed for the costs of construction.

(b) The municipality demonstrates at least one of the following:

*(i) The median annual household income of the area served by a proposed project is less than 125% of the federal poverty guidelines for a family of four in the 48 contiguous United States. In determining the median annual household income of the area served by the proposed sewage treatment works project or stormwater treatment project under this sub-paragraph, the municipality shall utilize the most recently published statistics from the United States Census Bureau, updated to reflect current dollars, for the community that most closely approximates the area being served by the project. As used in this sub-paragraph, "federal poverty guidelines" means the poverty guidelines published annually in the Federal Register by the United States Department of Health and Human Services under its authority to revise the poverty line under 42 U.S.C. 9902. **For FY24, the 125% level would be an annual household income of less than \$37,500.***

*(ii) The taxable value per capita of the area served by a project falls into the communities representing the lowest 10% of Michigan's population within that category. **For FY24, that value is less than \$15,170 per capita.***