



# **Financial Review**

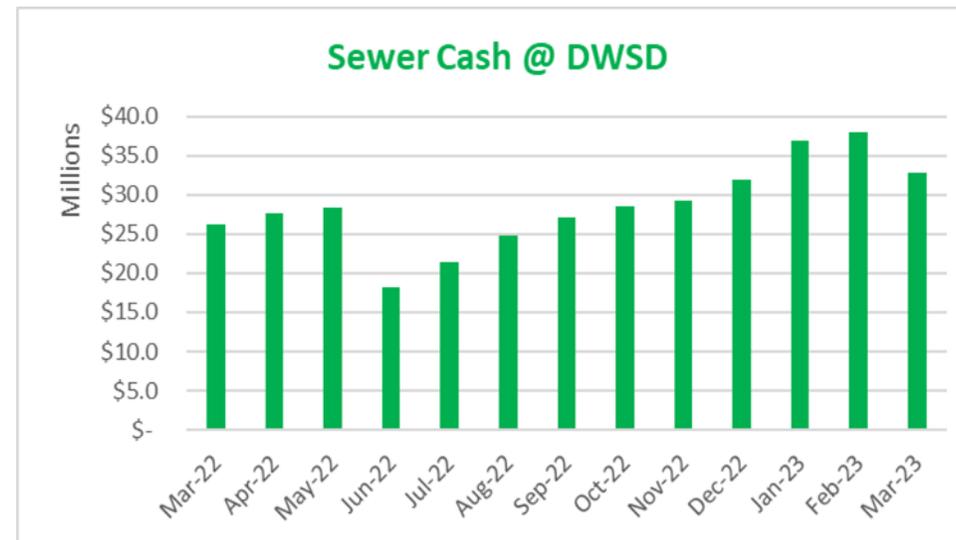
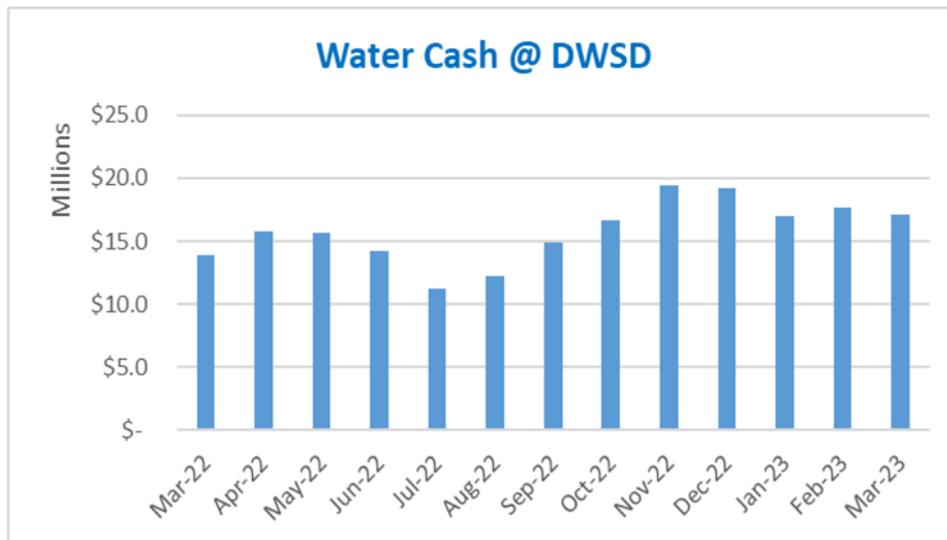
## **March 2023**

**BOWC Finance Committee**

June 7, 2023

# Cash and Investments - Water and Sewer Operating Funds

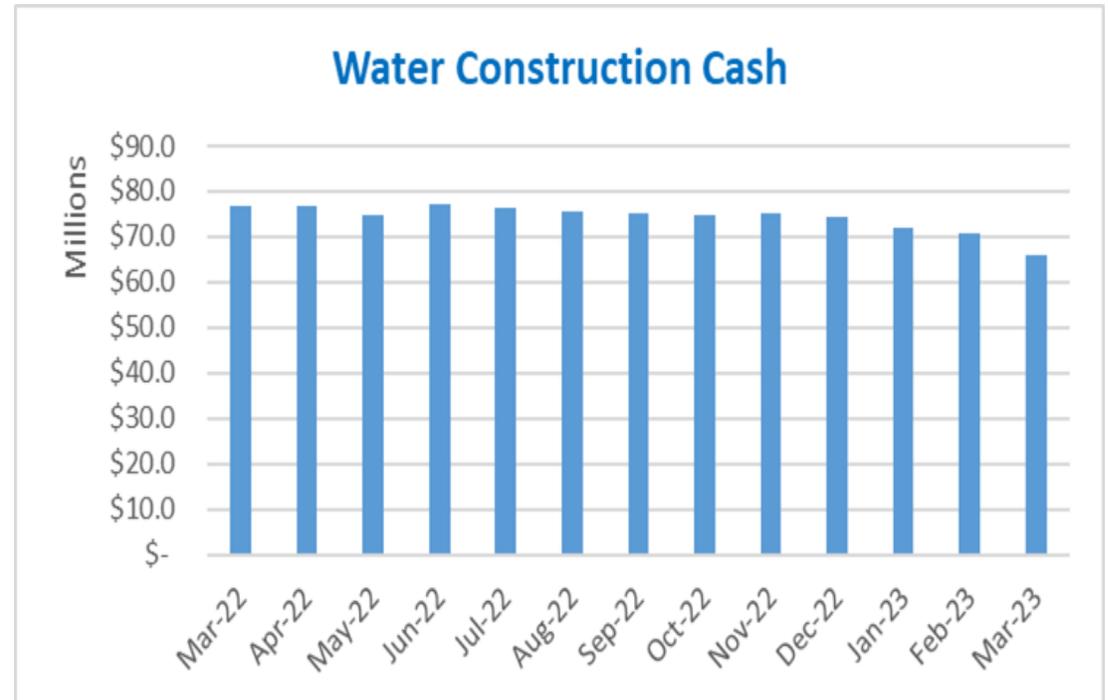
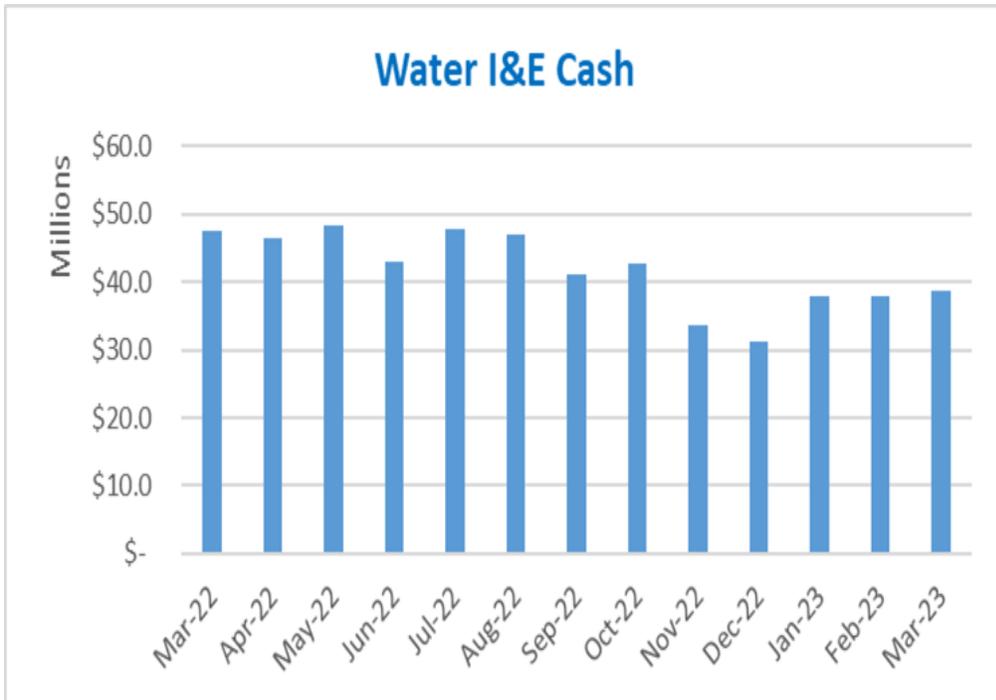
- DWSD continues to maintain adequate cash reserves to support its Operating and Capital Programs.
- On a Systemwide basis, Cash and Investments in the Operating, Improvement & Extension (I&E) and Construction Funds amounted to \$229.5 million (\$121.7 million in the Water Fund and \$107.8 million in the Sewer Fund). This is a decrease of approximately \$13.4 million from last month.
- This decrease is attributable to Water I&E (\$4.8 million); Sewer I&E (\$3.6 million) and Sewer Operating (\$5 million).
- Water Operating Cash** amounted \$17.1 million and **Sewer Operating Cash** amounted to \$32.8 million.
- The decrease in **Sewer Operating Cash** is primarily due to truing up FY 2019 and FY 2020 Shared Services accounts with GLWA.



# Cash and Investments – Water I&E/Construction Funds



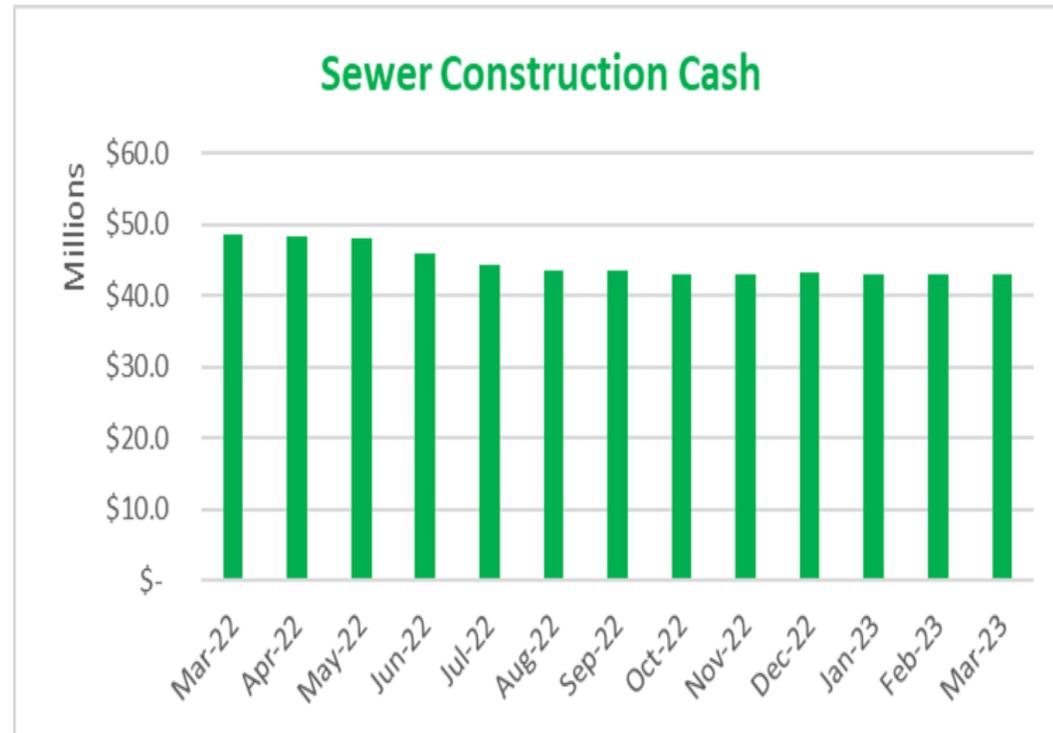
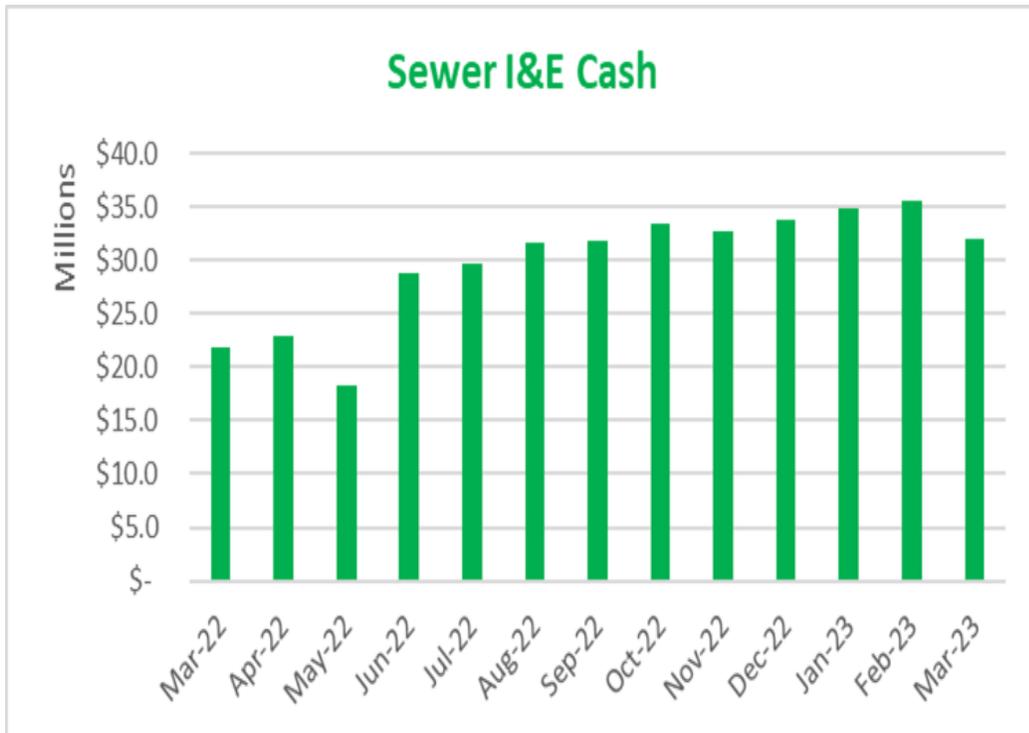
- DWSD continues to spend down I&E and Construction Cash in support of its Capital Improvement Program.
- **Water I&E Cash** amounted to \$38.8 million representing an increase of approximately \$900K from last month.
- **Water Construction Cash** amounted to \$65.8 million representing a decrease of \$4.8 million from last month. This is due to increased level of disbursements for construction activities.
- DWSD spent approximately \$11.1 million of Water construction funds over the last twelve months.



# Cash and Investments – Sewer I&E/Construction Funds



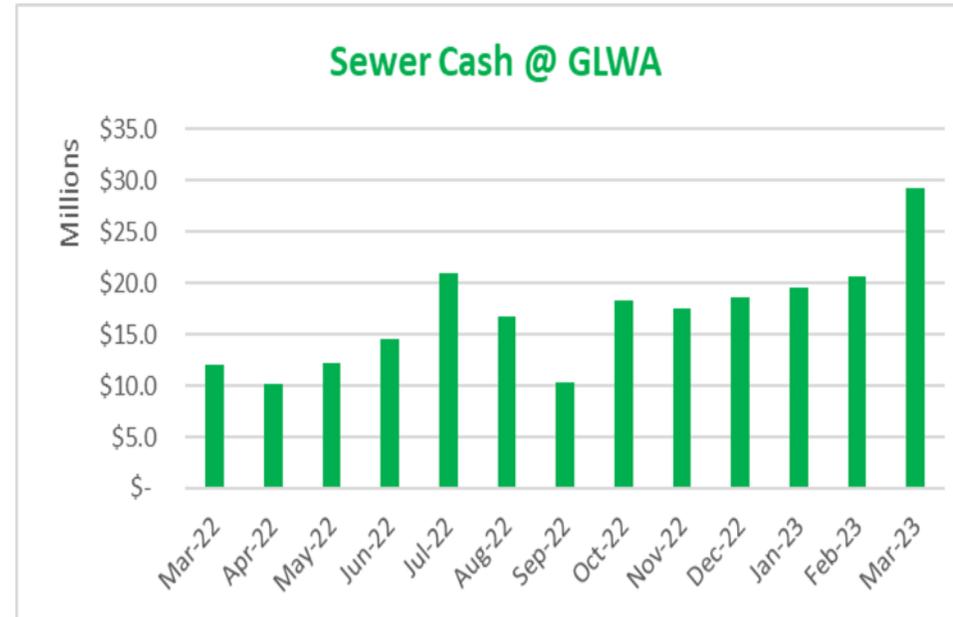
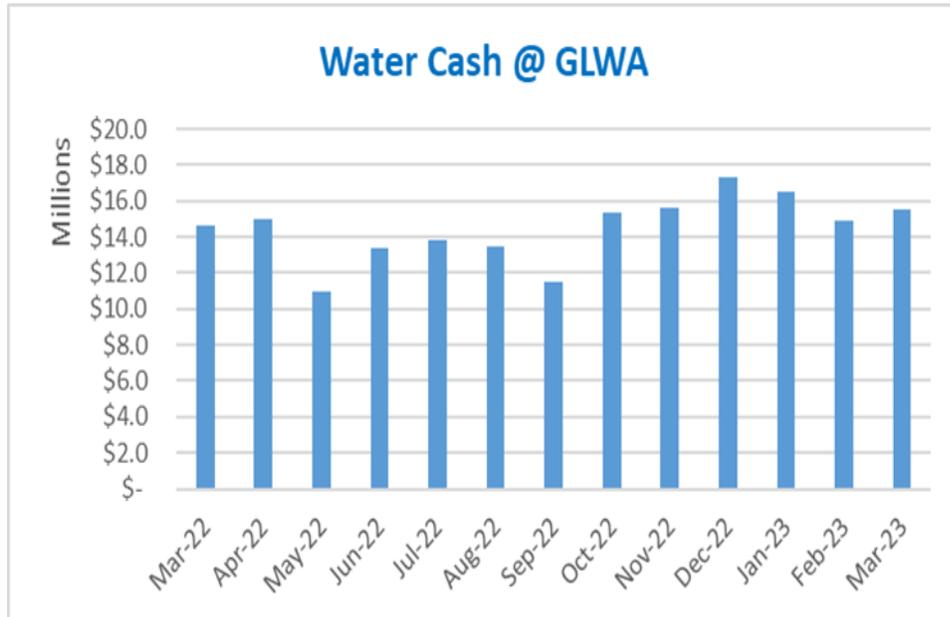
- **Sewer I&E Cash** amounted to \$31.9 million representing a decrease of \$3.6 million from last month. The decrease is due to some large payments for construction projects.
- **Sewer Construction Cash** amounted to \$43.1 million with no change from last month.
- DWSD spent approximately \$5.6 million of Sewer construction funds over the last twelve months.



# Cash and Investments – Cash Held in Trust



- **Water Cash @ GLWA** amounted to \$15.6 million representing an increase of approximately \$700K from last month.
- Retail Water receipts in March 2023 exceeded February collection by approximately \$2.3 million and stayed at par with the target collection amount of \$10.2 million for the month.
- **Sewer Cash @ GLWA** amounted to \$29.3 million representing an increase of \$8.7 million from last month.
- March Sewer collection of approximately \$32 million exceeded target collection amount (\$23.3 million) for the month by approximately \$8.7 million and exceeded February 2023 collection by approximately \$7.6 million.



# Quarterly Cash and Investments Summary by Fund

(Amounts in thousands)

	<u>6/30/2022</u>		<u>9/30/2022</u>		<u>12/31/2022</u>		<u>3/31/2023</u>	
<b>Water Funds</b>								
Operating	\$ 14,243	6.3%	\$ 14,836	6.4%	\$ 19,250	8.2%	\$ 17,130	7.5%
Improvement & Extension	42,946	18.9%	41,114	17.6%	31,228	13.4%	38,752	16.9%
Construction	77,110	33.9%	74,991	32.1%	74,555	31.9%	65,805	28.7%
	<u>134,299</u>	<u>59.1%</u>	<u>130,942</u>	<u>56.1%</u>	<u>125,033</u>	<u>53.5%</u>	<u>121,686</u>	<u>53.0%</u>
<b>Sewer Funds</b>								
Operating	18,182	8.0%	27,162	11.6%	31,896	13.6%	32,775	14.3%
Improvement & Extension	28,867	12.7%	31,793	13.6%	33,748	14.4%	31,984	13.9%
Construction	46,074	20.3%	43,551	18.7%	43,240	18.5%	43,084	18.8%
	<u>93,123</u>	<u>40.9%</u>	<u>102,506</u>	<u>43.9%</u>	<u>108,884</u>	<u>46.5%</u>	<u>107,843</u>	<u>47.0%</u>
<b>Total Cash and Investments</b>	<u>\$ 227,422</u>	<u>100.0%</u>	<u>\$ 233,448</u>	<u>100.0%</u>	<u>\$ 233,917</u>	<u>100.0%</u>	<u>\$ 229,529</u>	<u>100.0%</u>

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

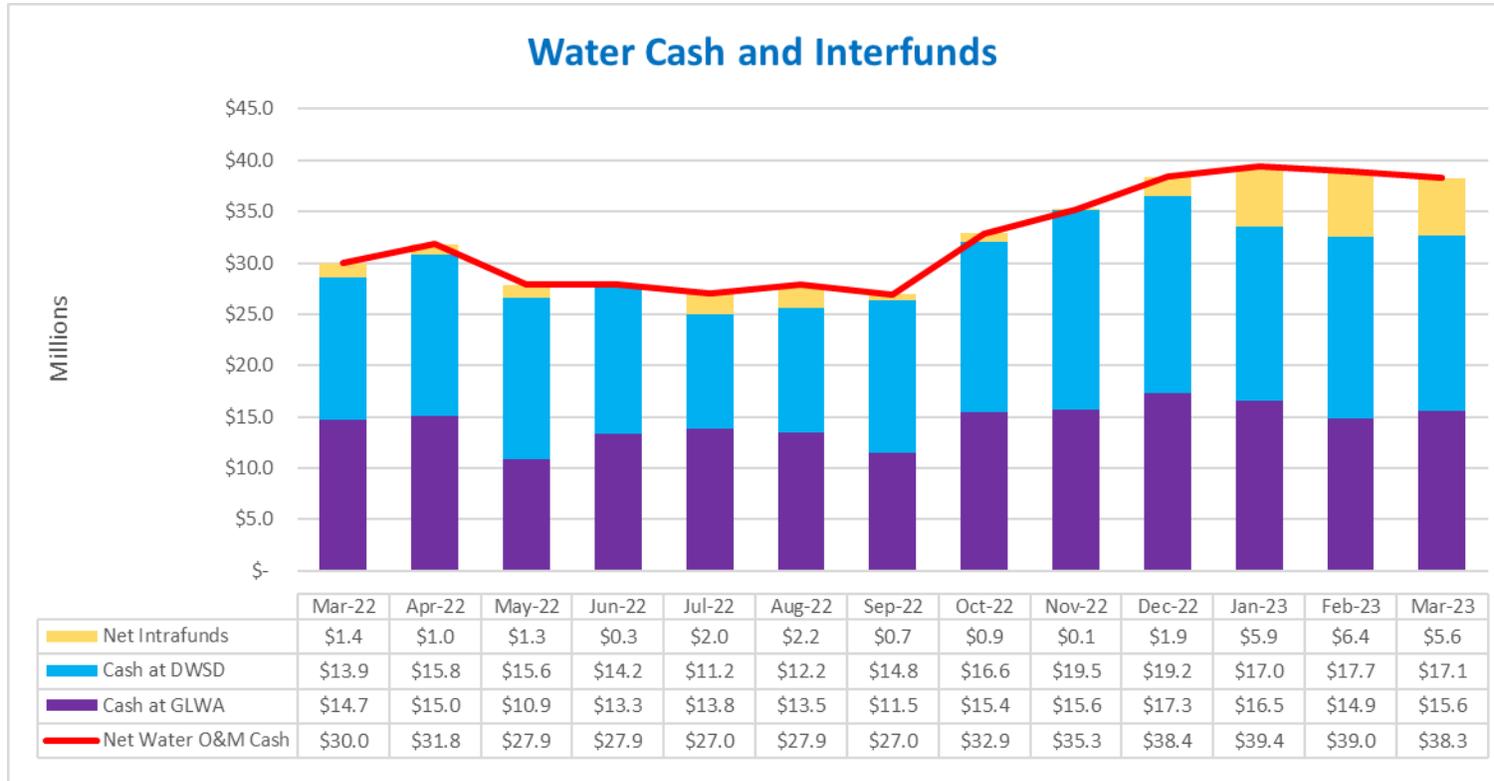
# Quarterly Cash and Investments Summary by Financial Institution\*

(Amounts in thousands)

	<u>6/30/2022</u>		<u>9/30/2022</u>		<u>12/31/2022</u>		<u>3/31/2023</u>	
<b>SUMMARY BY INSTITUTION</b>								
US Bank	\$ 8,339	3.6%	\$ 7,358	3.1%	\$ 7,624	3.3%	\$ 5,888	2.5%
JP Morgan Chase	1,716	0.7%	1,749	0.7%	1,785	0.8%	1,828	0.8%
First Independence	22,702	9.8%	31,096	13.1%	32,964	14.1%	49,393	20.7%
Comerica	19,916	8.6%	24,437	10.3%	31,625	13.5%	27,488	11.5%
GovMIC	178,186	77.2%	173,541	72.9%	160,409	68.4%	154,027	64.5%
<b>Total Cash and Investments</b>	<b>\$ 230,858</b>	<b>100.0%</b>	<b>\$ 238,181</b>	<b>100.0%</b>	<b>\$ 234,407</b>	<b>100.0%</b>	<b>\$ 238,623</b>	<b>100.0%</b>
<b>Water Funds</b>								
Operating	\$ 14,222	6.2%	\$ 15,004	6.3%	\$ 20,149	8.6%	\$ 20,776	8.7%
Improvement & Extension	45,113	19.5%	44,283	18.6%	31,209	13.3%	43,323	18.2%
Construction Series 2020A	77,764	33.7%	75,170	31.6%	74,463	31.8%	67,226	28.2%
	<b>137,098</b>	<b>59.4%</b>	<b>134,458</b>	<b>56.5%</b>	<b>125,821</b>	<b>53.7%</b>	<b>131,324</b>	<b>55.0%</b>
<b>Sewer Funds</b>								
Operating	18,603	8.1%	27,602	11.6%	31,637	13.5%	31,956	13.4%
Improvement & Extension	29,070	12.6%	32,604	13.7%	33,700	14.4%	31,754	13.3%
Construction Pre-Bifurcation	13	0.0%	8	0.0%	9	0.0%	10	0.0%
Construction Series 2013	46,074	20.0%	43,508	18.3%	43,240	18.4%	43,579	18.3%
	<b>93,760</b>	<b>40.6%</b>	<b>103,723</b>	<b>43.5%</b>	<b>108,587</b>	<b>46.3%</b>	<b>107,299</b>	<b>45.0%</b>
<b>Total Cash and Investments</b>	<b>\$ 230,858</b>	<b>100.0%</b>	<b>\$ 238,181</b>	<b>100.0%</b>	<b>\$ 234,407</b>	<b>100.0%</b>	<b>\$ 238,623</b>	<b>100.0%</b>

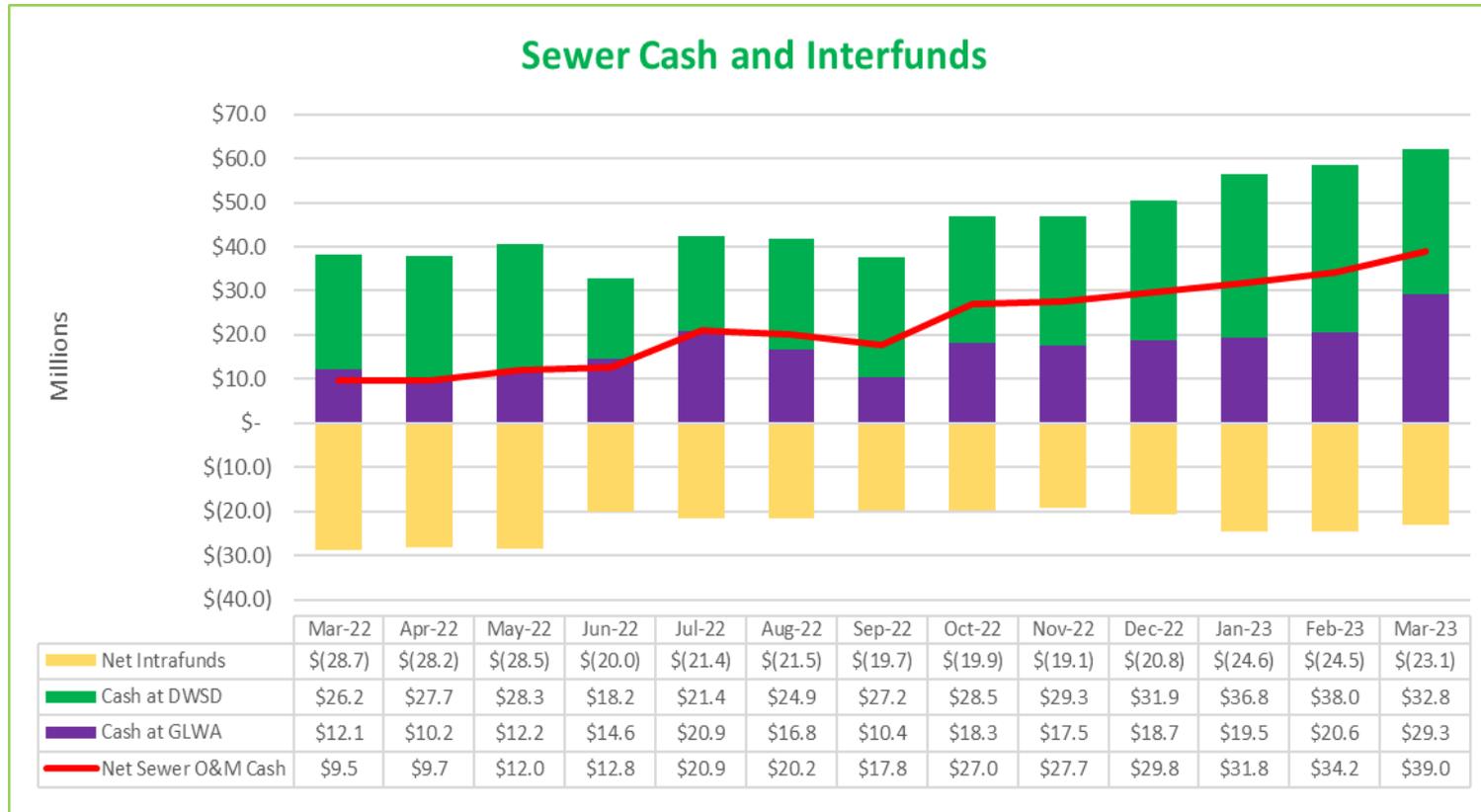
\*Amounts reflect bank balances and may differ from financial statements.

# Water Net Operating Cash and Interfund Balances



- *Net Water Operating Cash* and Interfund balances have increased over the first nine months of Fiscal 2023 reflecting positive budgetary results.
- March's *Net Water Operating Cash and Interfund* balances amounted to \$38.3 million, representing an increase of \$8.3 million over the past twelve months.

# Sewer Net Operating Cash and Interfund Balances



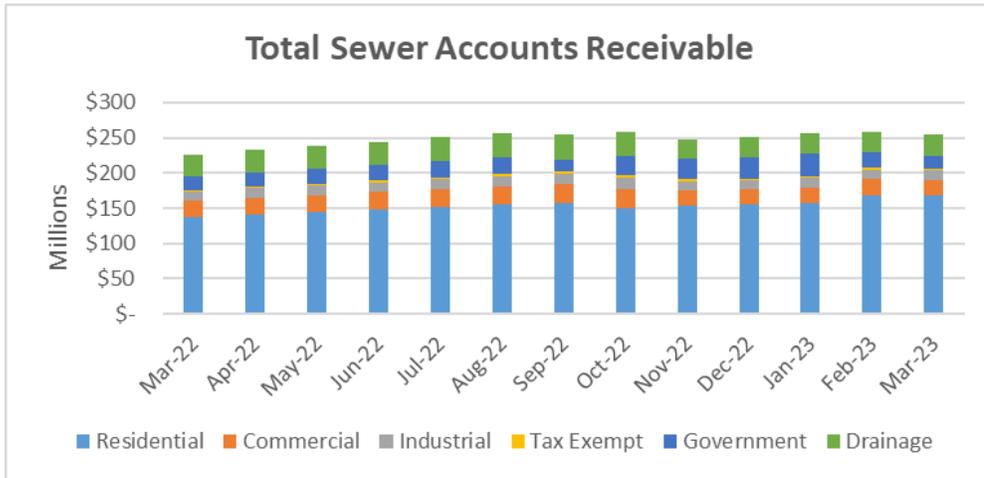
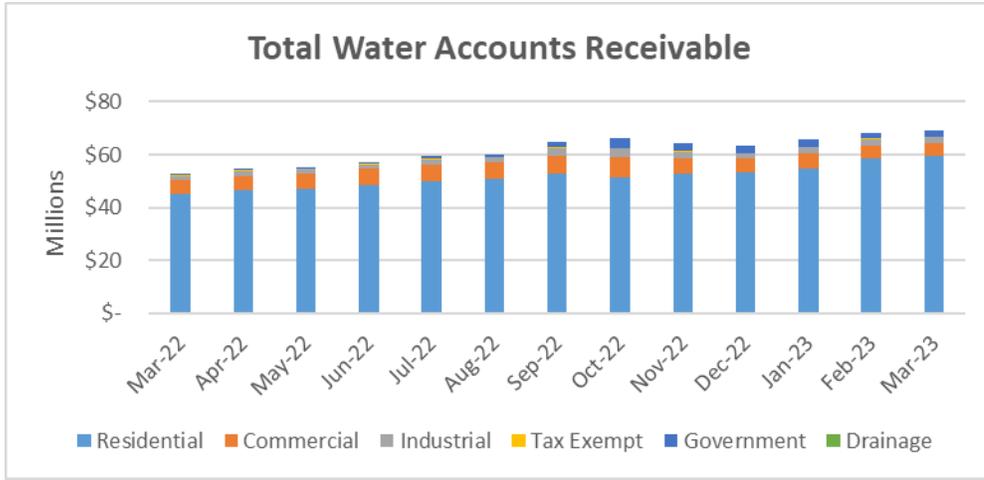
- *Net Sewer Operating Cash* has steadily improved since accruing a \$50 million shortfall over the first two years following bifurcation.
- March's *Net Sewer Operating Cash and Interfund* balances amounted to \$39.0 million, representing an increase of \$29.5 million over the past twelve months.

# Comparative Accounts Receivable

- Total March sales amounted to \$36.5 million, a decrease of \$1.2 million over previous month.
- Total receivables for active accounts amounted to \$280.7 million, a decrease of \$4.4 million over previous month.
- The average age of Residential receivables increased by 20 days in the month of March compared to previous month. Instead of the normal increase, Residential Accounts Receivable were flat from February to March due to a combination of (1) the ongoing receipt of third-party assistance payments, (2) the lower sales revenue in February owing to fewer billable days in the month, and (3) a higher rate of customer cash payments during the tax refund season.

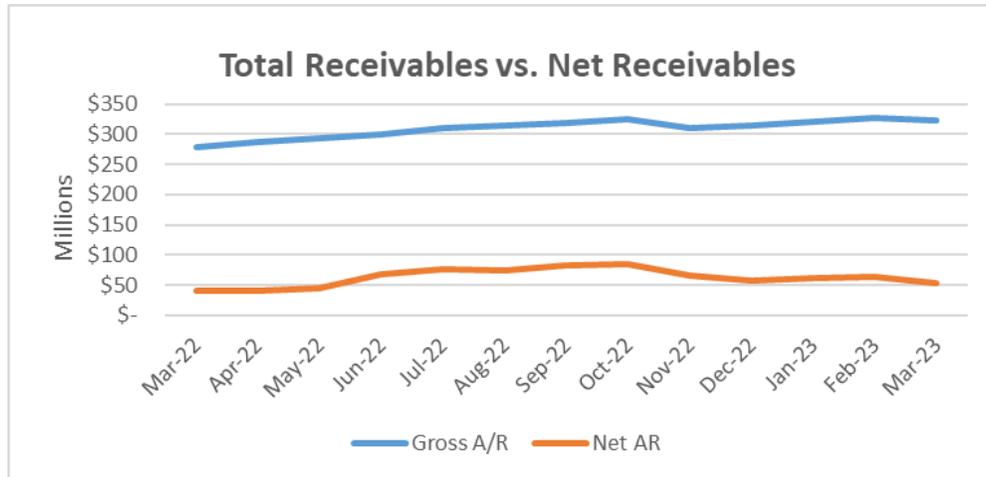
Sales Class	June 30, 2022			February 28, 2023			March 31, 2023		
	Sales	Receivables	Days in AR	Sales	Receivables	Days in AR	Sales	Receivables	Days in AR
Residential	\$ 17,389,839	\$ 162,666,809	281	\$ 16,014,407	\$ 187,914,619	352	\$ 15,086,489	\$ 187,310,042	372
Commercial	9,107,898	30,495,851	100	8,222,768	26,814,604	98	7,652,151	26,714,159	105
Industrial	5,198,283	14,879,472	86	5,160,150	15,697,205	91	5,468,566	14,701,698	81
Tax Exempt	669,630	3,166,661	142	718,273	2,987,038	125	715,587	3,002,493	126
Government	2,628,550	21,786,979	249	3,920,935	23,743,574	182	3,841,153	20,022,438	156
Drainage Only	4,027,746	32,295,477	241	3,687,095	27,990,778	228	3,732,810	28,958,418	233
<b>Total Active Accounts</b>	<b>\$ 39,021,947</b>	<b>265,291,250</b>	<b>204</b>	<b>\$ 37,723,628</b>	<b>285,147,818</b>	<b>227</b>	<b>\$ 36,496,755</b>	<b>280,709,248</b>	<b>231</b>
Inactive Accounts Receivable		35,054,997			40,828,720			41,987,113	
<b>Total Accounts Receivable</b>		<b>300,346,247</b>			<b>325,976,538</b>			<b>322,696,361</b>	
Allowance for Doubtful Accounts		(233,062,456)			(263,562,359)			(268,375,775)	
<b>Net Accounts Receivable</b>		<b>\$ 67,283,791</b>			<b>\$ 62,414,179</b>			<b>\$ 54,320,586</b>	

# Accounts Receivable Trends



- Total *Water Accounts Receivable* have increased by \$16.4 million (23.9%) over the past 12 months.
- *Residential Water Accounts Receivable* increased \$14.5 million (24.3%) over the past 12 months.
- *Nonresidential* account balances have increased approximately \$1.9 million over the same period.
- Total *Sewer Accounts Receivable* have increased \$28.7 million (11.3%) over the past 12 months.
- *Residential Sewer Accounts Receivable* increased \$30.9 million (18.4%) over the past 12 months.
- *Nonresidential* account balances have decreased by \$2.2 million over the same period.

# Accounts Receivable Trends



- DWSD continues to increase Bad Debt allowance due to high average age of active residential accounts.
- Bad Debt allowance increased by \$30.5 million since June 2022 and \$4.8 million over the previous month.
- The total Allowance for Bad Debt of \$268.4 million represents 83.2% of total accounts receivable leaving \$54.3 million net receivable balance at the end of February 2023.
- DWSD anticipates resuming service interruptions on delinquent residential accounts in the near future.
- *Net Accounts Receivable* has increased by \$13.2 million (24.3%) over the past twelve months.

# Quarterly Accounts Receivable Aging

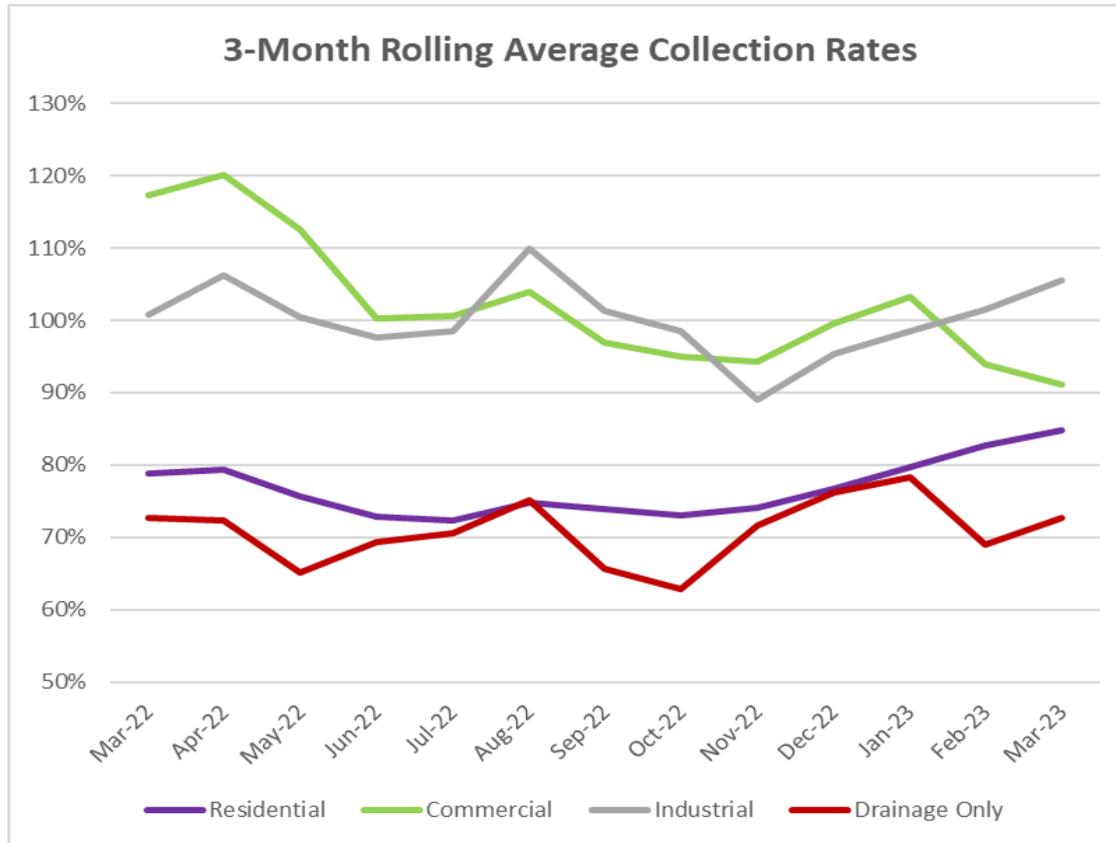


March 31, 2023

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	\$ 24,087,818	\$ 8,187,774	\$ 7,066,963	\$ 22,861,153	\$ 16,115,816	\$ 14,288,585	\$ 94,701,933	\$ 187,310,042
Commercial	8,333,099	1,836,904	1,434,491	3,015,598	2,472,417	1,950,150	7,671,500	26,714,159
Industrial	5,505,981	671,468	592,716	1,611,704	1,072,534	721,309	4,525,985	14,701,698
Tax Exempt	690,289	151,862	129,018	321,248	296,612	222,162	1,191,302	3,002,493
Government	5,257,843	856,742	325,839	1,403,805	1,302,640	1,350,784	9,524,784	20,022,438
Drainage	3,746,644	1,368,308	1,141,053	2,989,785	2,822,311	2,470,997	14,419,320	28,958,418
<b>Subtotal - Active Accounts</b>	<b>47,621,675</b>	<b>13,073,059</b>	<b>10,690,080</b>	<b>32,203,294</b>	<b>24,082,330</b>	<b>21,003,987</b>	<b>132,034,823</b>	<b>280,709,248</b>
Inactive	136,288	152,352	154,832	323,060	991,017	1,385,757	38,843,806	41,987,113
<b>Total</b>	<b>\$ 47,757,963</b>	<b>\$ 13,225,411</b>	<b>\$ 10,844,911</b>	<b>\$ 32,526,353</b>	<b>\$ 25,073,347</b>	<b>\$ 22,389,745</b>	<b>\$ 170,878,630</b>	<b>\$ 322,696,361</b>
<i>% of Total A/R</i>	<b>14.8%</b>	<b>4.1%</b>	<b>3.4%</b>	<b>10.1%</b>	<b>7.8%</b>	<b>6.9%</b>	<b>53.0%</b>	<b>100.0%</b>

- Uncollected accounts receivable are generally carried for five years until the statutory lien expires.
- More than half (53%) of the total receivables balance is over one year past due. Approximately \$38.8 million (92.5%) of **Inactive** accounts are older than one year.
- The total valuation of Accounts Receivable was reduced by an allowance for doubtful accounts of \$268.4 million. The net carrying value of receivables was \$54.3 million as of the end of March 2023.

# Collection Rates

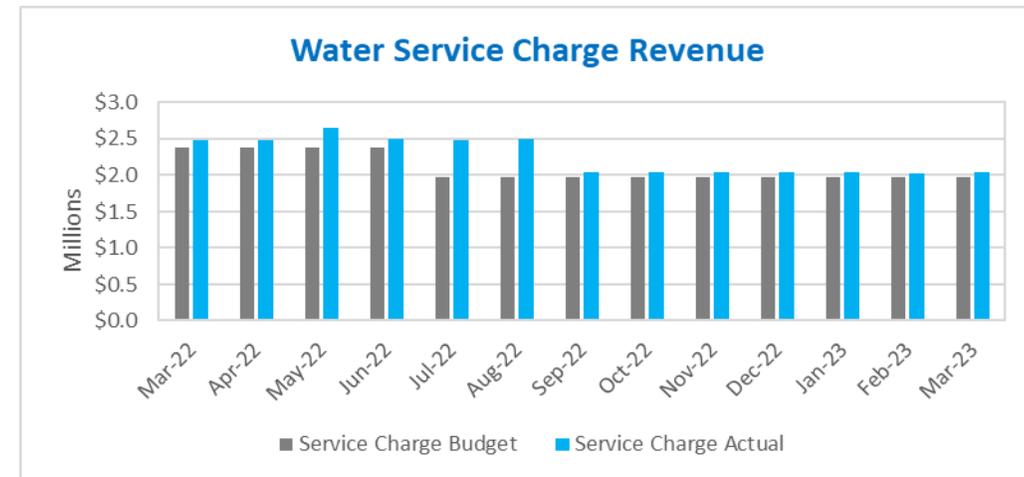
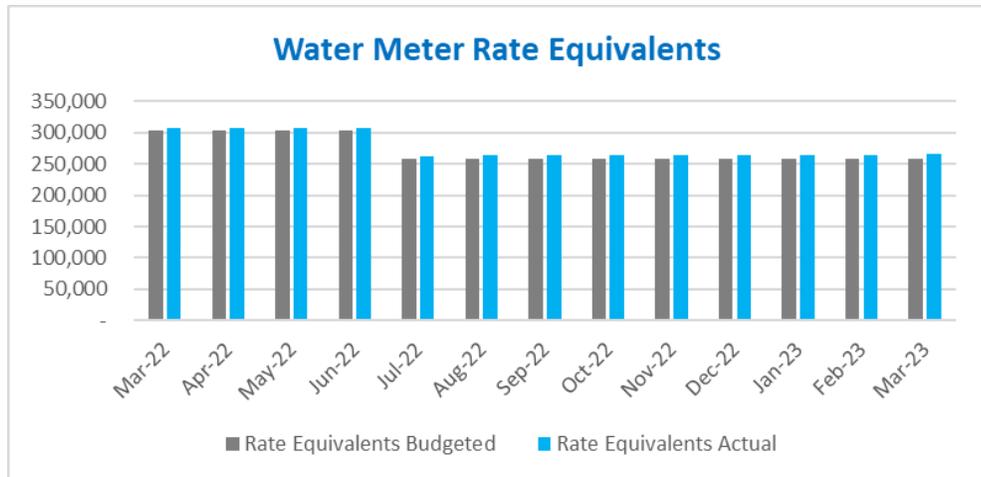
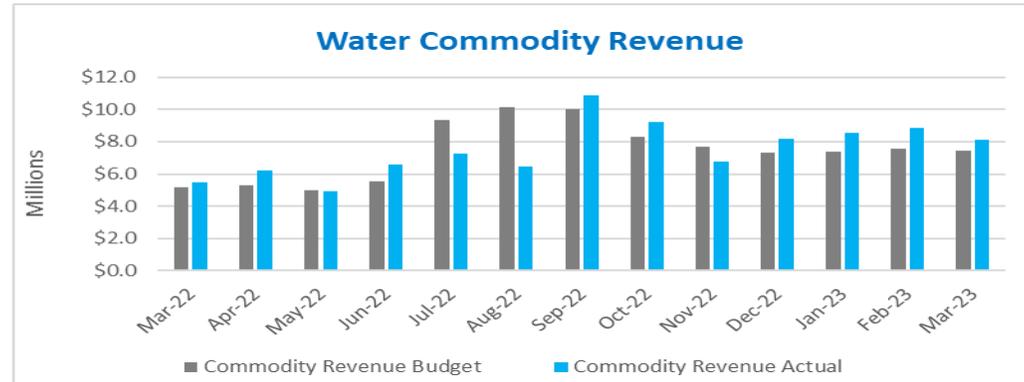
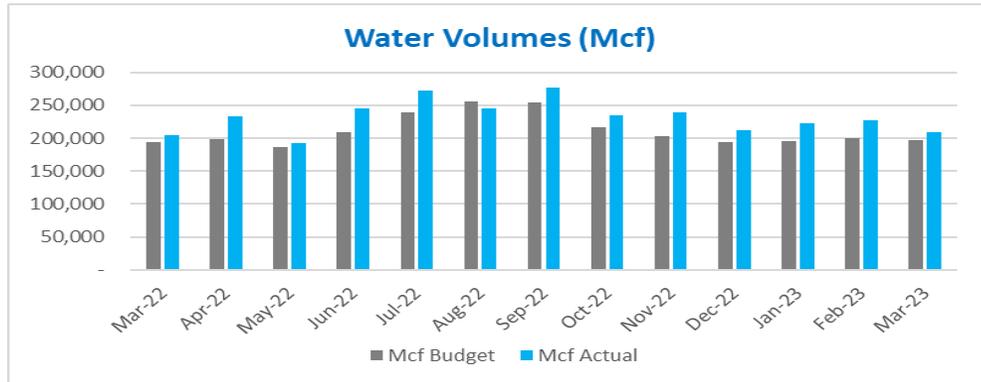


- **Residential** collections rates have shown steady improvement over several months due to:
  - (1) The recent receipt of governmental assistance payments. Through on-going receipt of third-party assistance payments, the 9-month average collection rate for residential accounts has continued to improve from 72.4% in July 2022 to 84.8% in March 2023.
  - (2) Customer response to the anticipated re-start of service interruptions in mid 2023, and
  - (3) A higher rate of customer cash payments during the tax season.
- **Commercial and Industrial** collection rates have fluctuated over the last few months due to delays in processing approximately \$9 million in wire transfer payments to specific customer accounts.

# Water Commodity/Service Charge Metrics and Revenues



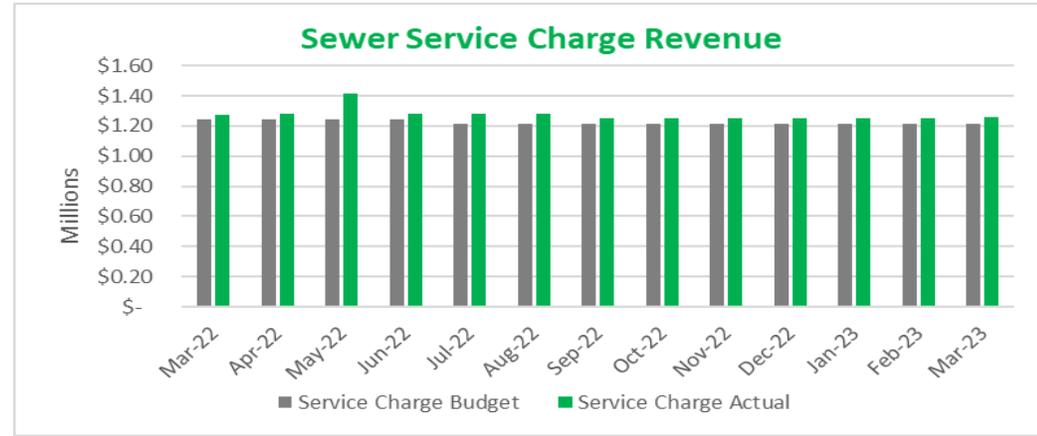
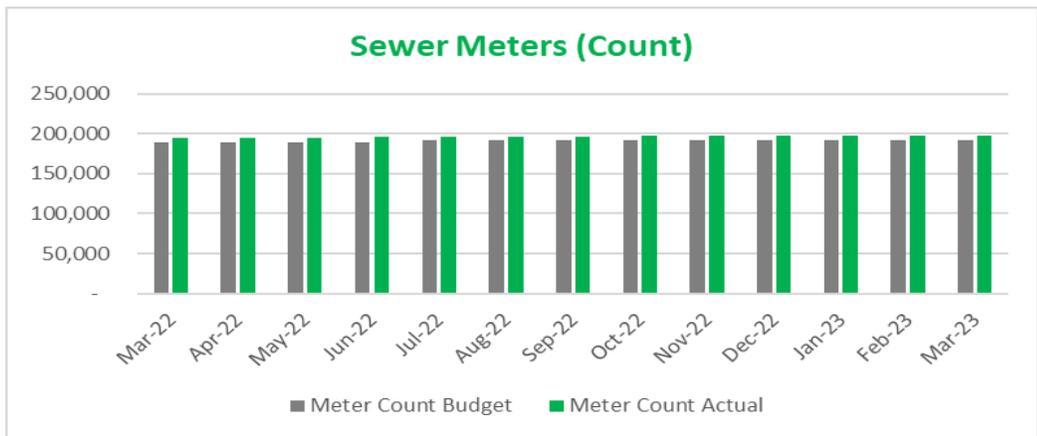
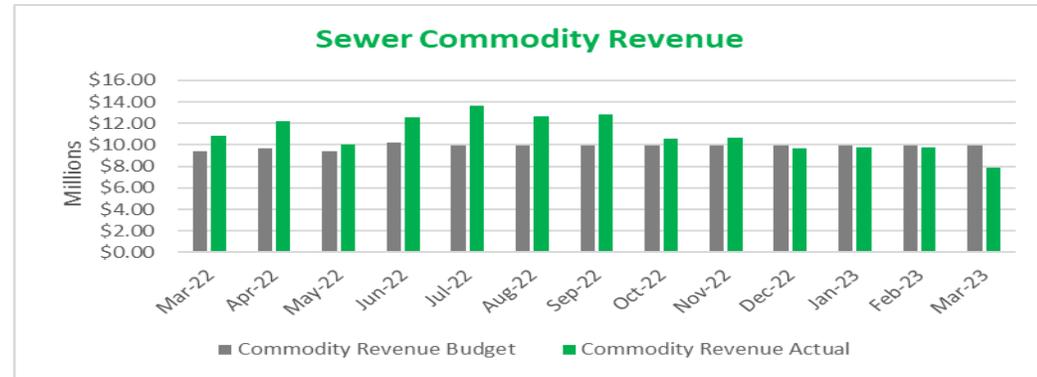
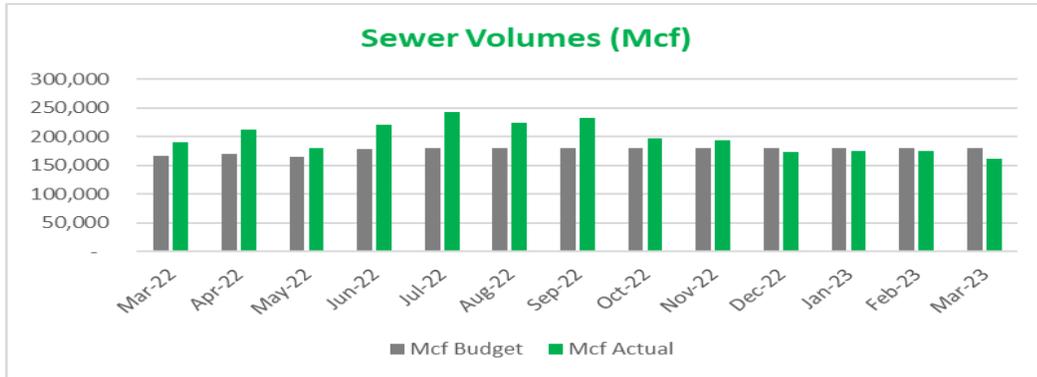
- Year-to-date **Water Volumes** trended at 9.5% over budget for the last nine months. Year-to-date **Water Commodity Revenues** were \$3.3 million or 4.5% over budget.
- Year-to-date **Water Meter Equivalents** remained slightly ahead (2.2%) of budgeted levels through the last nine months. Year-to-date **Water Service Charge Revenues** were \$1.5 million or 8.5% above budget.



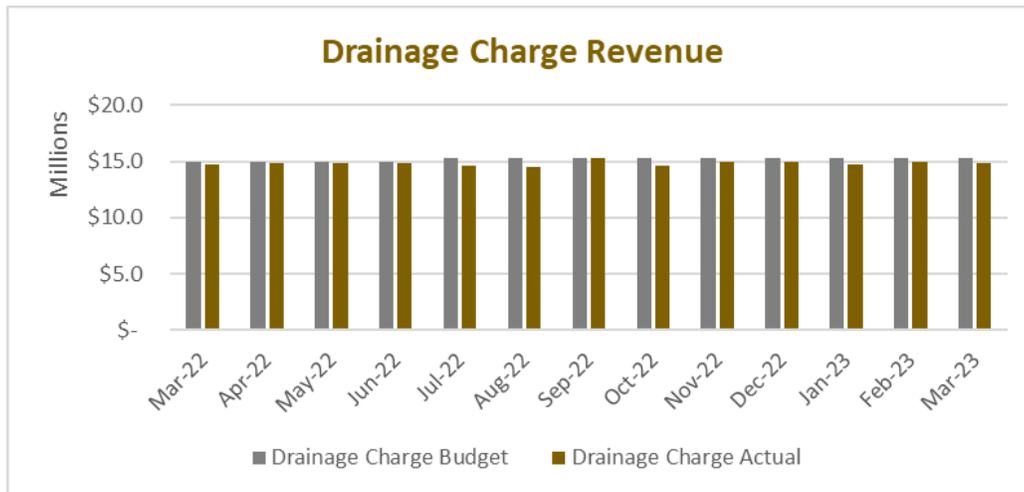
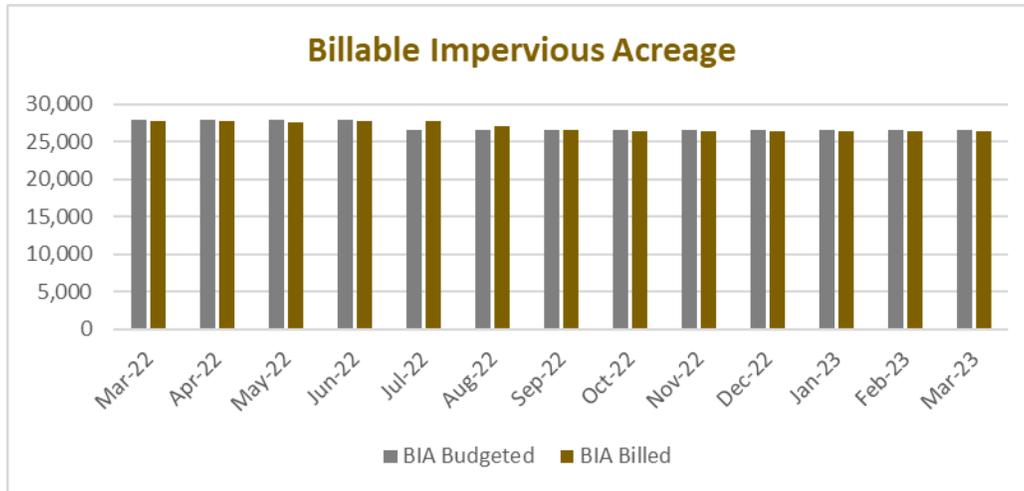
# Sewer Commodity/Service Charge Metrics and Revenues



- Year-to-date **Sewer Volumes** trended over budget by 161.3 Mcf for the first nine months . Year-to-date **Sewer Revenues** exceeded budgeted revenues by \$8 million (9%).
- Sewer Meter Counts** have exceeded budgeted levels in each month of Fiscal 2023. Year to date counts are trending 2.8% ahead of budget estimates and Year-to-date **Sewer Service Charge Revenues** exceeded budget by \$352K (3.2%) consistent with positive variances on total meter counts.



# Drainage Metrics and Revenues



- Fiscal 2023 year-to-date *Billed Impervious Acreage* has exceeded budget estimates by 0.5%. Trends in recent months, however, have been slightly negative.
- Drainage Charge Revenue* fell short of budget estimates by \$4.0 million (2.9%). 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 \$95,000 per month.

# Water and Sewer Operating Revenue – 3<sup>rd</sup> Quarter Budget vs. Actual

For the Nine Months Ended March 31, 2023				
(Amounts in thousands)				
	Budget	Actual	Variance	%
<b>Water Operating Revenue</b>				
Commodity sales	\$ 73,587	\$ 76,879	\$ 3,292	4.5%
Service charges	17,687	19,190	1,503	8.5%
Private firelines	1,551	1,707	156	10.1%
Shared Services	563	396	(167)	-29.6%
Other GLWA reimbursement	9,237	9,084	(153)	-1.7%
Penalties and fees	2,176	2,274	98	4.5%
Miscellaneous	750	567	(183)	-24.3%
<b>Total Operating Revenue</b>	<b>\$ 105,550</b>	<b>\$ 110,098</b>	<b>\$ 4,548</b>	<b>4.3%</b>

For the Nine Months Ended March 31, 2023				
(Amounts in thousands)				
	Budget	Actual	Variance	%
<b>Sewer Operating Revenue</b>				
Commodity sales	\$ 89,326	\$ 97,370	\$ 8,044	9.0%
Service charges	10,953	11,305	352	3.2%
Drainage charges	137,381	133,422	(3,959)	-2.9%
Industrial waste charges	1,212	1,171	(41)	-3.4%
Shared Services	1,313	924	(389)	-29.6%
Other GLWA reimbursement	16,891	16,490	(401)	-2.4%
Penalties and fees	5,654	5,370	(284)	-5.0%
<b>Total Operating Revenue</b>	<b>\$ 262,804</b>	<b>\$ 266,631</b>	<b>\$ 3,827</b>	<b>1.5%</b>

- Year-to-date *Commodity Revenues* were approximately \$3.3 million (4.5%) over the straight-line accounting budget.
- Year-to-date *Water Service Charge Revenues* were approximately \$1.5 million (8.5%) over budget reflecting delayed rate implementation and slightly higher than expected meter equivalents.
- Fiscal 2023 year-to-date *Sewer Commodity Revenues* exceeded budgeted revenues by \$8.0 million (9.0%). The positive variance was driven by delays in implementing volume caps on *Residential* bills.
- *Drainage Charge Revenue* fell short of budget estimates by \$4.0 million (2.9%). 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 \$95,000 per month.

# Operating Expense By Appropriation – 3<sup>rd</sup> Quarter Budget vs. Actual

For the Nine Months Ended March 31, 2023				
(Amounts in thousands)				
	Budget	Actual	Variance	%
<b>Combined Departmental Expense</b>				
Administration	\$ 1,547	\$ 1,319	\$ 228	14.8%
Operations	36,991	28,568	8,423	22.8%
Stores Inventory	-	338	(338)	N/A
Compliance	17,411	13,491	3,920	22.5%
Finance	12,674	7,940	4,734	37.3%
Customer Service	3,740	3,574	166	4.4%
<b>Total Departmental</b>	<b>\$ 72,362</b>	<b>\$ 55,230</b>	<b>\$ 17,132</b>	<b>23.7%</b>

For the Nine Months Ended March 31, 2023				
(Amounts in thousands)				
	Budget	Actual	Variance	%
<b>Combined Nondepartmental Expense</b>				
Wholesale charges	\$ 161,733	\$ 161,587	\$ 146	0.1%
Legacy pension expense	34,050	34,050	0	0.0%
Retail Assistance Program	1,602	1,590	12	0.7%
Bad debt expense	45,026	45,727	(702)	-1.6%
<b>Total Nondepartmental</b>	<b>\$ 242,411</b>	<b>\$ 242,954</b>	<b>\$ (543)</b>	<b>-0.2%</b>

- **Operations** variance primarily due to (1) Personnel savings due to a combination of 28 vacancies and high employee turnover (\$1.1 million); (2) Contractual services savings due to delayed projects and/or seasonal (spring/summer) contracts such as iTron, repairs of facilities and grounds, fleet and equipment, service interruptions, and GSI maintenance and restoration (\$4.7 million). In addition, there were savings in Shared Services and Utility expenses.
- **Compliance** variance primarily due to (1) Personnel savings attributable to 10 vacancies (\$969,700); (2) certain Contractual services that are invoiced and booked annually (\$256,300); (3) Shared service savings due to delayed true-ups; (4) other IT expenses including software, and telecommunication and data licensing agreements also invoiced and recorded on an annual basis (\$2.7 million).
- **Finance** variance primarily due to (1) Personnel savings due to 17 vacancies (\$1.2 million); (2) Contractual services savings due to delayed or canceled projects, including Internal Audit services, external audit chargebacks, a proposed Warehouse Consolidation project, and other consulting initiatives (\$1.3 million); (3) Other expense savings due to delayed Purchased service and Over budgeted Shared service (\$2.2 million).

# Operating Expense By Object – 3<sup>rd</sup> Quarter Budget vs. Actual

For the Nine Months Ended March 31, 2023				
(Amounts in thousands)				
	Budget	Actual	Variance	%
<b>Combined Operating Expense</b>				
Salaries and Wages	\$ 28,457	\$ 26,013	\$ 2,445	8.6%
Employee Benefits	44,177	42,996	1,182	2.7%
Contractual Services	14,032	7,792	6,240	44.5%
Supplies	7,649	6,850	799	10.4%
Wholesale Charges	161,733	161,587	146	0.1%
Shared Services	2,896	896	1,999	69.0%
Utilities	2,689	1,959	729	27.1%
Other Operating	8,113	4,364	3,749	46.2%
Bad Debt Expense	45,026	45,727	(702)	-1.6%
<b>Total Operating</b>	<b>\$ 314,772</b>	<b>\$ 298,183</b>	<b>\$ 16,589</b>	<b>5.3%</b>

- **Salaries and Wages** were 8.6% under budget for the first nine months due to vacancies across multiple cost centers. Those savings were offset in part by overages in overtime expenses of \$1.4 million.
- **Employee Benefits** were under budget by \$1.2 million (2.7%). Benefit savings attributable to vacancies.
- **Contractual Services** savings include consulting and professional services (\$6.24 million) across multiple cost centers. Savings are attributable to unbilled services, project delays and seasonal contracts including: iTron, Residential service interruptions, GSI maintenance and restoration, warehouse consolidation, catch-basin maintenance, audit services, cash management services, and facilities management.
- **Shared Services** are under budget because the estimated monthly accruals were overstated. Updated forecast reflects \$1.3 Million is overestimate.
- **Other Operating** expense was under budget by \$3.7 million due to savings in purchased services, rental equipment and utility accounts.

# THANK YOU!

## **Detroit Water & Sewerage Department**

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