



Financial Review June 2024

BOWC Finance Committee

October 2, 2024

June 2024 Highlights

Year-End Audit Status

- Plante & Moran, DWSD's external auditor, has started the field work for the FY 2024 Financial Statements audit.
- Currently waiting on certain Employee Benefits entries from the City to complete the final close of books. DWSD is waiting on City of Detroit to post entries on Workers Comp, Accrued compensated absences, VEBA, Unemployment, Pension, Fringe benefits and Legal Reserve. These entries will close out FY2024. It is expected that these entries will be posted by end of October 2024. Expect the audit to be completed by December 2024.
- Information in this presentation is preliminary and subject to change pending final closing of books for the year-end and completion of the audit.

4th Quarter and Year-End Budget vs Actual Revenue and Expense Variance Analysis

- Since the June revenue and expense numbers are preliminary (pending posting of certain closing entries and completion of the audit), the Budget vs Actual report for revenues and expenses for the 4th quarter and year ended June 30, 2024 will be presented after all the closing entries are posted and audit is completed.
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June 2024 Highlights – continued



Cash and Investments

- DWSD continues to maintain adequate cash reserves to support its operating and capital programs. Combined Cash and Investments balance of \$278.3 million at month end and reflects a decrease of \$13.5 million over May balance.

Sales and Receivables

- June Sales of \$39.0 million slightly exceeded May sales by \$0.5 million.
- June Water retail receipts of \$9.1 million fell short of target receipts for the month by \$0.6 million and Sewer retail receipts of \$20.8 million fell short of target receipts by \$3.1 million for the month.
- Receivables for all active accounts increased by \$7.6 million (2.7%) over May receivables whereas days in receivables increased by 3 days to 221 days for all active customer classes.
- Active residential receivables increased by \$4.5 million (2.4%) over May receivables. Days in receivables for actives residential accounts increased by 3 days.
- June's combined collection rate of 79.9% for all active customer classes fell short of May collection rate of 88.1%. The 3-month moving average collection rate stood at 84.6%.

Volume and Revenue Metrics

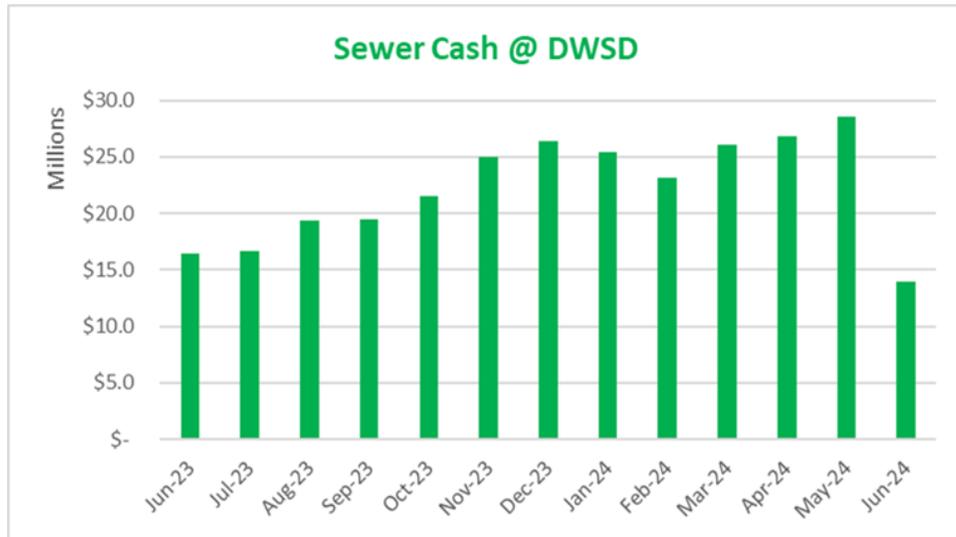
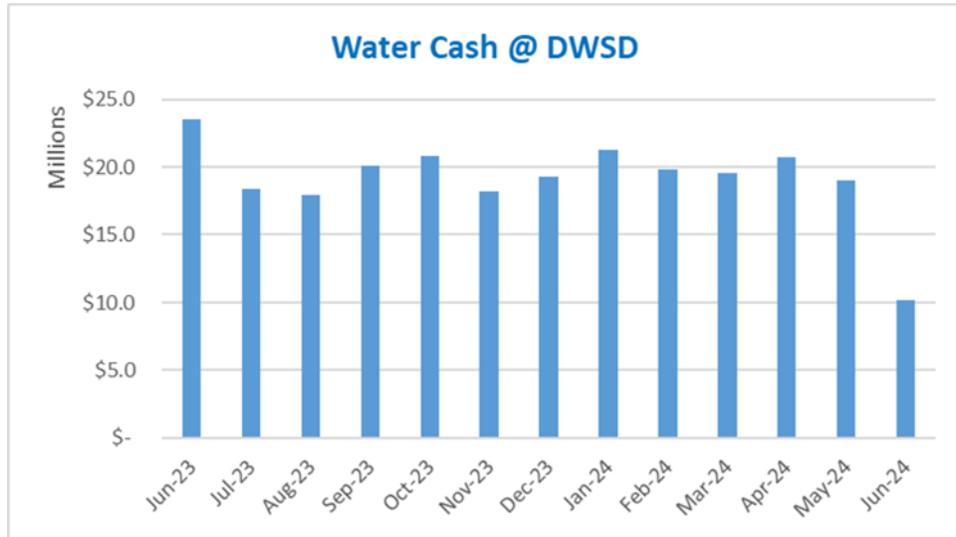
- Water volume and revenue exceeded budgeted levels by 0.8% and 5.9%, respectively. Water Meter equivalents and Service Charges also exceeded budgeted levels by 8.0% and 4.4%, respectively.
- Sewer volume and revenue fell short of budgeted levels by 6.0% and 0.8%, respectively. Sewer meter counts and Service Charges also exceeded budgeted levels by 6.0% and 5.5%, respectively.
- Billed impervious acreage fell short of the budget by 1.1% while Drainage revenue fell short of the budgeted level by 3.6%.

Summary of Cash and Investments

	Apr-24	May-24	Jun-24
	Balance	Balance	Balance
Water - Operating	\$ 20,682,221	\$ 18,979,708	\$ 10,185,663
Water - I&E	15,919,088	16,900,369	16,530,617
Water - Construction	64,692,727	65,272,477	65,532,127
Water - Trust	26,305,364	26,739,039	26,374,354
Water Total	\$ 127,599,400	\$ 127,891,593	\$ 118,622,761
Sewer - Operating	\$ 26,817,264	\$ 28,569,200	\$ 13,993,316
Sewer - I&E	45,815,072	47,327,835	60,146,385
Sewer - Construction	46,327,959	46,742,594	46,844,780
Sewer - Trust	42,771,235	41,314,814	38,737,838
Sewer Total	\$ 161,731,530	\$ 163,954,443	\$ 159,722,319
Combined Total	\$ 289,330,930	\$ 291,846,036	\$ 278,345,080

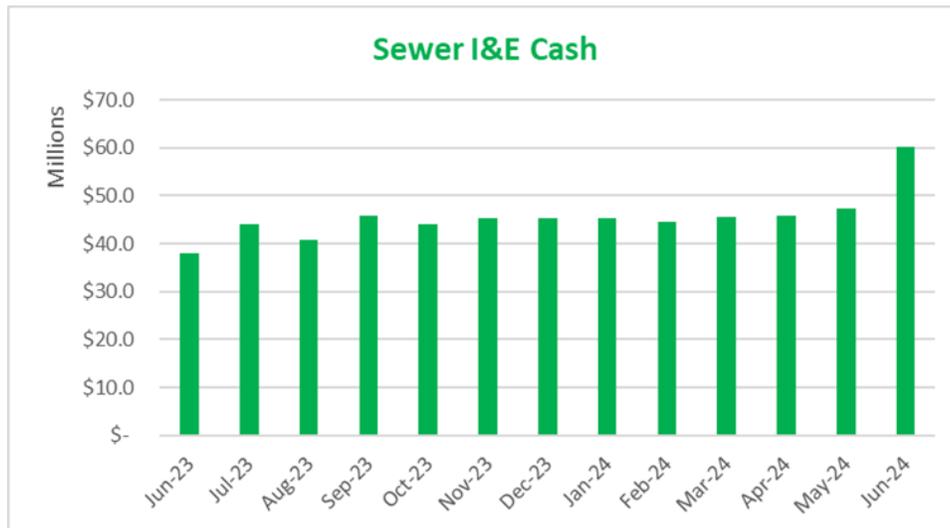
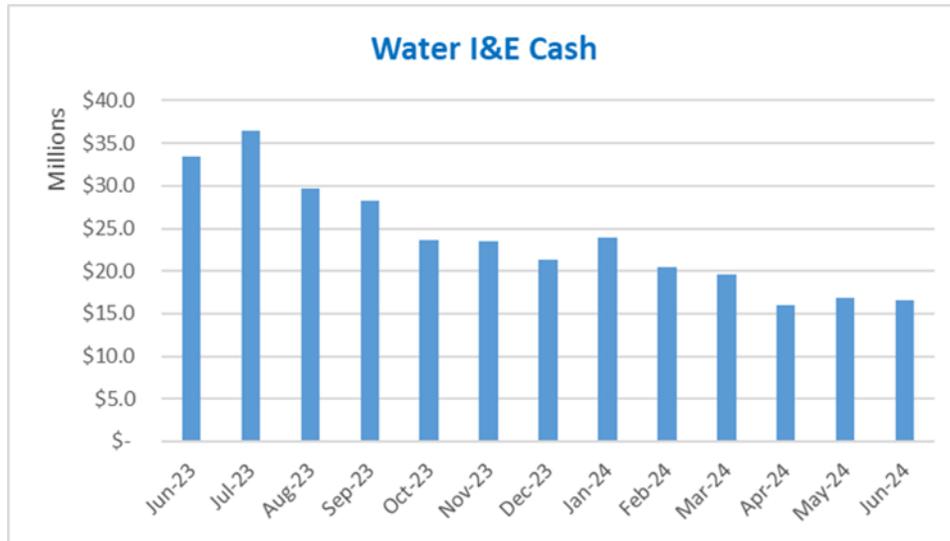
- On a Systemwide basis, Cash and Investments amounted to \$278.3 million as of June 2024. This represents a decrease of \$13.5 million over May balance.
- The largest decreases are in the Operating account for both the Water Fund (\$8.8 million) and Sewer Fund (\$14.6 million) and the Sewer Trust account (\$2.6 million) offset by increase of \$12.8 million in the Sewer I&E Fund.
- The decrease in the Water Operating account is mainly due to settlement of inter-governmental accounts (payment of \$6 million to the City for the Supply Chain module and \$1.3 million for the quarterly employee benefits payment).
- The decrease in the Sewer Operating account is mainly due to repayment of Sewer I&E loan (\$10.2 million) and settlement of inter-governmental accounts (\$1 million for general expense and \$1.4 million for the quarterly employee benefit payment) and a \$2 million payment for Shared Services.
- Increase in Sewer I&E account is due to repayment of \$10.2 million from Operating account and \$2 million received in reimbursement for the Evergreen/Farmington Project.
- The balances in both the Water and Sewer Operating accounts approximate the 3 months operating needs for the respective Funds.
- The next few slides present DWSD’s cash position in graphical format.

Operating Fund Cash



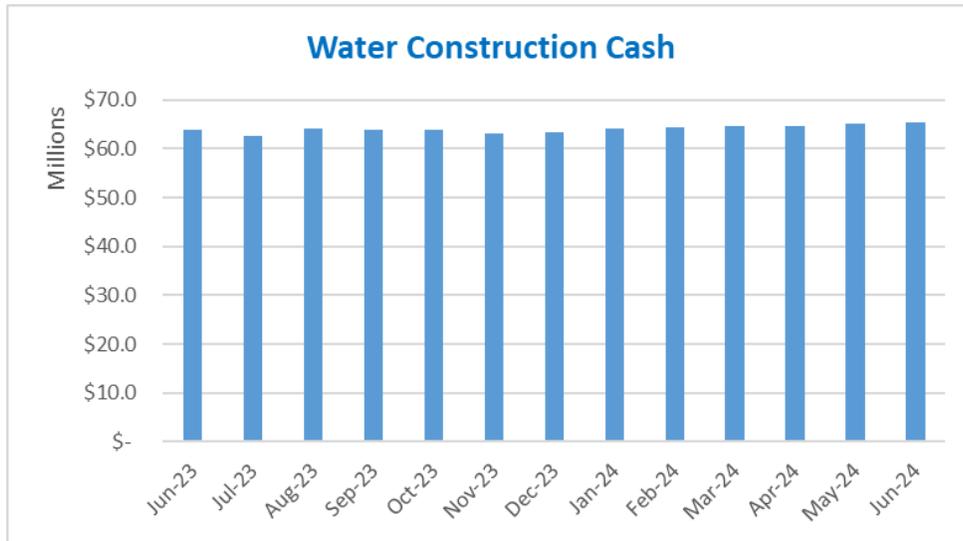
- Operating Cash* account had \$10.2 million on deposit at the end of June 2024 representing a decrease of \$8.8 million from last month. Payments for Supply chain module were made for \$6 million and \$1.3 million for employee benefits.
- Operating Cash* amounted to \$14.0 million at the end of June 2024 representing a decrease of \$14.6 million from last month. Decrease is due to transfers made for Shortfall Loans for \$10.2 million to Sewer I&E, fund settlement for \$1.0 million and employee benefits for \$1.4 million. Also, payment was made for \$2.0 million for Shared Services to GLWA.

Improvement and Extension Fund Cash

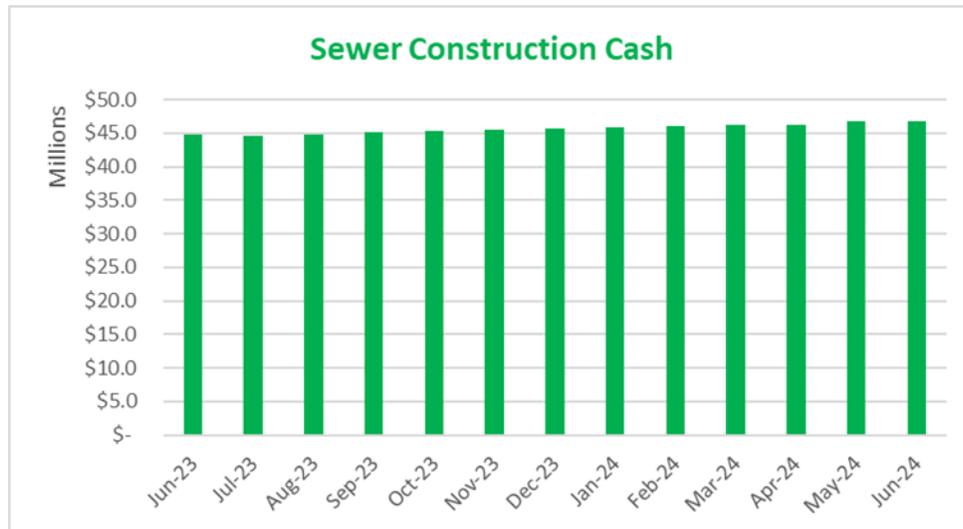


- A balance of \$16.5 million was on deposit in the *Water I&E Cash* account at the end of June 2024, representing a decrease of \$370,000 from last month.
- A balance of \$60.1 million was on deposit in the *Sewer I&E Cash* account at the end of June 2024 representing an increase of \$12.8 million over last month. Increase is attributed to Shortfall Loans payment transfer from Sewer O&M for \$10.2 million and \$2 million received in reimbursements for Evergreen/Farmington project.

Construction Fund Cash

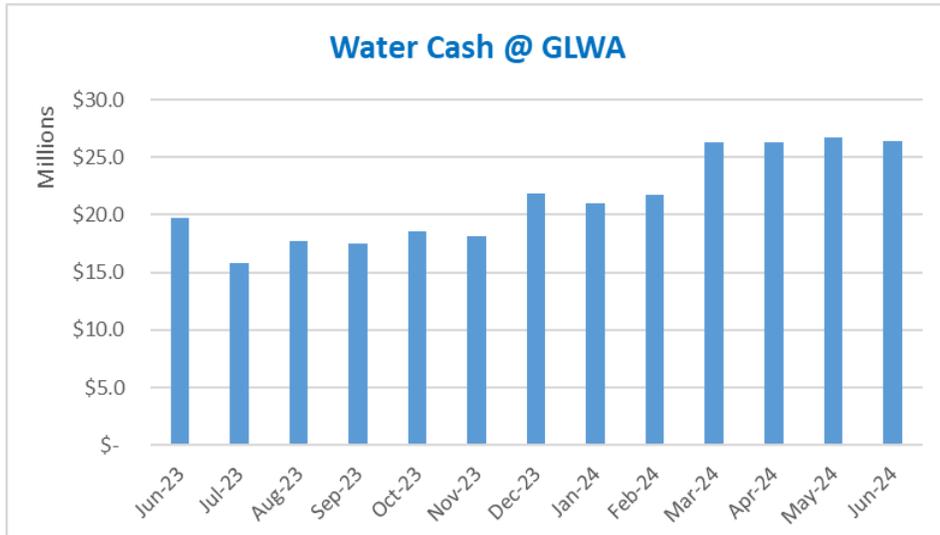


- There was an increase of \$260,000 in the *Water Construction Cash* account during the month bringing the ending balance to \$65.5 million. Increase is attributed to Interest revenue.

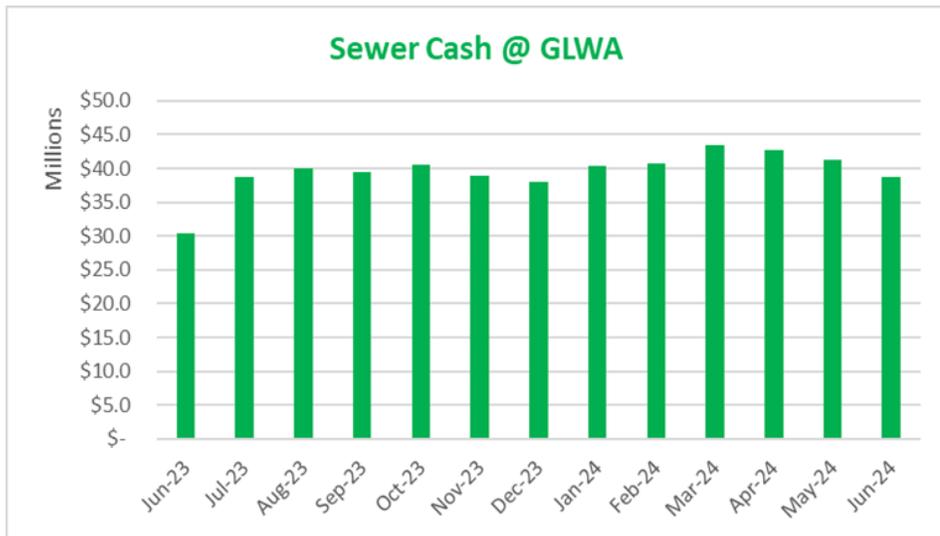


- At the end of June 2024, \$46.8 million was on deposit in the *Sewer Construction Cash* account. The balance increased by \$102,000 from last month. Increase is attributed to Interest revenue.

Trust Account Cash



- Cash @ GLWA amounted to \$26.4 million at the end of June 2024. (The balance includes \$2.0 million Budget Stabilization funds). The balance decreased by \$365,000 from last month.
- Retail Water receipts of \$9.1 million fell short of the target collection of \$9.7 million for the month. Also fell short of May receipts of \$10.1 million.



- Cash @ GLWA amounted to \$38.7 million at the end of June 2024. (The balance includes \$5.5 million Budget Stabilization funds). The balance decreased by \$2.6 million mainly due to lower collections in June.
- Retail Sewer receipts of \$20.8 million fell short of target collection of \$23.9 million for the month. Fell short of May receipts of \$22.5 million.

Summary Cash @ DWSD by Fund (Quarterly Presentation)

(Amounts in thousands)

	<u>6/30/2023</u>		<u>12/31/2023</u>		<u>3/31/2024</u>		<u>6/30/2024</u>	
Water Funds								
Operating	\$ 23,519	10.7%	\$ 19,257	8.7%	\$ 19,518	8.8%	\$ 10,186	4.8%
Improvement & Extension	33,368	15.2%	21,385	9.7%	19,530	8.8%	16,531	7.8%
Construction	63,826	29.0%	63,378	28.6%	64,693	29.2%	65,532	30.7%
	<u>120,712</u>	<u>54.9%</u>	<u>104,020</u>	<u>47.0%</u>	<u>103,741</u>	<u>46.8%</u>	<u>92,248</u>	<u>43.3%</u>
Sewer Funds								
Operating	16,410	7.5%	26,383	11.9%	26,075	11.8%	13,993	6.6%
Improvement & Extension	38,134	17.3%	45,292	20.5%	45,552	20.5%	60,146	28.2%
Construction	44,748	20.3%	45,709	20.6%	46,328	20.9%	46,845	22.0%
	<u>99,293</u>	<u>45.1%</u>	<u>117,384</u>	<u>53.0%</u>	<u>117,955</u>	<u>53.2%</u>	<u>120,984</u>	<u>56.7%</u>
Total Cash and Investments	<u>\$ 220,005</u>	<u>100.0%</u>	<u>\$ 221,404</u>	<u>100.0%</u>	<u>\$ 221,696</u>	<u>100.0%</u>	<u>\$ 213,233</u>	<u>100.0%</u>

* Amounts include DWSD Treasury, Common Cash Pool and Imprest cash account balances.

Summary Cash @ DWSD by Financial Institution* (Quarterly Presentation)

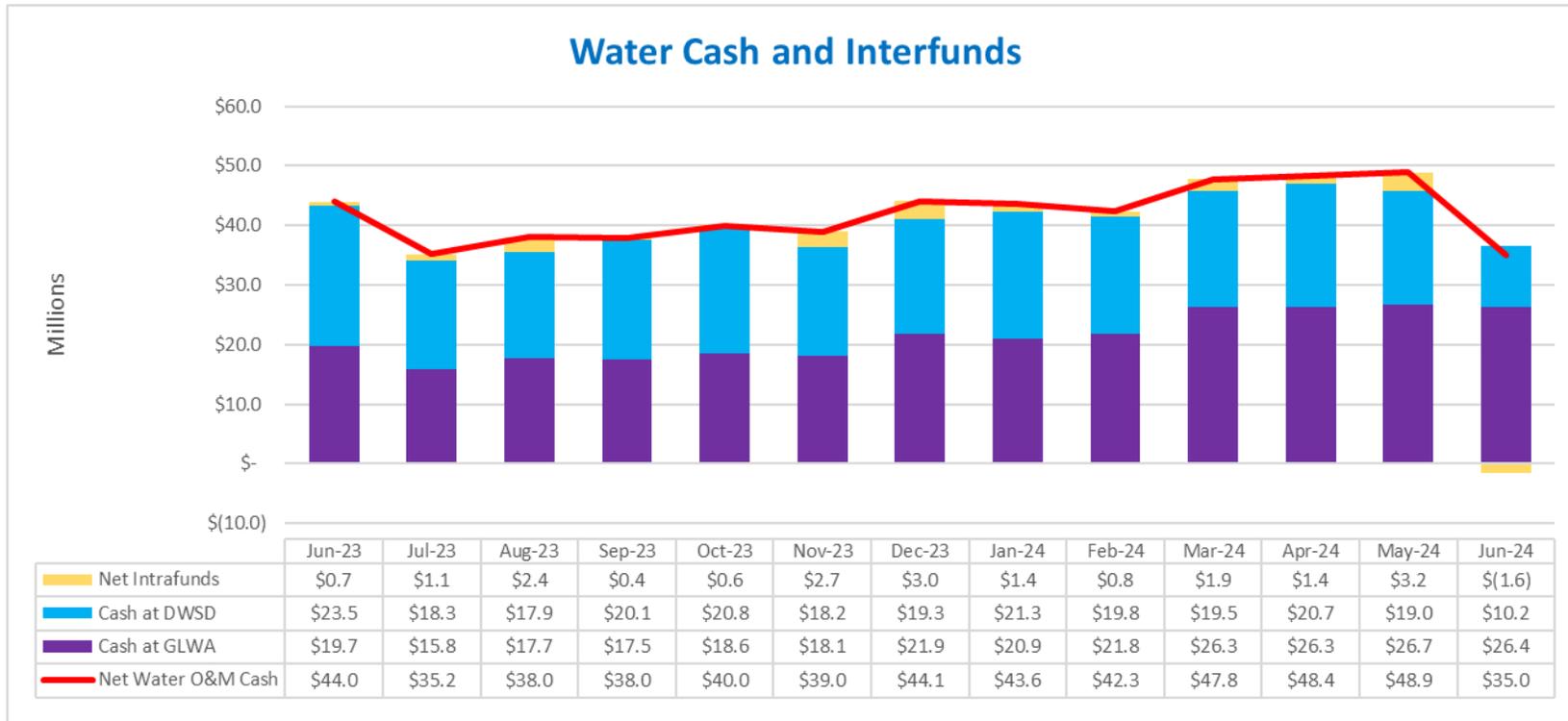


(Amounts in thousands)

	<u>6/30/2023</u>		<u>12/31/2023</u>		<u>3/31/2024</u>		<u>6/30/2024</u>	
SUMMARY BY INSTITUTION								
US Bank	\$ 2,847	1.3%	\$ 2,253	1.0%	\$ 2,809	1.2%	\$ 3,588	1.7%
JP Morgan Chase	1,859	0.8%	1,897	0.8%	1,922	0.8%	1,947	0.9%
First Independence	30,696	14.0%	36,598	16.0%	41,801	18.0%	32,970	15.4%
Comerica	20,904	9.5%	31,524	13.8%	31,612	13.6%	10,090	4.7%
GovMIC	163,714	74.4%	155,864	68.3%	154,686	66.4%	164,890	77.2%
Total Cash and Investments	\$ 220,020	100.0%	\$ 228,136	100.0%	\$ 232,831	100.0%	\$ 213,485	100.0%
Water Funds								
Operating	\$ 23,530	10.7%	\$ 26,461	11.6%	\$ 29,154	12.5%	\$ 10,294	4.8%
Improvement & Extension	33,368	15.2%	21,026	9.2%	20,220	8.7%	16,531	7.7%
Construction Series 2020A	63,826	29.0%	63,828	28.0%	64,693	27.8%	65,532	30.7%
	120,723	54.9%	111,315	48.8%	114,066	49.0%	92,357	43.3%
Sewer Funds								
Operating	16,403	7.5%	26,278	11.5%	25,338	10.9%	14,135	6.6%
Improvement & Extension	38,134	17.3%	44,834	19.7%	47,100	20.2%	60,146	28.2%
Construction Pre-Bifurcation	11	0.0%	(0)	0.0%	(0)	0.0%	1	0.0%
Construction Series 2013	44,748	20.3%	45,709	20.0%	46,328	19.9%	46,845	21.9%
	99,296	45.1%	116,821	51.2%	118,765	51.0%	121,128	56.7%
Total Cash and Investments	\$ 220,020	100.0%	\$ 228,136	100.0%	\$ 232,831	100.0%	\$ 213,485	100.0%

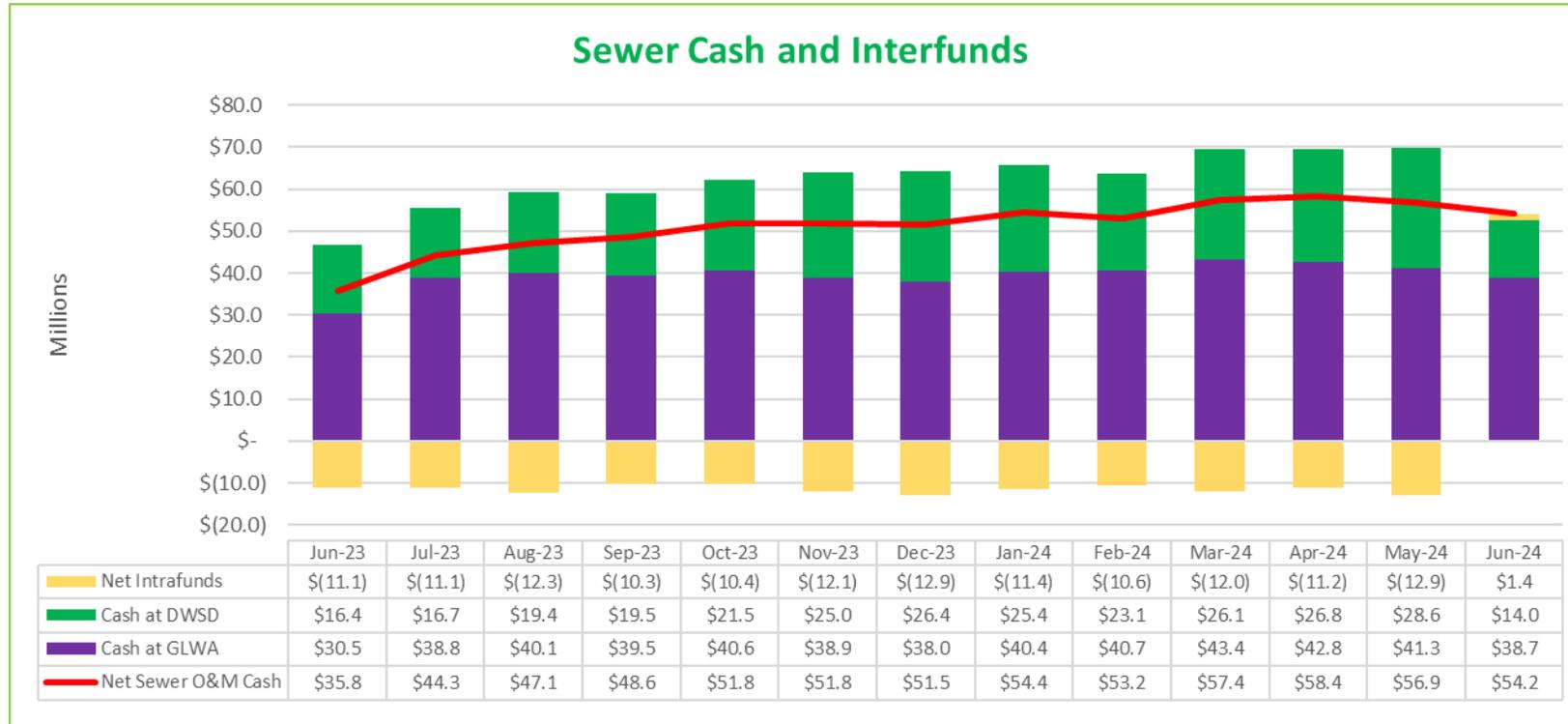
*Amounts reflect bank balances and June differ from financial statements.

Net Water Operating Cash (Quarterly Presentation)



- *Net Water Operating Cash* and Interfund balances have increased throughout Fiscal 2024 up to May 2024, reflecting positive trends and results. In June, the curve shows a decline due to settlement of certain inter-governmental balances.
- June’s *Net Water Operating Cash and Interfund* balances amounted to \$35.0 million, representing a decrease of \$9.0 million over the past twelve months.

Net Sewer Operating Cash (Quarterly Presentation)



- *Net Sewer Operating Cash* has steadily improved since accruing a \$50 million shortfall in the first two years following bifurcation. The decline in June is mainly due to settlement of an outstanding loan to the I7E fund.
- June’s *Net Sewer Operating Cash and Interfund* balances amounted to \$54.2 million, representing an increase of \$18.4 million over the past twelve months.

Comparative Accounts Receivable



Sales Class	June 30, 2023			May 31, 2024			June 30, 2024		
	Sales	Receivables	Days in AR	Sales	Receivables	Days in AR	Sales	Receivables	Days in AR
Residential	\$ 16,389,405	\$ 184,238,856	337	\$ 16,106,485	\$ 189,932,569	354	\$ 16,323,530	\$ 194,421,286	357
Commercial	8,680,539	30,067,998	104	8,430,055	26,408,365	94	8,418,084	28,005,835	100
Industrial	5,826,062	14,750,688	76	5,092,990	12,938,211	76	5,410,839	13,952,124	77
Tax Exempt	719,079	3,203,878	134	729,231	2,582,331	106	714,440	2,738,594	115
Government	4,151,613	19,485,989	141	4,547,345	19,782,523	131	4,639,256	19,324,545	125
Drainage Only	3,676,001	30,403,390	248	3,629,775	27,895,428	231	3,522,661	28,647,608	244
Total Active Accounts	\$ 39,442,699	282,150,798	215	\$ 38,535,881	279,539,428	218	\$ 39,028,810	287,089,991	221
Inactive Accounts Receivable		44,872,426			36,146,697			37,776,601	
Total Accounts Receivable		327,023,225			315,686,125			324,866,592	
FY 2023 End of Year Writeoff		(38,606,800)							
Allowance for Doubtful Accounts		(233,336,192)			(261,555,155)			(266,345,826)	
Net Accounts Receivable		\$ 55,080,233			\$ 54,130,970			\$ 58,520,766	

- June sales of \$39.0 million exceeded May sales \$38.5 million.
- Active accounts receivables for all customer classes increased by \$7.6 million (2.7%) over May receivables. Increases noted primarily in residential (\$4.5m) and Commercial and Industrial (\$2.6 m) customer classes.
- Active residential receivables represents an increase of \$4.5million (2.4%) over May receivables. Active residential receivable make up 67.7 % of total active receivables.
- DWSD continues to monitor allowance for doubtful accounts. The net carrying value of receivables of \$58.5 million represents approximately 18.0% of total receivables at the end of June.

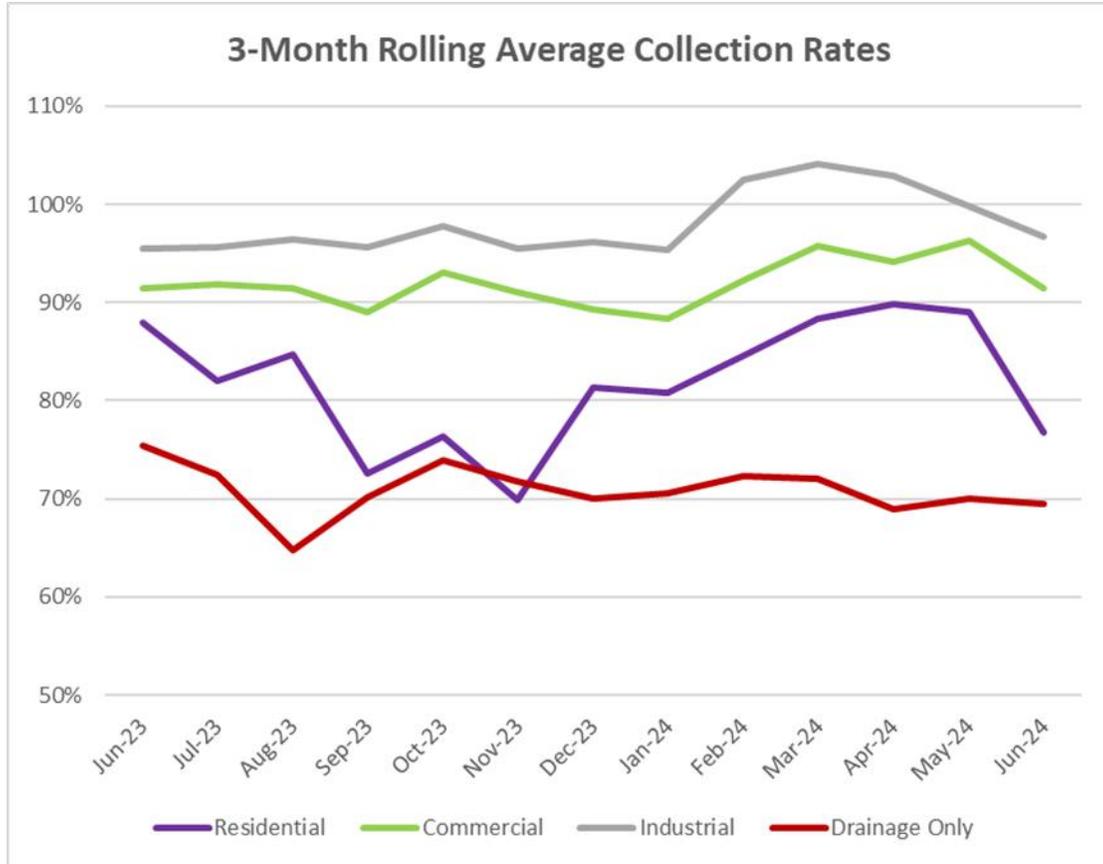
Accounts Receivable Aging (Quarterly Presentation)

June 30, 2024

Sales Class	0-30 Days	31-60 Days	61-90 Days	91-180 Days	181-270 Days	271-360 Days	Over 1 Year	Total Receivables
Residential	\$ 15,600,204	\$ 10,917,372	\$ 10,066,958	\$ 25,064,800	\$ 20,975,082	\$ 16,792,823	\$ 94,986,868	\$ 194,404,107
Commercial	7,160,974	2,435,267	1,595,257	4,164,982	2,794,501	2,805,244	7,039,470	27,995,696
Industrial	5,211,857	884,085	798,647	1,454,851	998,600	960,077	3,644,006	13,952,124
Tax Exempt	548,699	194,499	154,907	405,233	283,454	271,133	880,668	2,738,594
Government	4,378,137	1,183,464	527,930	954,255	718,154	1,206,542	10,368,170	19,336,651
Drainage	2,063,200	1,224,247	1,095,418	3,029,535	2,066,762	2,982,284	16,201,374	28,662,820
Subtotal - Active Accounts	34,963,070	16,838,934	14,239,118	35,073,655	27,836,553	25,018,103	133,120,558	287,089,991
Inactive	201,636	150,150	211,283	1,211,392	1,464,442	1,803,751	32,733,947	37,776,601
Total	\$ 35,164,706	\$ 16,989,084	\$ 14,450,401	\$ 36,285,047	\$ 29,300,995	\$ 26,821,854	\$ 165,854,504	\$ 324,866,592
% of Total A/R	10.8%	5.2%	4.4%	11.2%	9.0%	8.3%	51.1%	100.0%

- Uncollected accounts receivable are generally carried for five years until the statutory lien expires.
- 46.4% of the total Active receivables balance is over one year past due. Additionally, \$32.7 million (86.5%) of Inactive accounts are older than one year.
- Of the total active receivables of \$287.1 million, \$133.1 million or 46.4% is over a year old and for active residential accounts, out of the total of \$194.4 million, \$95.0 million or 48.9% are one year or more old.
- The Total balance was reduced by an allowance for doubtful accounts of \$266.3 million at the end of June 2024.

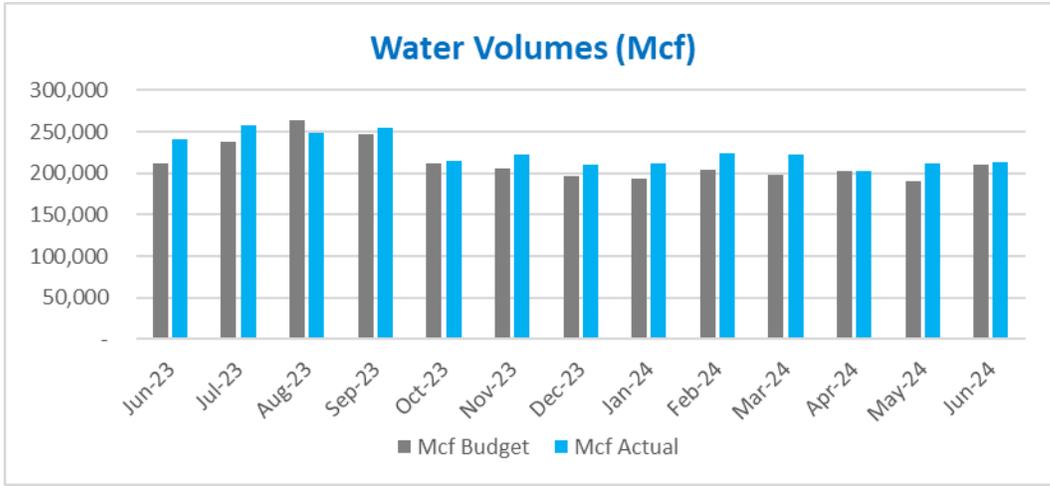
Collection Rates



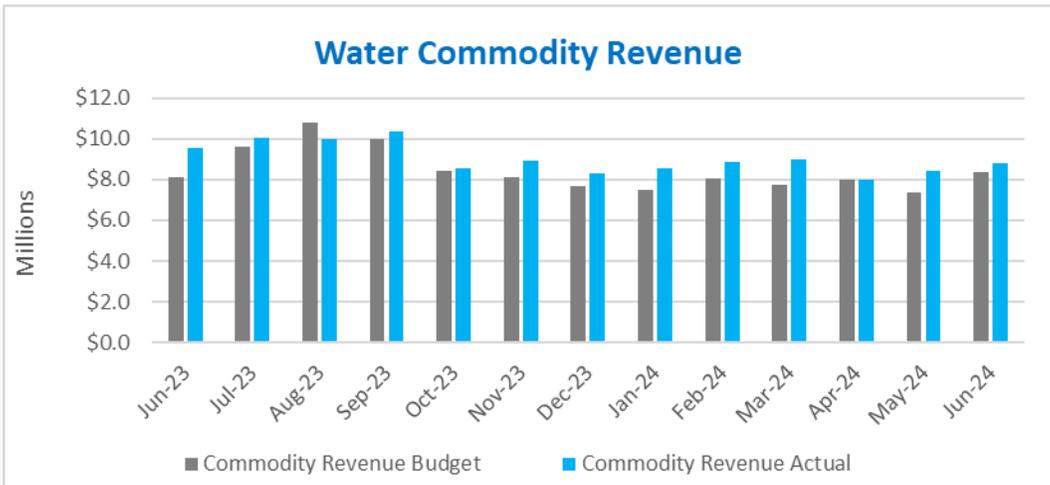
	Apr-24	May-24	Jun-24	3 - Month
Customer Class	Coll Rate*	Coll Rate	Coll Rate	Rolling Average
Residential	77.2%	79.6%	73.6%	76.8%
Commercial	92.3%	100.9%	82.3%	91.5%
Industrial	97.1%	100.8%	92.3%	96.7%
Tax Exempt	82.4%	88.0%	81.8%	84.1%
Government	111.2%	93.2%	91.0%	98.7%
Drainage Only	64.4%	73.7%	70.5%	69.5%

- **Residential** collection rate for June stands at 73.6%. This is a decrease from May 73.6% and April 77.2%. The 3-month moving average is at 76.8%, a decrease from 89% in May and 89.8% from April.
- **Residential collection rate continues to be a concern.**
- **Commercial and Industrial** collection rate for June shows a declining trend and the 3-month moving average continues to be in low to mid ninety percentage.
- **Government** collection rate continues to be in low nineties. The 3-month average collection rate is at 98.7%..
- **Drainage Only** collections rate continues to be in low seventies. The June collection rate stood at 70.5%. The 3-month average rate at approximately 70% continues to fall and remains a major concern.

Water Volume and Commodity Revenue Metrics

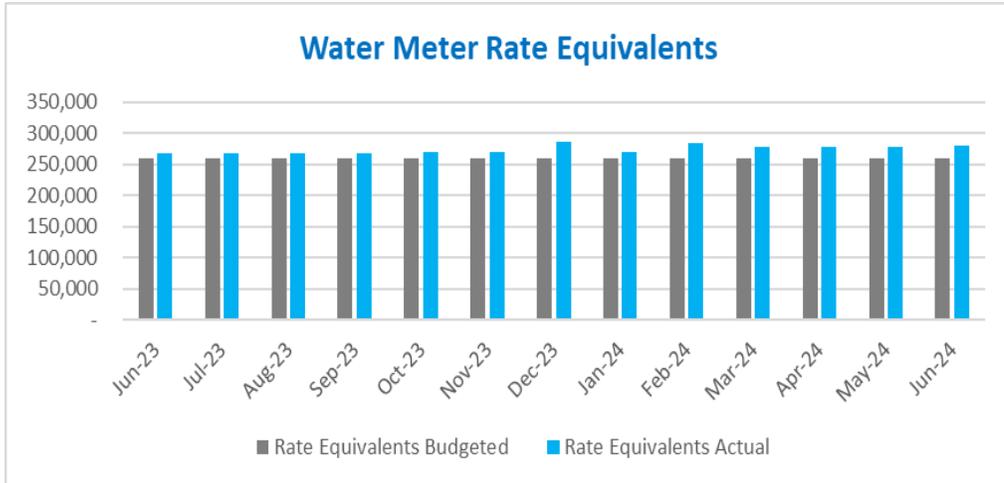


- Actual *Water Volume* for the month exceeded seasonally adjusted budgeted volume by 0.8%; June’s actual volume exceeded May’s volume by 0.4% and fell short of June 2023 volume by 11.9%.
- Year-to-date actual *Water Volume* is trending at 5.3% over seasonally adjusted budget.

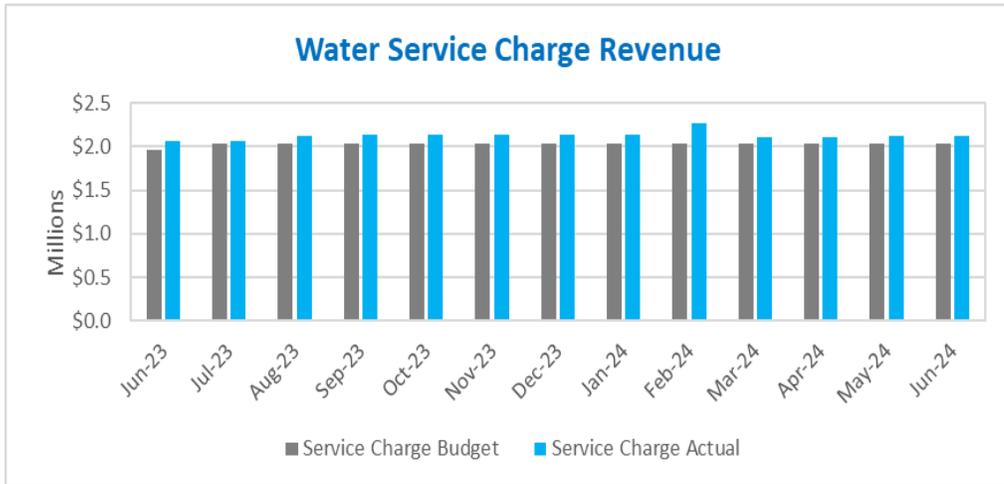


- Actual *Water Commodity Revenue* for the month exceeded budgeted revenue by 5.9%. June’s actual revenue exceeded May’s revenue by 5.2% but fell short of June 2023 revenue by 7.8%.
- Year-to-date actual *Water Commodity Revenues* exceeded seasonally adjusted budget by 6.3%.

Water Meter and Service Charge Revenue Metrics

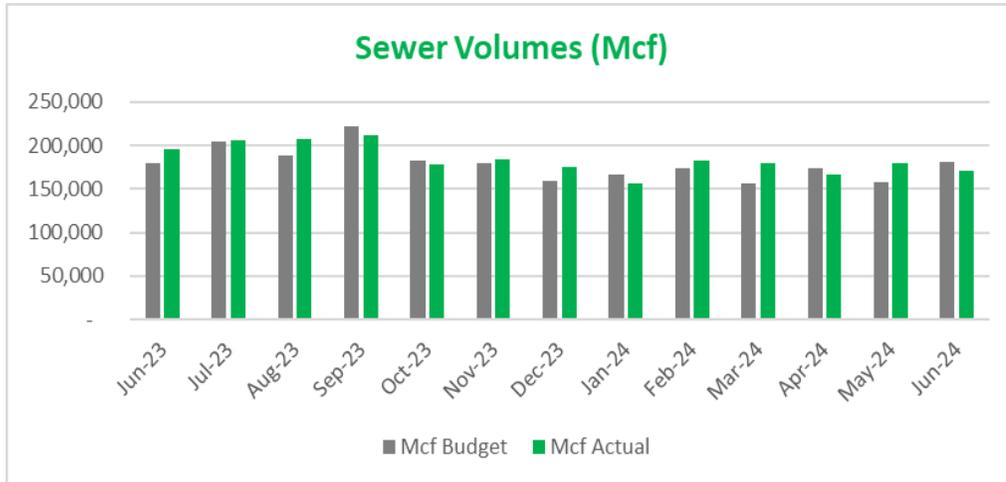


- Actual *Water Meter Equivalents* for the month exceeded budget equivalents by 8.0%; June Meter equivalents exceeded May by 0.8% and was ahead of June 2023 equivalents by 4.7%.
- Year-to-date actual *Water Meter Equivalents* remained ahead of budgeted levels by 6.0%.

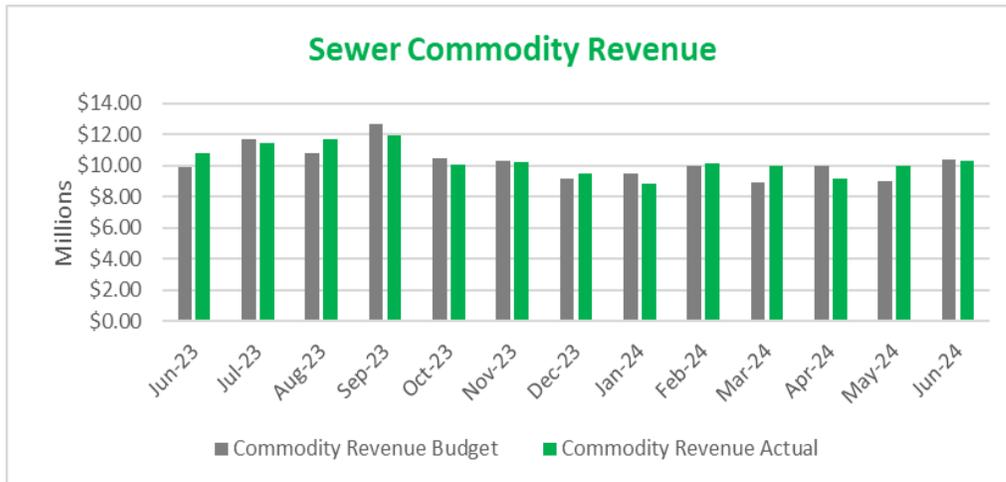


- Actual *Water Service Charge Revenue* for the month exceeded budgeted revenue by 4.4%; *Water Service Charge Revenue* in June was slightly ahead of May revenue by 0.2% and was ahead of June 2023 revenue by 3.2%.
- Year-to-date actual *Water Service Charge Revenues* were 4.9% above budget reflecting higher meter equivalents.

Sewer Volume and Commodity Revenue Metrics

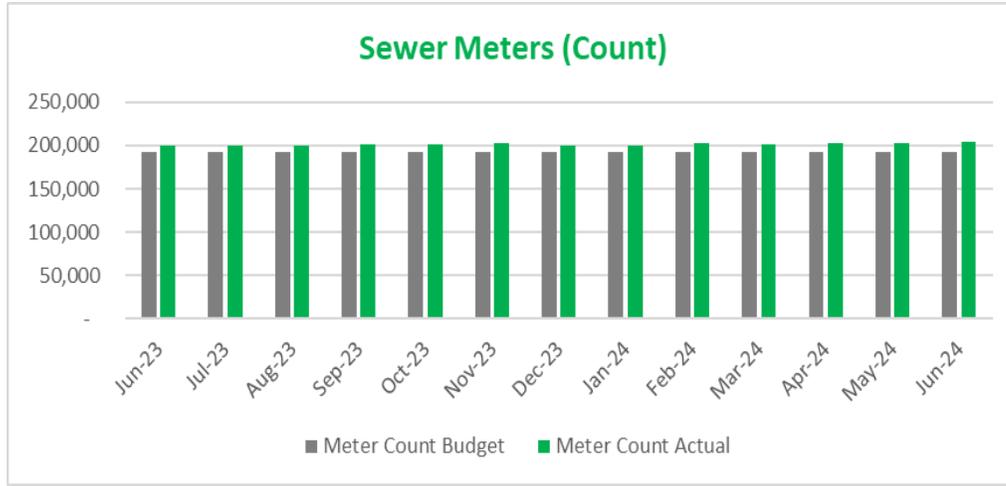


- Actual *Sewer Volume* for the month fell short of budget by 6.0%. June volume fell short of May volume by 4.9% and June 2023 volume by 12.5%.
- Year-to-date actual *Sewer Volume* is trending at 2.2% over budget.

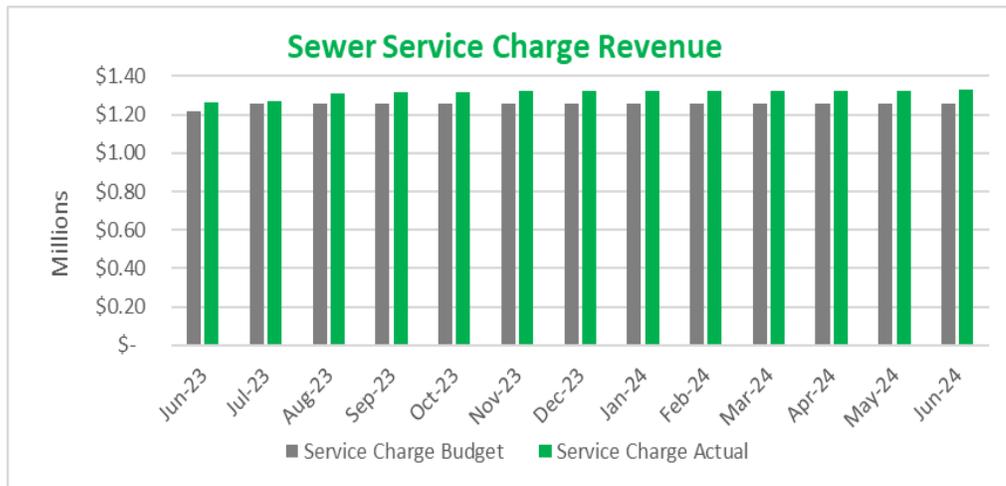


- *Actual Sewer Commodity Revenue* for the month fell short of budgeted revenue by 0.8%. June revenue exceeded May revenue by 2.7% but fell short of June 2023 revenue by 4.5%.
- Year-to-date actual *Sewer Commodity Revenues exceeded* budget by 0.5%.

Sewer Meter and Service Charge Revenue Metrics

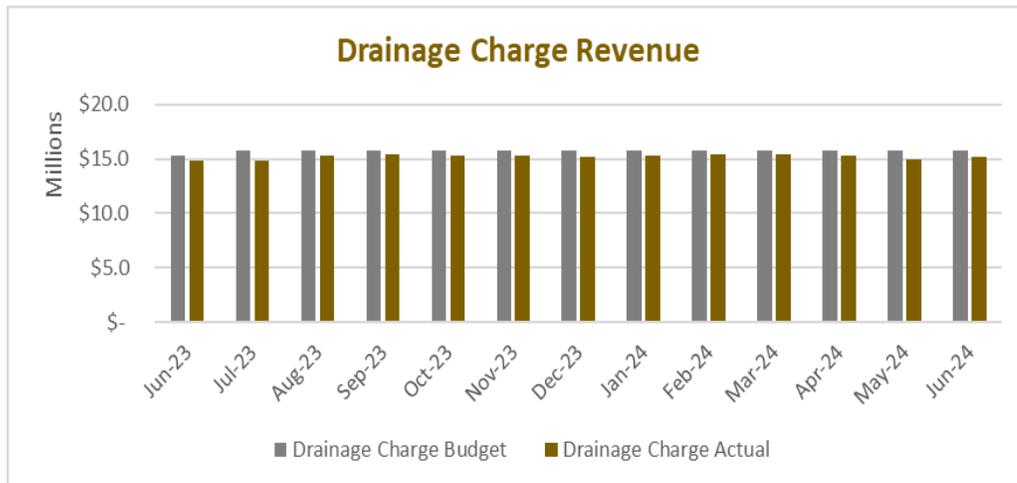
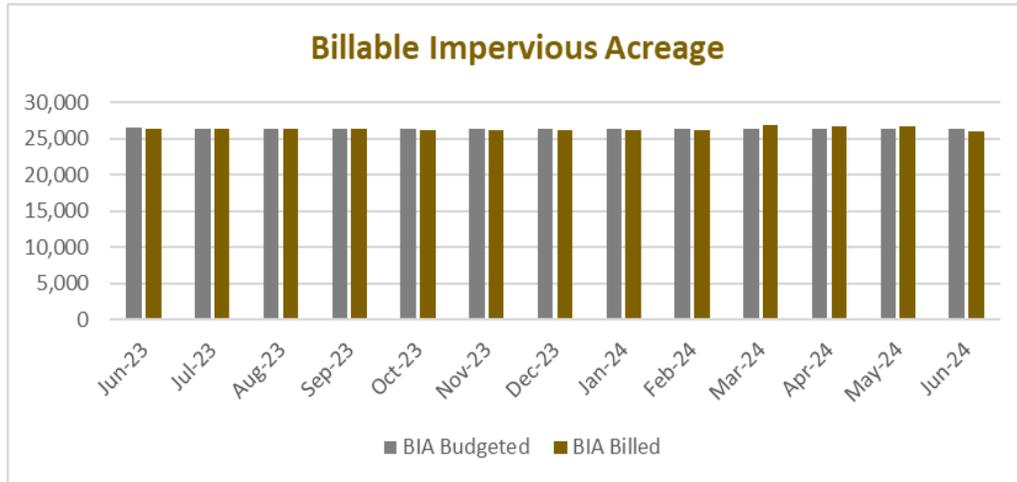


- Actual *Sewer Meters* (Count) for the month exceeded budget by 6.0%. June meter count exceeded May count by 0.4% and exceeded June 2023 count by 2.1%.
- Year-to date actual *Sewer Meter Count* remained ahead of budgeted levels by 5.0%.



- Actual *Sewer Service Charge Revenue* for the month exceeded budgeted revenue by 5.5%. June revenue exceeded May revenue by 0.1% and June 2023 revenue by 5.1%.
- Year-to-date actual *Sewer Service Charge Revenue* was 4.7% above budget reflecting higher meter counts.

Drainage BIA and Revenue Metrics



- Actual *Billed Impervious Acreage (BIA)* in June was 1.1% below the budget. June *BIA* fell short of May *BIA* by 2.6% and June 2023 *BIA* by 1.0%.
- Year-to-date actual *BIA* has been trending lower than budget estimates by 0.2%.
- Drainage Charge Revenue* for the month fell short of the budget by 3.6%. June revenue exceeded May revenue by 1.3% but exceeded June 2023 revenue by 2.0%.
- Year-to-date *actual Drainage Charge Revenue* fell short of the budget by 3.2%.
- Shortfall is due to a combination of additional residential credits, and an increase in green credits.

Lifeline Review as of June 30, 2024 (Quarterly Presentation)



<u>Lifeline Summary</u>	<u>As of 6/30/24</u>	
Total amount forgiven at Enrollment	\$ 40,194,306	Since September 2022
Less: Total Received via Governmental funding	(16,441,643)	
Less: Total Adjustments Made	(8,652,264)	
Balance Left (A)	\$ 15,100,399	
Total GAP Arrears	\$ 16,289,939	Since October 2022
Less: Paid by WRAP	(4,668,230)	
Gap Arrears Outstanding (B)	\$ 11,621,709	
Total Outstanding Enrollment + GAP arrears	\$ 26,722,108	

<u>Lifeline Account Arrears Status</u>	<u># of Accounts</u>	<u>As of 6/30/24</u>	
			<u>Amount</u>
Total Outstanding Balances	22,923	\$	5,869,278
Total Outstanding Balances > 60 Days	8,851	\$	2,912,010

- DWSD reduced account arrears for Lifeline enrollees by \$40.2 million since September 2022.
- Collected \$16.4 million from regional, state and federal grants.
- Wrote off \$8.7M not covered by grants or not eligible for reimbursement.
- Currently \$15.1 million outstanding and uncollected arrears (grant eligible).
- Reduced customer obligations by \$16.3 million by moving the difference between Lifeline Tiered amount (\$18/\$43/\$56) and the actual monthly bill to a GAP holding account (WRAP and/or grant eligible, when available).
- Collected \$4.7M against the GAP arrears from Water Residential Assistance Program (WRAP) leaving an outstanding balance of \$11.6 million (WRAP and/or grant eligible, when available).
- A total of \$26.2 million outstanding for Enrollment + GAP arrears. This amount has grown from \$20.2 million as of March 31, 2024 and \$19.4 million as of January 31, 2024.
- A total of \$5.9 million outstanding in current arrears for approximately 23,000 Lifeline accounts.
- \$2.9 million is outstanding in arrears for more than 60 days for 8,851 Lifeline accounts.

Quarterly Lifeline Review – as of June 30, 2024



30,098 protected from Shut-Off

- **Eligibility**
 - 24,227 Receiving Benefit Monthly
 - Payment Plan Enrollment 3,712
 - Pending Eligibility 2,159

Cost: \$56.5M

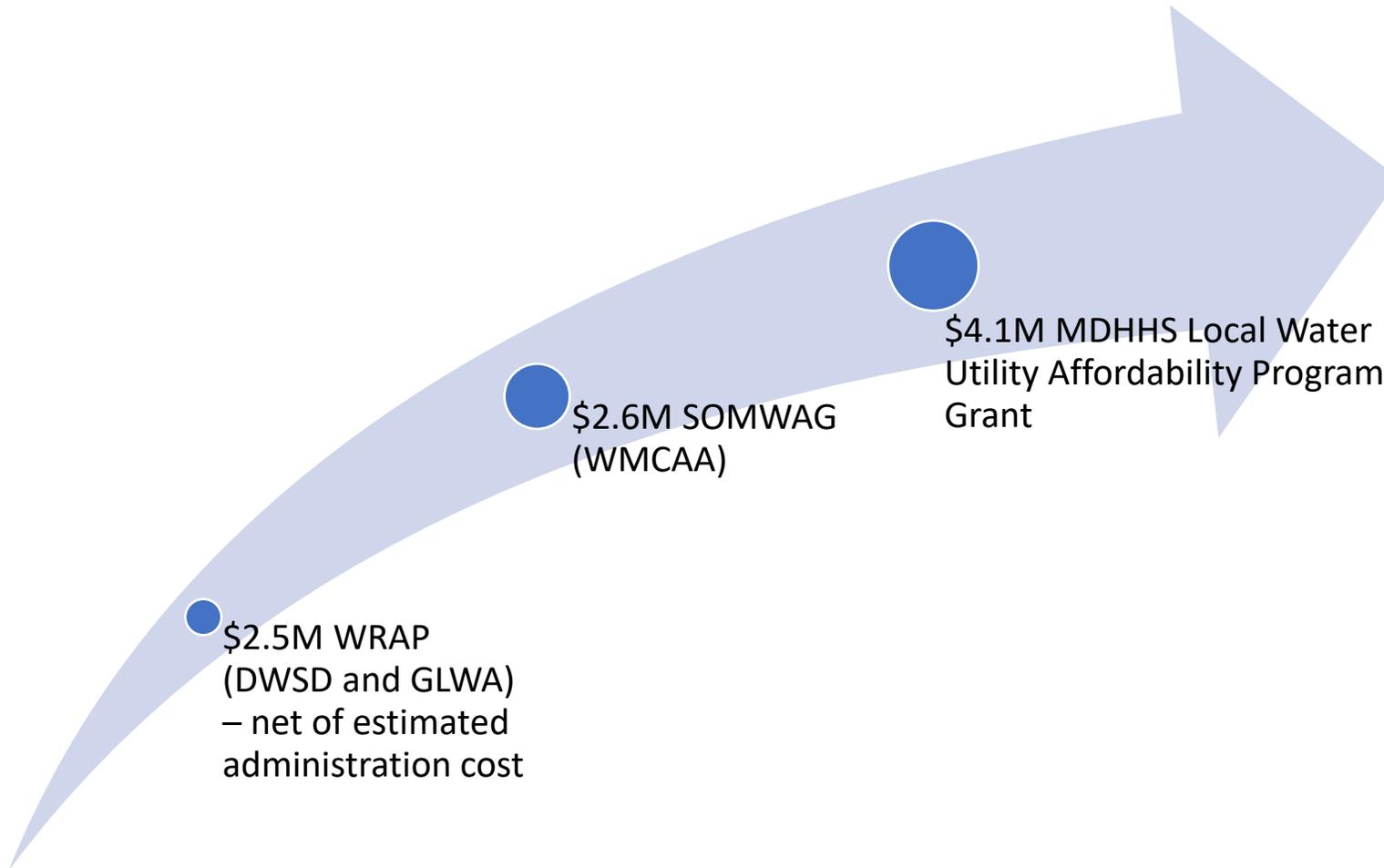
- \$40.2M Arrears
- \$16.3M Gap

Collection and Write Off: \$29.8M

- \$16.4M Arrears
- \$4.7M Gap
- \$8.7M Write Off

- Cost: GAP + Arrears forgiven – Fresh start for all eligible Lifeline enrollees.
- Collected: Funds received from Regional, State and Federal grants (WRAP, LIHWAP, MIWAG).
- GAP: Difference between Lifeline Tiered amount(\$18/\$43/\$56) and the actual monthly bill (typically \$80/90).
- * Write Off – balances written off for not being eligible for reimbursement or not covered by grant (s)

Lifeline Funding Sources - Significant Shortfall



Current Funding Status:

\$9.2M Total for FY2025

1. \$2.5M WRAP (July 2024)
2. \$2.6M Michigan Water Affordability Grant (October 2023) WMCAA
3. \$4.1M MDHHS Water Utility Affordability Grant (April 2024) WMCAA

THANK YOU!

Detroit Water & Sewerage Department

For more information visit: www.detroitmi.gov/dwsd



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