



# **March 2022 Financial Review**

## BOWC Finance Committee

June 1, 2022

# March 2022 Highlights



## Budget vs Actual Revenues and Expenses

- Both Water and Sewer Operating funds reflect positive budget variances through the first 3 quarters of FY 2022.
- On the revenue side, the variances were mainly due to retail revenue performances and on the expense side, the variances were driven primarily by savings in contractual and personnel costs.

## Cash and Investments

- **Cash @ DWSD** have been stable largely due to budgetary savings for both the funds.
- **Cash @ GLWA** trended higher at the end of March due to higher retail collections for both the funds.
- **I&E and Construction** cash balances are holding steady for both the funds. Expecting these balances to deplete as we get into the Summer and Fall months.
- There are no current plan to issue new bonds in the immediate future.
- DWSD continues to inquire, pursue and plan for new governmental infrastructure funding.

# March 2022 Highlights



## Billing/Collection/Receivables

- Water volumes and Meter Equivalents have exceeded allocated budgets in each month of FY 22.
- Currently Water Volumes and Meter Equivalents are trending at 3.8% 0.1% over budgets.
- Year-to-date Commodity Revenues are trending above budgeted revenues through March by 10.4%. Water Service revenues are also trending above budget by 2.5%.
- Sewer Volumes are 2.7% over budget and Sewer Meters exceeded budget levels by 1.5%.
- Sewer Commodity Revenues and Service Charges exceed budget by 2.7% and 2.0 % respectively for FY 2022.
- Drainage Revenues are under budget by 1.2% due to billable acreage adjustments and prior year credits.
- The average age of residential accounts receivable continues to increase. As of March 31, active residential accounts averaged 271 days representing an increase of 94 days (53%) 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 expense assumptions due to increase in average age of residential accounts.
- Allowance for bad debt has increased \$93.6 million (65.5%) since June 2020 while total accounts receivable increased by 29.8% over the same period reflecting increased risk of collection due to deteriorated aging.
- Residential accounts sales amounted to 45% of total sales while accounting for 61% of all active receivables.

# Operating Revenue - Budget vs. Actual

For the Nine Months Ended March 31, 2022				
(Amounts in thousands)				
	Budget	Actual	Variance	%
<b>Operating Revenue</b>				
Commodity sales	\$ 50,176	\$ 55,390	\$ 5,214	10.4%
Service charges	21,479	22,020	541	2.5%
Private firelines	2,936	2,565	(372)	-12.7%
Shared Services	940	396	(544)	-57.9%
Other GLWA reimbursement	9,237	8,939	(299)	-3.2%
Penalties and fees	1,921	1,872	(50)	-2.6%
Miscellaneous	939	64	(874)	-93.1%
<b>Total Retail Sales</b>	<b>\$ 87,629</b>	<b>\$ 91,246</b>	<b>\$ 3,617</b>	<b>4.1%</b>

- *Water Commodity Sales* exceeded budget by \$5.2 million (10.4%) through March 2022. Seasonally-adjusted volumes are trending 6.5% ahead of budget and account for \$3.3 million of the total variance.

For the Nine Months Ended March 31, 2022				
(Amounts in thousands)				
	Budget	Actual	Variance	%
<b>Operating Revenue</b>				
Commodity sales	\$ 102,658	\$ 105,458	\$ 2,800	2.7%
Service charges	11,179	11,403	224	2.0%
Drainage charges	134,866	133,186	(1,680)	-1.2%
Industrial waste charges	1,270	1,197	(73)	-5.7%
Shared Services	2,153	924	(1,229)	-57.1%
Other GLWA reimbursement	16,891	16,162	(729)	-4.3%
Penalties and fees	5,306	5,229	(78)	-1.5%
Miscellaneous	75	1,106	1,031	1374.4%
<b>Total Retail Sales</b>	<b>\$ 274,397</b>	<b>\$ 274,665</b>	<b>\$ 267</b>	<b>0.1%</b>

- *Sewer Commodity Sales* exceeded budget by \$2.8 million (2.7%) due to positive volume variances.
- Year-to-date *Drainage Charge* adjustments and prior year credits reduced current billed revenues by \$1.4 million.
- Shared Services revenue variance due to timing difference in reconciling billings and true-ups.

# Combined Operating Expenses - Budget vs. Actual

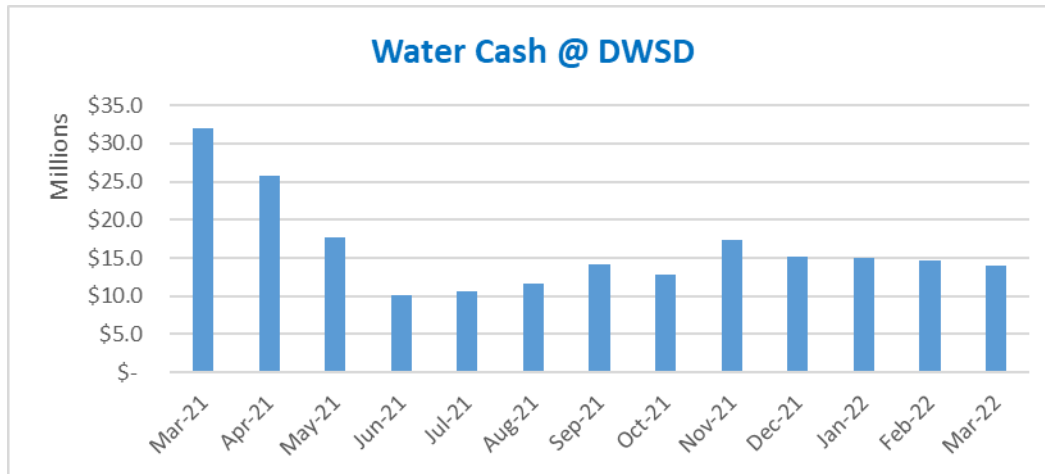
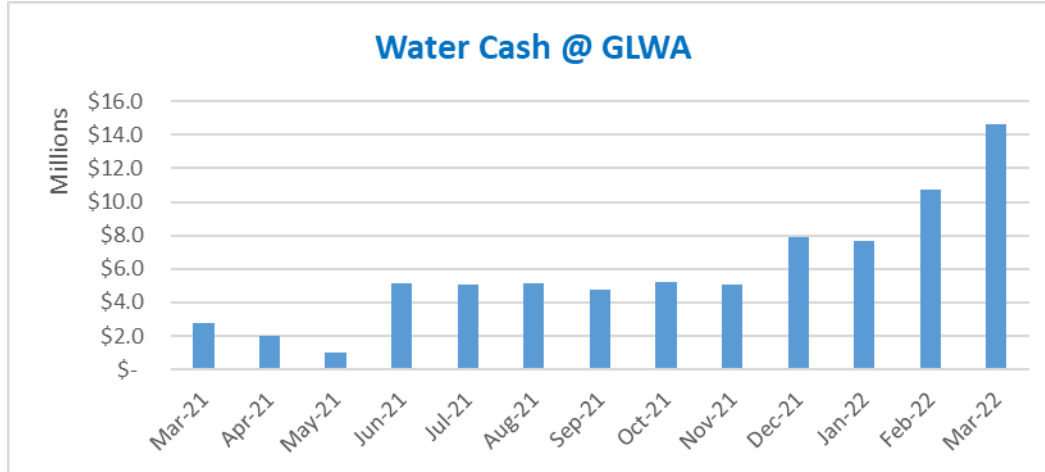


For the Nine Months Ended March 31, 2022 (Amounts in thousands)				
	Budget	Actual	Variance	%
<b>Departmental Expense</b>				
Administration	\$ 1,616	\$ 1,447	\$ 169	10.5%
Operations	35,592	26,929	8,663	24.3%
Compliance	17,336	14,454	2,882	16.6%
Finance	12,782	7,212	5,569	43.6%
Customer Service	4,234	3,332	903	21.3%
<b>Total Departmental</b>	<b>\$ 71,560</b>	<b>\$ 53,374</b>	<b>\$ 18,186</b>	<b>25.4%</b>

For the Nine Months Ended March 31, 2022 (Amounts in thousands)				
	Budget	Actual	Variance	%
<b>Nondepartmental Expense</b>				
Wholesale charges	\$ 159,523	\$ 158,963	\$ 561	0.4%
Legacy pension expense	34,050	33,553	497	1.5%
Retail Assistance Program	1,641	1,636	5	0.3%
Bad debt expense	39,885	39,500	385	1.0%
<b>Total Nondepartmental</b>	<b>\$ 235,100</b>	<b>\$ 233,652</b>	<b>\$ 1,448</b>	<b>0.6%</b>

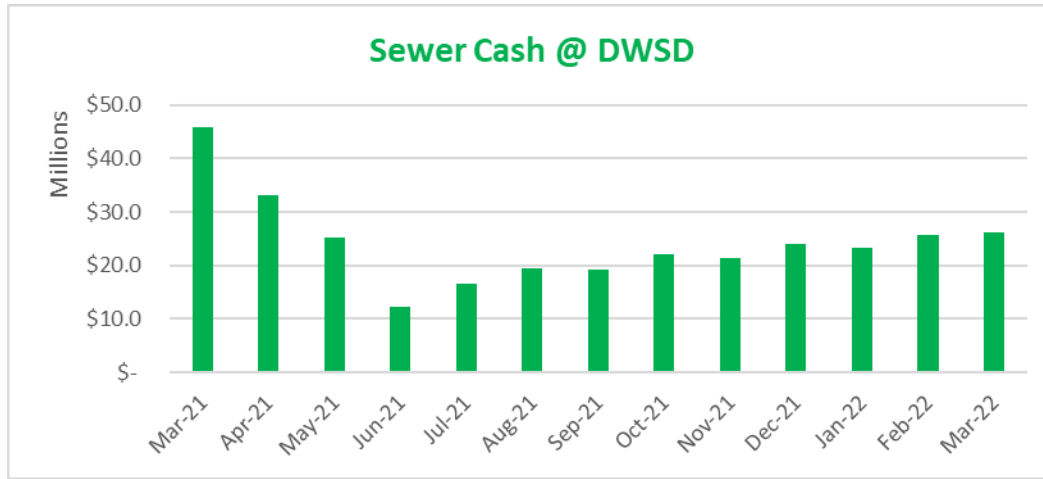
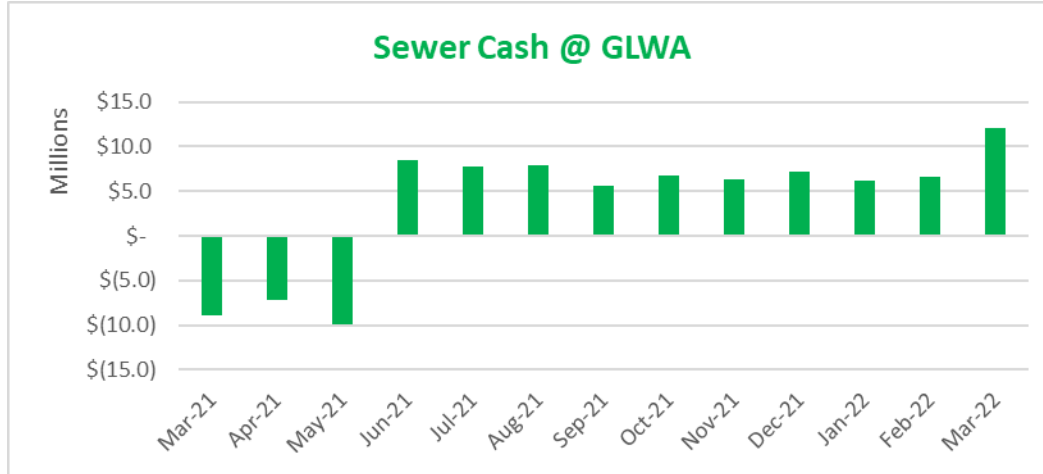
- **Operations** savings include personnel costs (\$719K), Systems Control shared services (\$700K), Meter Operations contract savings (\$960K), unbilled City street sweeping (\$1.5M) and Storm Water Management contract savings (\$1.2M).
- **Compliance** savings include personnel costs (\$315K), hardware and software maintenance (\$1.7M) and Public Affairs contractual service savings (\$300K).
- **Finance** savings include personnel costs (\$800K), unbilled City charges for Fusion and the audit services (\$4.0M) and other contractual service savings (\$480K). We expect the unbilled City services will be charged back to DWSD before year end.
- All **Nondepartmental** Operating Expenses are tracking at or below budgeted levels.
- Bad debt expense will be adjusted at year end to adjust for current collection trends. The impact of that adjustment is not known at this time.

# Water Operating Cash



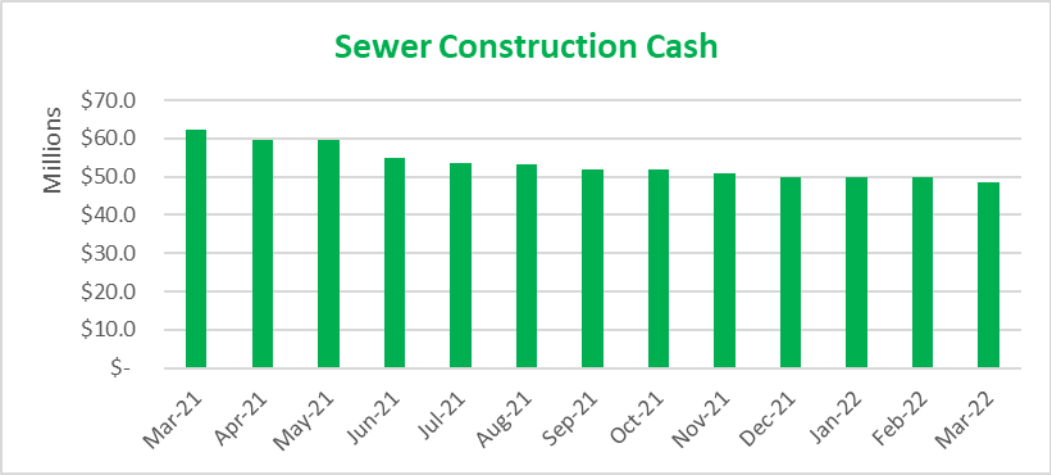
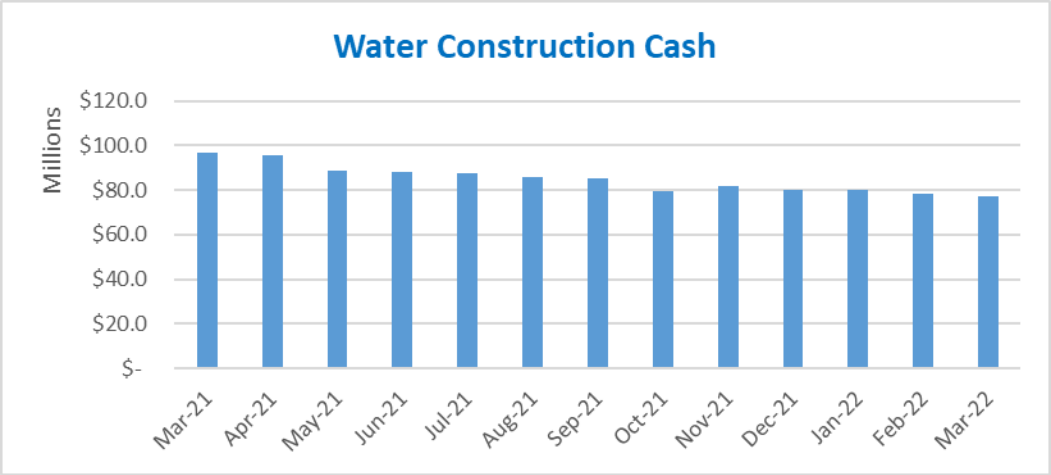
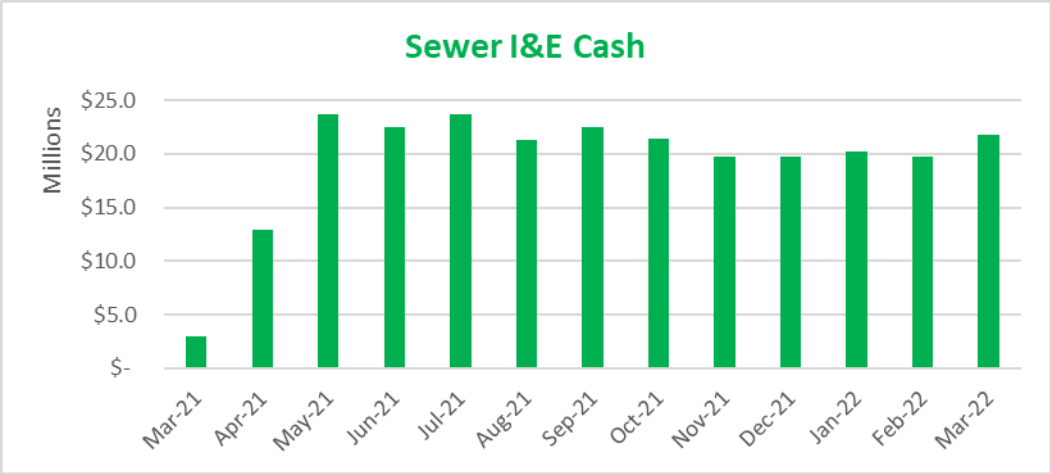
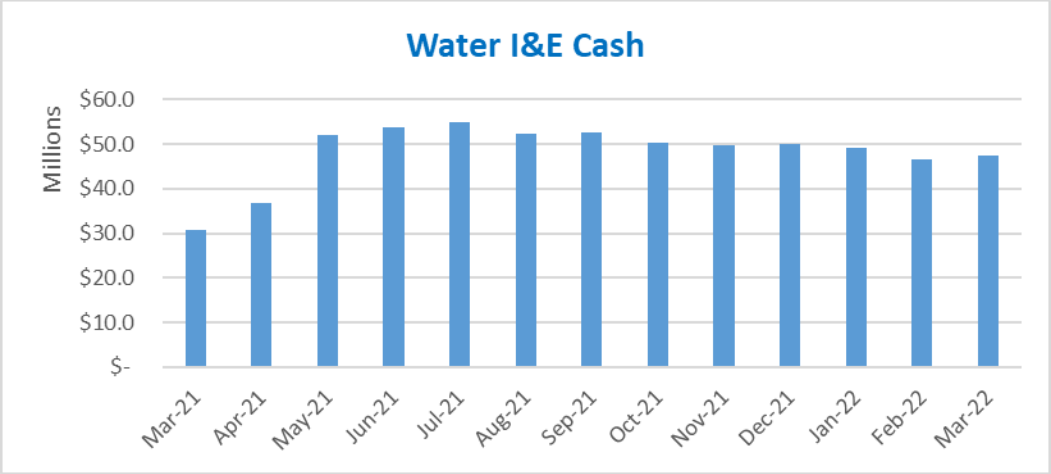
- **Cash @ GLWA** amounted to \$14.7 million compared to \$10.7 million at the end of February 2022.
- Retail receipts were approximately \$1.8 million higher than February receipts and approximately \$4.9 million higher than budgeted collection target.
- Beginning December 2021, additional Lease Payment dollars were allocated to Cash Held at GLWA than necessary. In April 2022, DWSD requested approximately \$4M to be transferred back to Water I&E account.
- **Cash @ DWSD** amounted to \$13.9 million compared to \$14.7 million at the end of February 2022.
- Stable cash position is due to budgetary savings in personnel and contractual costs.

# Sewer Operating Cash



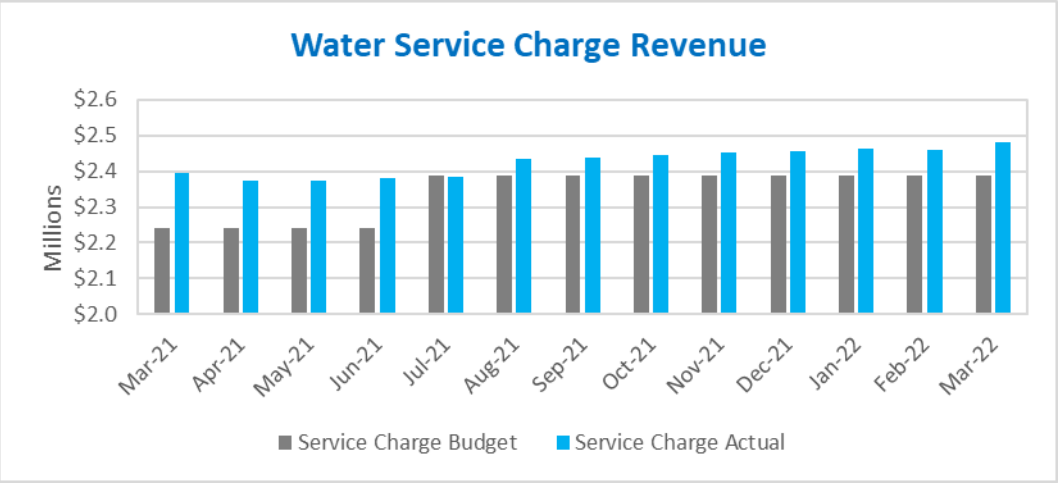
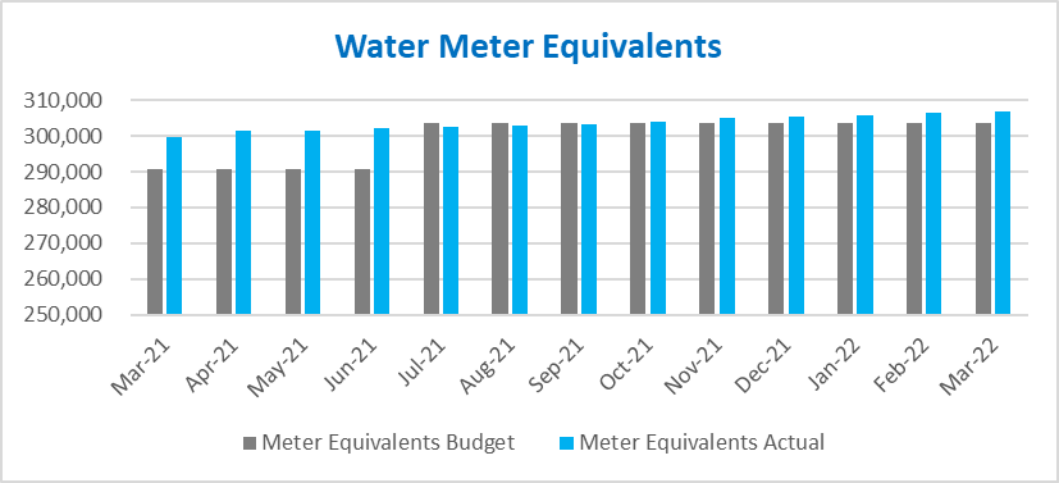
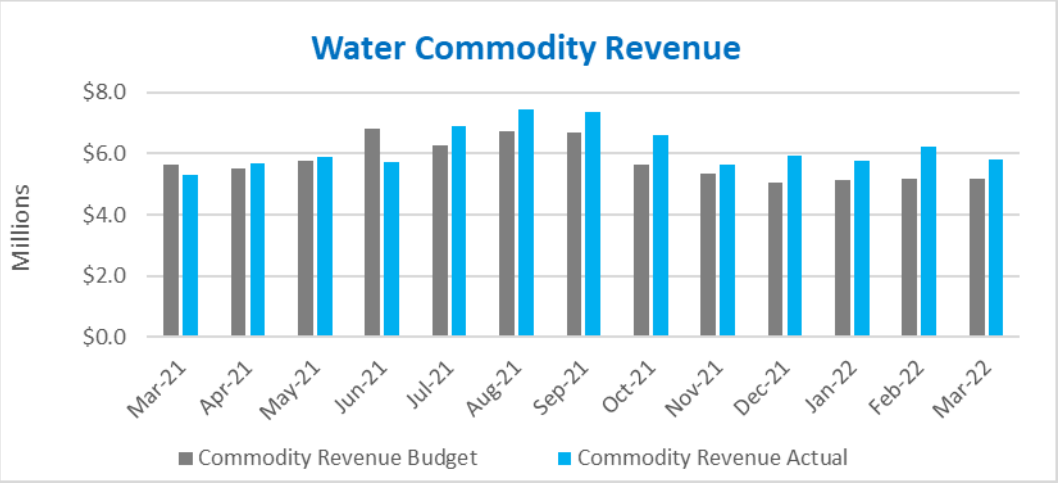
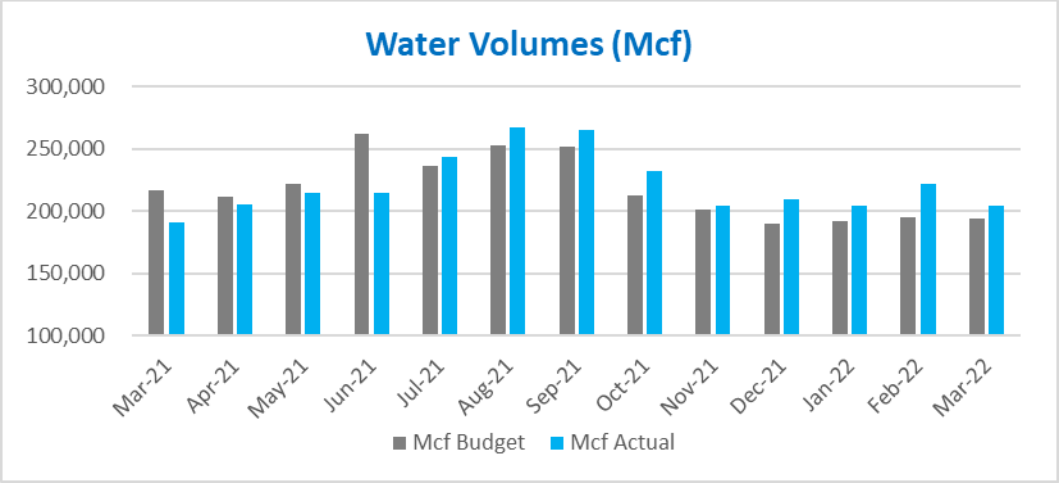
- **Cash @ GLWA** amounted to \$12.1 million compared to \$6.7 million at the end of February 2022.
- Retail receipts were approximately \$3.0 million higher than February receipts and approximately \$3.5 million higher than the budgeted collection target.
- Beginning December 2021, no Lease Payment dollars were allocated to Cash Held at GLWA. In April 2022, DWSD requested approximately \$4.6 million to be transferred back to Cash Held with GLWA from the Sewer I&E account.
- **Cash @ DWSD** amounted to \$26.4 million compared to \$25.6 million at the end of February 2022.
- Stable cash position is due to budgetary savings in personnel and contractual costs.

# Water and Sewer I&E and Construction Cash

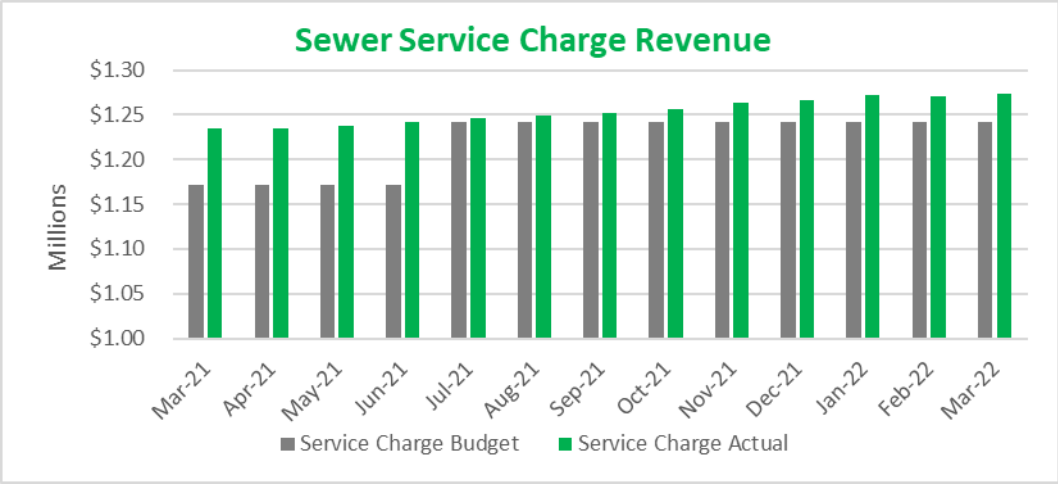
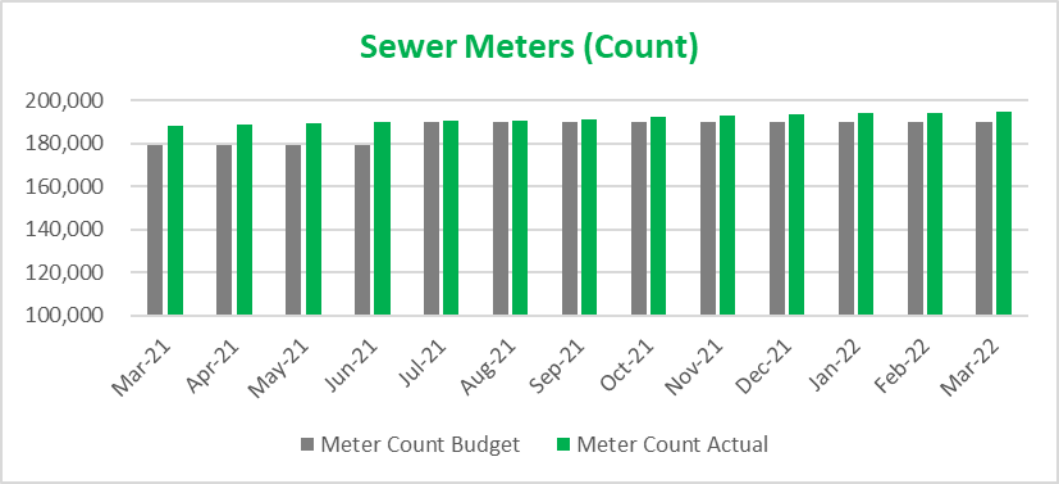
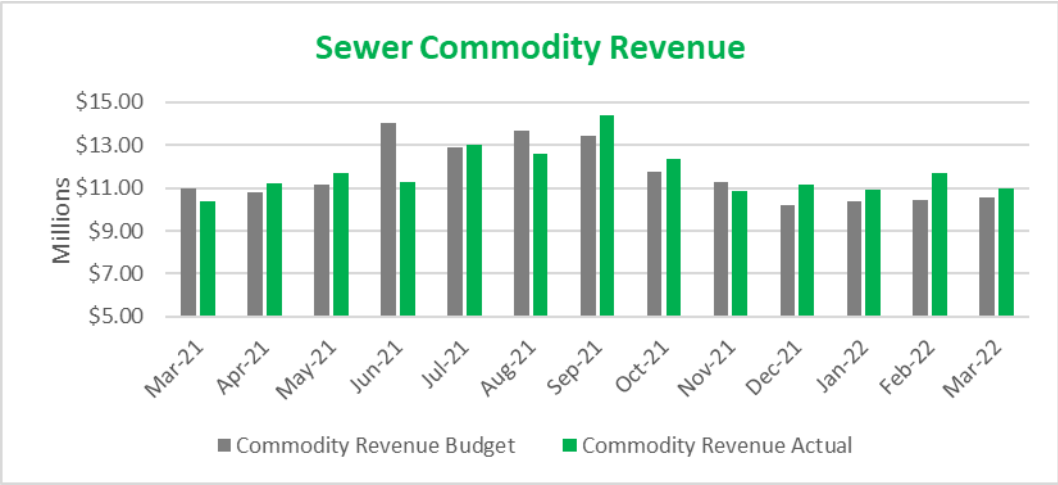
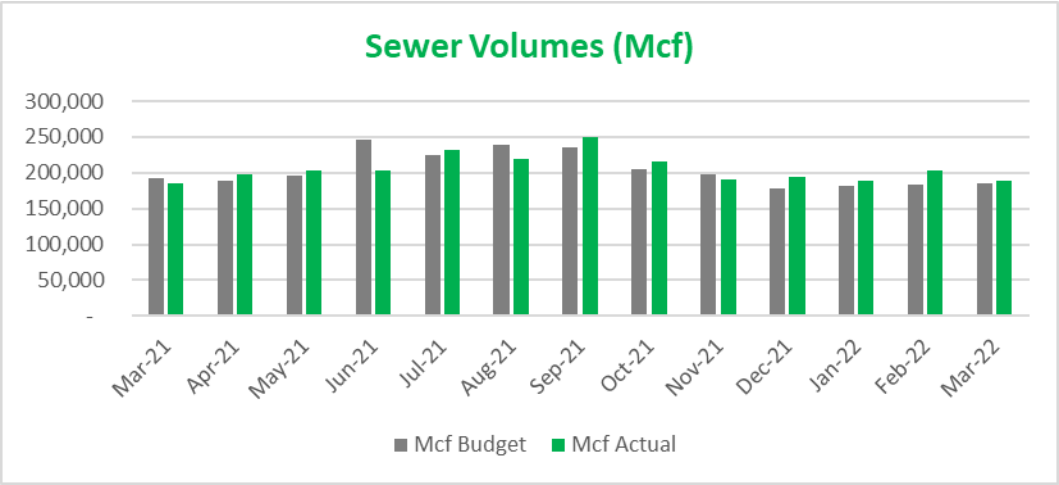




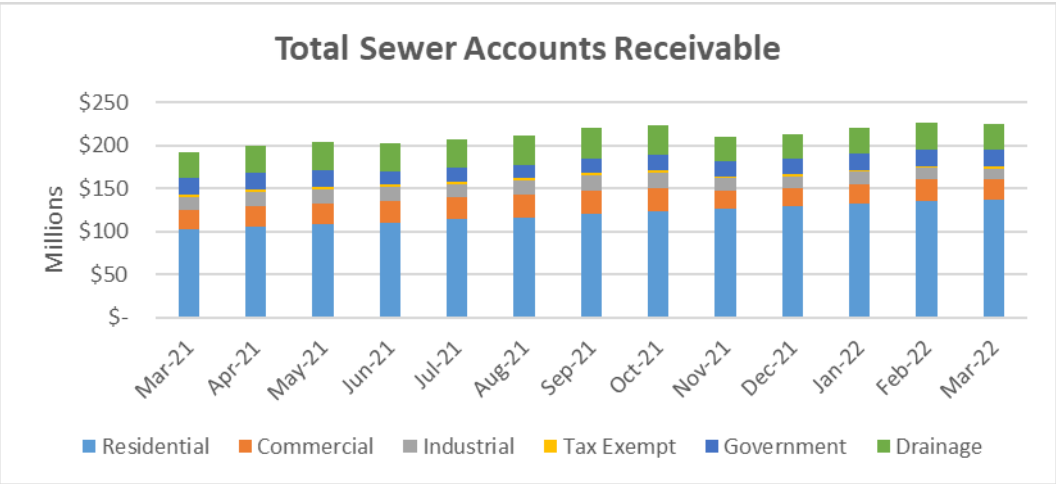
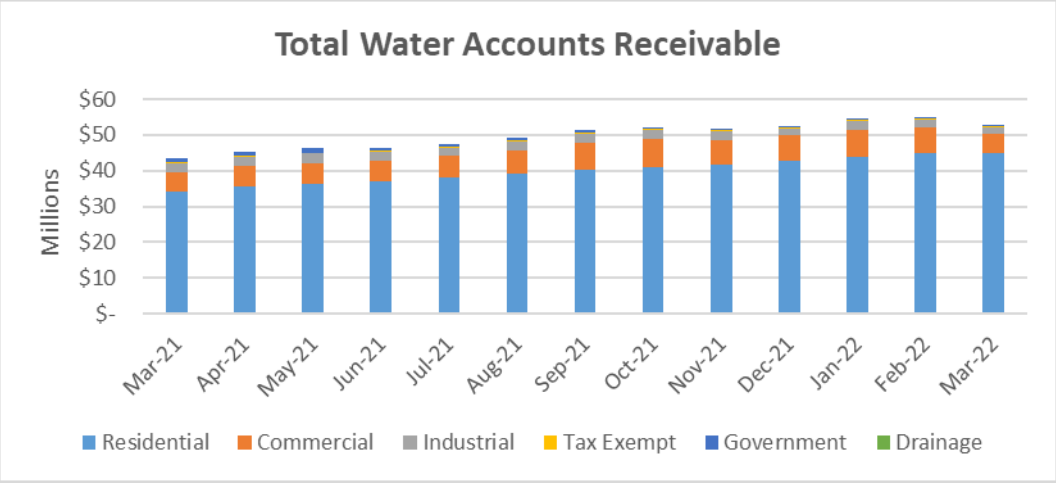
# Water Revenue Metrics



# Sewer Revenue Metrics

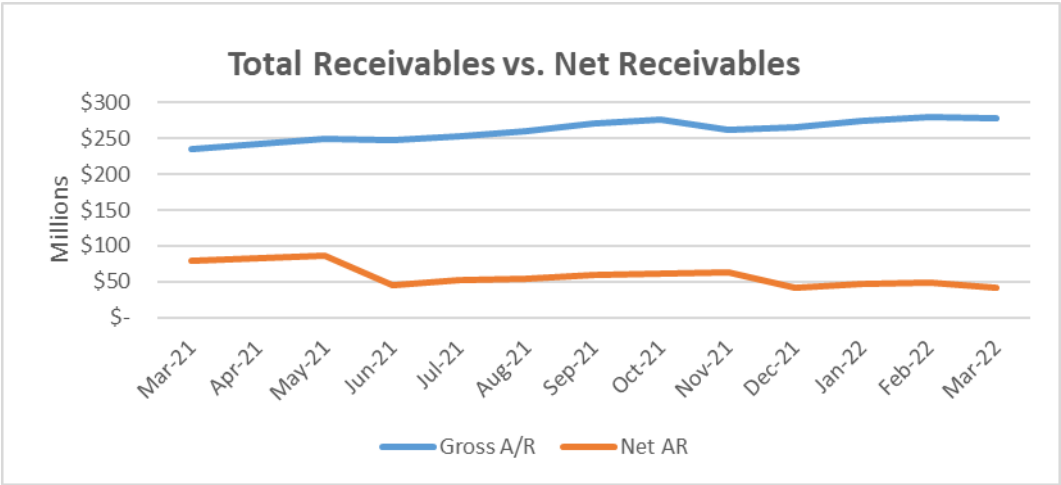
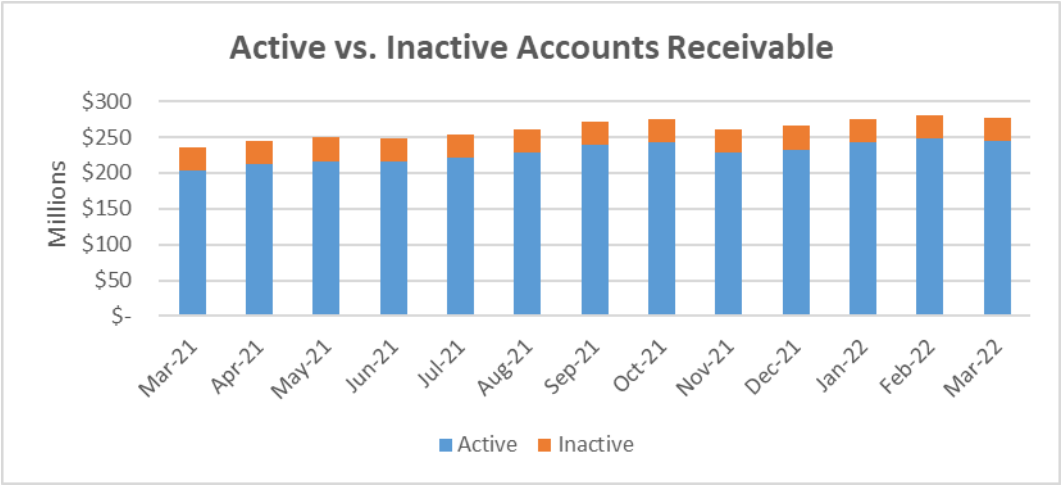


# Accounts Receivable Trends



- Total *Water Accounts Receivable* have increased \$9.0 million (17%) over the past 12 months.
- *Residential Water Accounts Receivable* increased \$10.8 million (24%) over the past 12 months. *Nonresidential* account balances **decreased** \$1.8 million over the same period.
- Total *Sewer Accounts Receivable* have increased \$32.9 million (14.6%) over the past 12 months.
- *Residential Sewer Accounts Receivable* increased \$34.8 million (25.4%) 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 \$1.7 million (5.0%) 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 \$236.6 million as of March 31, 2022

# Comparative Accounts Receivable

- The average age of **Active Residential** receivables has increased by 94 days (53%) since June 2020.
- The Allowance for Doubtful Accounts has increased \$93.6 million (65.5%) since June 2020 reflecting approximately 30% increase in total accounts receivable and an increased risk to collection due to deteriorated ageing.
- Age of Non-Residential sales classes have shown general improvement due to stepped-up collection efforts.

Sales Class	June 30, 2020			June 30, 2021			March 31, 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	\$ 16,552,786	\$ 149,765,412	271
Commercial	7,613,552	33,547,848	132	8,168,258	30,456,422	112	7,747,092	27,844,057	108
Industrial	3,493,954	12,613,274	108	4,860,341	16,951,221	105	4,962,847	14,088,589	85
Tax Exempt	491,259	2,914,384	178	571,304	3,258,181	171	673,841	2,915,810	130
Government	2,975,998	17,860,445	180	2,611,085	15,121,194	174	2,542,077	19,632,060	232
Drainage Only	3,052,765	28,034,656	276	3,895,026	31,851,540	245	3,988,902	29,755,659	224
<b>Total Active Accounts</b>	<b>\$ 33,060,825</b>	<b>185,934,549</b>	<b>169</b>	<b>\$ 36,334,597</b>	<b>215,698,107</b>	<b>178</b>	<b>\$ 36,467,545</b>	<b>244,001,587</b>	<b>201</b>
Inactive Accounts Receivable		27,911,704			32,356,774			33,622,253	
<b>Total Accounts Receivable</b>		<b>213,846,253</b>			<b>248,054,881</b>			<b>277,623,840</b>	
Allowance for Doubtful Accounts		(142,881,820)			(202,171,655)			(236,550,888)	
<b>Net Accounts Receivable</b>		<b>\$ 70,964,433</b>			<b>\$ 45,883,226</b>			<b>\$ 41,072,952</b>	



# THANK YOU!

## **Detroit Water & Sewerage Department**

For more information visit: [www.detroitmi.gov/dwsd](http://www.detroitmi.gov/dwsd)

## **FOLLOW US!**



Facebook.com/DWSDDetroit



@DetroitWaterDep



@detroitwatersewerage