



April 2022 Financial Review

BOWC Finance Committee

July 14, 2022

April 2022 Highlights

Cash and Investments

- *Cash @ DWSD* remained stable for both the Funds through FY 2022, largely due to budgetary savings.
- *Cash @ GLWA* remained positive for both the Funds due to better collection experience in recent months.
- Following strong retail collections in February (\$34.7M) and March (\$40.5M), DWSD returned to a more normal collection level of \$29.6 million for April.
- *I&E and Construction Cash* balances are holding steady for both the Funds as of April 30th.

Revenue Metrics and Trends

- Water volumes have exceeded allocated budgets in each month of FY 22 trending at 7.7% over budget and Meter Equivalents are trending at 0.4% over budget.
- Water (Commodity) revenues are trending above budgeted revenues by 14.2% and Service Charges are trending above budget by 2.6% through April.
- Sewer Volumes are 3.8% over budget, while Sewer Meters exceeded budget levels by 1.6%.
- Sewer (Commodity) revenues and Service Charge exceeded budgets by 4.3% and 1.7%, respectively.
- Drainage revenues were under budget by 2.1% through April.

April 2022 Highlights

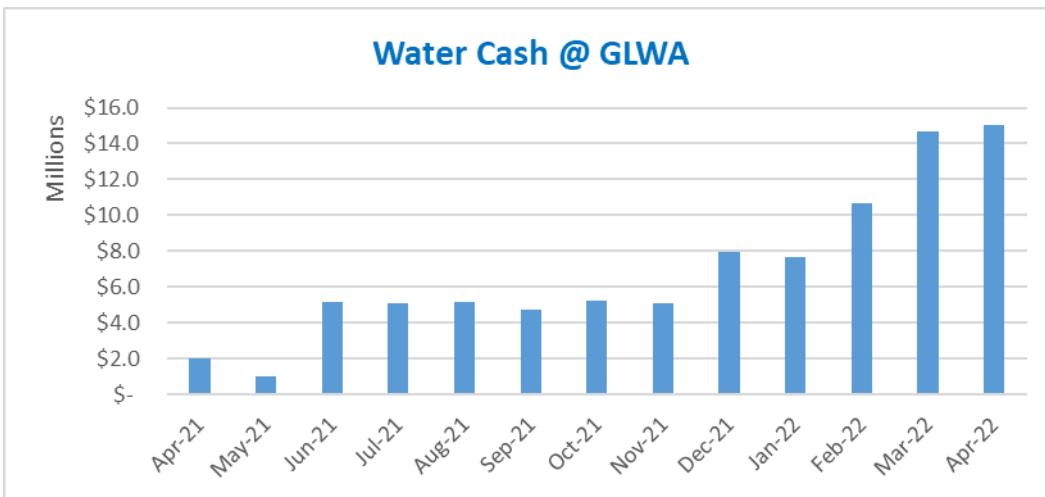
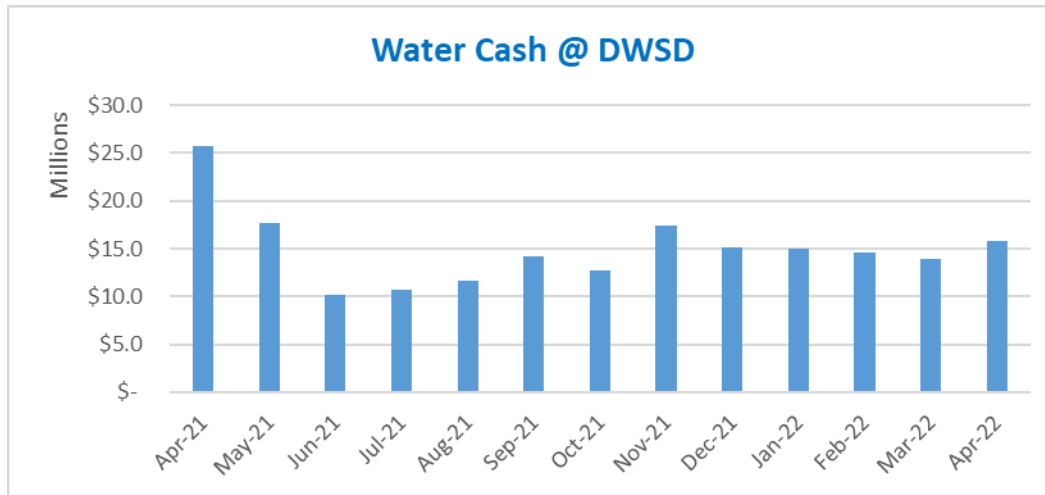
Collection and Receivables

- The average age of residential accounts receivable continues to increase. As of April 30th, active residential accounts averaged 268 days representing an increase of 91 days (51.4%) since June 2020.
- The 3-month average collection rate for residential accounts was 79% . By comparison, the pre-pandemic collection rate exceeded 95% as of December 2019.
- DWSD continues to increase bad debt estimates due to increase in average age of residential accounts.
- Allowance for bad debt has increased \$102.4 million (71.7%) since June 2020 while total accounts receivable increased by 34.1% over the same period reflecting increased risk of collection due to deteriorated aging.
- Residential sales amounted to 45% of total sales while accounting for 61% of all active receivables.
- The average age of non-residential sales classes have shown improvement due to stepped-up collection effort.

Capital Spending

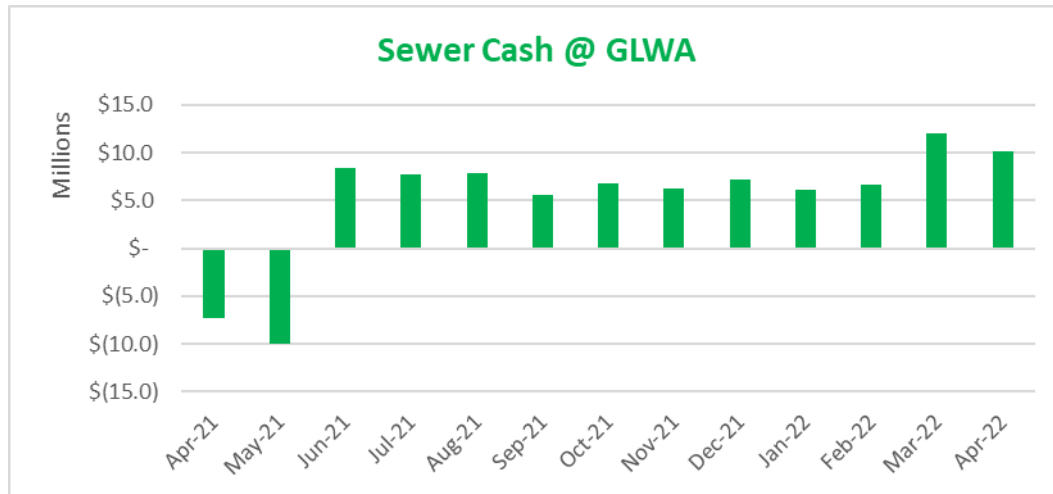
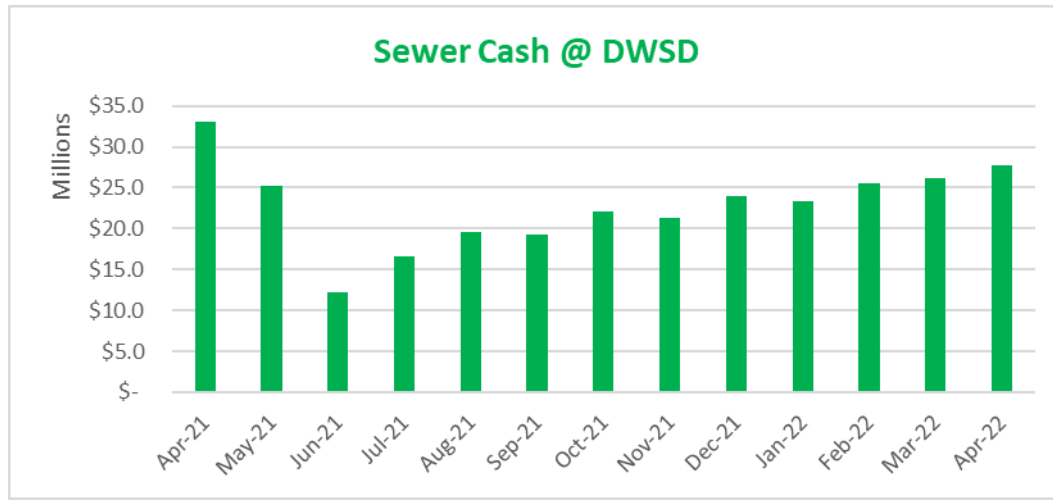
- DWSD continues to inquire, pursue and plan for new governmental infrastructure funding.
- There are no immediate plan to issue new Bonds in the immediate future.

Water Operating Cash



- **Cash @ DWSD** was \$15.8 million compared to \$13.9 million at the end of March 2022.
- Stable cash position is due to budgetary savings in personnel and contractual costs.
- **Cash @ GLWA** was \$15 million compared to \$14.7 million at the end of March 2022.
- Positive cash position at GLWA is due to strong retail collections in February and March 2022.
- Retail receipts were approximately \$8.1 million in April falling slightly short of the target collection of \$8.5 million for the month.

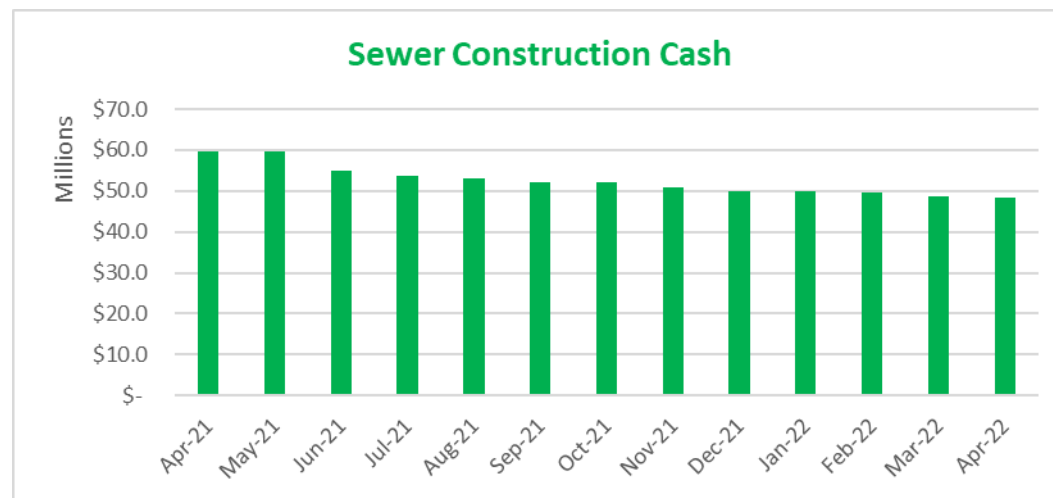
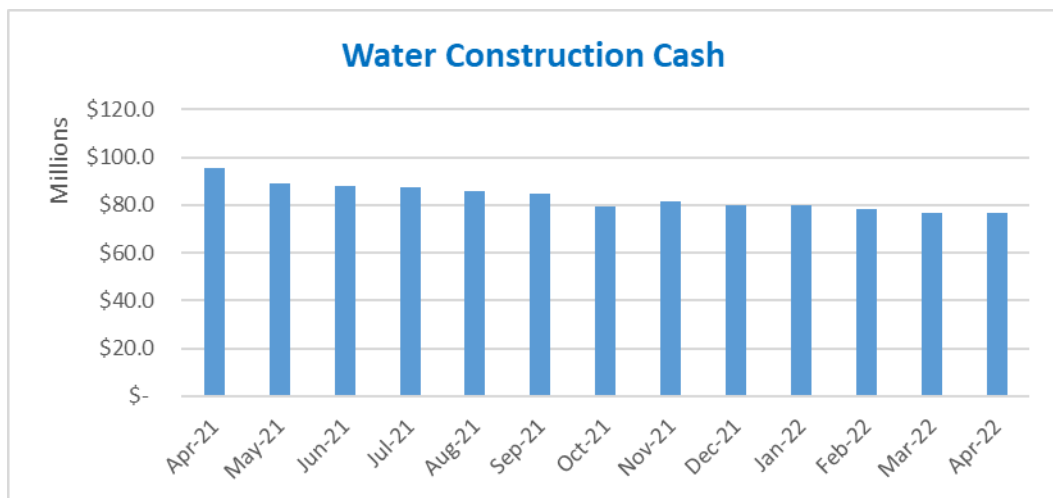
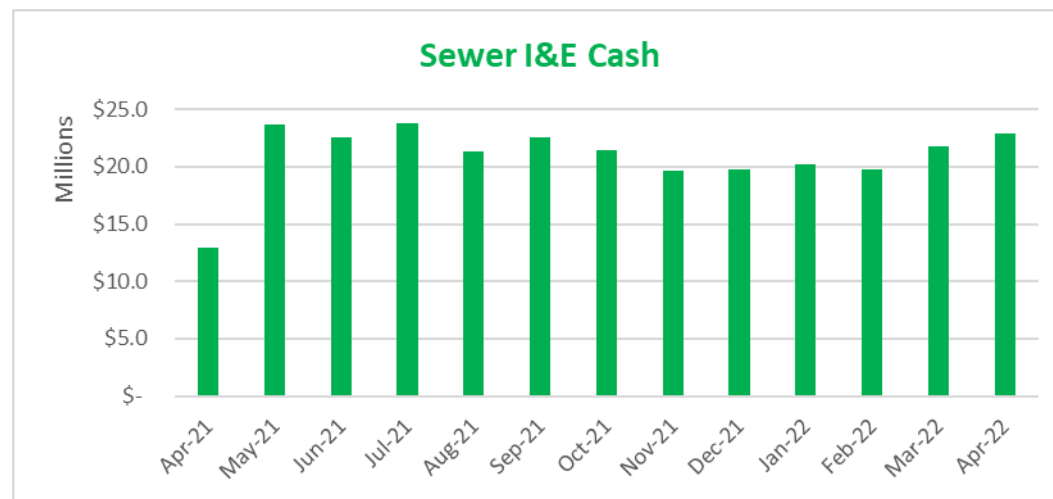
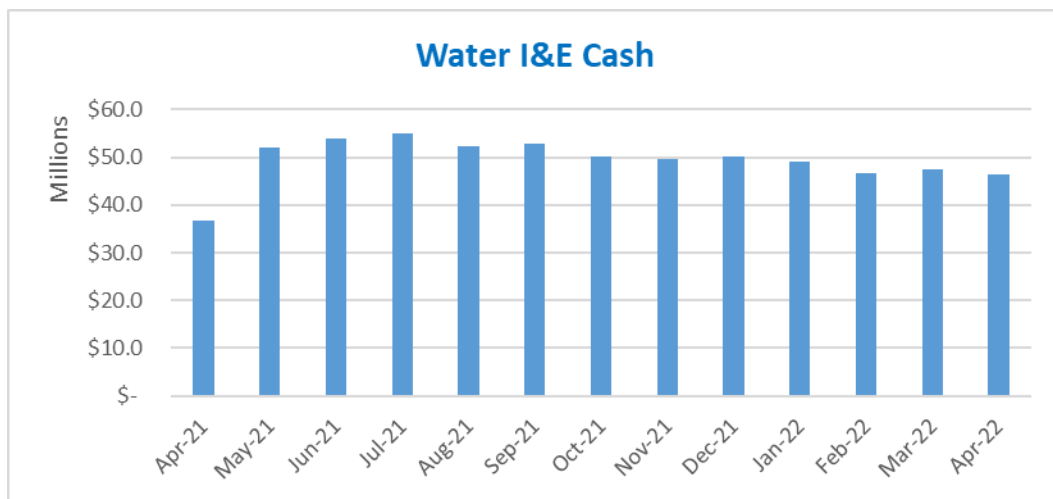
Sewer Operating Cash



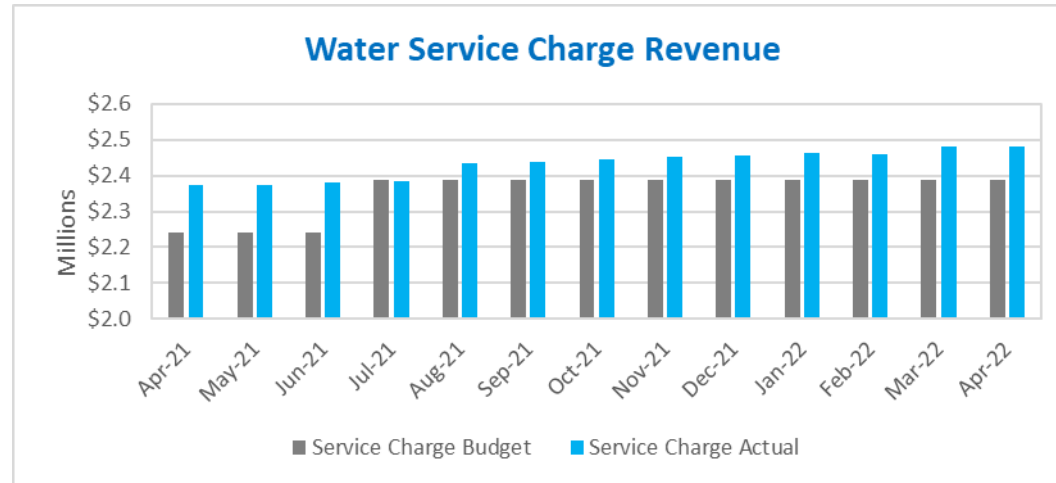
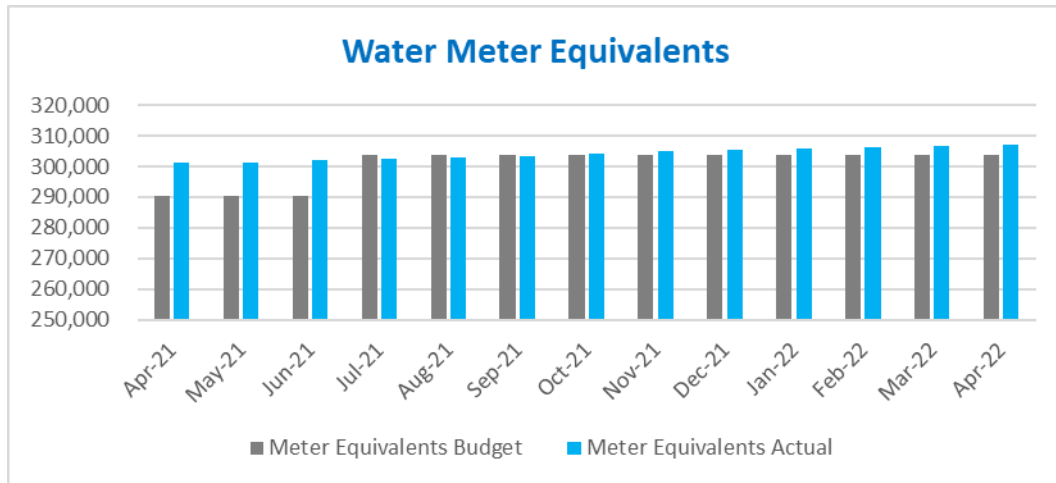
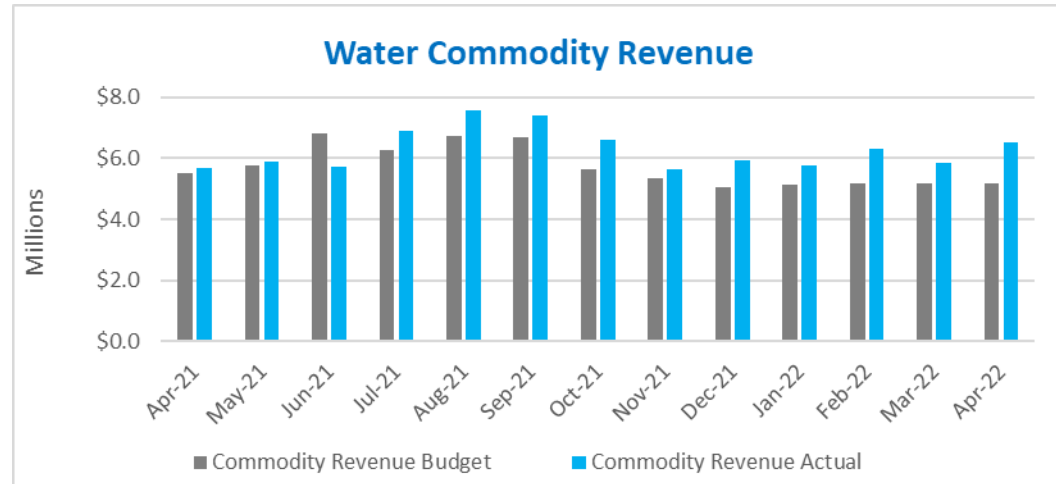
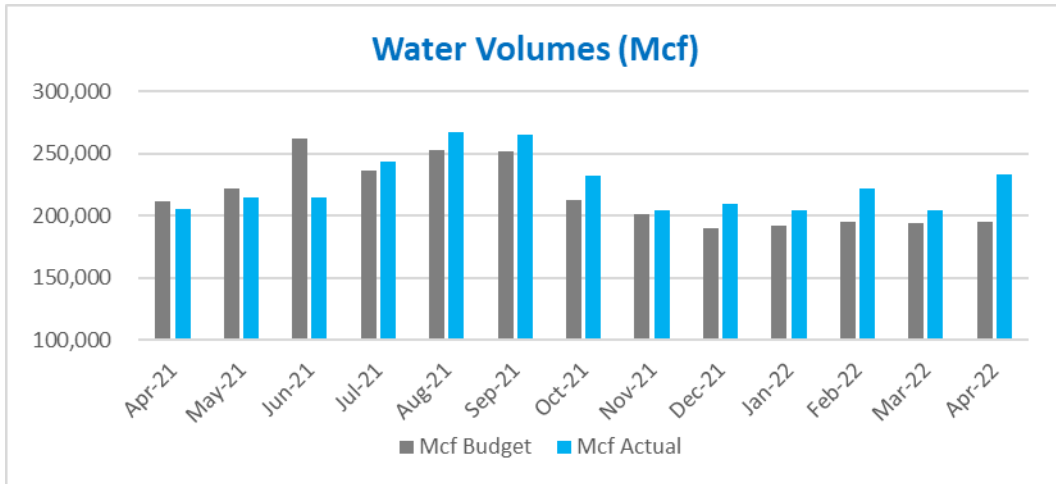
- **Cash @ DWSD** was \$27.7 million compared to \$26.4 million at the end of March 2022.
- Stable cash position is due to budgetary savings in personnel and contractual costs.
- **Cash @ GLWA** was \$10.2 million compared to \$12.1 million at the end of March 2022.
- Positive cash position at GLWA is due to strong retail collections in February and March 2022.
- Retail receipts were approximately \$21.5 million in April falling short of the target collection of \$24.5 million for the month.



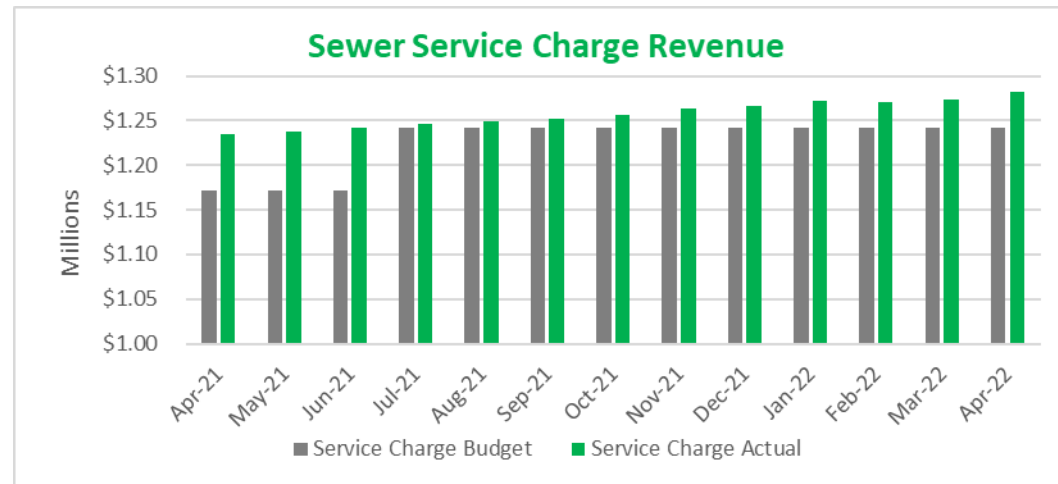
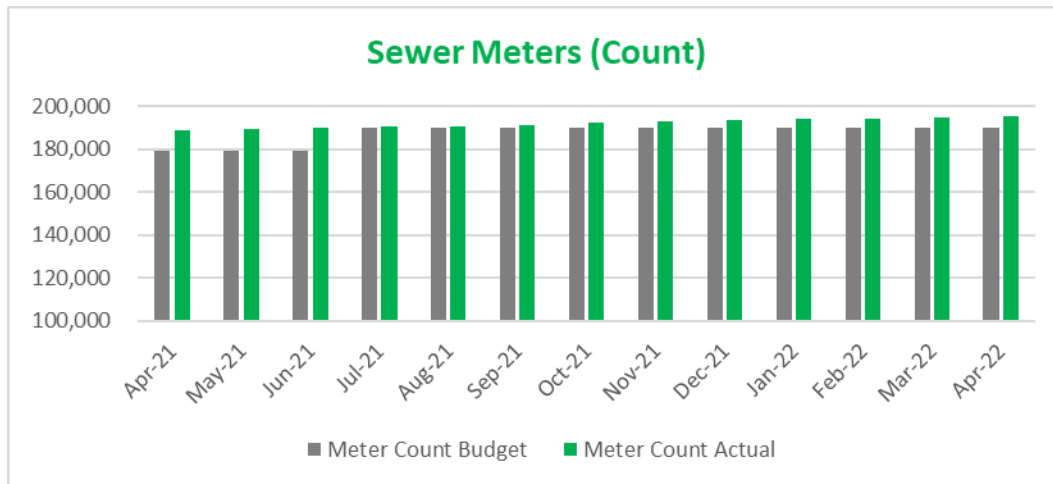
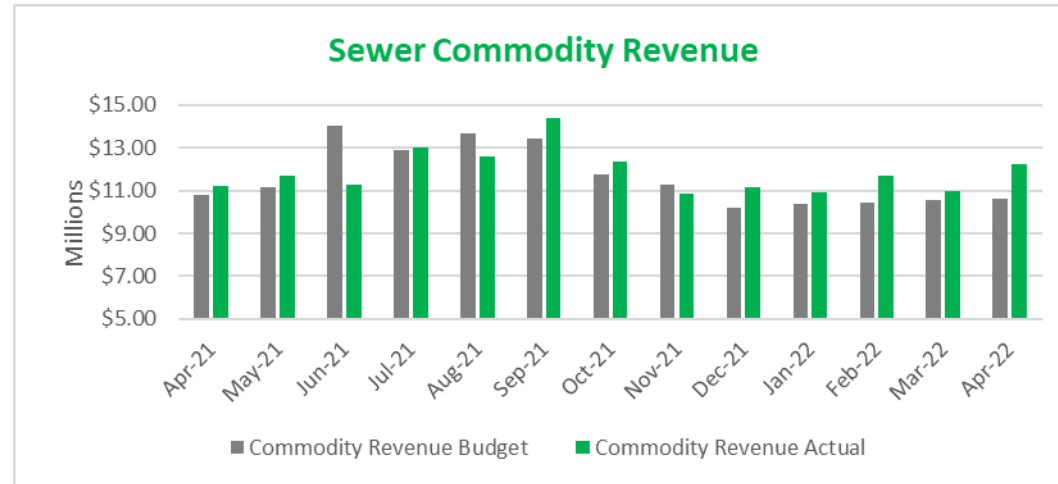
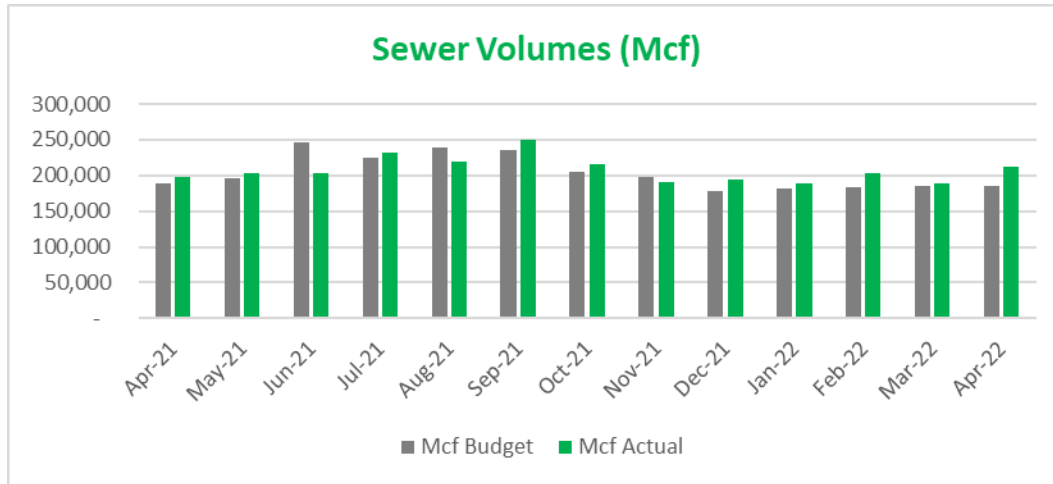
Water and Sewer I&E and Construction Cash



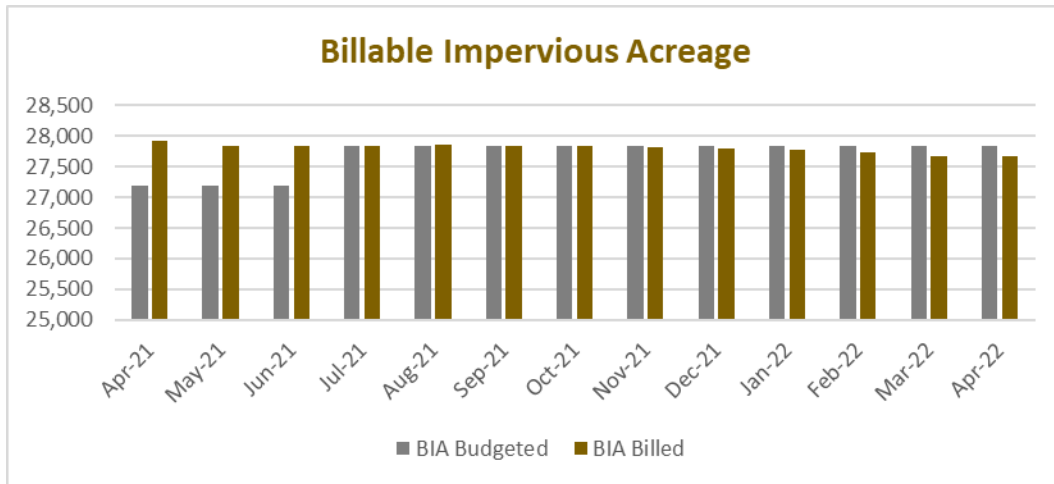
Water Revenue Metrics and Trends



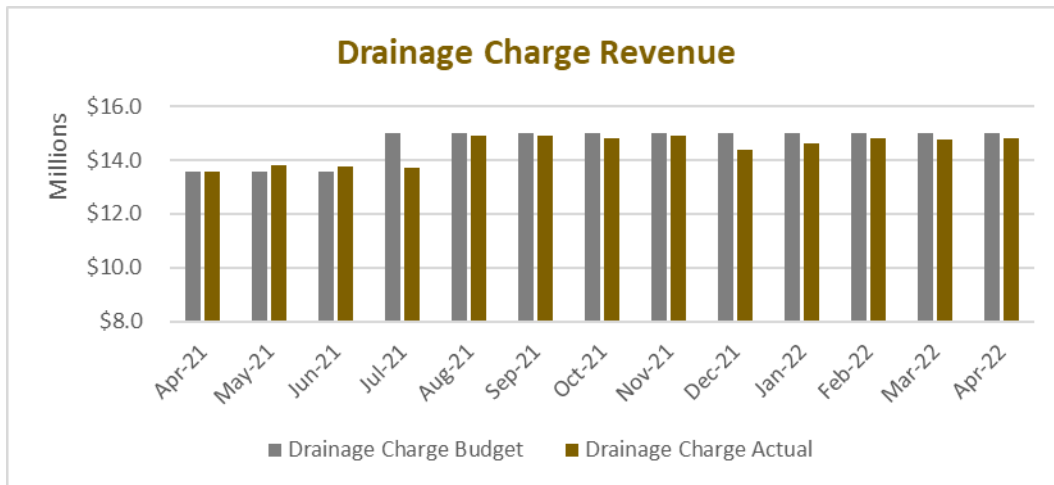
Sewer Revenue Metrics and Trends



Drainage Revenue Metrics and Trends



- In July 2021, the budgeted **Billable Impervious Acreage** was increased based on recent flyover data.
- Actual **Billed Impervious Acreage** declined by 190 acres from August 2021 through March 2022. In April, **Billed Impervious Acreage** increased by 6 acres.



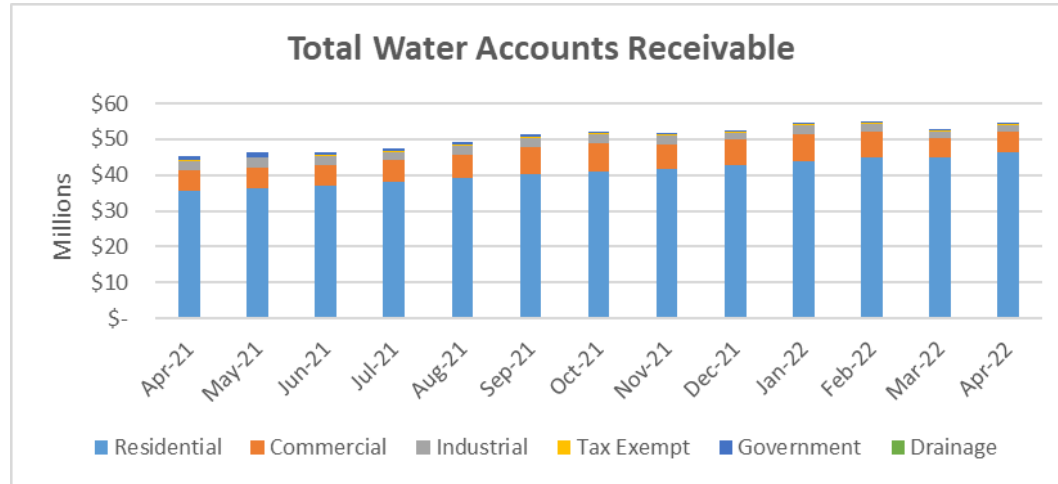
- Due to the reduced number of acres billed in recent months, and prior year adjustments of \$1.4 million, **Drainage Charge Revenue** was under budget by 2.1% year-to-date.

April 2022 Accounts Receivable Aging

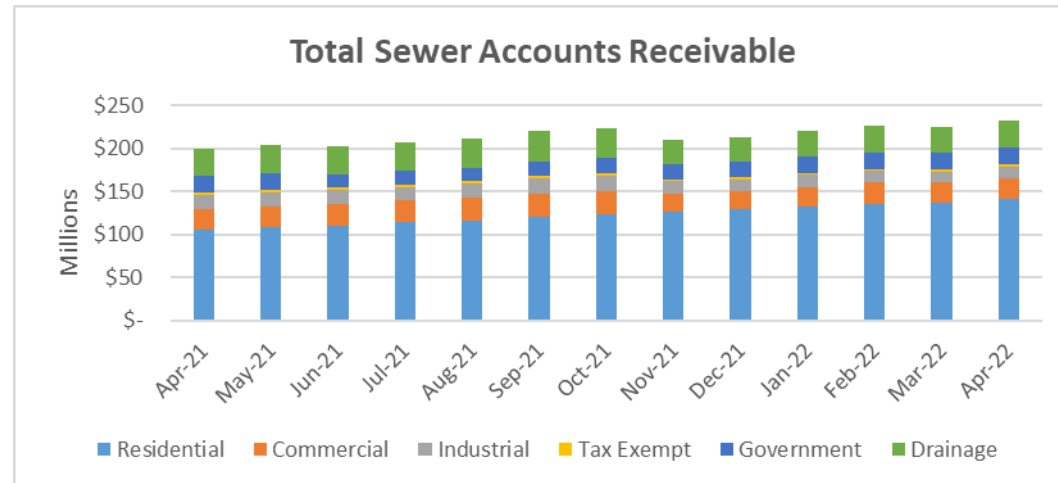
Sales Class	# of Accounts	Avg. Balance	Current	> 30 Days	> 60 Days	> 180 Days	A/R Balance
Residential	211,504	\$ 728.11	\$ 14,410,279	\$ 8,746,825	\$ 25,431,495	\$ 105,410,394	\$ 153,998,993
Commercial	21,043	1,402.25	8,323,168	2,358,181	6,378,385	12,447,859	29,507,593
Industrial	3,487	4,258.70	4,676,042	1,309,997	1,925,122	6,938,915	14,850,076
Tax Exempt	3,840	775.34	535,967	185,350	527,012	1,728,977	2,977,306
Government	51,514	397.23	2,560,183	749,513	2,297,389	14,855,792	20,462,877
Drainage	43,401	708.85	2,574,478	1,389,943	4,870,736	21,929,688	30,764,844
Subtotal - Active Accounts	334,789	\$ 754.39	\$ 33,080,117	\$ 14,739,809	\$ 41,430,138	\$ 163,311,624	\$ 252,561,688
Inactive Accounts	311,954	109.53	45,440	124,070	284,576	33,713,870	34,167,956
Total	646,743	\$ 443.34	\$ 33,125,557	\$ 14,863,879	\$ 41,714,713	\$ 197,025,495	\$ 286,729,644
<i>% of Total A/R</i>			11.6%	5.2%	14.5%	68.7%	100.0%

- Uncollected accounts receivable are generally carried for five years until the statutory lien expires.
- Almost 70% of total receivables are over 180 days past due. More than 50% of those are residential accounts.
- The valuation of total receivables is offset on the balance sheet by an allowance for doubtful accounts of \$245 million. The net carrying value of receivables was \$41.4 million as of April 30th.

Accounts Receivable Trends

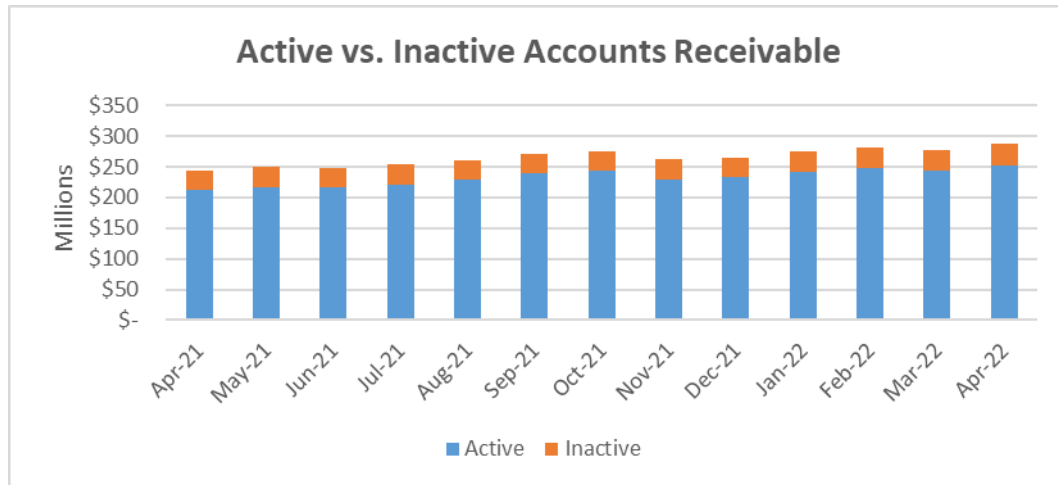


- Total *Water Accounts Receivable* have increased \$9.1 million (16.8%) over the past 12 months.
- *Residential Water Accounts Receivable* increased \$10.8 million (23.3%) over the past 12 months. *Nonresidential* account balances **decreased** \$1.7 million over the same period.

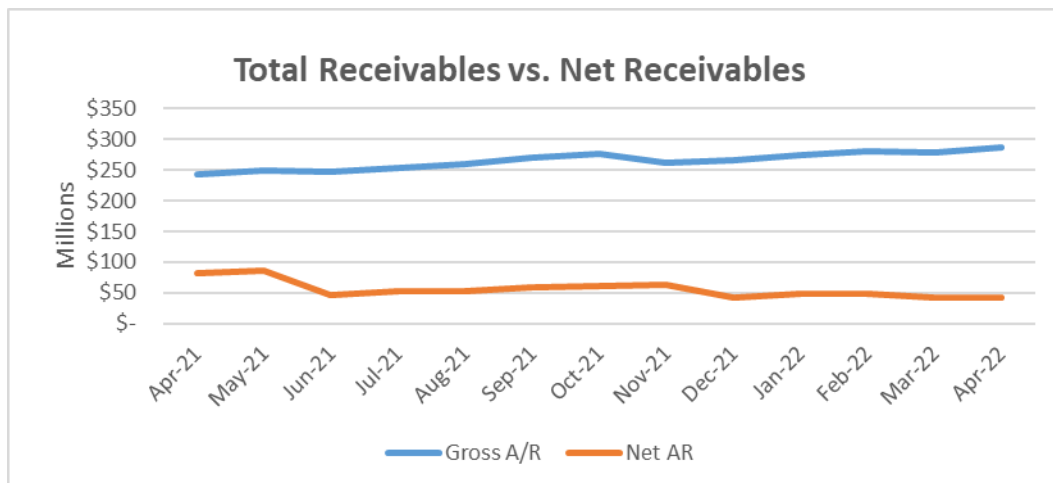


- Total *Sewer Accounts Receivable* have increased \$33.6 million (14.5%) over the past 12 months.
- *Residential Sewer Accounts Receivable* increased \$35.5 million (25.2%) over the past 12 months. *Nonresidential* account balances decreased \$1.9 million over the same period.

Accounts Receivable Trends - continued



- **Inactive Accounts Receivable** have increased \$2.0 million (6.0%) over the past 12-month period. All of the increase can be attributed to the increase in Residential Accounts.
- **Non-Residential Accounts** transferred to the Tax Roll were written off in December 2021.



- *Accounts Receivable net of the Allowance for Doubtful Accounts* have declined as DWSD continues to increase Bad Debt Expense assumptions due to increases in the average age of **Residential** accounts.
- The total **Allowance for Doubtful Accounts** amounted to \$245.3 million at April 30th.

Historical Accounts Receivable

- The average age of **Active Residential** receivables has increased by 91 days (52%) since June 2020.
- The **Allowance for Doubtful Accounts** has increased \$102.4 million (72%) since June 2020 reflecting a 34% increase in total accounts receivable and an increased risk to collection due to deteriorated ageing.
- The average age of **Non-Residential** sales classes have shown general improvement due to stepped-up collection efforts.

Sales Class	June 30, 2020			June 30, 2021			April 30, 2022		
	Sales	Receivables	Days in AR	Sales	Receivables	Days in AR	Sales	Receivables	Days in AR
Residential	\$ 15,433,298	\$ 90,963,941	177	\$ 16,228,584	\$ 118,059,548	218	\$ 17,236,941	\$ 153,998,993	268
Commercial	7,613,552	33,547,848	132	8,168,258	30,456,422	112	8,853,635	29,507,593	100
Industrial	3,493,954	12,613,274	108	4,860,341	16,951,221	105	5,091,080	14,850,076	88
Tax Exempt	491,259	2,914,384	178	571,304	3,258,181	171	677,799	2,977,306	132
Government	2,975,998	17,860,445	180	2,611,085	15,121,194	174	2,514,896	20,462,877	244
Drainage Only	3,052,765	28,034,656	276	3,895,026	31,851,540	245	3,993,370	30,764,844	231
Total Active Accounts	\$ 33,060,825	185,934,549	169	\$ 36,334,597	215,698,107	178	\$ 38,367,721	252,561,688	197
Inactive Accounts Receivable		27,911,704			32,356,774			34,167,956	
Total Accounts Receivable		213,846,253			248,054,881			286,729,644	
Allowance for Doubtful Accounts		(142,881,820)			(202,171,655)			(245,317,705)	
Net Accounts Receivable		\$ 70,964,433			\$ 45,883,226			\$ 41,411,939	

THANK YOU!

Detroit Water & Sewerage Department

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