



January 2023 Financial Review

BOWC Finance Committee

April 5, 2023

January 2023 Highlights

Cash and Investments

- DWSD continues to maintain adequate cash reserves to support its Operating and Capital programs.
- On a Systemwide basis, DWSD's Cash and Investments amounted to \$248.8 million (\$133.7 million in the Water Fund and \$115.1 million in the Sewer Fund).

Operating Cash

- **Water Operating Cash** amounted \$19.9 million representing a decrease of \$0.2 million from prior month.
- **Sewer Operating Cash** amounted to \$37 million representing an increase of \$5.4 million over the prior month.
- The recent growth in FY 2023 balances is attributable to budget savings across most operational areas.

I&E and Construction Cash

- DWSD continues to spend down I&E and Construction Cash in support of its Capital Improvement Program.
- **Water I&E Cash** amounted to \$41.7 million representing an increase of \$10.5 million from previous month.
- The increase in cash was attributable to SRF reimbursements received in January amounting to \$10.3 million.
- **Water Construction Cash** amounted to \$72.1 million representing a decrease of \$2.4 million from the previous month. DWSD used approximately \$7.8 million of Water construction funds over the last twelve months.
- **Sewer I&E Cash** amounted to \$35 million representing an increase of \$1.3 million from the previous month.
- **Sewer Construction Cash** amounted to \$43.1 million representing a slight decrease of \$0.2 million from the previous month. DWSD has used approximately \$6.8 million of Sewer construction funds over the last twelve months.

January 2023 Highlights

Cash at GLWA (Trust Account)

- **Water Cash @ GLWA** amounted to \$16.5 million representing a decrease of \$0.7 million from last month.
- January collection of \$9.4 million fell short of the target collection amount for the month by approximately \$0.8 million.
- **Sewer Cash @ GLWA** amounted to \$19.5 million representing an increase of \$0.8million from last month.
- January collection of \$24.1 million exceeded target collection amount for the month by approximately \$0.8 million.

Collection Rate/Allowance for Bad Debt

- The 3-month average collection rate of 79.8% for Residential customers is an improvement from prior month by 2.8%.
- Residential collections rates improved after receipt of \$3.3 million in third party (governmental assistance) payments and in anticipation of the end of the moratorium on service interruption.
- Nonresidential collections show improvement beginning in November following the mailing of notices to customers of the department's plans to place delinquencies on the tax roll. The 3-month average collection rate exceeded 90%.
- DWSD continues to increase Bad Debt allowance due to high average age of active residential accounts.
- Bad Debt allowance increased by \$25.7 million since June 2022 and \$3.3 million over the previous month.
- The total Allowance for Bad Debt of \$258.7 million represents 80.7% of total accounts receivable leaving \$62.1 million net receivable balance at the end of January 2023.
- DWSD anticipates resuming service interruptions on delinquent residential accounts in the near future.

January 2023 Highlights



Billing and Receivables

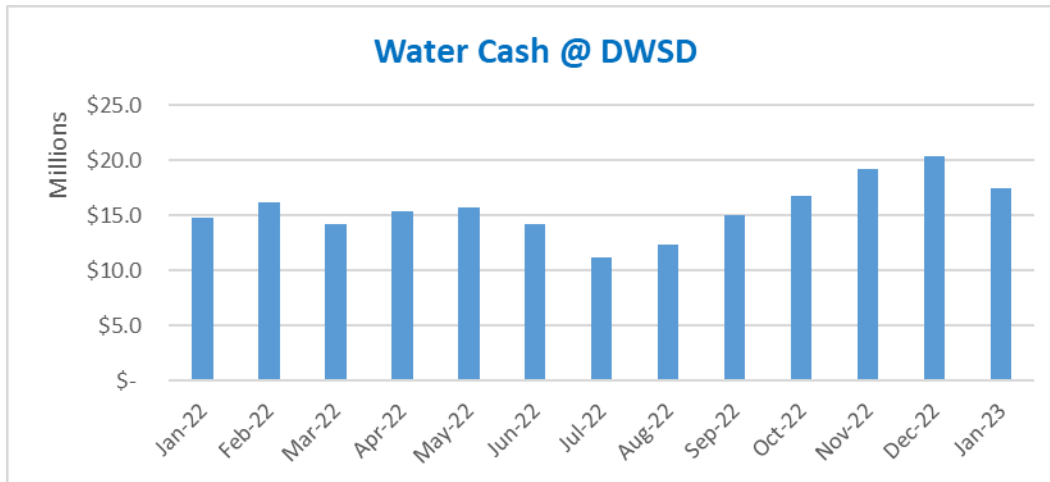
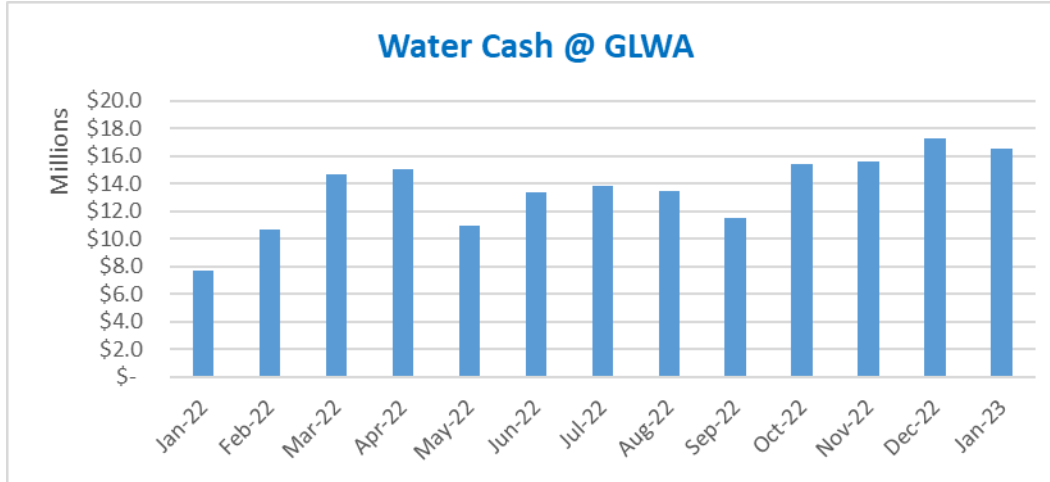
- Total January sales amounted to \$39.5 million, an increase of \$2.3 million over previous month.
- Total receivables for active accounts amounted to \$281.3 million, an increase of \$6.5 million over previous month.
- Active Residential accounts averaged 352 days, a decrease of 10 days from December but an increase of 71 days (25.4%) since June 2022.
- Active accounts receivable for all customer classes averaged 214 days, a decrease of 7 days from December 2022.

Revenue Trends and Metrics

- **Water Volumes** are trending 9.4% over budget for the last seven months. **Water Meter Equivalents** remained slightly ahead (2.2%) of budgeted levels through the last seven months.
- **Water Commodity Revenues** were \$2.9 million (4.7%) over the straight-line budget and **Water Service Charge Revenues** were approximately \$1.3 million (11.2%) above budget.
- **Sewer Volumes** are trending \$10.2 million over budget for the first seven months. **Sewer Meter Counts** have exceeded budgeted levels in each month of Fiscal 2023. Year to date counts are trending 2.7% ahead of budget estimates.
- **Sewer Commodity Revenues** exceeded budgeted revenues by \$10.3 million (14.8%) and **Sewer Service Charge Revenue** exceeded budget by \$278,000 (3.3%) consistent with positive variances on total meter counts.
- **Billed Impervious Acreage** exceeded budget by 1.0%. **Drainage Revenue** fell short of estimates by \$3.2 million (3.0%).

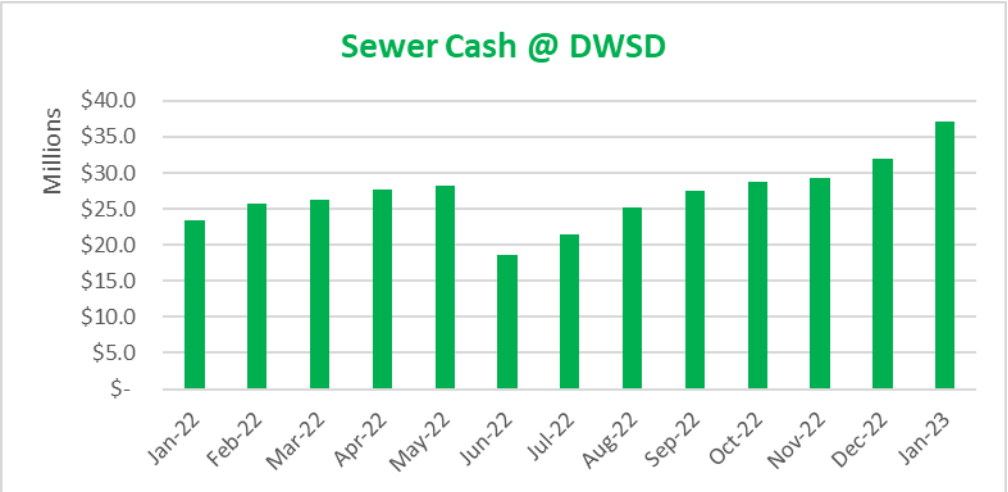
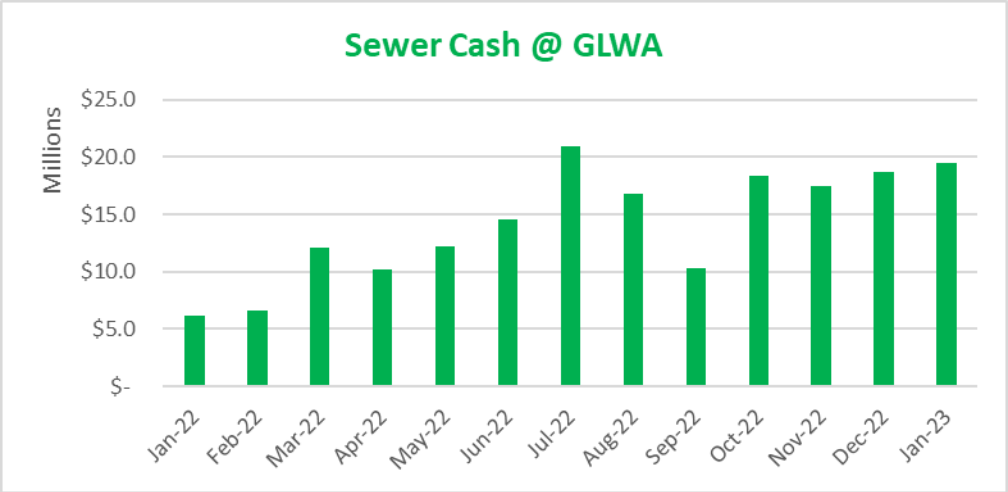
Appendices

Water Operating Cash



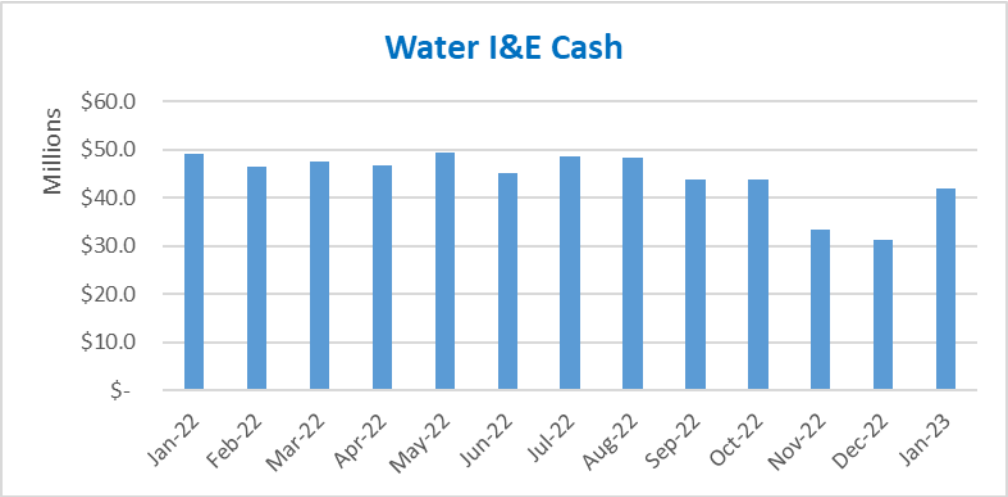
- **Cash @ GLWA** amounted to \$16.5 million on January 31st representing a decrease of \$0.7 million from prior month.
- The temporary decrease in September's **Cash @ GLWA** balance reflects delayed posting of several days' cash receipts associated with the EnQuesta conversion project. All cash receipt postings were brought up to date by the end of October.
- January collection of \$9.4 million fell short of the target collection amount for the month by approximately \$0.8 million.
- The Water Operating **Cash @ DWSD** account had \$19.9 million on deposit at the end of January 2023 representing a decrease of \$0.2 million from prior month.

Sewer Operating Cash

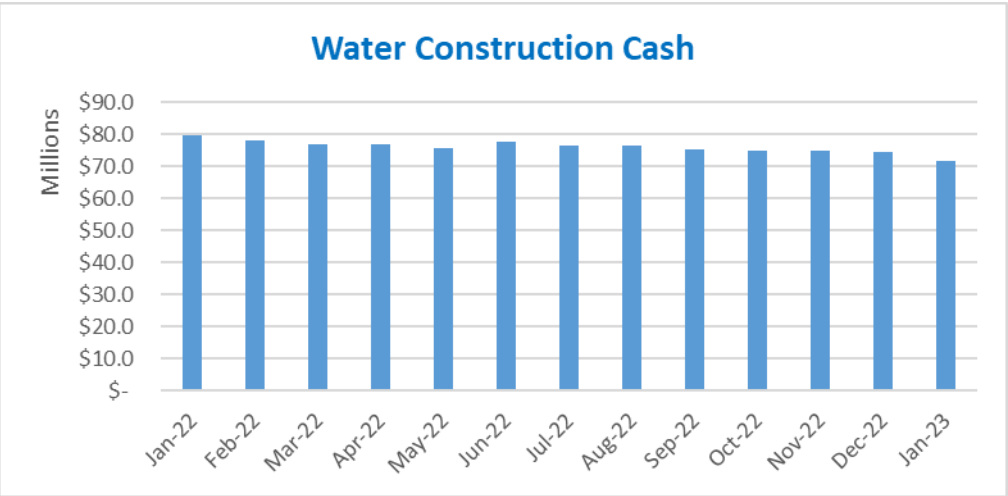


- **Cash @ GLWA** amounted to \$19.5 million at the end of January 2023 representing an increase of \$0.8 million from prior month.
- The temporary decrease in the September’s **Cash @ GLWA** balance reflects the delayed posting of several days’ cash receipts associated with the EnQuesta conversion project. All cash receipt postings were brought up to date by the end of October.
- January collection of \$24.1 million exceeded target collection amount for the month by approximately \$0.8 million.
- **Cash @ DWSD** amounted to \$37 million at the end of January 2023 representing an increase of \$5.4 million over the prior month. The recent growth in FY 2023 balances is attributable to budget savings across most operational areas.

Water I&E and Construction Cash

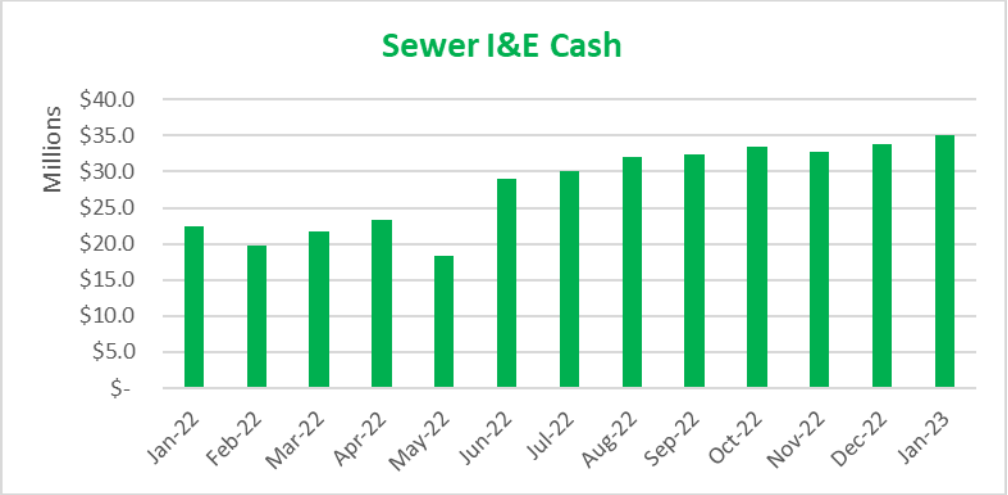


- A balance of \$41.7 million was on deposit in the **Water I&E Cash** account at the end of January representing an increase of \$10.5 million from the previous month. The increase in cash was attributable to SRF reimbursements received in January amounting to \$10.3 million.

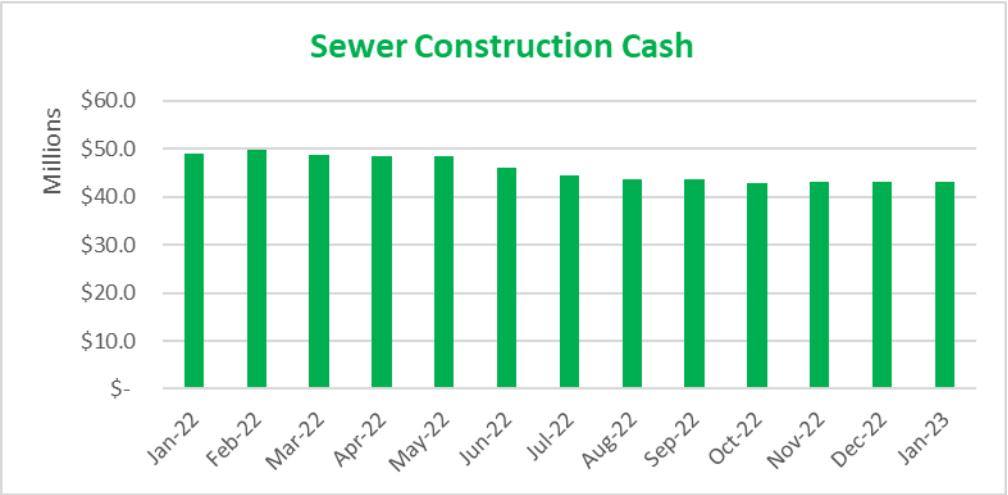


- A balance of \$72.1 million was on deposit in the **Water Construction Cash** account representing a decrease of \$2.4 million from the previous month. DWSD has used approximately \$7.8 million of Water construction funds over the last twelve months.

Sewer I&E and Construction Cash

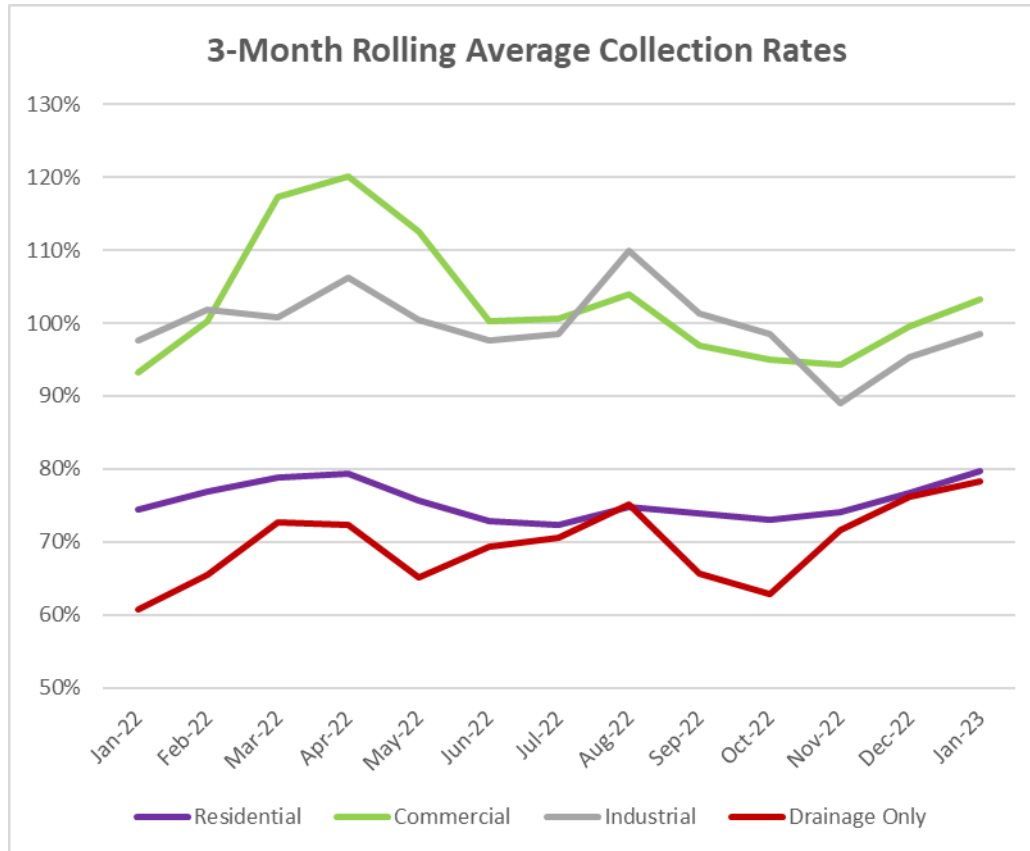


- A balance of \$35 million was on deposit in the *Sewer I&E Cash* account at the end of January representing an increase of \$1.3 million from the previous month.



- A balance of \$43.1 million was on deposit in the *Sewer Construction Cash* account representing a slight decrease of \$0.2 million from the previous month. DWSD has used approximately \$6.8 million of Sewer construction funds over the last twelve months.

Collection Rates



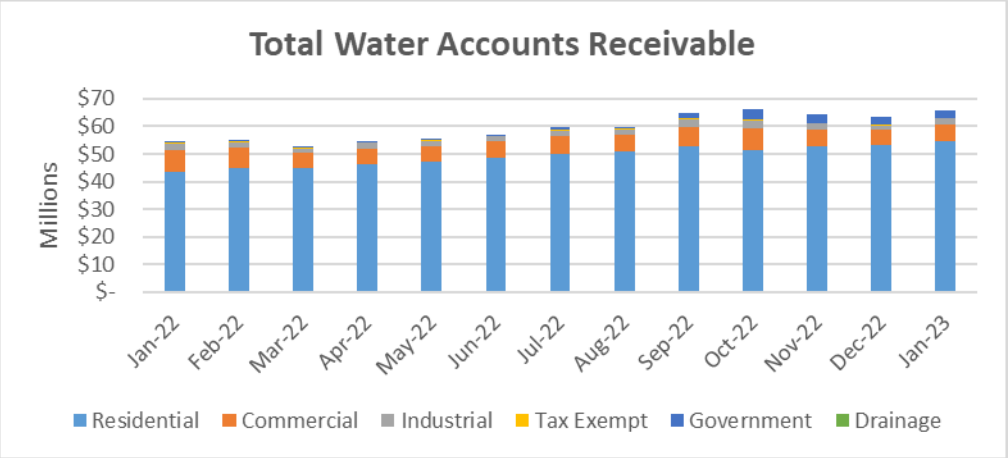
- **Residential** collections rates improved after receipt of \$3.3 million in third party (governmental assistance) payments and in anticipation of the end of the moratorium on service interruptions in December 2022.
- **Nonresidential** collections show improvement beginning in November following the mailing of notices to customers of the department's plans to place delinquencies on the tax roll. These rates have historically increased over averages when customers receive notice of the transfer of delinquent balances to the City tax rolls.
- Overall, collection rates will fluctuate as approximately \$9 million in undistributed wire transfer payments are allocated to specific customer accounts.

Comparative Accounts Receivable

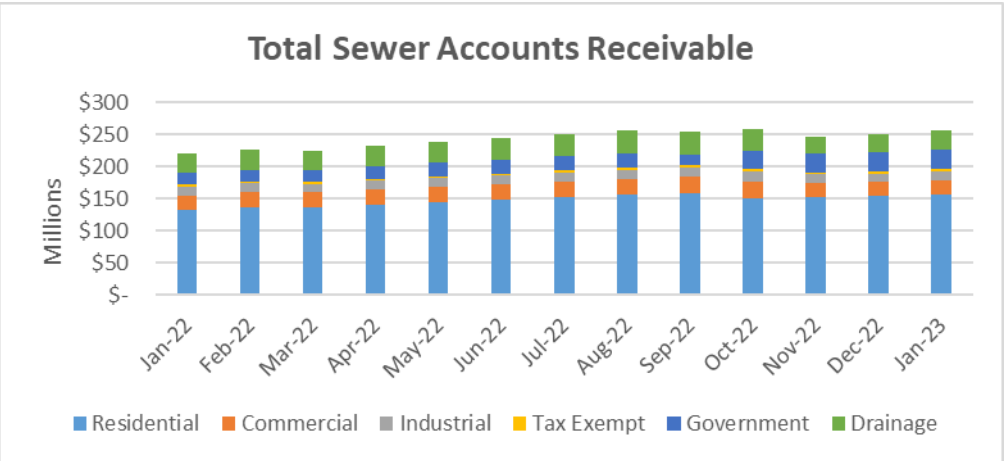
The average age of **Active Residential** receivables has increased by 71 days (25.4%) since June 2022. The change was caused in part by the reclassification of *Detroit Land Bank* homes from the **Residential** customer class to the **Government** customer class. There has been a corresponding reduction in the average age of **Active Government** receivables over the same period.

Sales Class	June 30, 2022			December 31, 2022			January 31, 2023		
	Sales	Receivables	Days in AR	Sales	Receivables	Days in AR	Sales	Receivables	Days in AR
Residential	\$ 17,389,839	\$ 162,666,809	281	\$ 14,179,172	\$ 171,009,936	362	\$ 14,852,734	\$ 174,220,359	352
Commercial	9,107,898	30,495,851	100	8,149,763	26,594,984	98	8,836,945	27,639,021	94
Industrial	5,198,283	14,879,472	86	5,100,791	14,693,290	86	5,457,909	15,869,401	87
Tax Exempt	669,630	3,166,661	142	708,002	2,895,368	123	730,254	2,985,675	123
Government	2,628,550	21,786,979	249	5,376,321	32,888,047	184	5,651,094	33,224,703	176
Drainage Only	4,027,746	32,295,477	241	3,709,734	26,707,558	216	3,966,649	27,367,727	207
Total Active Accounts	\$ 39,021,947	265,291,250	204	\$ 37,223,782	274,789,184	221	\$ 39,495,585	281,306,886	214
Inactive Accounts Receivable		35,054,997			38,837,787			39,498,901	
Total Accounts Receivable		300,346,247			313,626,971			320,805,787	
Allowance for Doubtful Accounts		(233,062,456)			(255,467,165)			(258,730,771)	
Net Accounts Receivable		\$ 67,283,791			\$ 58,159,806			\$ 62,075,016	

Accounts Receivable Trends



- Total **Water Accounts Receivable** increased \$11.0 million (17%) over the past 12 months.
- Residential **Water Accounts Receivable** increased \$11 million (20%) over the past 12 months. Nonresidential account balances have increased approximately \$65,000 over the same period.

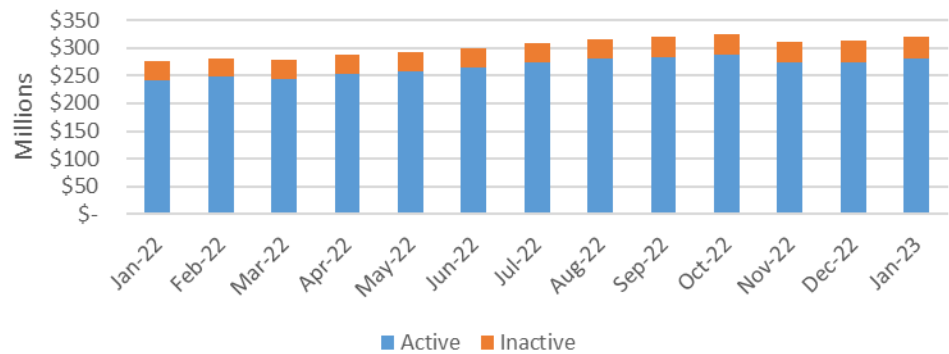


- Total **Sewer Accounts Receivable** have increased \$34.6 million (13.5%) over the past 12 months.
- Residential **Sewer Accounts Receivable** increased \$24.5 million (15.6%) over the past 12 months. Nonresidential account balances have increased by \$10 million over the same period.

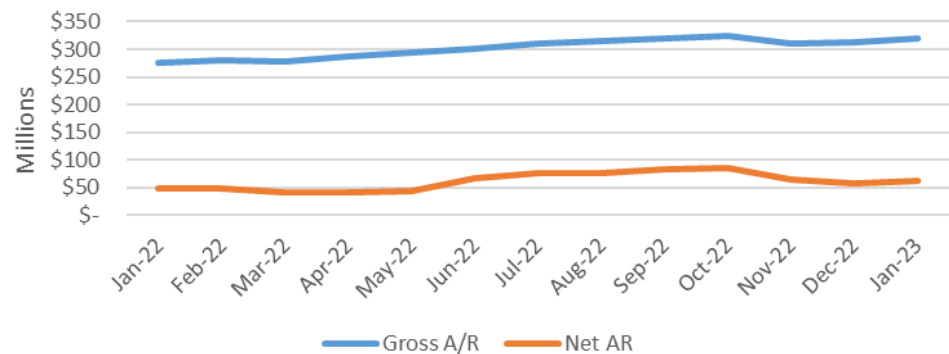
Accounts Receivable Trends



Active vs. Inactive Accounts Receivable

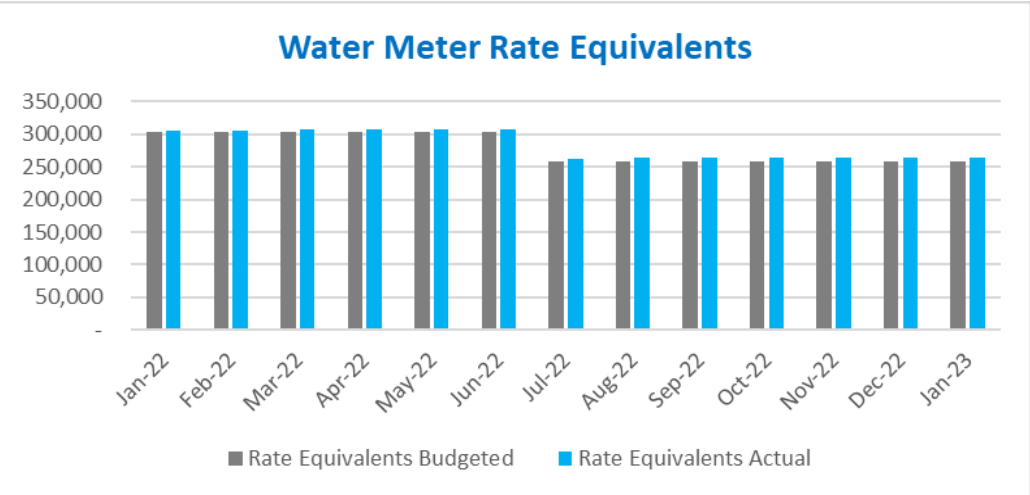
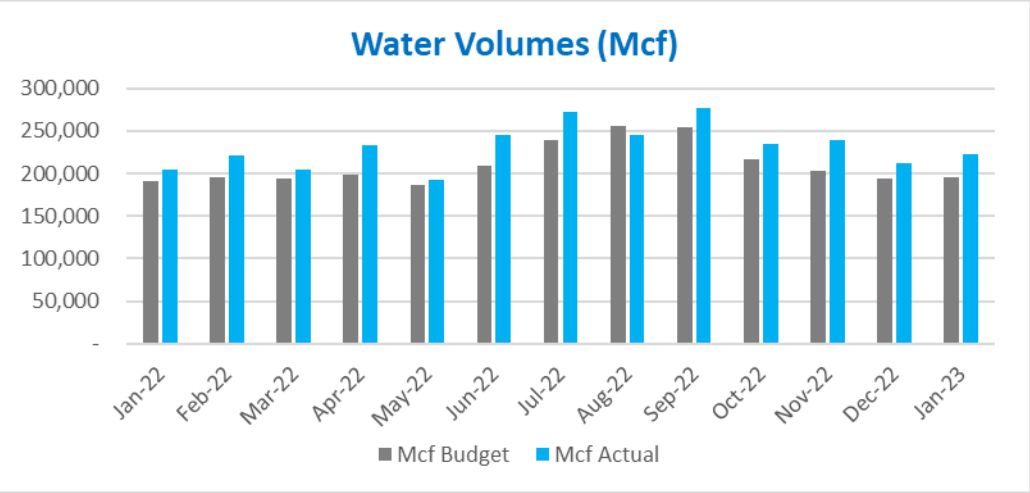


Total Receivables vs. Net Receivables



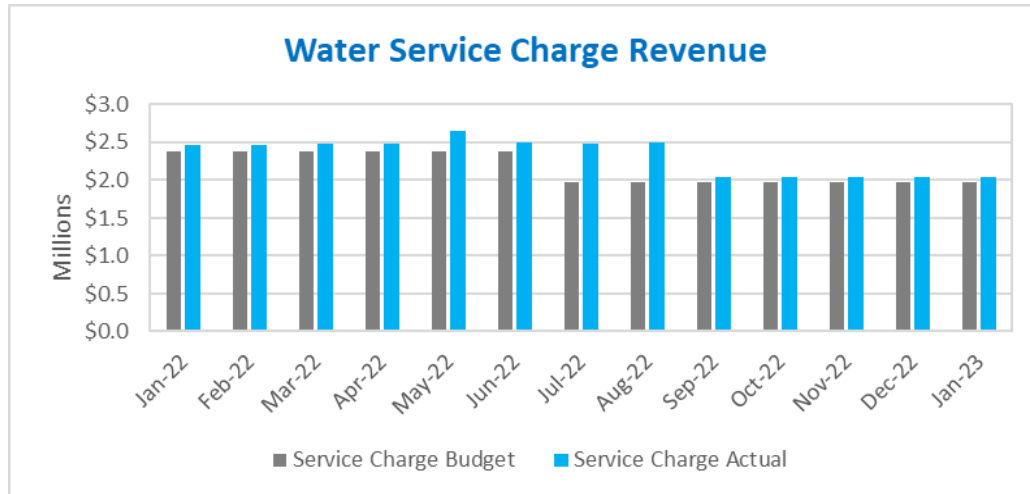
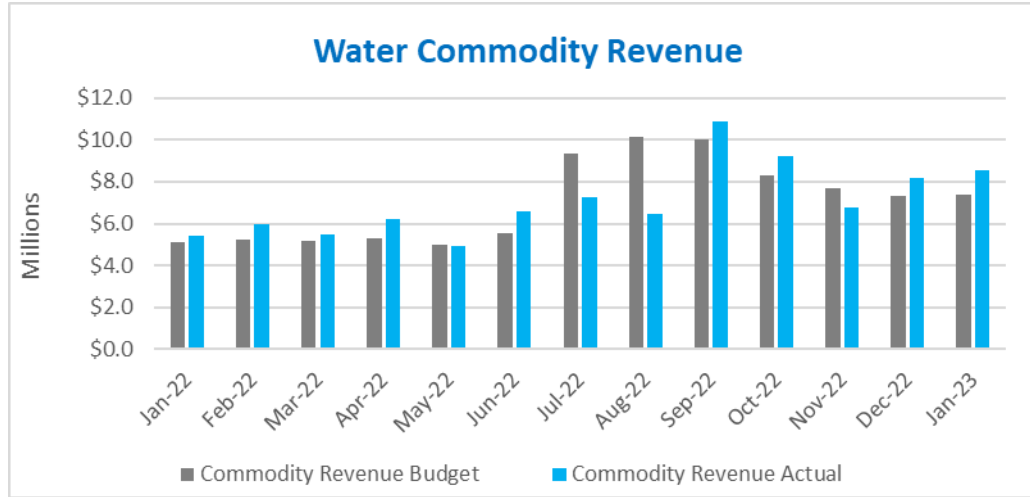
- **Inactive Accounts Receivable** have increased \$6.6 million (16.8%) over the past 12-month period.
- **Non-Residential Accounts** amounting to \$17.8 million were transferred to the Tax Roll and written off in November 2022. Approximately \$7.4 million State of Michigan Highway Drainage receivables have been written off this year.
- *Accounts Receivable net of the Allowance for Doubtful Accounts* has increased by \$14.5 million over the past twelve months.
- The total **Allowance for Doubtful Accounts** amounted to \$258.7 million on January 31st and currently represents 80.7% of gross accounts receivable.

Water Revenue Metrics



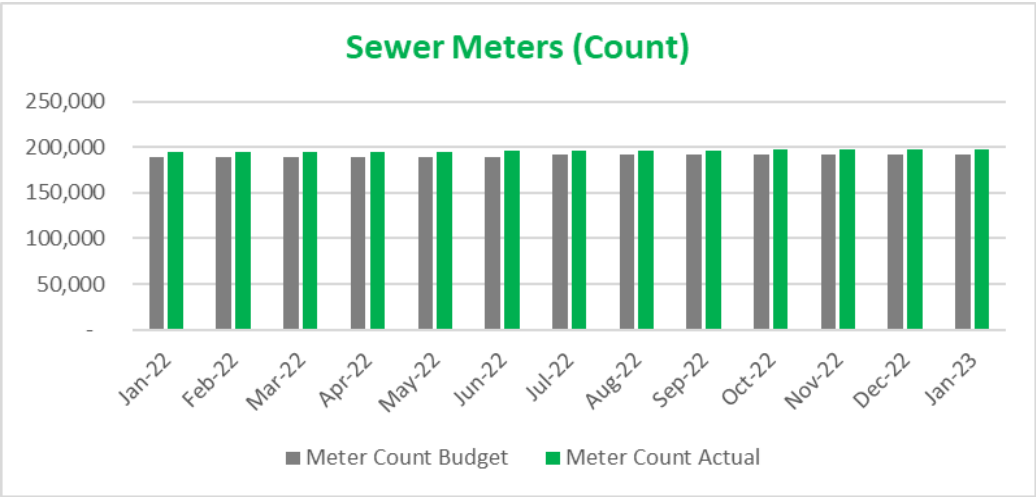
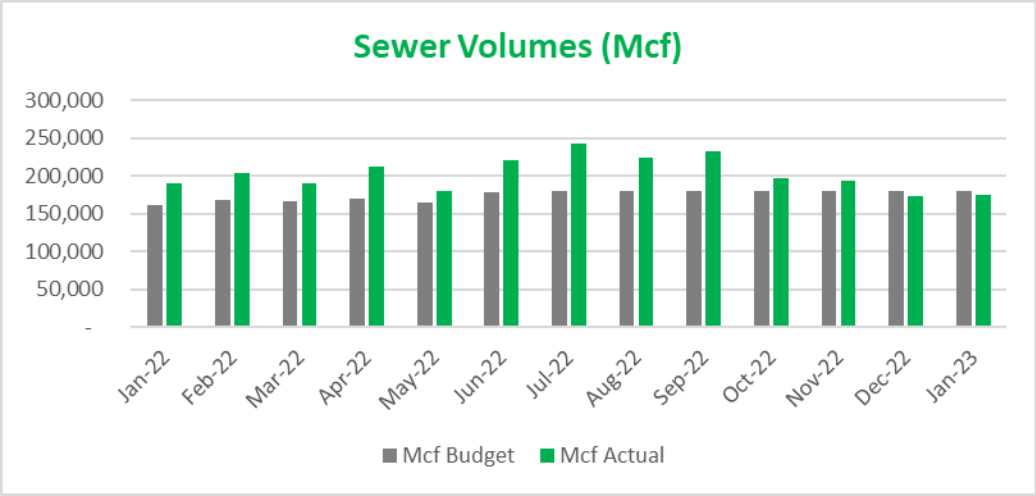
- Year-to-Date **Water Volumes** are trending 9.4% over budget for the last seven months. Increases in summer months reflect normal seasonal variability.
- **Water Meter Rate Equivalents** equalize all water meters based on the monthly fixed rates assigned to different meter sizes. Total equivalents 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 (2.2%) of budgeted levels through the last seven months.

Water Revenue Trends



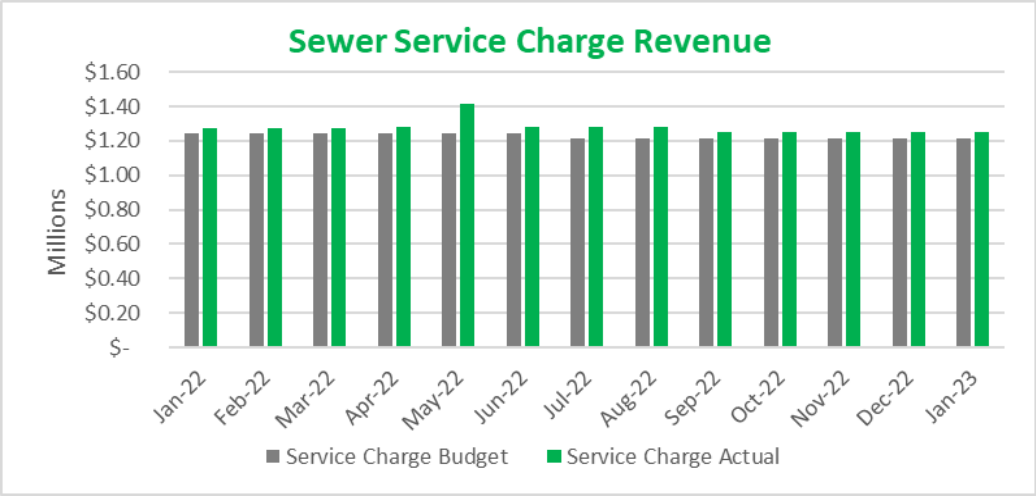
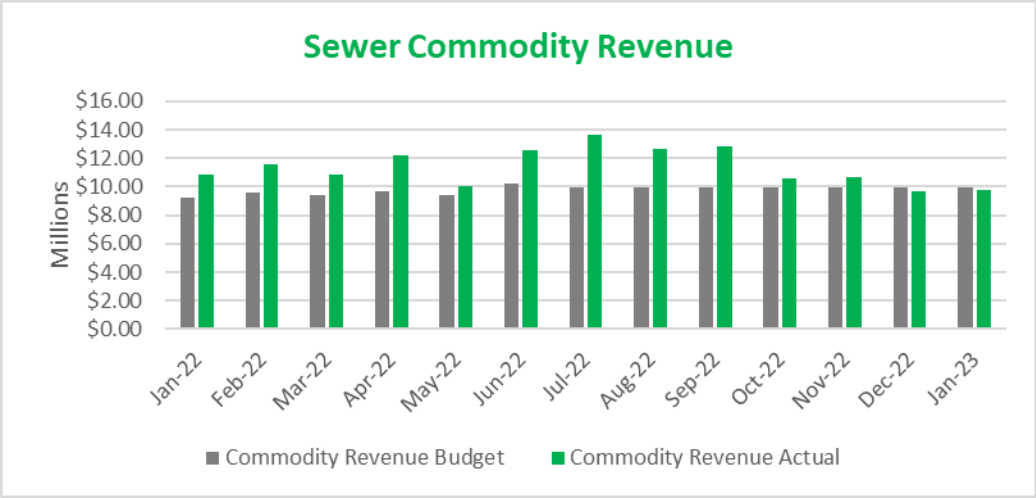
- DWSD completed a Comprehensive Rate Study in 2022 which resulted in a significant shift of costs from Sewer operations to Water operations. Those shifts resulted in higher revenue requirements and commodity rates for water consumption that were intended to be implemented in July. That delay in rolling out the new rate structure contributed to negative budget variances in July and August.
- Year-to-date **Water Commodity Revenues** were approximately \$2.9 million (4.7%) over the straight-line accounting budget. However, when using a seasonally-adjusted budget, **Water Commodity Revenues** were \$0.2 million below budget. Delayed implementation of FY 2023 rates resulted in \$5.8 million lower revenues. Higher than expected volumes mitigated the loss by \$5.6 million.
- 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 (11.2%) above budget reflecting slightly higher meter equivalents and delayed rate implementation.

Sewer Revenue Metrics



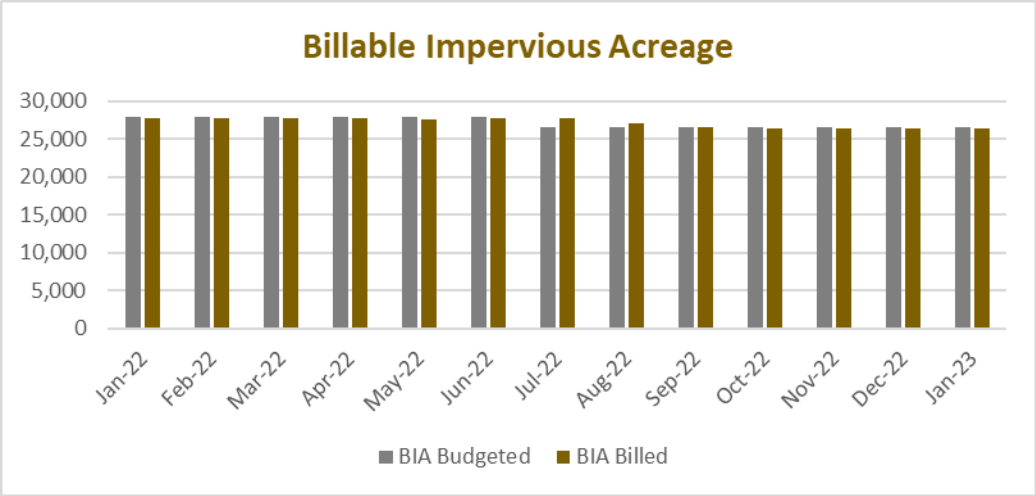
- Cumulative **Sewer Volumes** exceeded budgeted levels by \$10.2 million for the first seven months of FY 2023 due to delays in implementing volume caps on Residential consumption. Once the caps were incorporated into the monthly billing cycles, billed volumes began tracking at budgeted levels.
- Actual **Sewer Meter Counts** so far have exceeded budgeted levels in each month of Fiscal 2023. Year to date counts are trending 2.7% ahead of budget estimates.

Sewer Revenue Trends

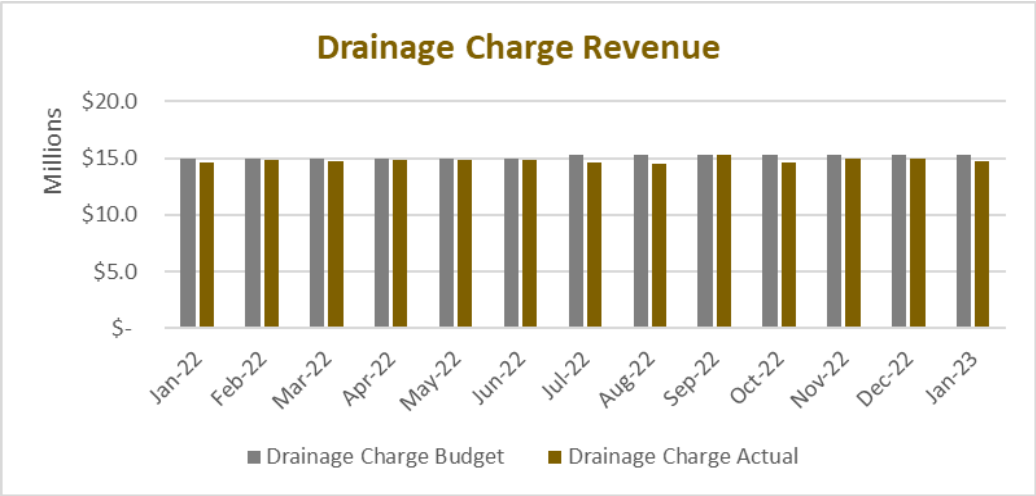


- DWSD completed a *Comprehensive Rate Study* in 2022 which resulted in a significant shift of costs from Sewer operations to Water operations. Those shifts resulted in lower revenue requirements and commodity rates for sewer consumption that were intended to be implemented in July. That delay in rolling 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 \$10.3 million (14.8%). The positive variance was driven by delays in implementing volume caps on Residential bills.
- Fiscal 2023 year to date *Sewer Service Charge Revenue* exceeded budget by \$278,000 (3.3%) consistent with positive variances on total meter counts.

Drainage Revenues Trends and Metrics



- Fiscal 2023 year to date **Billed Impervious Acreage** exceeded budget estimates by 1.0%.



- Drainage Charge Revenue** fell short of budget estimates by \$3.2 million (3.0%). Monthly Highway Drainage credits are currently \$170,000 more than budget as Wayne County Roads continue to be billed at pre-MDOT Settlement rates. Additionally, Green credits currently exceed budgets by approximately \$90,000 per month.



THANK YOU!

Detroit Water & Sewerage Department

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