



# **November 2022 Financial Review**

## **BOWC Finance Committee**

February 1, 2023

# November 2022 Highlights



## Cash and Investments

- DWSD continues to maintain adequate cash reserves to support its Operating and Capital programs.
- As of November 30th, DWSD's Cash and Investments amounted to approximately \$233 million (\$128.5 million in the Water Fund and \$104.5 million in the Sewer Fund).
- Operating Cash amounted to \$19.2 and \$29.2 million in the Water and Sewer Funds, respectively.
- I&E and Construction Cash amounted to \$108.4 and \$76.0 million for the Water and Sewer Funds, respectively.
- In addition, Cash @ GLWA amounted to \$15.6 and \$17.5 million in the Water and Sewer Funds, respectively.

## Capital Spending

- DWSD continues to spend down Construction and I&E Cash in support of its Capital Improvement Program.
- There are no plans to issue Bonds to fund any Capital Projects in the immediate future.
- DWSD will continue to pursue State Revolving Fund Loans and Grants to the extent projects are eligible for such funding.

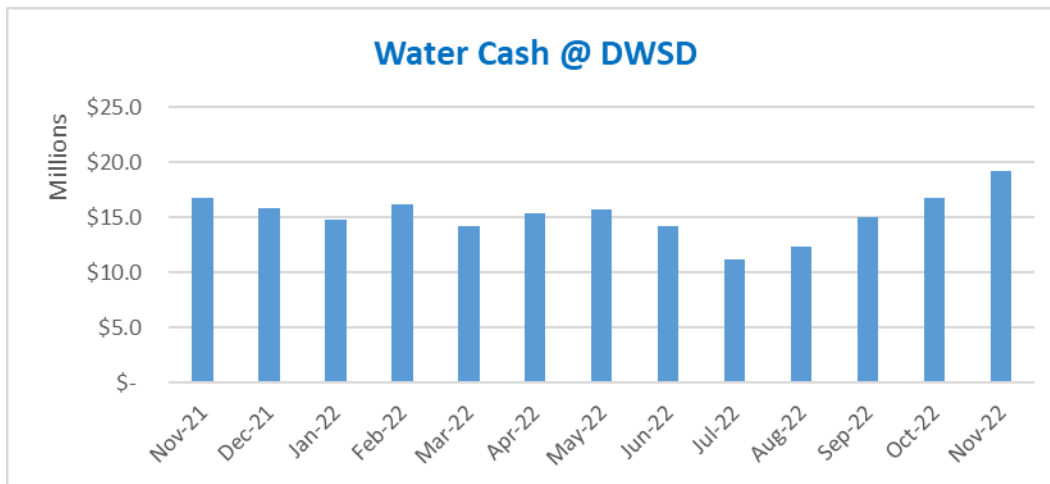
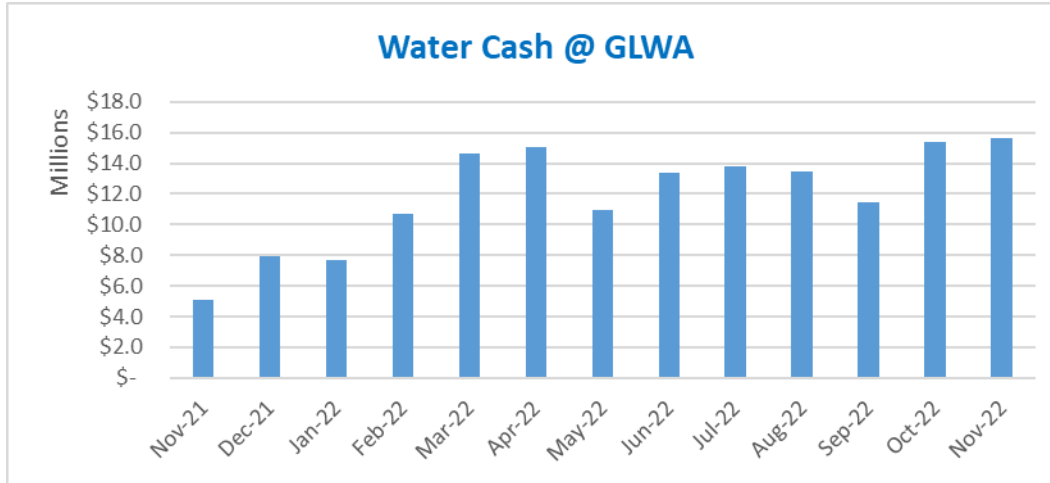
# November 2022 Highlights



## Billing and Collection

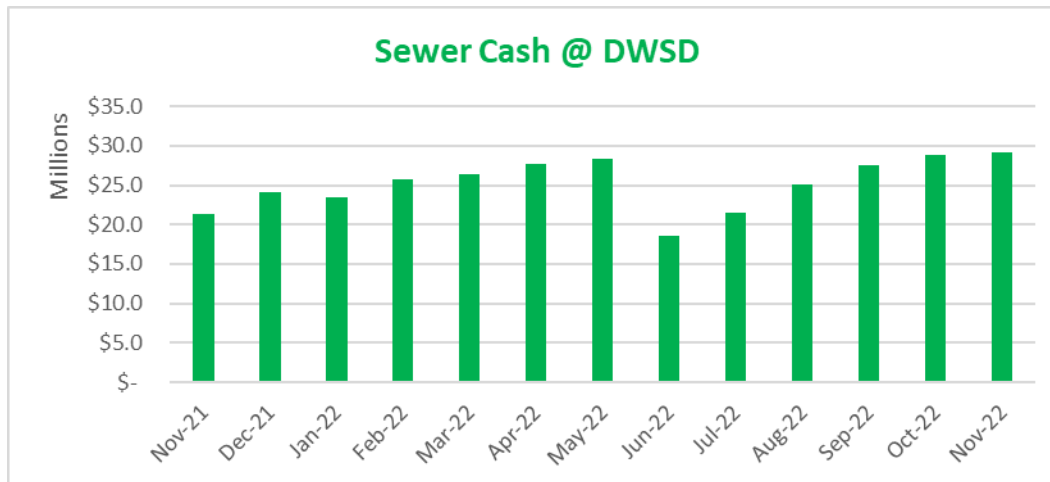
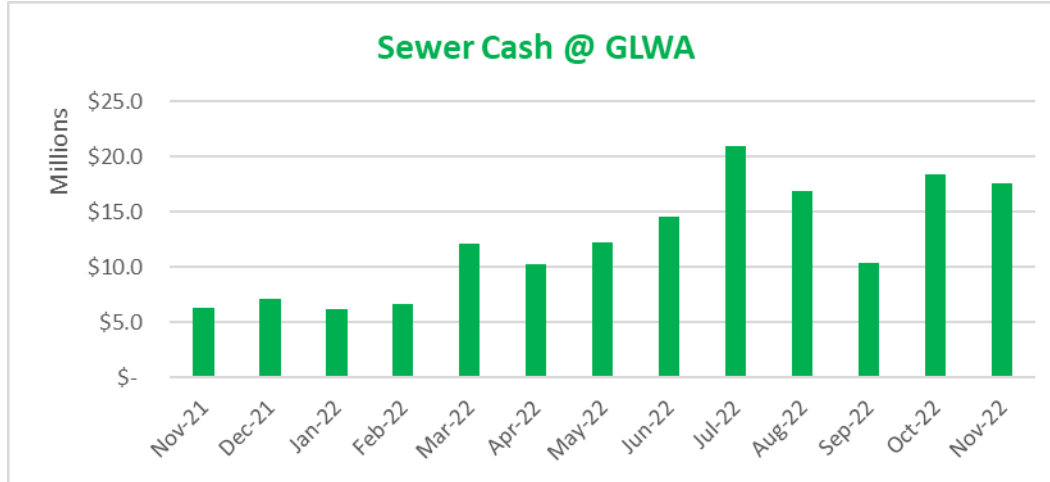
- The average age of residential accounts receivable remained flat compared to October results .
- As of November 30th, **Residential** accounts averaged 343 days representing a day decrease compared to October but an increase of 62 days (22.1%) since June 2022.
- The 3-month average collection rate for **Residential** accounts has remained steady in the mid-seventies percentage..
- By comparison, the pre-pandemic collection rate exceeded 95% as of December 2019.
- Drainage only accounts averaged 210 days in receivables. This represents an improvement from 268 days in October.
- Commercial and Industrial accounts averaged 84 and 86 days, respectively, representing an improvement from 109 days and 97 days, respectively.
- DWSD continues to increase Bad Debt allowance due to increasing average age of residential accounts.
- Allowance for Bad Debt increased by approximately \$12.8 million since June 2022 and approximately \$6.8 million over October.
- Sales amounted to \$39.2 million over October sales of \$38.9 million.
- DWSD anticipates resuming service interruptions on delinquent residential accounts in the near future.

# Water Operating Cash



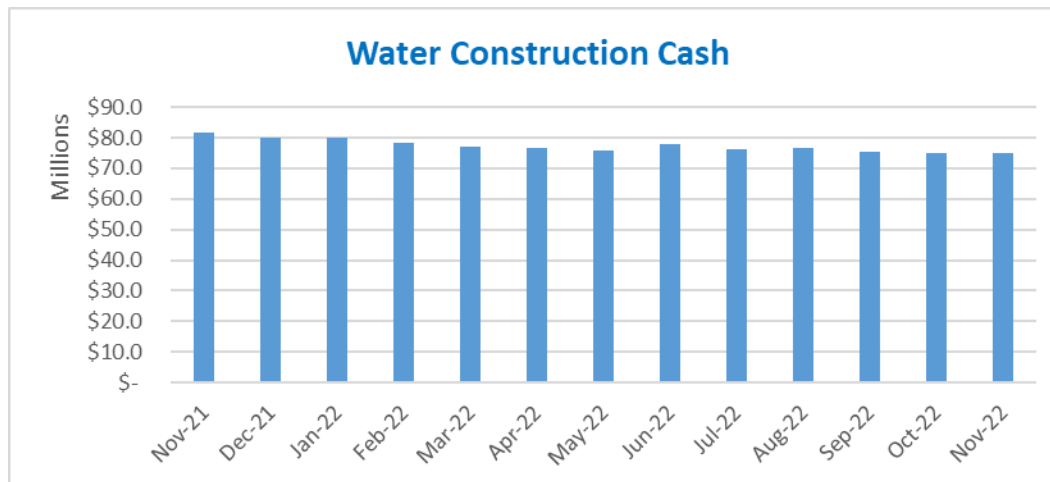
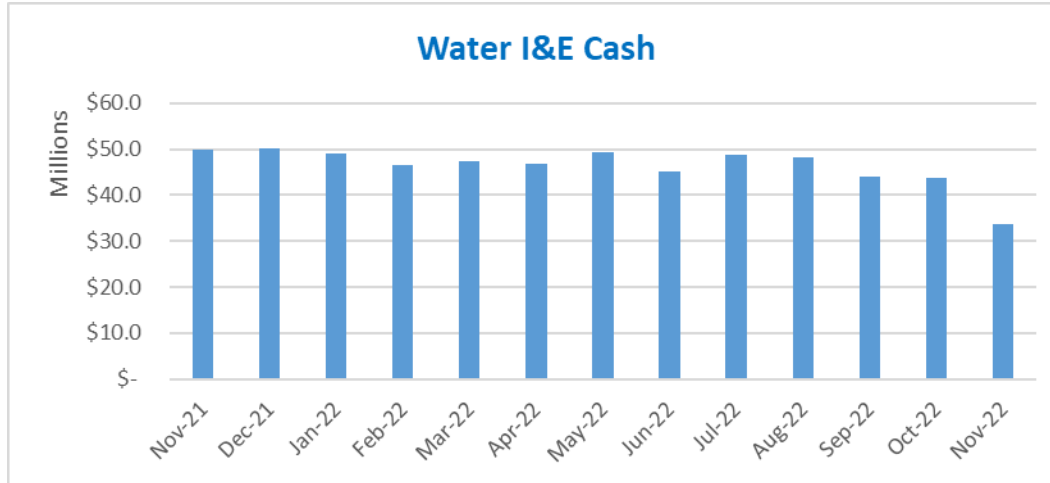
- Total **Cash @ GLWA** amounted to \$15.6 million on November 30<sup>th</sup> representing an increase of approximately \$0.25 million over last month.
- The drop in September's **Cash @ GLWA** balance reflects delayed posting of several days' cash receipts due to the EnQuesta upgrade. All cash receipt postings were brought up to date by the end of October.
- November retail collection of \$10.4 million exceeded target collection amount for the month by approximately \$0.25 million.
- The Water Operating **Cash @ DWSD** account had \$19.2 million on deposit at the end of November 2022 representing an increase of \$2.5 million over the prior month.

# Sewer Operating Cash



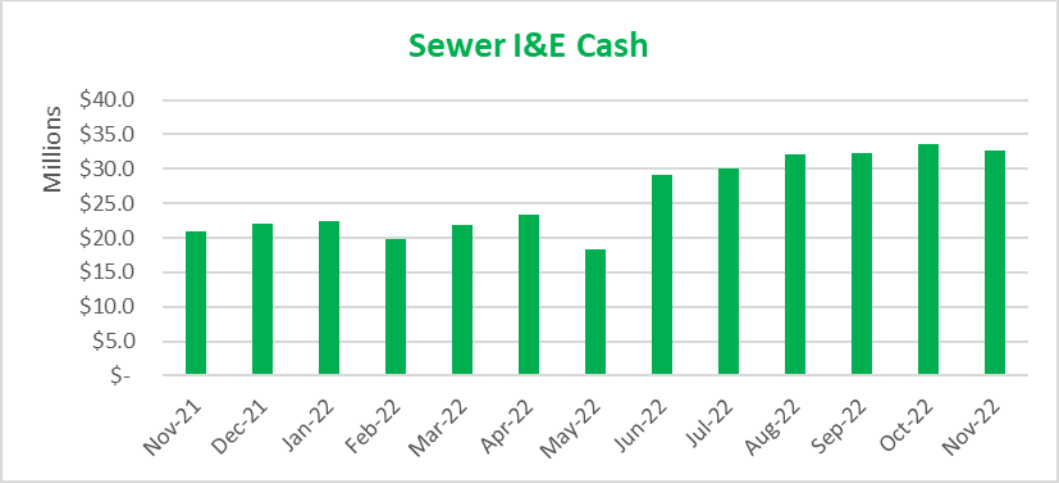
- **Cash @ GLWA** amounted to \$17.5 million at the end of November representing a decrease of \$0.8 million from last month.
- The drop in the September's **Cash @ GLWA** balance reflects the delayed posting of several days' cash receipts due to the EnQuesta upgrade. All cash receipt postings were brought up to date by the end of October.
- November retail collection of \$22.5 million fell short of the target collection amount for the month by approximately \$0.8 million.
- The Sewer Operating **Cash @ DWSD** account had \$29.2 million on deposit at the end of November 2022 representing an increase of \$0.4 million over the prior month.

# Water I&E and Construction Cash

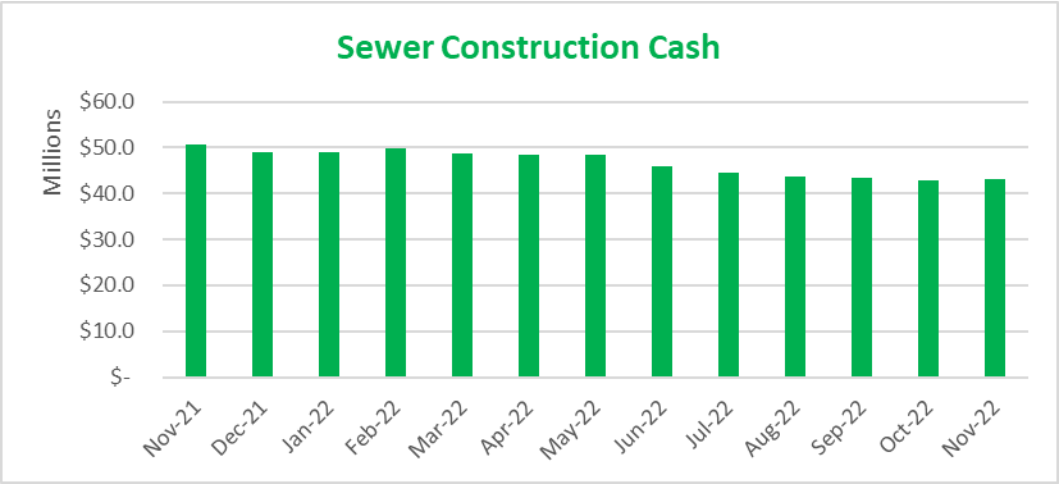


- A balance of \$33.6 million was on deposit in the **I&E Cash** account at the end of November representing a reduction of \$10.2 million from last month.
- I&E disbursement activity in the month of November included large contract payments Lakeshore Global (\$3.0 million) and Major Contracting (\$5.0 million).
- Approximately \$7.7 million was disbursed over the last twelve months leaving a balance of \$74.8 million in the **Construction Cash** account as of November 30, 2022.
- There are no plans for the issuance of new bonds in the immediate future.

# Sewer I&E and Construction Cash

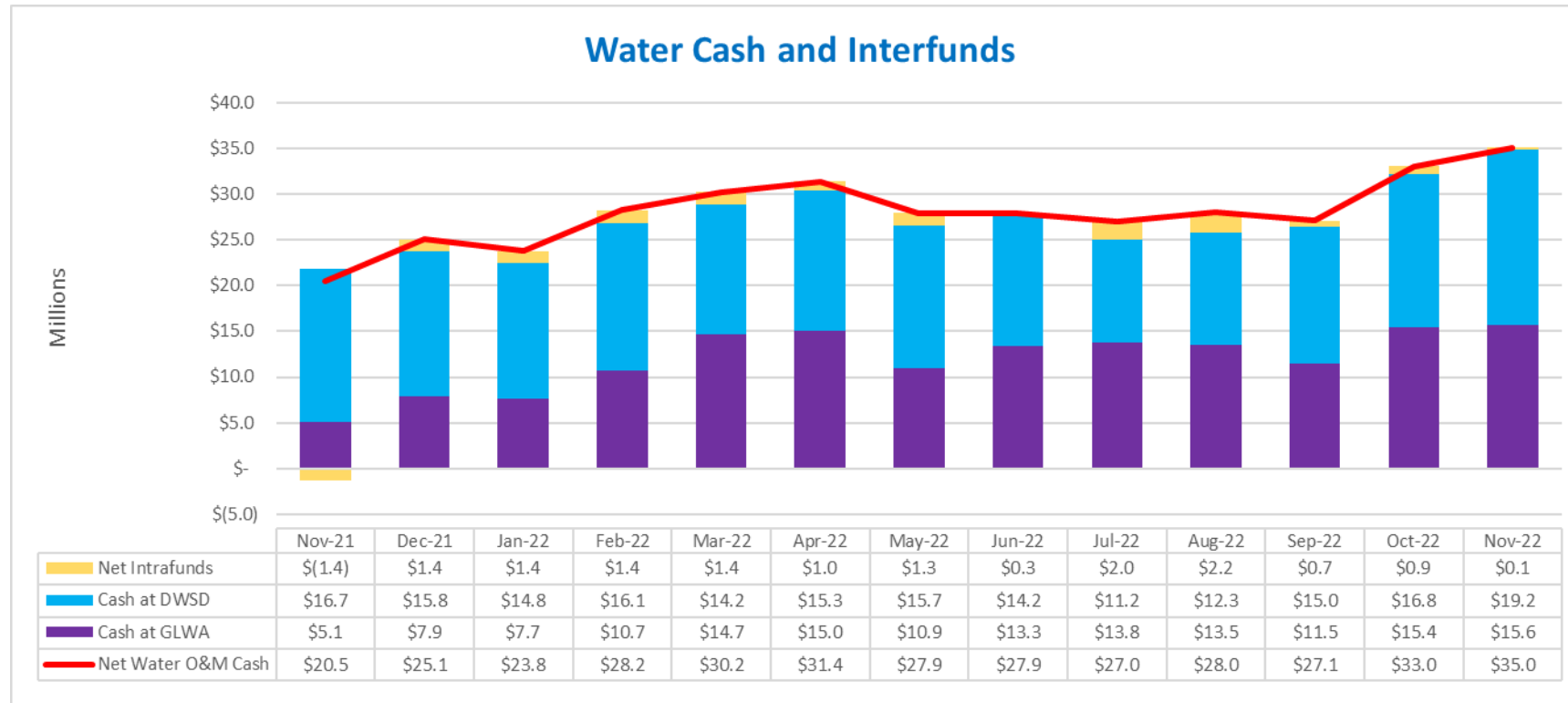


- A balance of \$32.7 million was on deposit in the **I&E Cash** account at the end of November representing a reduction of \$1.3 million from last month.
- No major disbursement of cash from Sewer I&E for the month of November.



- Approximately \$7.7 million was disbursed over the last twelve months leaving a balance of \$43.3 million in the **Construction Cash** account as of November 30, 2022.
- There are no plans for the issuance of new bonds in the immediate future.

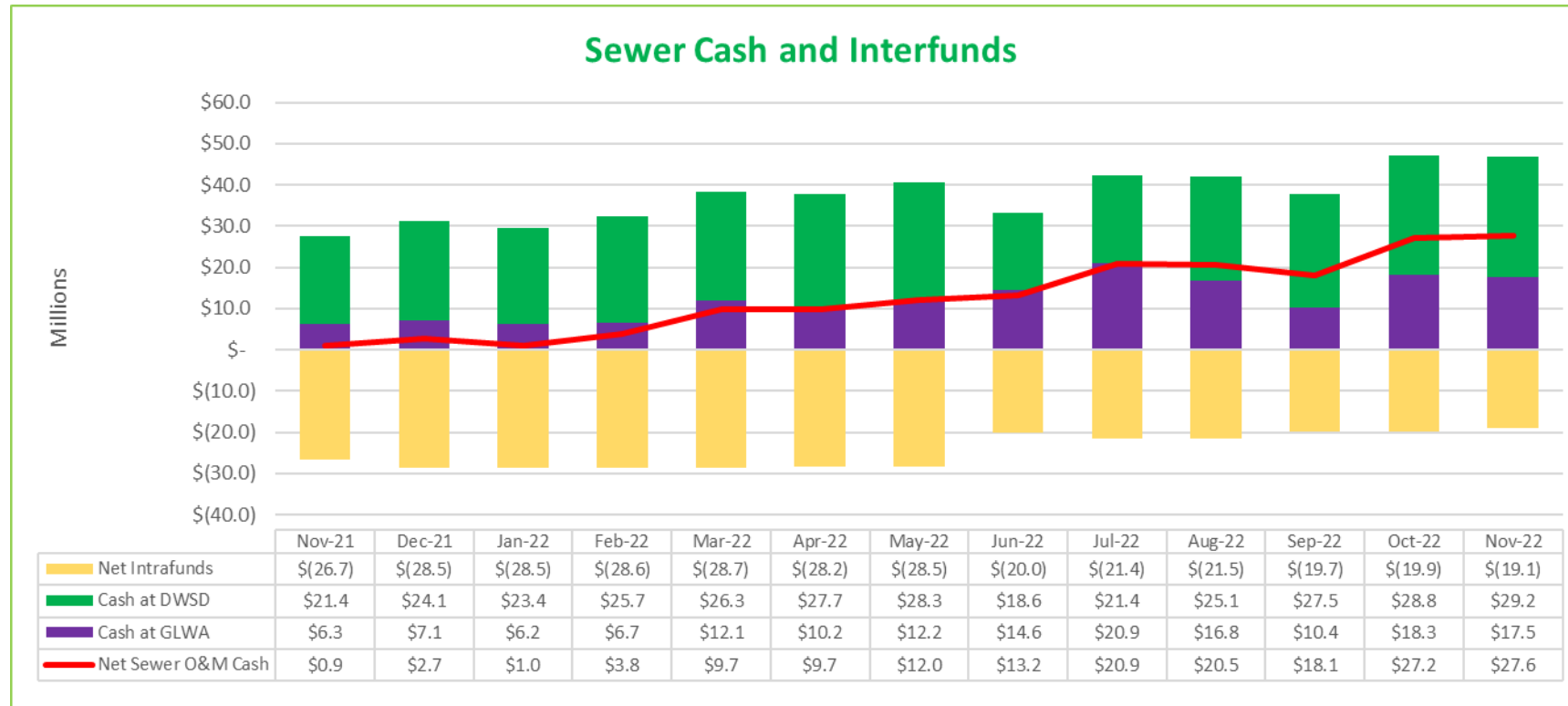
# Net Operating Cash and Interfund Balances –Water Fund



- The **Net Water Operating Cash and Interfund** balances continue to remain positive and stable through the first five months of Fiscal 2023.
- November's **Net Water Operating Cash and Interfund** position amounted to \$35.0 million, representing an increase of \$14.6 million over the past twelve months.



# Net Operating Cash and Interfund Balances – Sewer Fund



- Net Sewer **Operating Cash** has steadily improved since accruing a \$50 million shortfall over the first two years following bifurcation.
- November's **Net Sewer Operating Cash and Interfund** position amounted to \$27.6 million, representing an increase of \$26.7 million over the past twelve months.

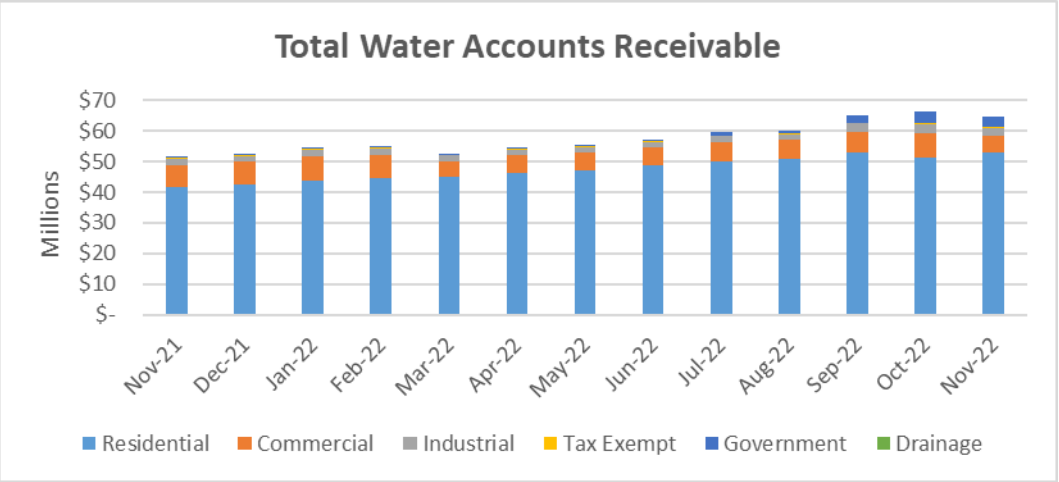
# Historical Accounts Receivable



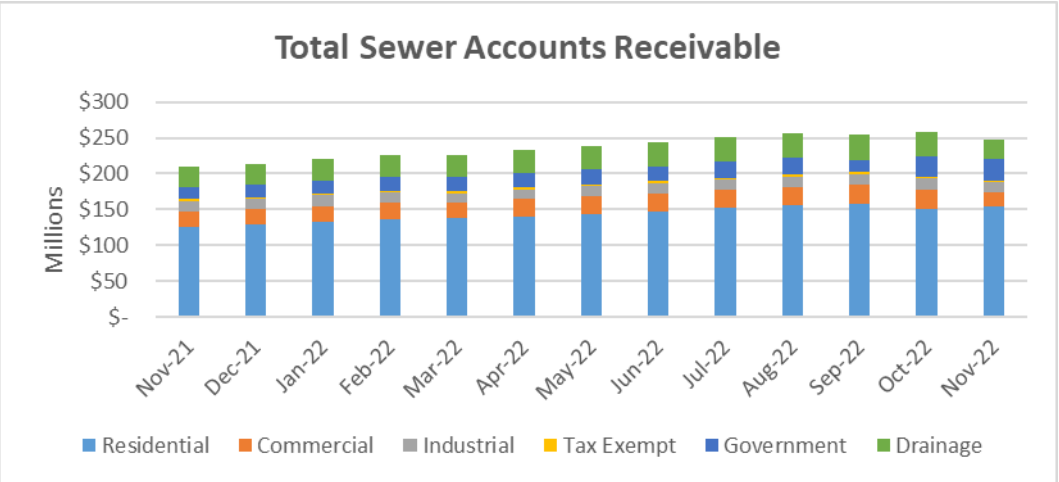
- The average age of **Active Residential** receivables has increased by 62 days (22.1%) since June 2022. However, there are decreases in average age for all other customer classes except for Industrial that has remained the same.

Sales Class	June 30, 2021			June 30, 2022			November 30, 2022		
	Sales	Receivables	Days in AR	Sales	Receivables	Days in AR	Sales	Receivables	Days in AR
Residential	\$ 16,228,584	\$ 118,059,548	218	\$ 17,389,839	\$ 162,666,809	281	\$ 14,905,438	\$ 170,198,911	343
Commercial	8,168,258	30,456,422	112	9,107,898	30,495,851	100	9,420,058	26,443,929	84
Industrial	4,860,341	16,951,221	105	5,198,283	14,879,472	86	5,489,844	15,695,459	86
Tax Exempt	571,304	3,258,181	171	669,630	3,166,661	142	720,775	2,837,645	118
Government	2,611,085	15,121,194	174	2,628,550	21,786,979	249	4,979,742	31,883,429	192
Drainage Only	3,895,026	31,851,540	245	4,027,746	32,295,477	241	3,707,748	25,982,634	210
<b>Total Active Accounts</b>	<b>\$ 36,334,597</b>	<b>215,698,107</b>	<b>178</b>	<b>\$ 39,021,947</b>	<b>265,291,250</b>	<b>204</b>	<b>\$ 39,223,604</b>	<b>273,042,007</b>	<b>209</b>
Inactive Accounts Receivable		32,356,774			35,054,997			38,023,727	
<b>Total Accounts Receivable</b>		<b>248,054,881</b>			<b>300,346,247</b>			<b>311,065,734</b>	
Allowance for Doubtful Accounts		(202,171,655)			(233,062,456)			(245,950,039)	
<b>Net Accounts Receivable</b>		<b>\$ 45,883,226</b>			<b>\$ 67,283,791</b>			<b>\$ 65,115,695</b>	

# Accounts Receivable Trends



- Total *Water Accounts Receivable* have increased \$12.7 million (19.8%) over the past 12 months.
- *Residential Water Accounts Receivable* increased \$11.0 million (20.8%) over the past 12 months. *Nonresidential* account balances have increased approximately \$1.7 million over the same period.

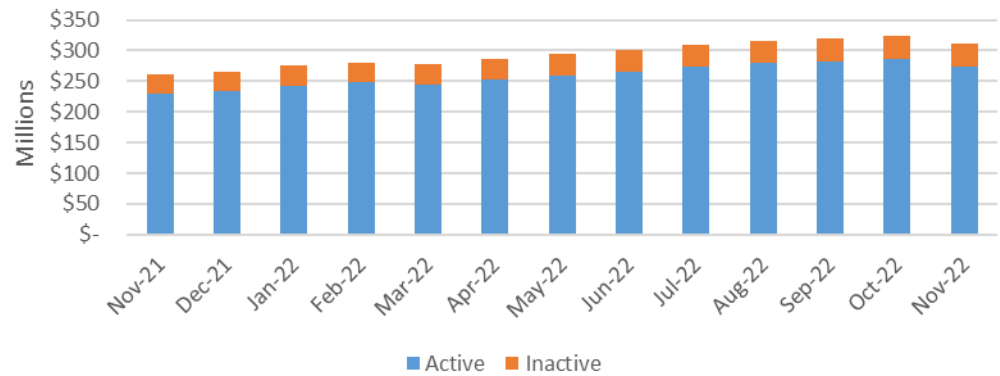


- Total *Sewer Accounts Receivable* have increased \$36.8 million (14.9%) over the past 12 months.
- *Residential Sewer Accounts Receivable* increased \$27.3 million (17.8%) over the past 12 months. *Nonresidential* account balances have increased by \$9.5 million over the same period. Most of the change is attributable to the reclassification of Detroit Land Bank accounts to the **Governmental** customer class.

# Accounts Receivable Trends

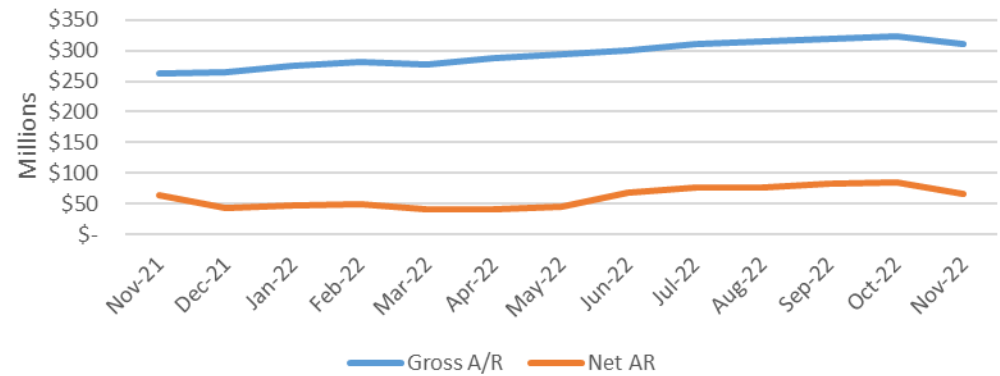


Active vs. Inactive Accounts Receivable



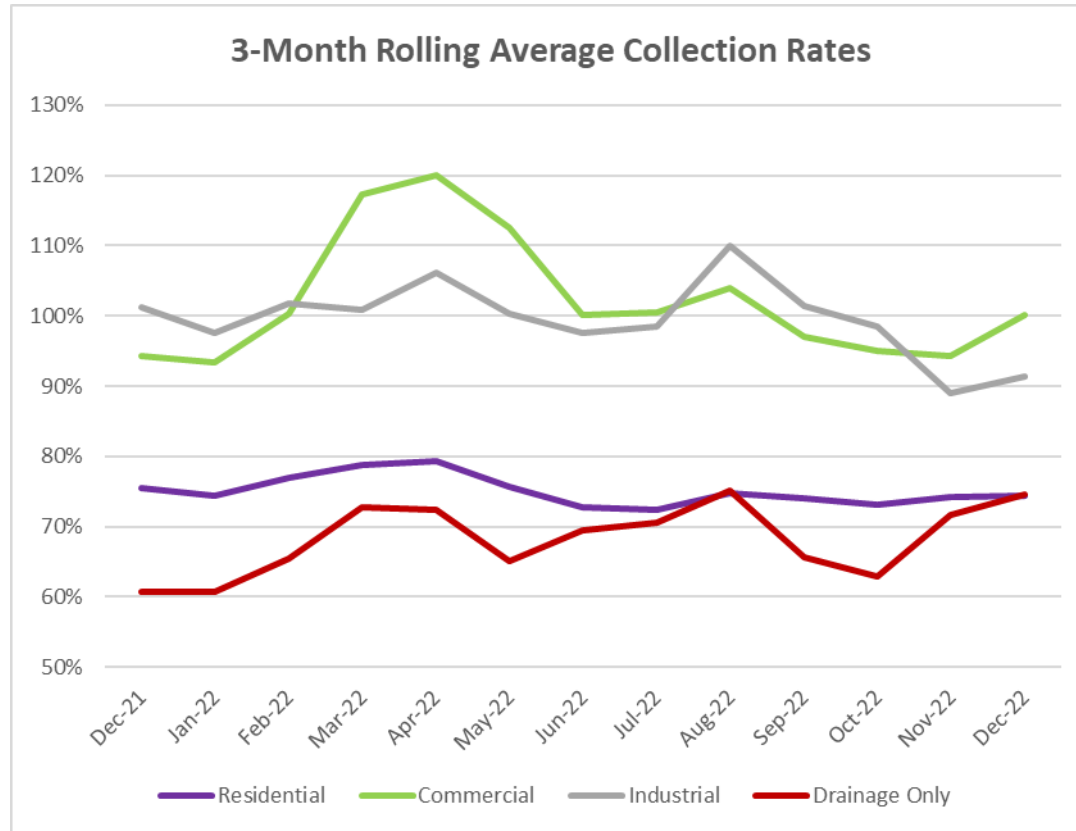
- **Inactive Accounts Receivable** have increased \$5.8 million (15.2%) over the past 12-month period.
- **Non-Residential Accounts** transferred to the Tax Roll were written off in December 2021. Management anticipates a similar write off will occur this year. Approximately \$7.4 million State of Michigan Highway Drainage receivables have been written off this year.

Total Receivables vs. Net Receivables



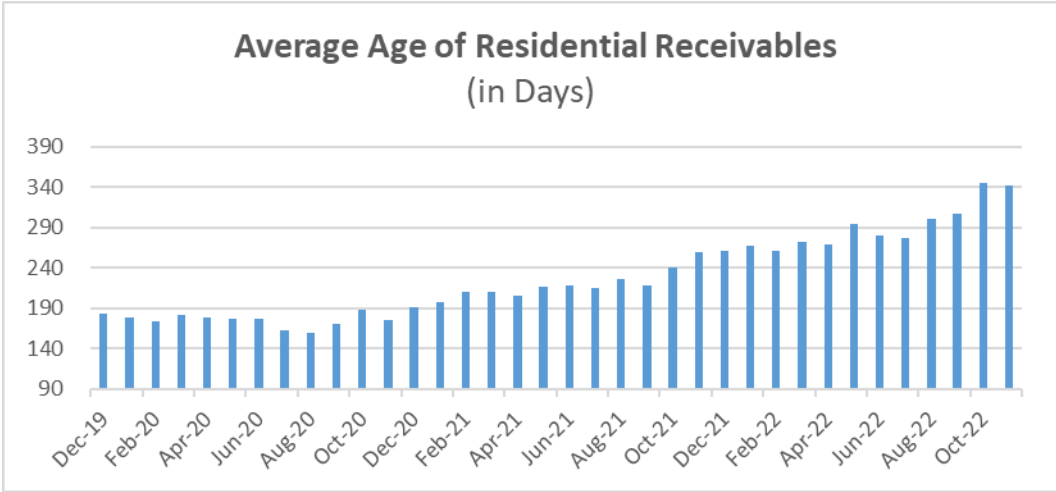
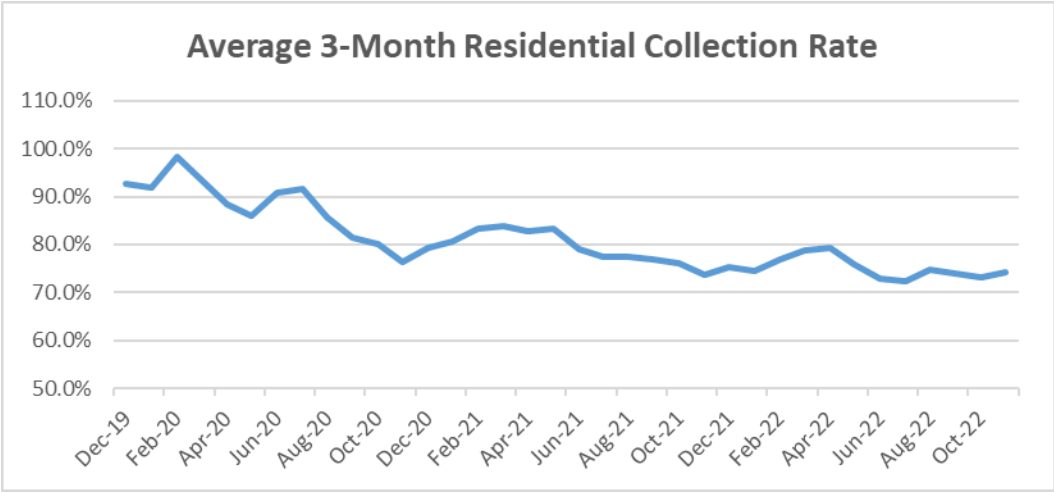
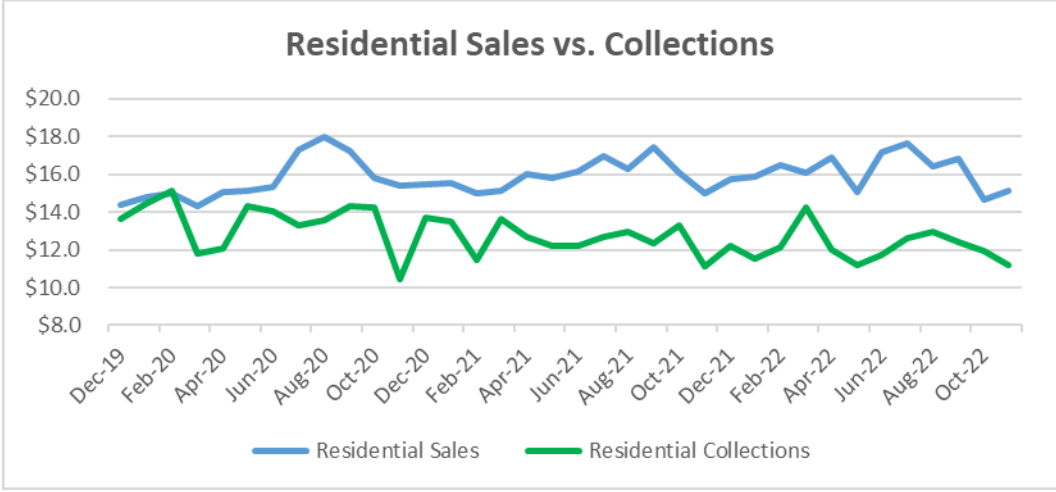
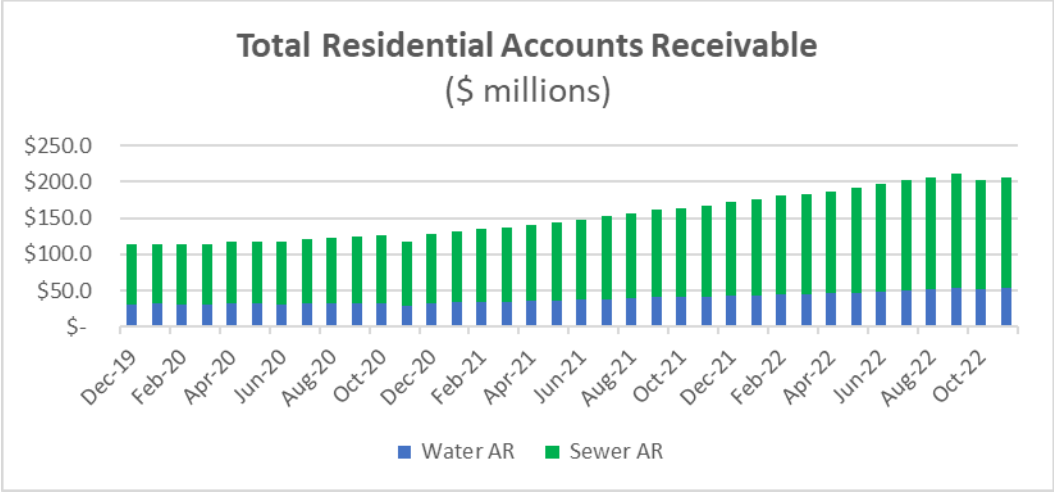
- *Accounts Receivable net of the Allowance for Doubtful Accounts* has increased by \$2.2 million over the past twelve months.
- The total **Allowance for Doubtful Accounts** amounted to \$245.9 million on November 30<sup>th</sup> and currently represents 79% of gross accounts receivable.

# Collection Rates

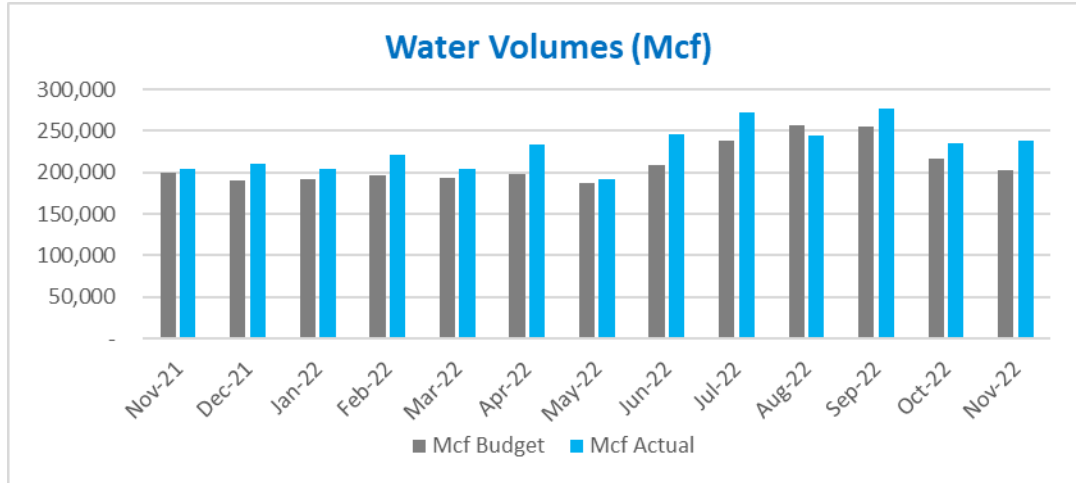


- The general decline in September collection rates reflect both a seasonal trend and a delay in posting month-end cash receipts to accounts receivable. The delayed posting can be attributed to the significant work required to complete the upgrade of the EnQuesta billing and collection system. The cash receipts were posted to receivables in October and are now up to date.
- **Residential** collection rates appear to have flattened following significant disruptions caused by the Covid epidemic. Management expects to see improvement later this year as the department resumes service interruptions on delinquent residential accounts.
- **Drainage Only** collections improved in November following the mailing of notices to customers of the department's plans to place delinquencies on the tax roll. An additional 500 accounts made payments in the month of November of approximately \$1.0 million.
- The average collection rate for all active accounts was 80.3% for November 2022. The comparable rate was 80.1% for November 2021.

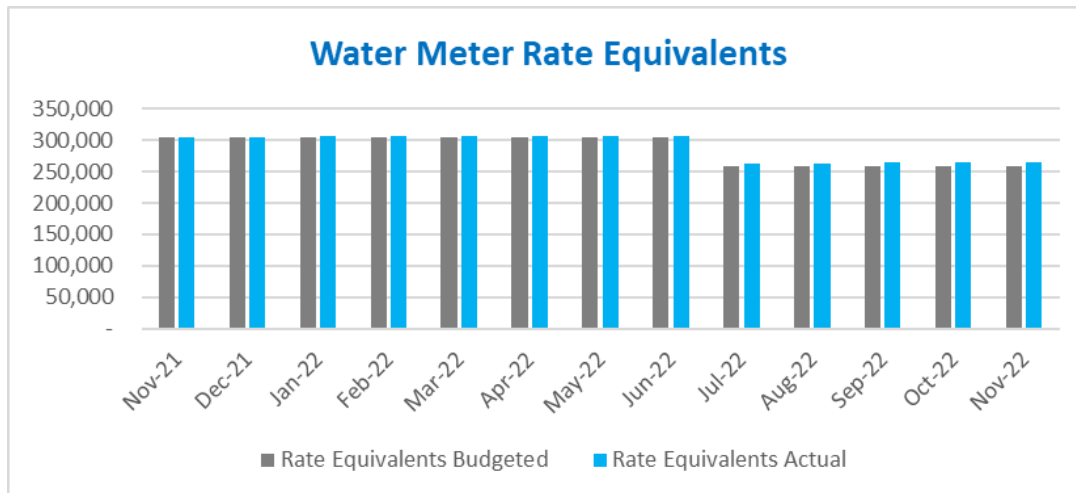
# Post-Covid Accounts Receivable Collection Trends



# Water Revenue Metrics

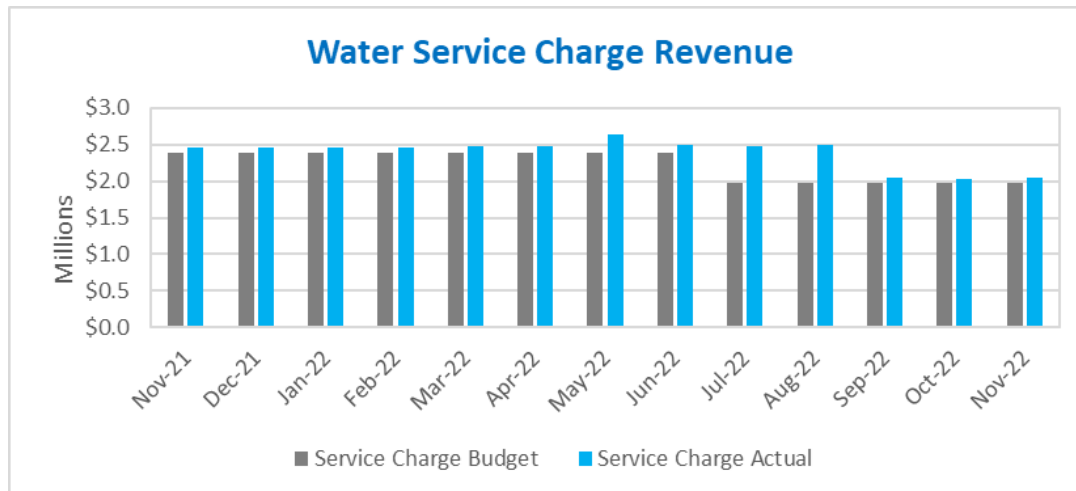
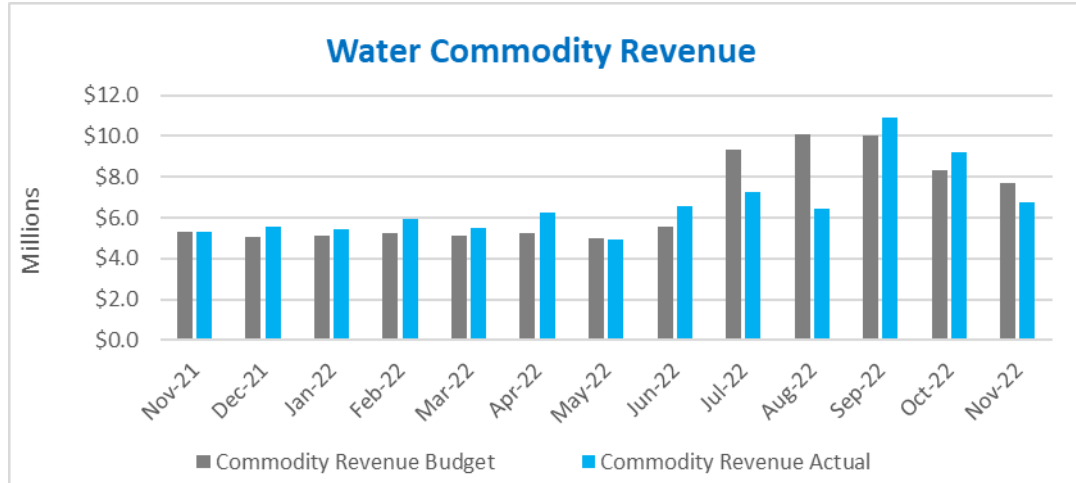


- Year-to-Date *Water Volumes* are trending 8.5% over budget for the first five months of Fiscal 2023. Increases in summer months reflect normal seasonal variability.



- Water Meter Rate Equivalents* equalize all water meters based on the monthly fixed rates assigned to different meter sizes. Total equivalents represent the number of 5/8 inch meters required to generate the same amount of service charge revenue. The relationship between meter sizes and rates changed in Fiscal 2023 resulting in fewer overall meter equivalents.
- Total *Water Meter Rate Equivalents* remained slightly ahead (2.1%) of budgeted levels through the first five months of Fiscal 2023.

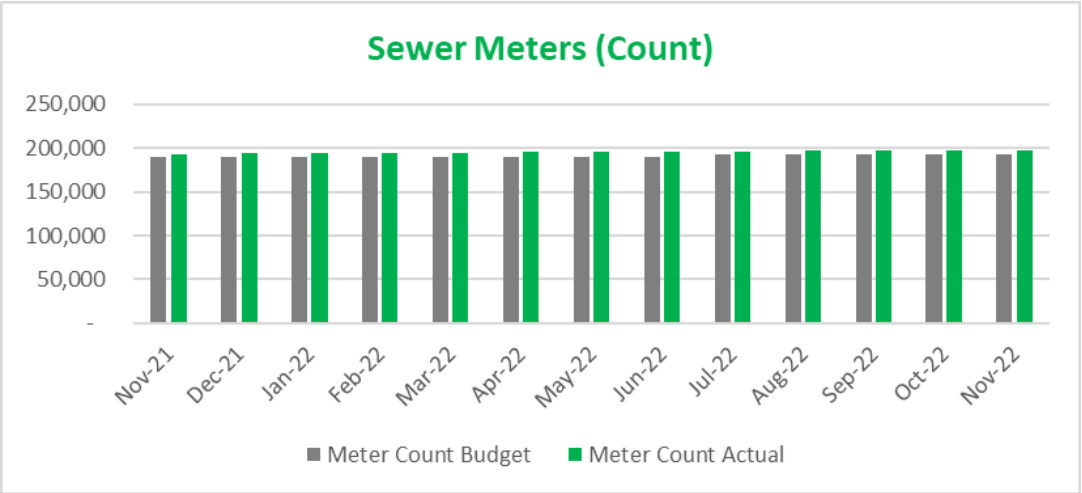
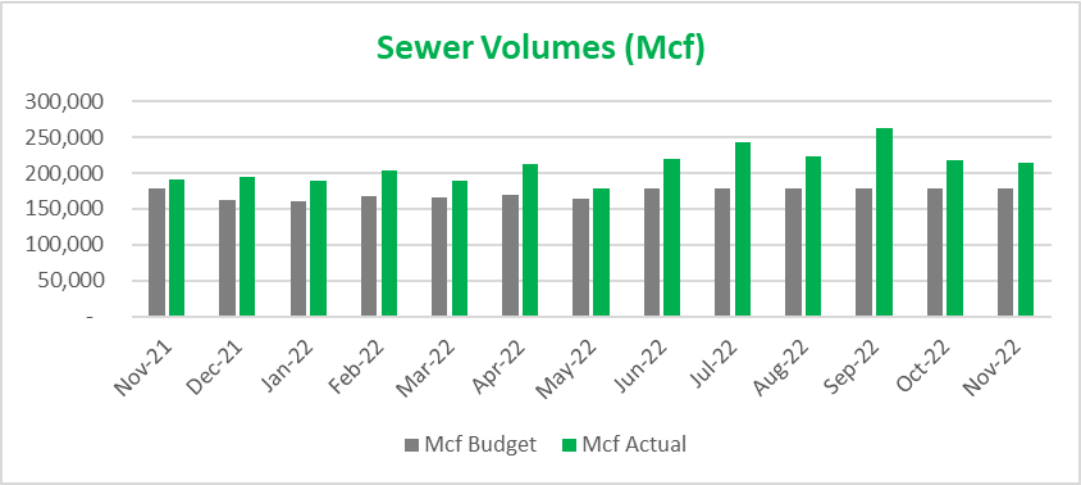
# Water Revenue Trends



- DWSD completed a Comprehensive Rate Study in 2022 which resulted in a significant shift of costs from Sewer operations to Water operations. Those shifts resulted in higher revenue requirements and commodity rates for water consumption that were intended to be implemented in July. That delay in rolling out the new rate structure contributed to negative budget variances in July and August.
- Year-to-date Commodity Revenues were approximately \$4.9 million (10.8%) below the seasonally adjusted budget.
- The 2022 Comprehensive Rate Study also shifted a portion of the water revenue requirement from fixed service charges to volumetric charges. The delay in rolling out the new rate structures contributed to positive budget variances in July and August.
- Year-to-date Water Service Charge Revenues were approximately \$1.3 million (12.7%) above budget.

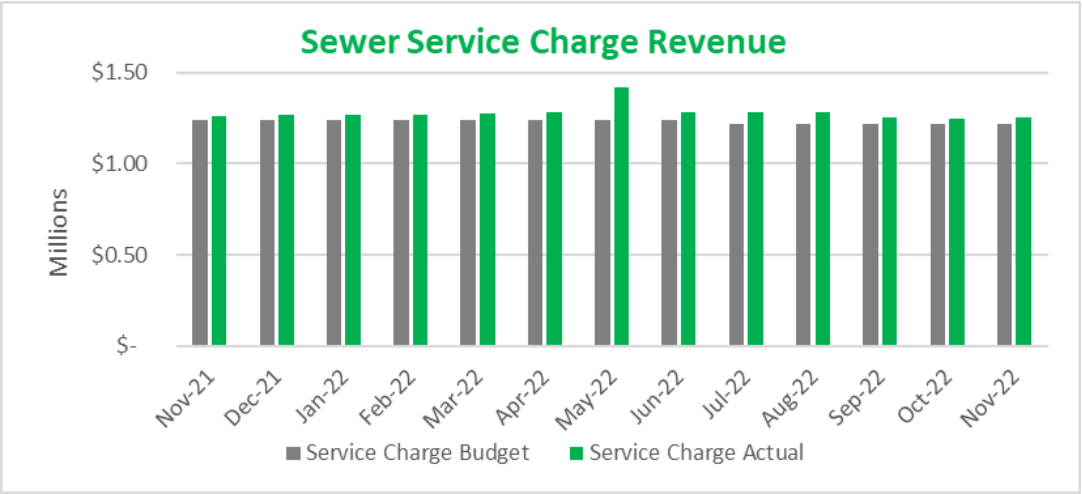
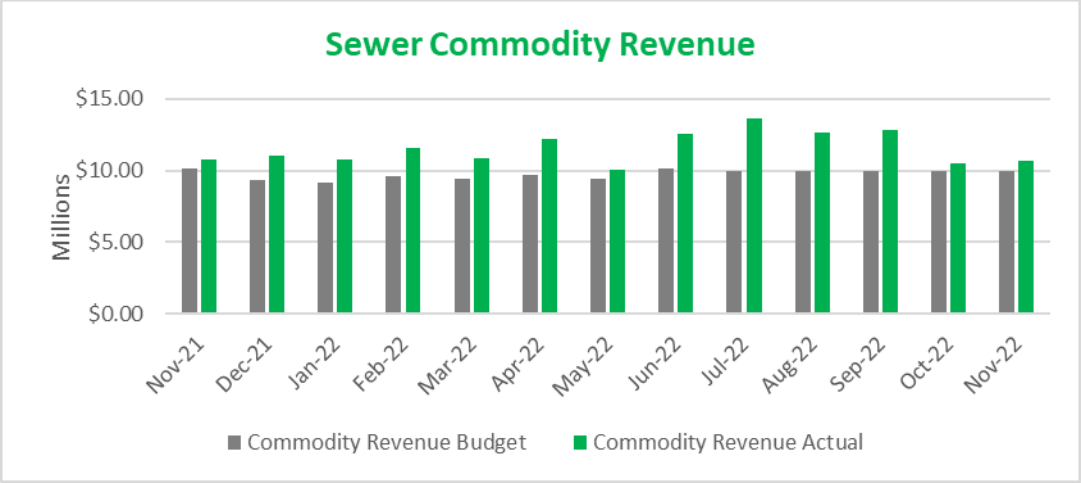


# Sewer Revenue Metrics



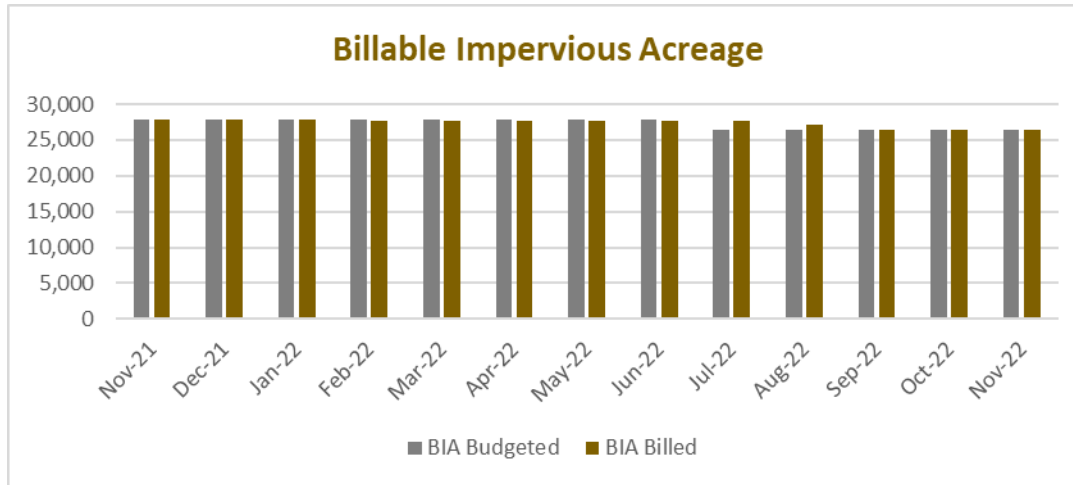
- **Sewer Volumes** have been trending over budget for all of Fiscal 2022 and those positive variances have carried over into the first several months of Fiscal 2023.
- The 2022 Comprehensive Rate Study contemplated the introduction of a cap on residential sewer volumes until next year when Average Winter Consumption billing can be implemented. The chart continues to reflect actual **metered** volumes and not **billed** volumes. Finance staff is working to extract **billed** volumes from the Billing System for future reporting.
- Actual **Sewer Meter Counts** so far have exceeded budgeted levels in each month of Fiscal 2023. Year to date counts are trending 2.6% ahead of budget estimates.

# Sewer Revenue Trends

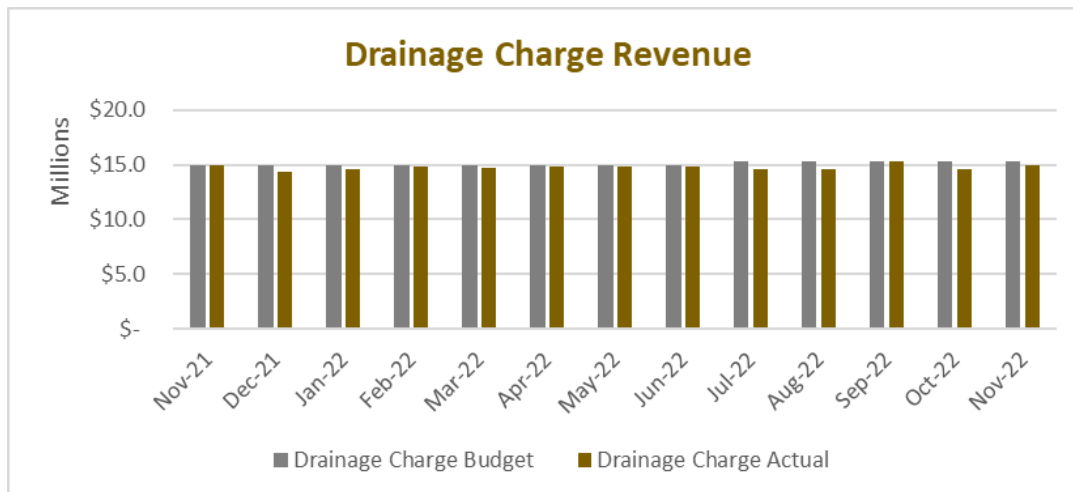


- DWSD completed a *Comprehensive Rate Study* in 2022 which resulted in a significant shift of costs from Sewer operations to Water operations. Those shifts resulted in lower revenue requirements and commodity rates for sewer consumption that were intended to be implemented in July. That delay in rolling out the new rate structure contributed to positive budget variances in July and August.
- Fiscal 2023 year to date **Sewer Commodity Revenues** exceeded budgeted revenues by \$10.7 million (21.5%).
- Fiscal 2023 year to date **Sewer Service Charge Revenue** exceeded budget by \$0.23 million (3.8%).

# Drainage Metrics and Revenues



- Fiscal 2023 year to date **Billed Impervious Acreage** exceeded budget estimates by 1.2%.



- Despite positive BIA variances, Fiscal 2023 year to date **Drainage Charge Revenue** fell short of budget estimates by \$2.3 million (3.0%). Most of the shortfall occurred in July and August and can be attributed to the delay in transitioning to Fiscal 2023 rates.



# THANK YOU!

## **Detroit Water & Sewerage Department**

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