



February 2022 Financial Review

BOWC Finance Committee

May 4, 2022

February 2022 Highlights



Cash and Investments

- **Operating Cash** balances have been stable largely due to budgetary savings for both the Funds.
- **Cash @ GLWA** holding steady with retail collections trending slightly higher for both the Funds compared to the previous month and either trending higher than or approximated budgeted targets.
- **I&E and Construction Cash** are also holding steady for both the Funds at \$46.6 million for the Water Fund and \$19.7 million for the Sewer Fund.
- DWSD is currently working with an investment consultant to invest funds held in excess of liquidity requirements in the I&E and Construction Funds to generate and maximize investment income.
- DWSD continues to spend I&E and Constructions Funds in support of the Capital Improvement Program for both the Funds.
- There are no current plans for the issuance of new bonds in the immediate future.
- DWSD continues to inquire, pursue and plan for new governmental infrastructure funding.

February 2022 Highlights - continued

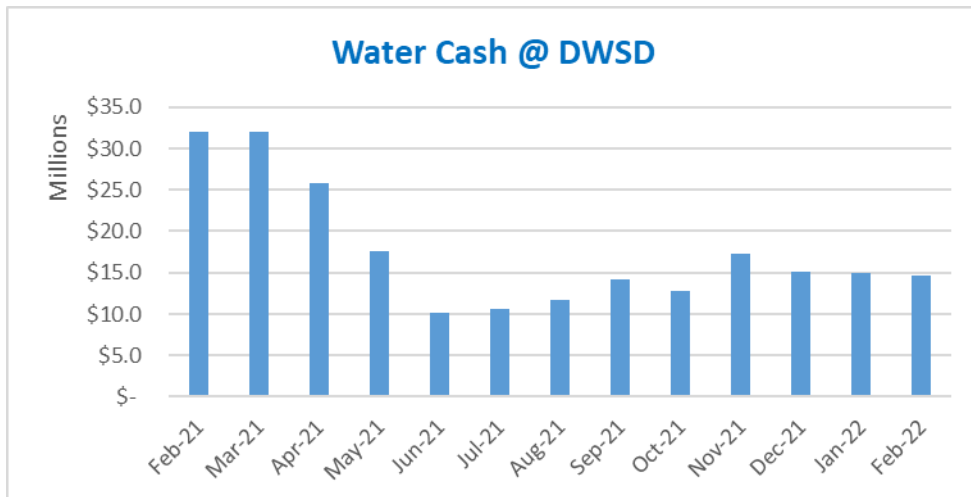
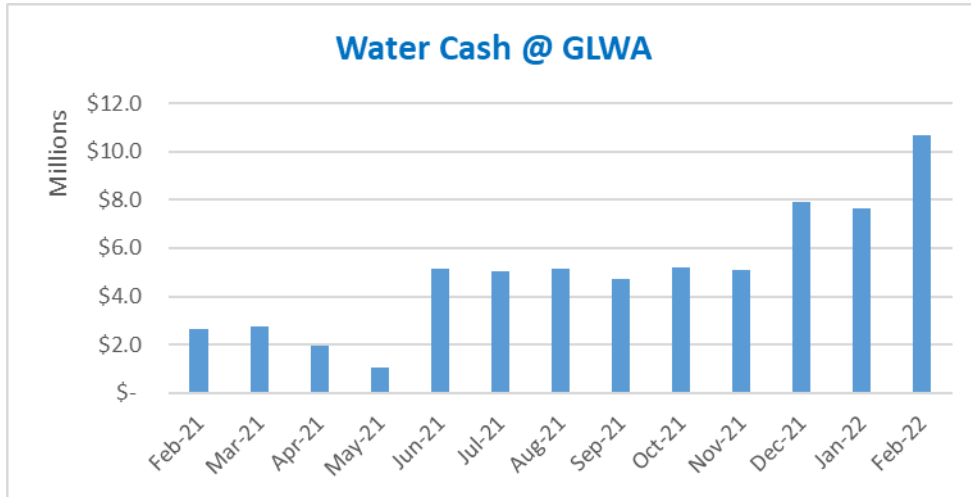
Billing/Collection

- Water and Sewer volumes and revenue trends reflect normal seasonal drops through the winter season and have exceeded budgeted targets for FY 22.
- Impervious acreage continues to be billed at budgeted targets with no foreseeable variances.
- The average age of residential accounts receivable continues to increase. As of February 28, residential accounts averaged 261 days representing an increase of 84 days (47%) since June 2020.
- The 3-month average collection rate for Residential accounts was 77% . 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 the average age of residential accounts.
- Allowance for bad debt increased \$89.2 million (62.4%) since June 2020 while total accounts receivables increased by 31.2% over the same period reflecting increased risk to collection due to deteriorated ageing.

Actual vs Budgeted Expenses

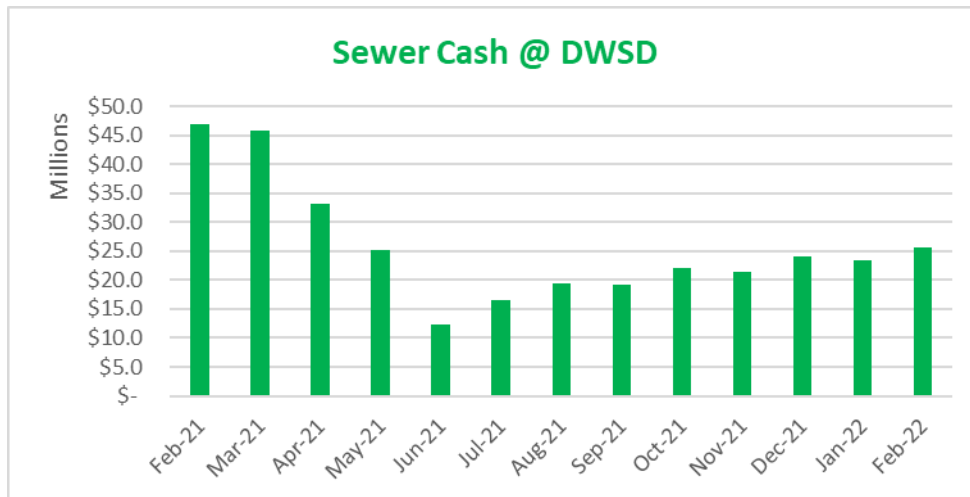
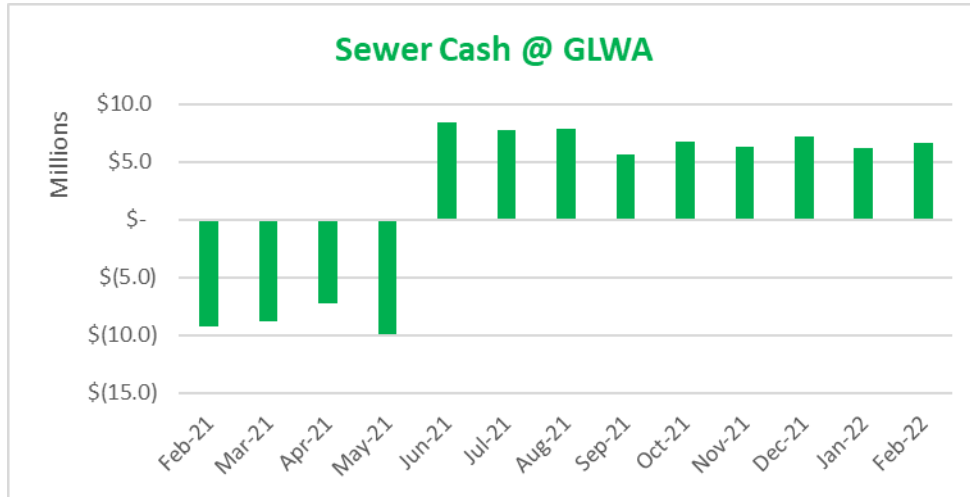
- Actual Expenses are within budgeted expenses with no significant variances as of February 28, 2022.

Water Operating Cash



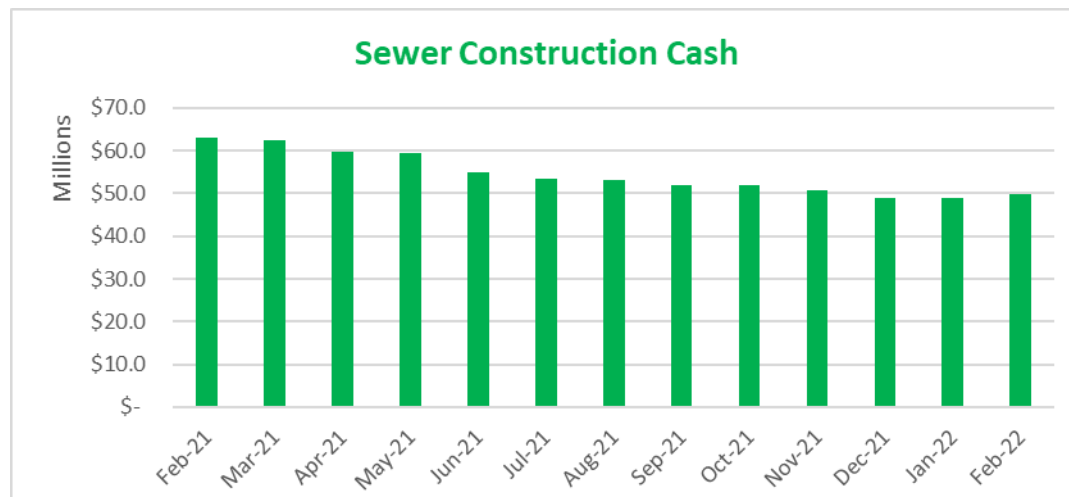
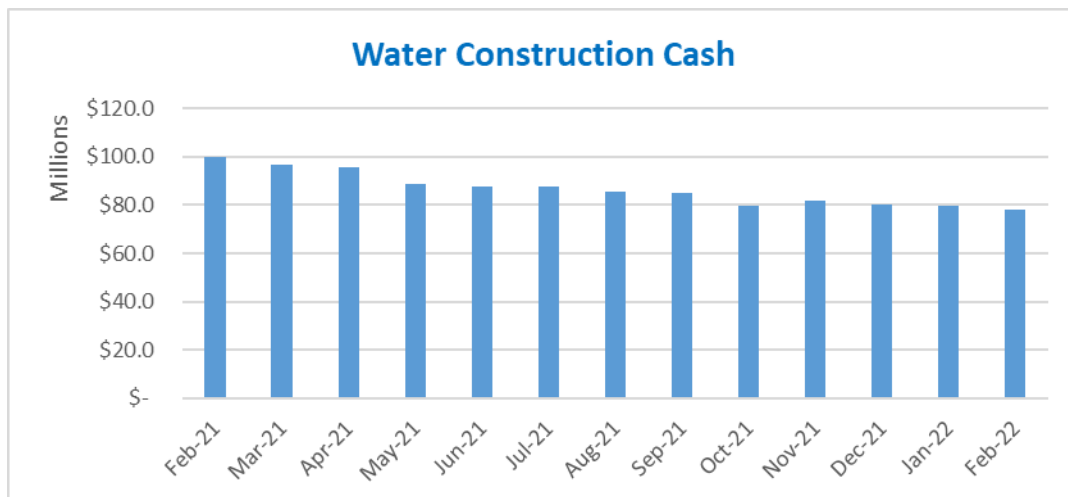
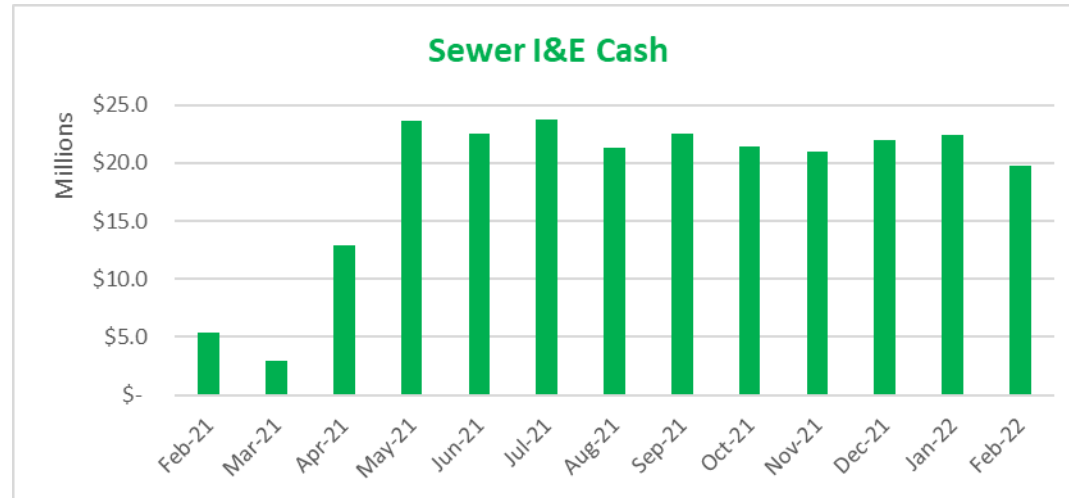
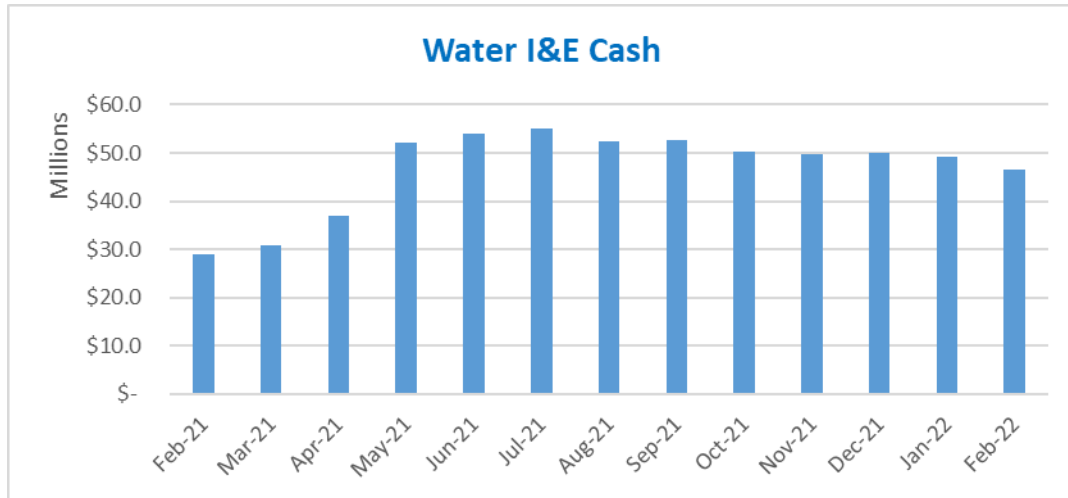
- **Cash@GLWA** amounted to \$10.7 million compared to \$7.7 million at the end of January 31, 2022.
- Retail Receipts were approximately \$3.4 million higher than January receipts and approximately \$1.6 million higher than the budgeted target.
- **Cash@DWSD** held steady at \$14.7 million compared to \$15.0 million at the end of January 31, 2022.
- Stable cash position is mainly due to budgetary savings.
- 90 days cash reserve is approximately \$7.5 million for the Water Fund.

Sewer Operating Cash

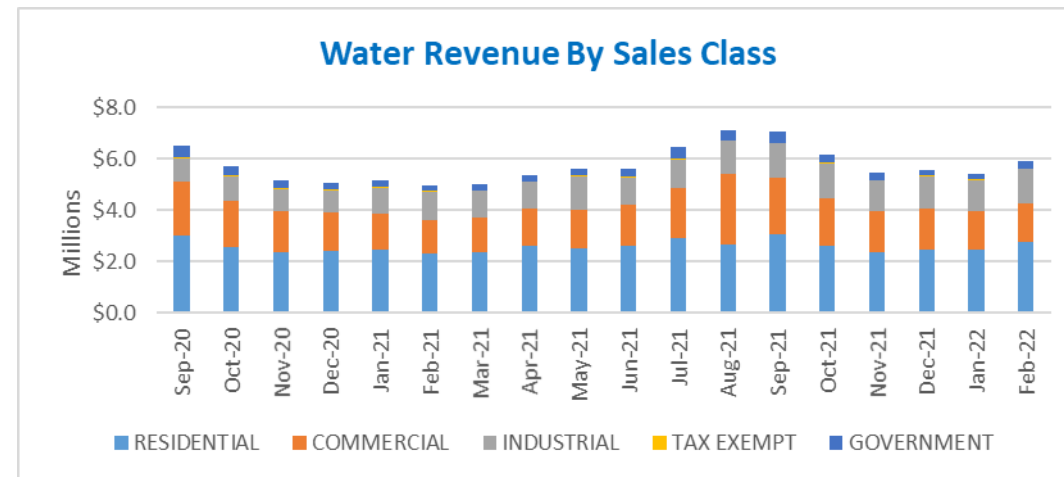
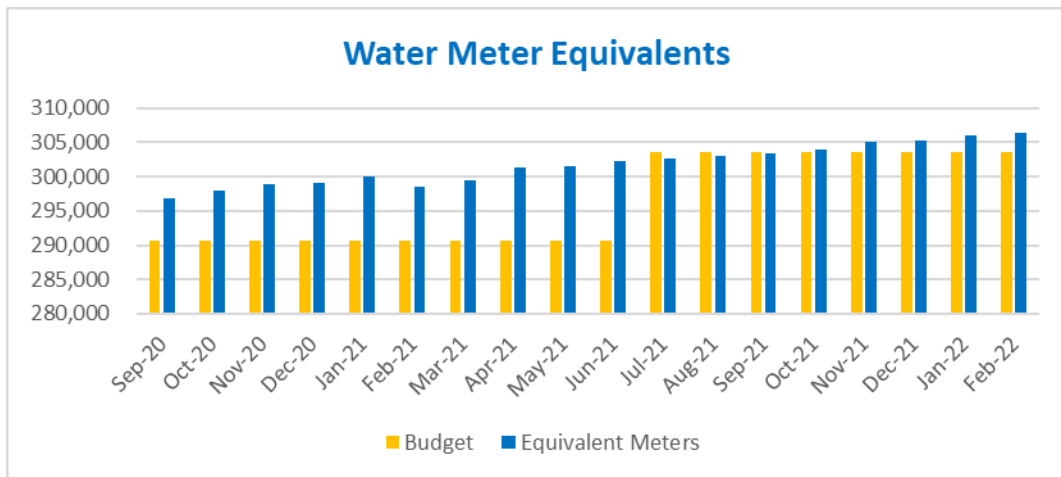
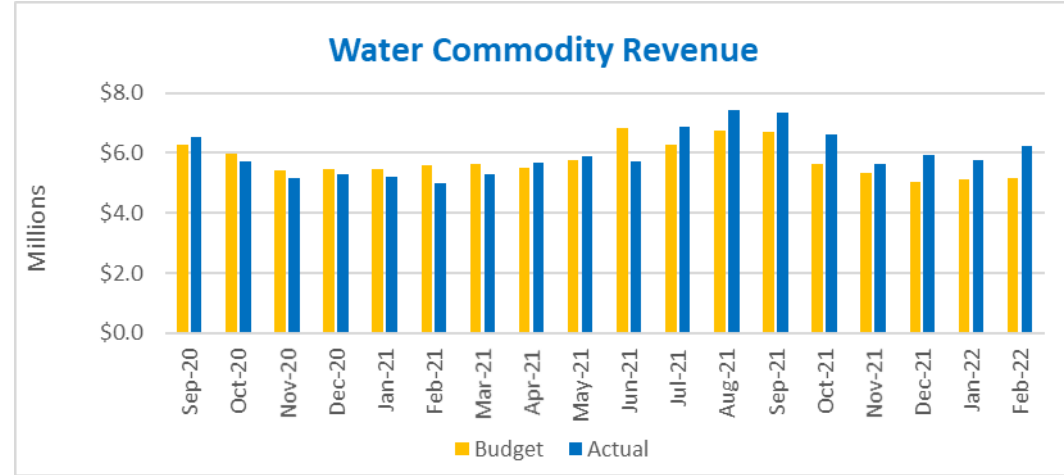
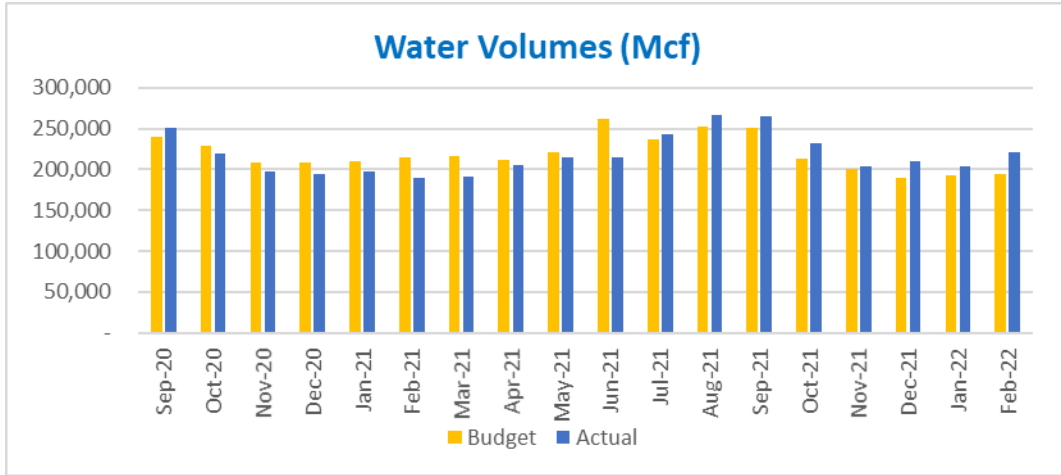


- **Cash@GLWA** amounted to \$6.7 million compared to \$6.2 million at the end of January 2022.
- Retail Receipts were approximately \$1.4 million higher than January receipts and approximated budgeted target for February 2022.
- **Cash@DWSD** amounted to \$25.6 million compared to \$23.3 million at the end of January 2022.
- Stable cash position is mainly due to budgetary savings.
- 90 days cash reserve is approximately \$15 million for the Sewer Fund.

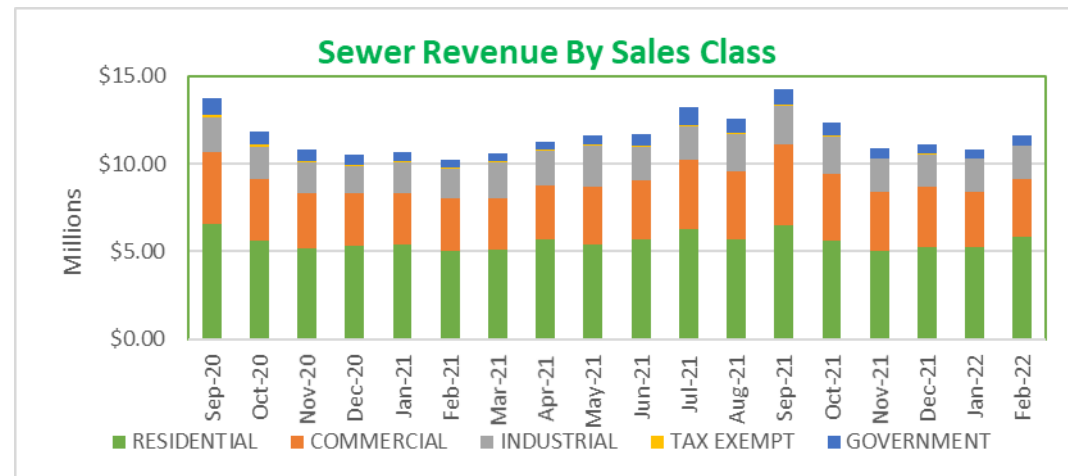
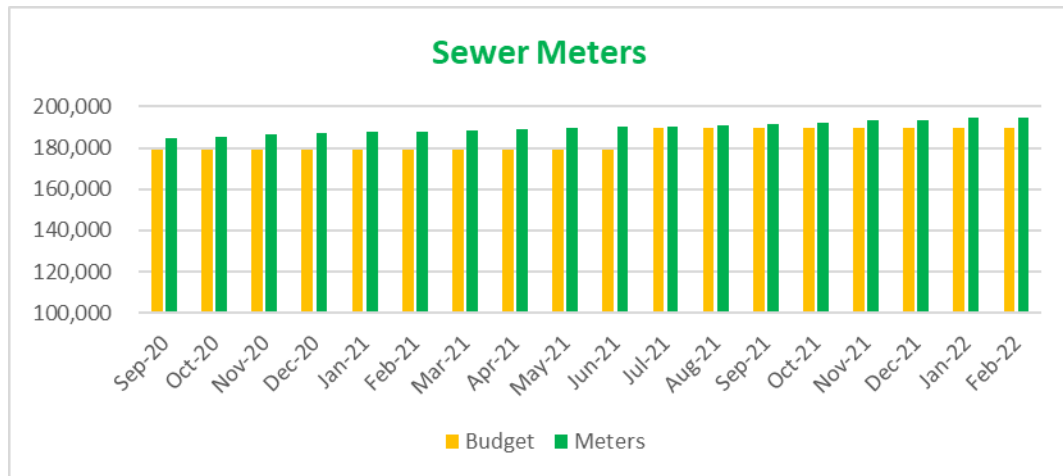
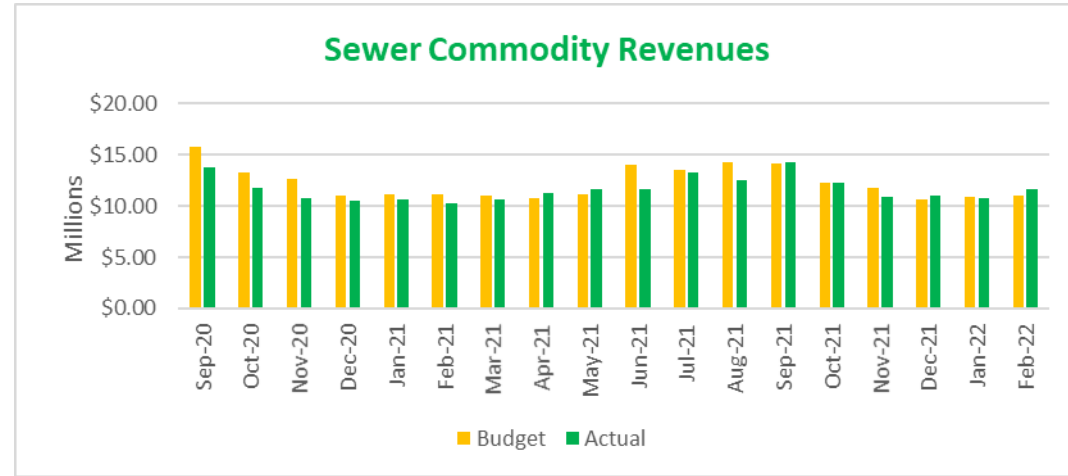
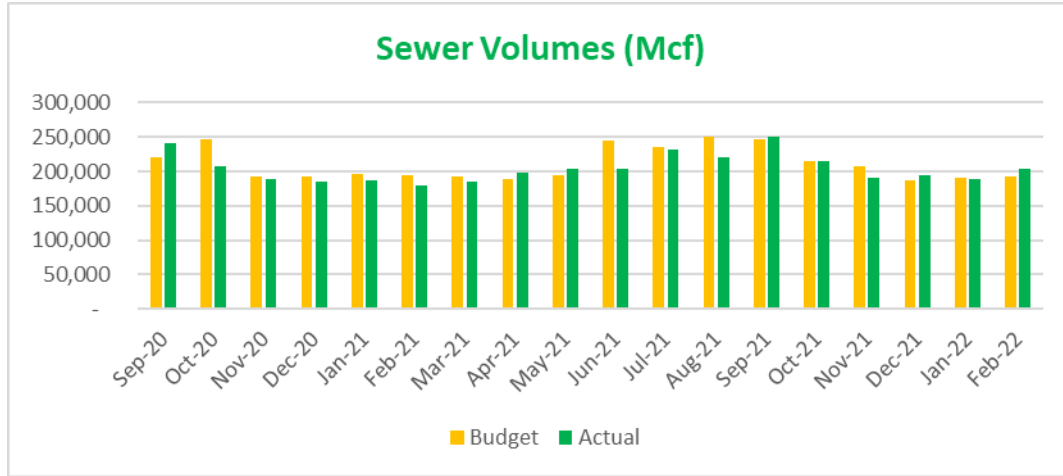
I&E and Construction Cash – Water and Sewer Funds



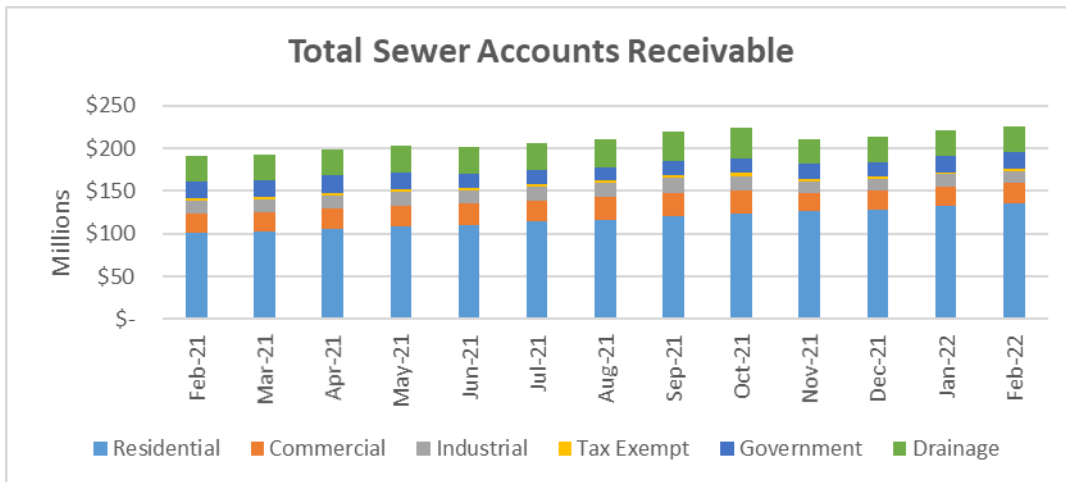
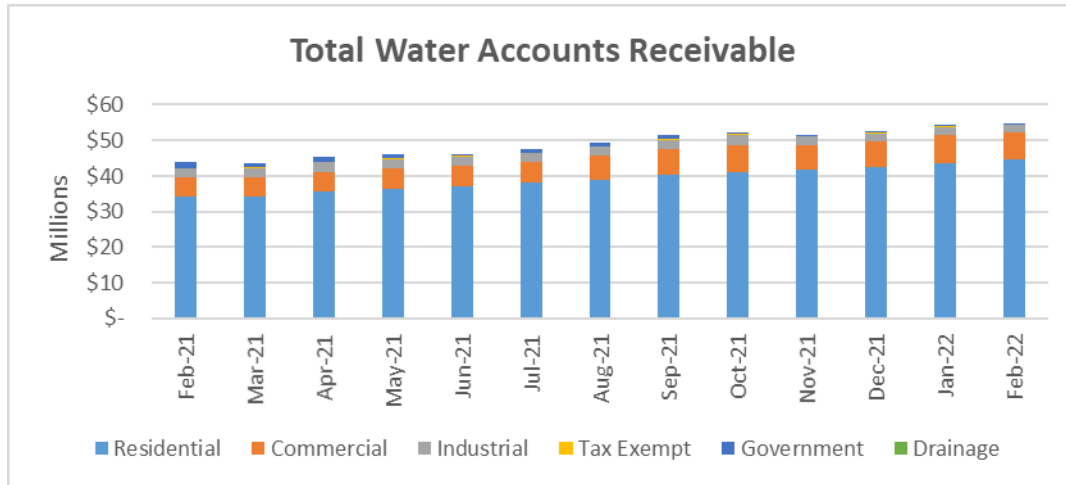
Water Revenue Metrics



Sewer Revenue Metrics

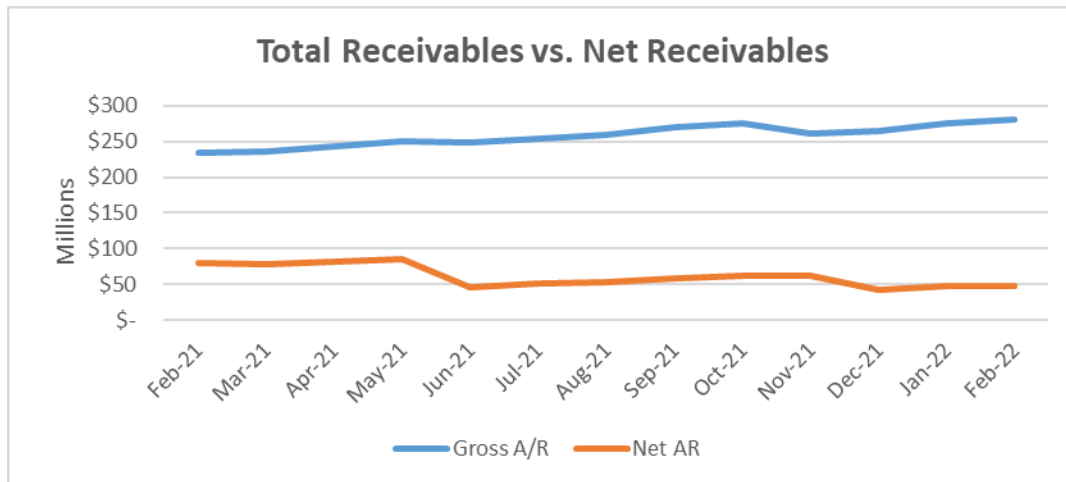
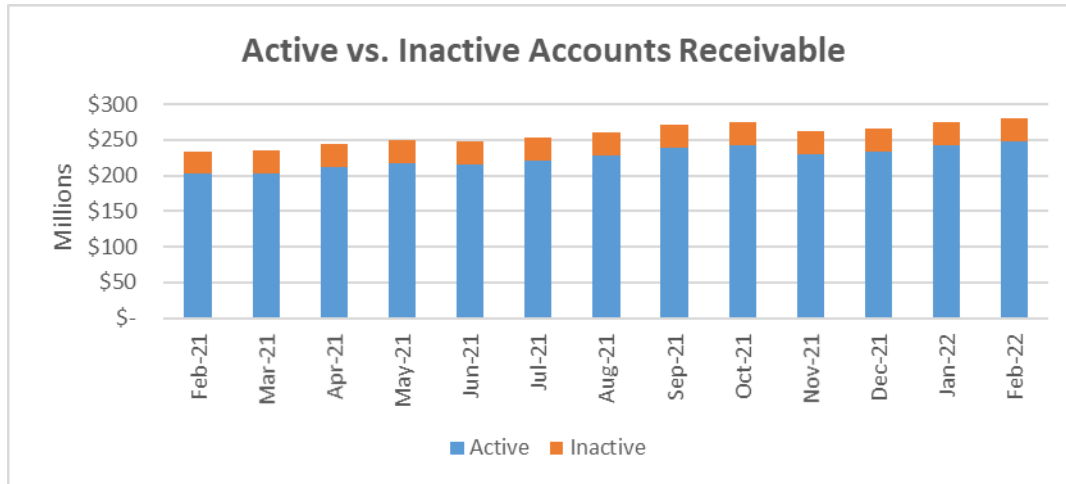


Accounts Receivable Trends



- **Total Water** Accounts Receivable have increased \$10.8 million (25%) over the past 12 months.
- **Residential Water** Accounts increased \$10.7 million (31.4%) over the same period accounting for 98.4% of the total increase in Accounts Receivable.
- **Total Sewer** Accounts Receivable have increased \$35.2 million (18.4%) over the past 12 months.
- **Residential Sewer** Accounts increased \$34.6 million (34.3%) over the same period accounting for 98.5% of the total increase in Accounts Receivable.

Accounts Receivable Trends



- **Inactive Accounts Receivable** have increased \$1.0 million (3.2%) over the past 12-month period. All 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.
- **Net Accounts Receivable** (*Receivables 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 \$232.1 million at February 28th.

Historical Accounts Receivable

- The average age of **Active Residential** receivables has increased by 84 days (47%) since June 2020.
- The Allowance for Doubtful Accounts has increased \$89.2 million (62.4%) since June 2020 reflecting a 31% 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			February 28, 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	\$ 17,044,151	\$ 148,357,997	261
Commercial	7,613,552	33,547,848	132	8,168,258	30,456,422	112	8,084,269	31,554,086	117
Industrial	3,493,954	12,613,274	108	4,860,341	16,951,221	105	5,065,421	15,485,606	92
Tax Exempt	491,259	2,914,384	178	571,304	3,258,181	171	631,637	2,806,474	133
Government	2,975,998	17,860,445	180	2,611,085	15,121,194	174	2,560,944	19,741,025	231
Drainage Only	3,052,765	28,034,656	276	3,895,026	31,851,540	245	4,014,241	29,792,381	223
Total Active Accounts	\$ 33,060,825	185,934,549	169	\$ 36,334,597	215,698,107	178	\$ 37,400,662	247,737,569	199
Inactive Accounts Receivable		27,911,704			32,356,774			32,822,242	
Total Accounts Receivable		213,846,253			248,054,881			280,559,811	
Allowance for Doubtful Accounts		(142,881,820)			(202,171,655)			(232,111,125)	
Net Accounts Receivable		\$ 70,964,433			\$ 45,883,226			\$ 48,448,686	

THANK YOU!

Detroit Water & Sewerage Department

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