



May 2022 Financial Review

BOWC Finance Committee

August 3, 2022

May 2022 Highlights

Cash and Investments

- Operating cash balances have remained stable through FY 2022. As of May 31st, **Cash @ DWSD** amounted to \$15.6 and \$28.3 million in the Water and Sewer Funds, respectively.
- **Cash @ GLWA** amounted to \$10.9 and \$12.2 million in the Water and Sewer Funds, respectively.
- **I&E Cash** amounted to \$48.2 and \$18.3 million in the Water and Sewer Funds, respectively.
- Beginning December 2021, excess dollars were transferred for debt service from I&E Cash to Cash @ GLWA in error in the Water Fund. In May 2022, this error was corrected by transferring \$4 million back to I&E Cash.
- Conversely in the Sewer Fund, no transfers were made from I&E Cash to Cash @ GLWA for debt service. In May this error was corrected by transferring \$4.6 million to Cash @ GLWA.
- **Construction Cash** amounted to \$74.9 and \$48.0 million in the Water and sewer Funds, respectively.
- **Appendix A and B** graphically present Operating, I&E and Construction cash position over time for both the Funds.

Capital Spending

- The rate of capital spending has increased as we move further into the summer months.
- On a cash basis, May capital expenditures doubled compared to April expenditures.
- Delay in starting certain projects have slowed the planned rate of spending.

May 2022 Highlights

Revenue Metrics and Trends

- Water volumes have exceeded allocated budgets in each month of FY 22 trending at 7.7% over budget and Meter Equivalents are trending at 0.6% over budget through May.
- Water (Commodity) revenues are trending above budgeted revenues by 13.9% and Service Charges are trending above budget by 3.7% through May.
- Sewer Volumes are 3.5 % over budget, while Sewer Meters exceeded budget levels by 1.9%.
- Sewer (Commodity) revenues and Service Charge exceeded budgets by 4.0% and 3.1%, respectively.
- In July 2021, the budgeted Billable Impervious Acreage was increased based on recent flyover data.
- Actual Billed Impervious Acreage has declined by 176.5 acres between July 2021 and April 2022. In May, Billed Impervious Acreage decreased by an additional 43.7 acres.
- Due to the reduced number of acres billed in recent months, and prior year adjustments of \$1.4 million, Drainage Charge Revenue was under budget by 1.2% year-to-date.
- [Appendix C](#), [D](#) and [E](#) graphically present Water, Sewer and Drainage Revenue Metrics and Trends over time.

May 2022 Highlights

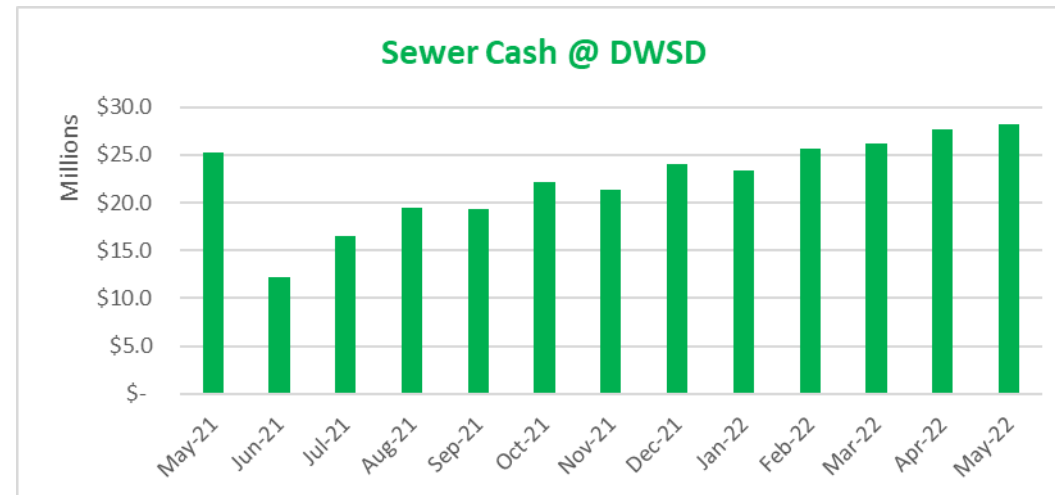
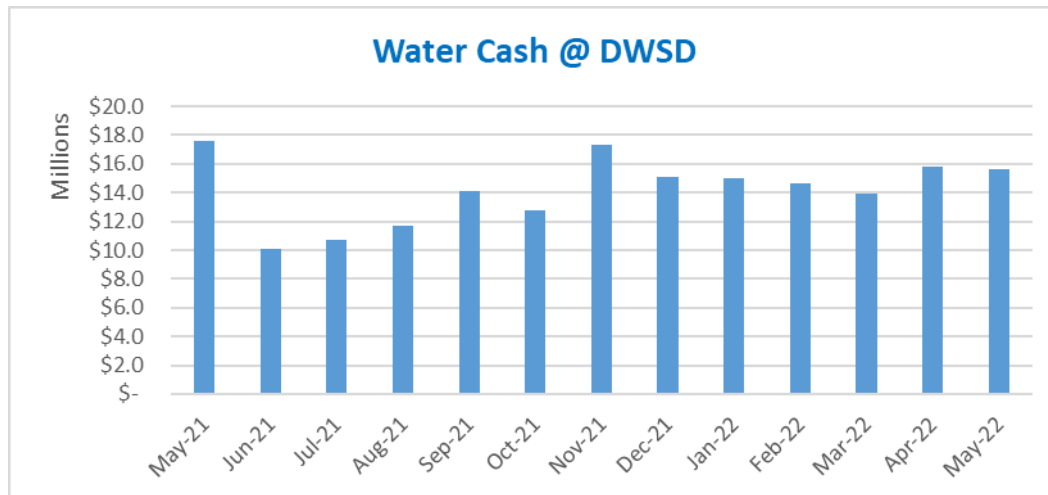
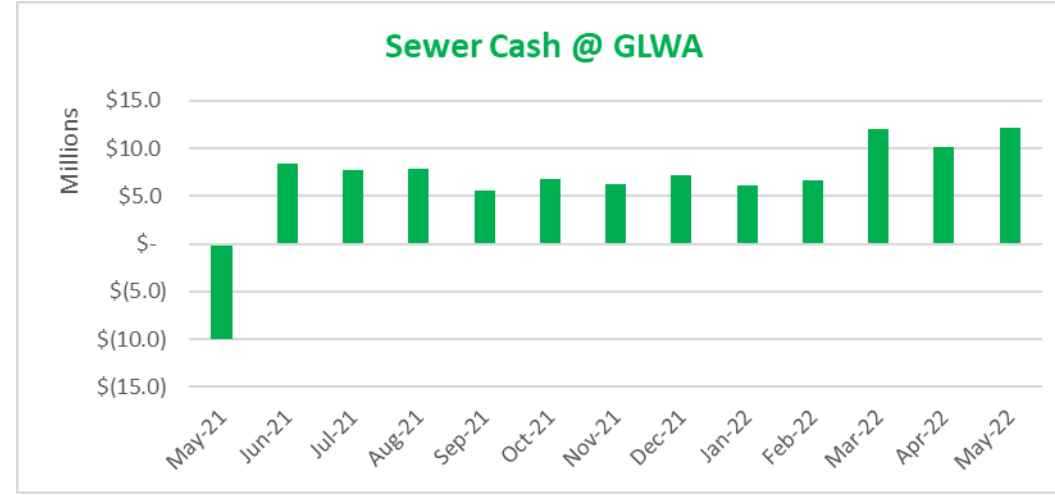
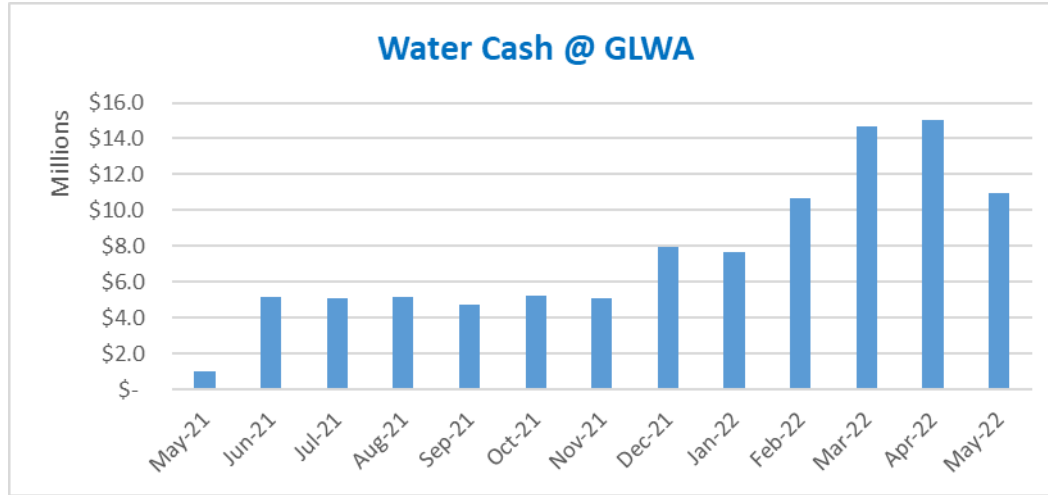


Collection and Receivables

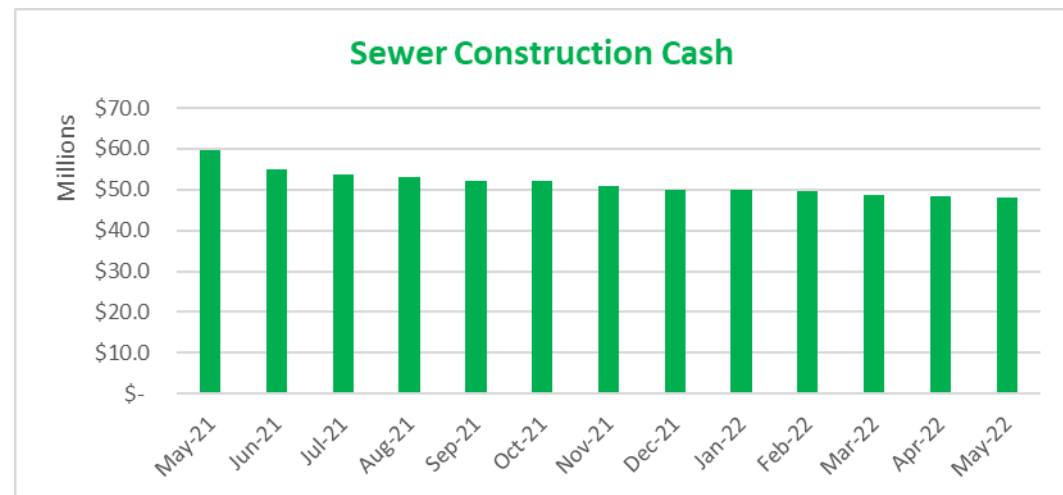
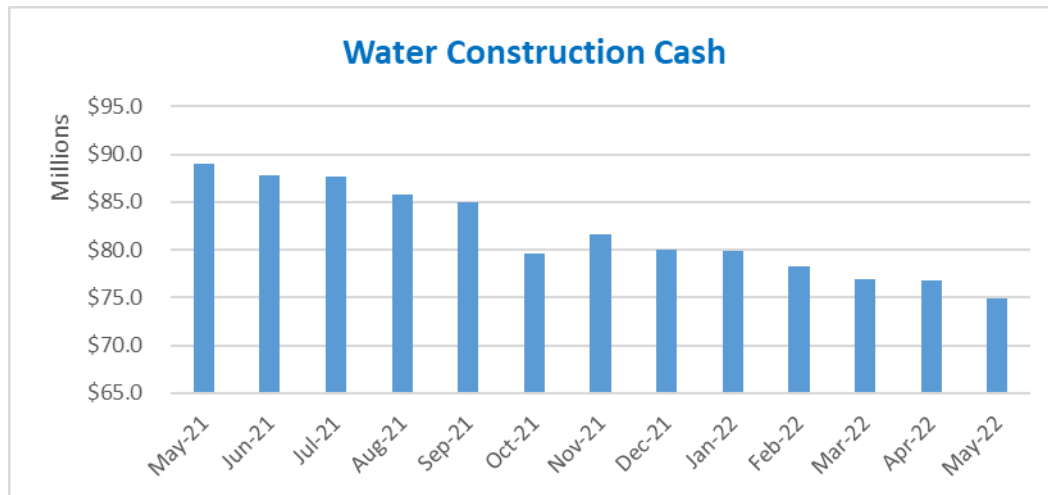
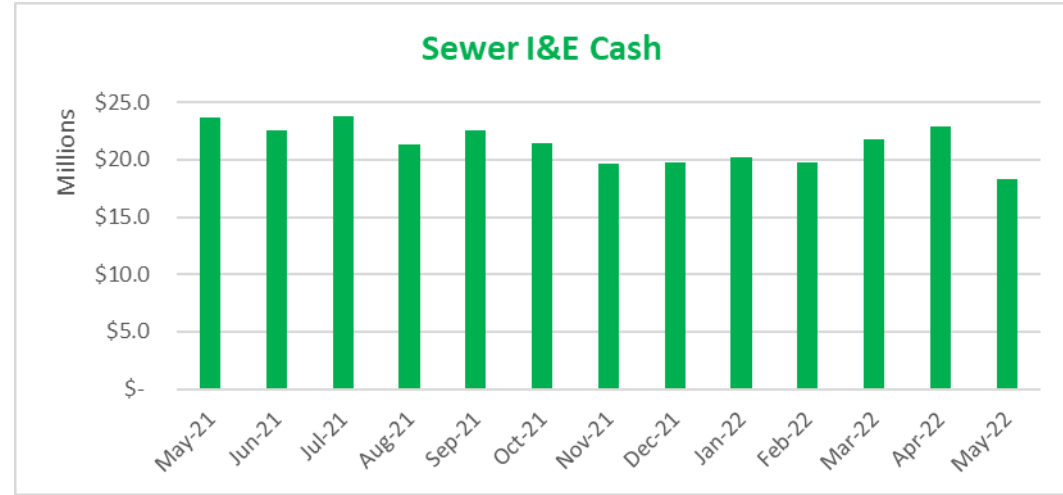
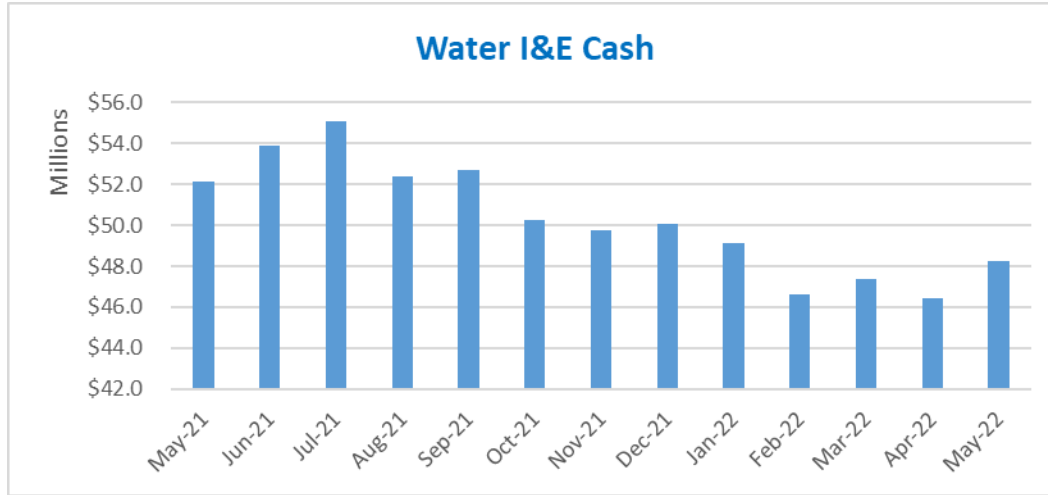
- The average age of residential accounts receivable continues to increase. As of May, active residential accounts averaged 294 days representing an increase of 117 days (66%) since June 2020.
- The 3-month average collection rate for residential accounts was 76% . By comparison, the pre-pandemic collection rate exceeded 95% as of December 2019.
- DWSD continues to increase bad debt estimates due to increase in average age of residential accounts.
- Allowance for bad debt has increased \$106.4 million (74.5%) since June 2020 while total accounts receivable increased by 37.3% over the same period reflecting increased risk of collection due to deteriorated aging.
- Residential sales amounted to 45% of total sales while accounting for 61% of all active receivables.
- Almost 70% of total receivables are over 180 days past due. More than 50% of those are residential accounts.
- The average age of non-residential sales classes have shown improvement due to stepped-up collection effort.
- Commercial and Industrial customers average age has declined from 240 days in June 2020 to 211 days as of May.
- Drainage only accounts aging has also declined from 276 days to 243 days.
- The valuation of total receivables is offset on the balance sheet by an allowance for doubtful accounts of \$249 million. The net carrying value of receivables was \$44.3 million as of May 31st.
- [Appendix F](#) summarizes Accounts Receivable aging by customer class through May 2022.
- [Appendix G](#) presents Accounts Receivable Trends over time and [Appendix H](#) is a historical perspective of Receivables.

Appendices

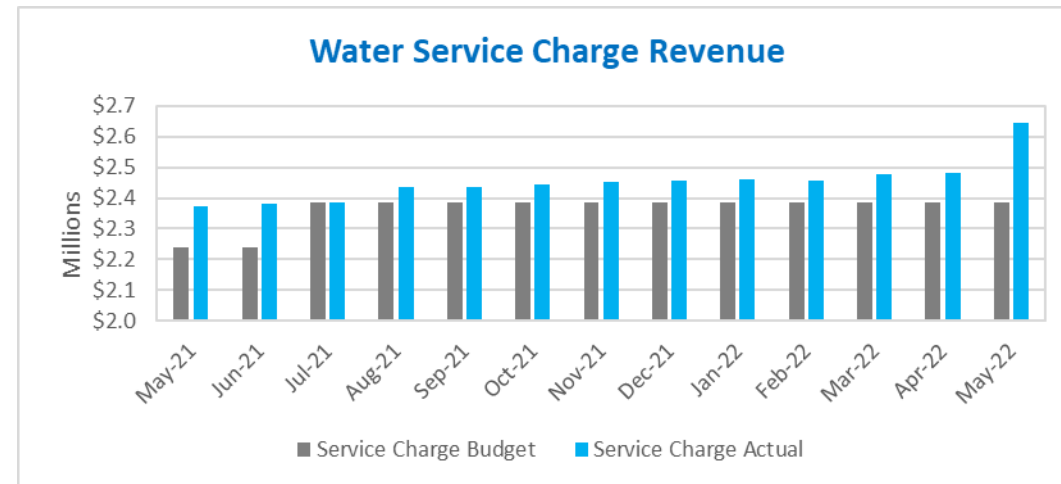
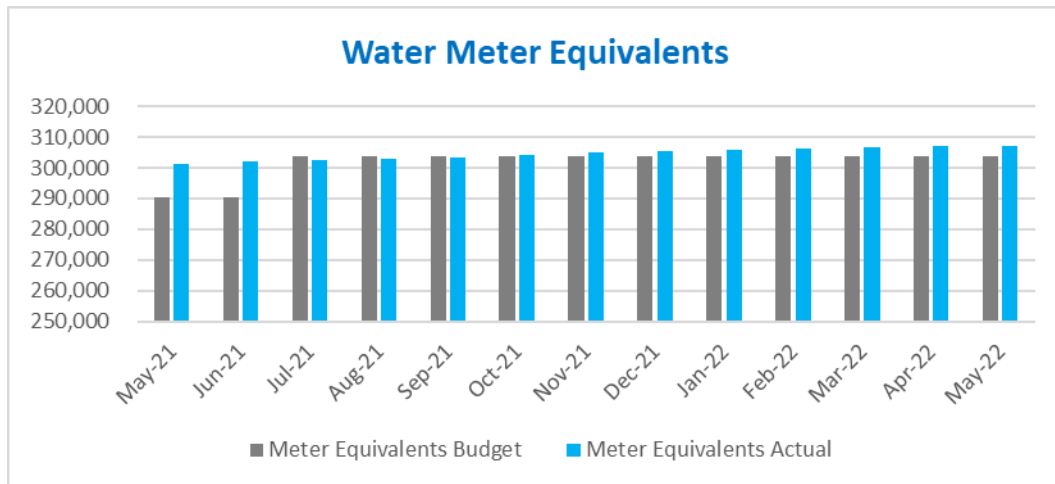
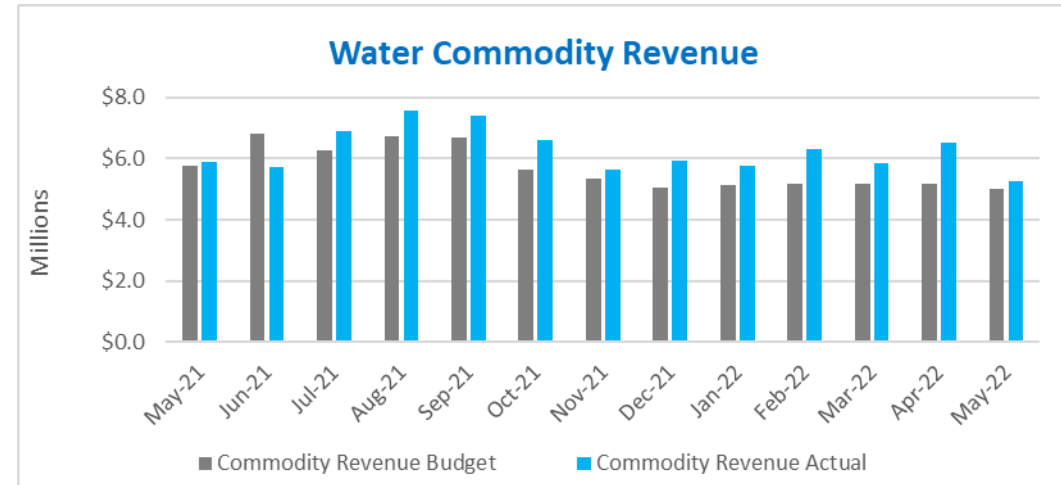
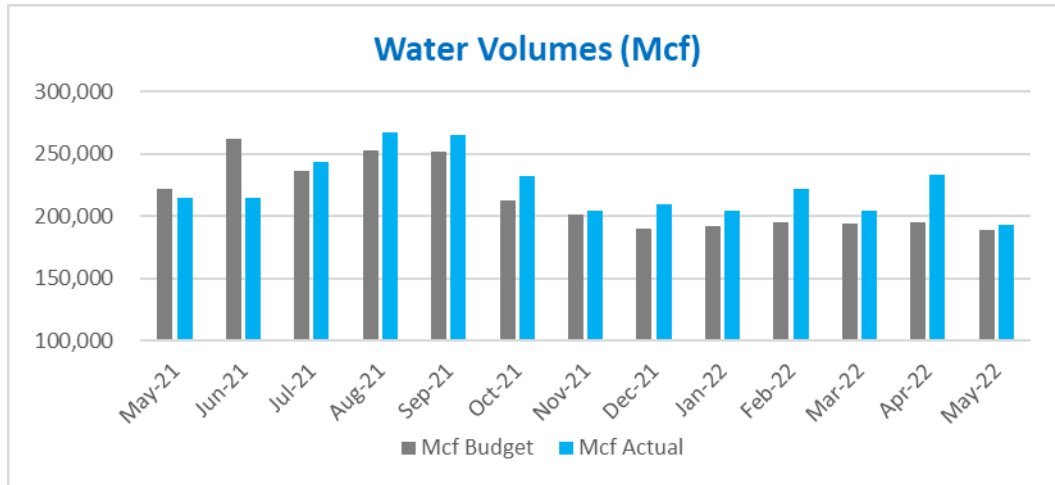
Appendix A – Water and Sewer Operating Cash



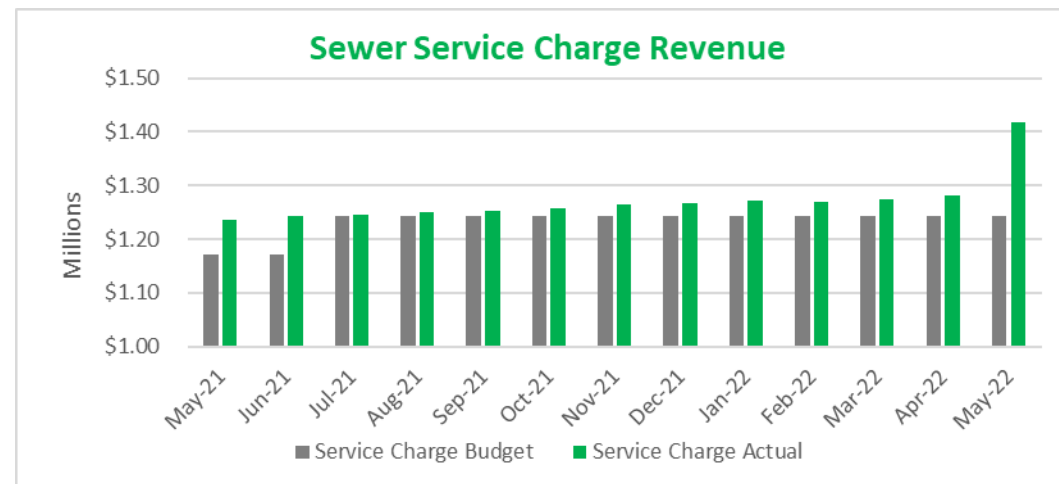
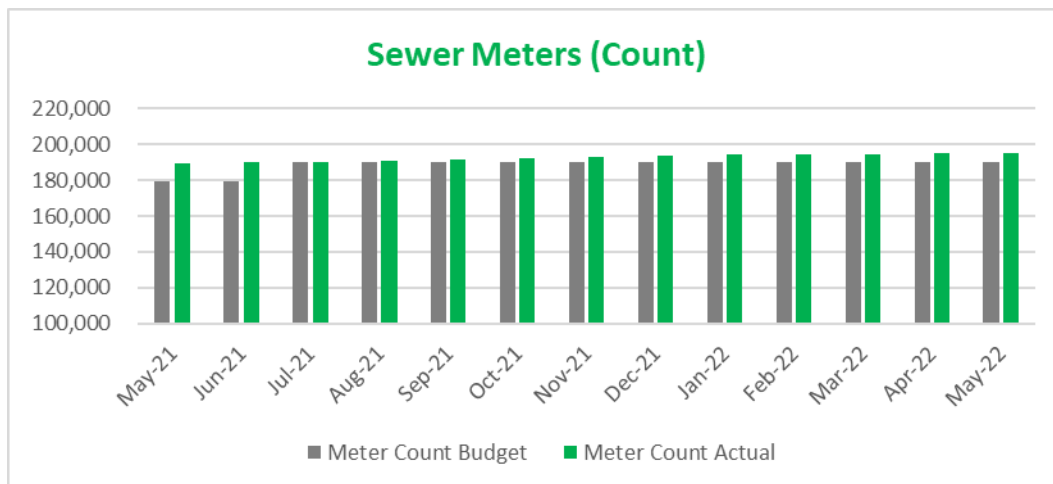
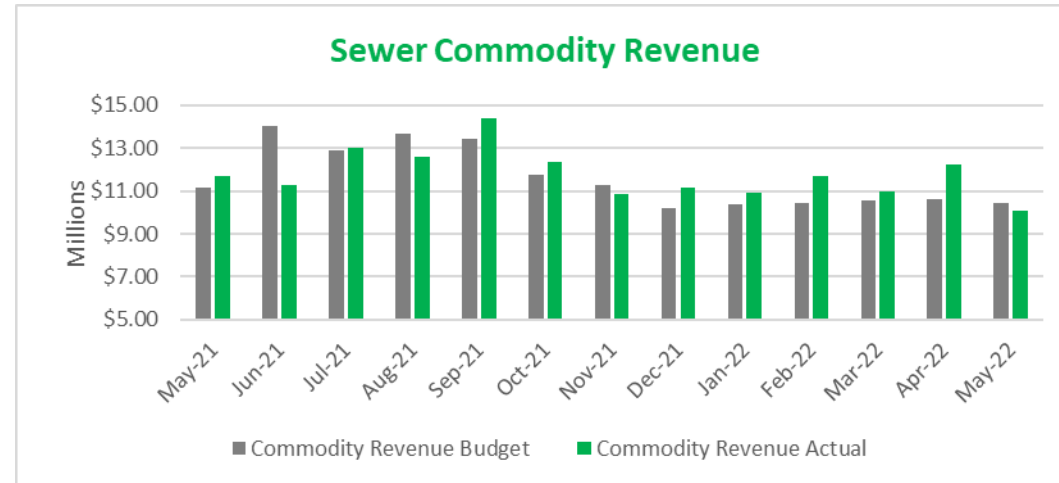
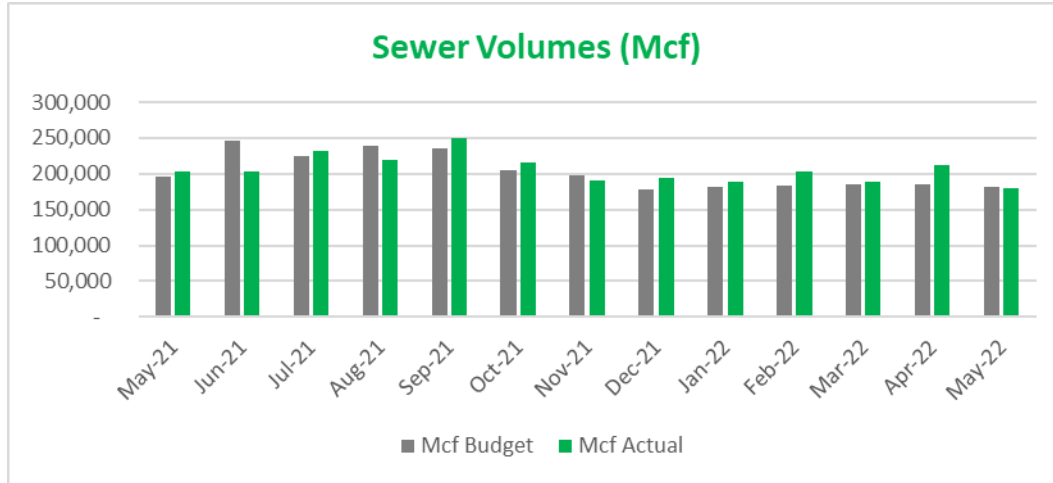
Appendix B - Water and Sewer I&E and Construction Cash



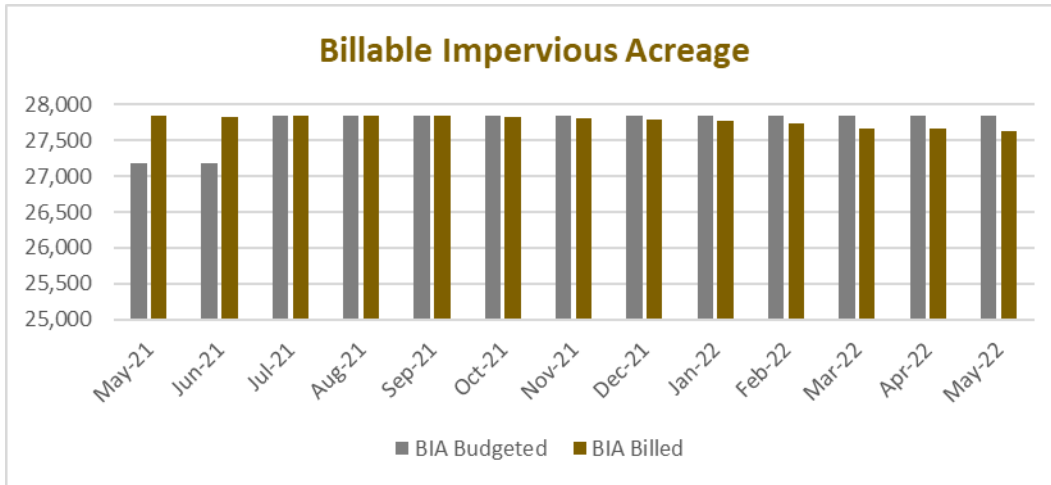
Appendix C - Water Revenue Metrics and Trends



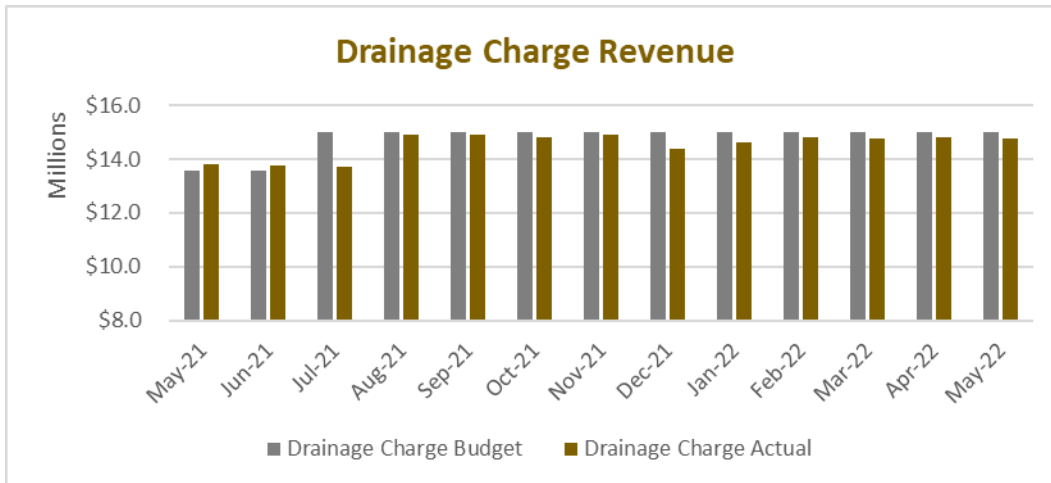
Appendix D - Sewer Revenue Metrics and Trends



Appendix E - Drainage Revenue Metrics and Trends



- In July 2021, the budgeted **Billable Impervious Acreage** was increased based on recent flyover data.
- Actual **Billed Impervious Acreage** has declined by 176.5 acres between July 2021 and April 2022. In May, **Billed Impervious Acreage** decreased by an additional 43.7 acres.



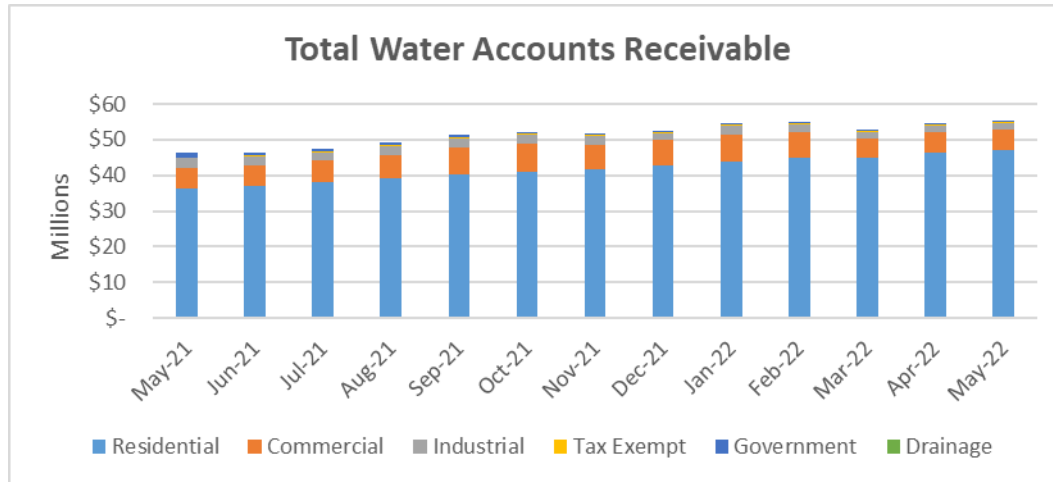
- Due to the reduced number of acres billed in recent months, and prior year adjustments of \$1.4 million, **Drainage Charge Revenue** was under budget by 1.2% year-to-date.

Appendix F - May 2022 Accounts Receivable Aging

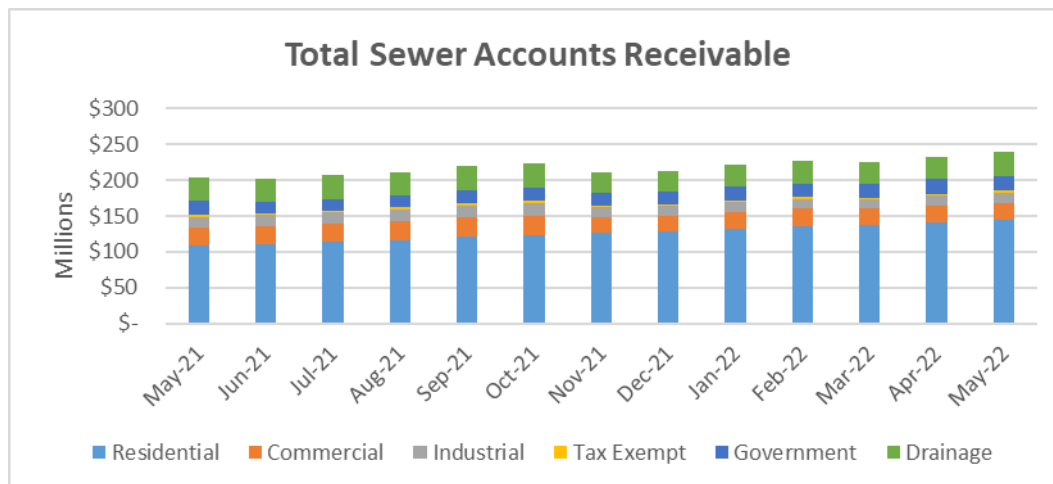
Sales Class	# of Accounts	Avg. Balance	Current	> 30 Days	> 60 Days	> 180 Days	A/R Balance
Residential	211,166	\$ 745.36	\$ 13,425,816	\$ 9,064,630	\$ 26,611,328	\$ 108,293,808	\$ 157,395,583
Commercial	21,048	1,411.24	7,374,500	2,571,037	6,846,022	12,912,144	29,703,703
Industrial	3,486	4,352.59	4,404,466	1,236,046	2,486,641	7,045,968	15,173,121
Tax Exempt	3,845	811.35	560,766	211,501	542,361	1,805,026	3,119,654
Government	51,365	414.55	2,435,619	1,120,336	2,265,250	15,471,959	21,293,165
Drainage	43,371	741.35	2,947,781	1,468,921	4,968,248	22,768,232	32,153,181
Subtotal - Active Accounts	334,281	\$ 774.31	\$ 31,148,949	\$ 15,672,472	\$ 43,719,849	\$ 168,297,138	\$ 258,838,407
Inactive Accounts	313,970	110.86	89,144	109,505	638,233	33,969,999	34,806,881
Total	648,251	\$ 452.98	\$ 31,238,093	\$ 15,781,977	\$ 44,358,082	\$ 202,267,137	\$ 293,645,288
<i>% of Total A/R</i>			10.6%	5.4%	15.1%	68.9%	100.0%

- Uncollected accounts receivable are generally carried for five years until the statutory lien expires.
- Almost 70% of total receivables are over 180 days past due. More than 50% of those are residential accounts.
- The valuation of total receivables is offset on the balance sheet by an allowance for doubtful accounts of \$249 million. The net carrying value of receivables was \$44.3 million as of May 31st.

Appendix G - Accounts Receivable Trends

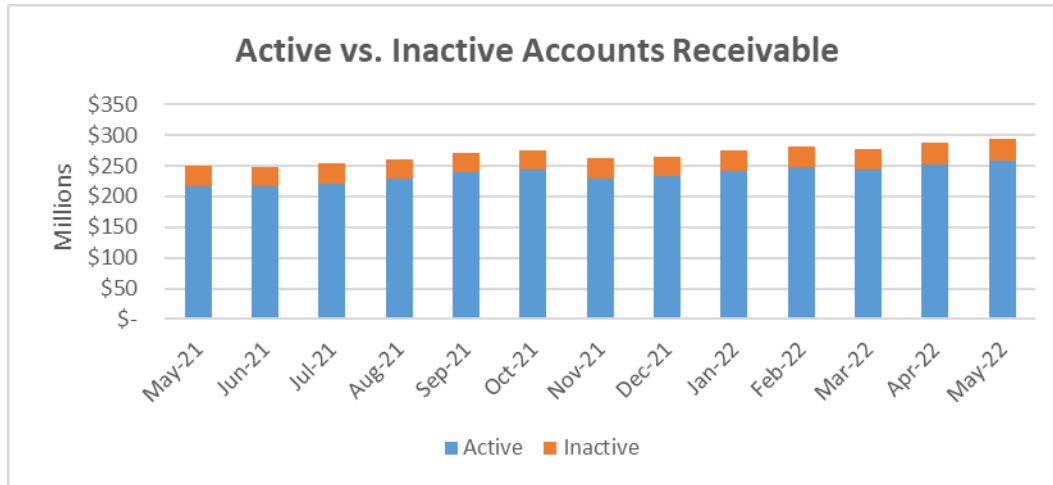


- Total *Water Accounts Receivable* have increased \$8.8 million (16.1%) over the past 12 months.
- *Residential Water Accounts Receivable* increased \$10.9 million (23.2%) over the past 12 months. *Nonresidential* account balances **decreased** \$2.2 million over the same period.

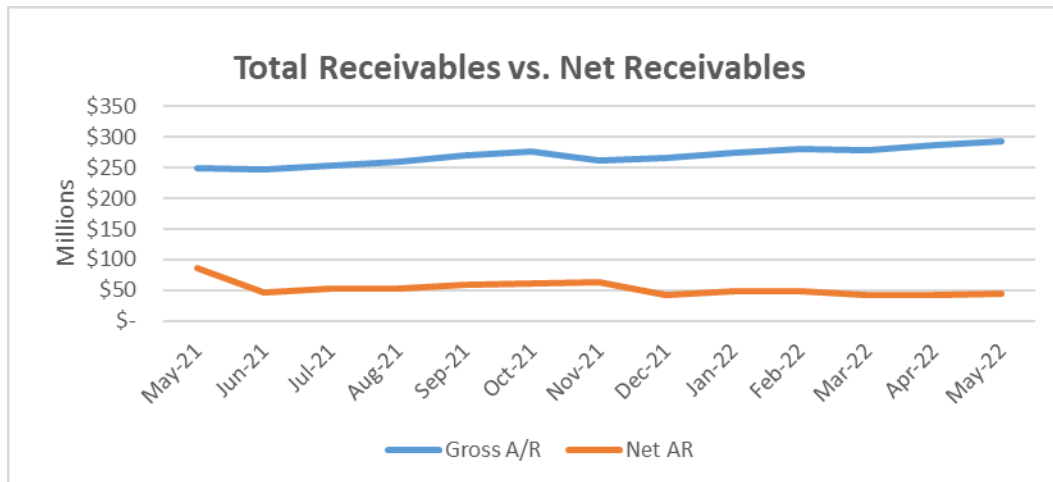


- Total *Sewer Accounts Receivable* have increased \$35.3 million (14.8%) over the past 12 months.
- *Residential Sewer Accounts Receivable* increased \$35.8 million (24.9%) over the past 12 months. *Nonresidential* account balances decreased \$0.5 million over the same period.

Appendix G - Accounts Receivable Trends (continued)



- **Inactive Accounts Receivable** have increased \$2.1 million (6.0%) 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 \$249.3 million at May31st.

Appendix H - Historical Accounts Receivable

- The average age of **Active Residential** receivables has increased by 117 days (66%) since June 2020.
- The **Allowance for Doubtful Accounts** has increased \$106.4 million (75%) since June 2020 reflecting a 37% increase in total accounts receivable and an increased risk to collection due to deteriorated ageing.
- The average age of **Non-Residential** sales classes have shown general improvement due to stepped-up collection efforts.

Sales Class	June 30, 2020			June 30, 2021			May 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	\$ 16,045,773	\$ 157,395,583	294
Commercial	7,613,552	33,547,848	132	8,168,258	30,456,422	112	7,779,541	29,703,703	115
Industrial	3,493,954	12,613,274	108	4,860,341	16,951,221	105	4,749,606	15,173,121	96
Tax Exempt	491,259	2,914,384	178	571,304	3,258,181	171	665,366	3,119,654	141
Government	2,975,998	17,860,445	180	2,611,085	15,121,194	174	2,407,091	21,293,165	265
Drainage Only	3,052,765	28,034,656	276	3,895,026	31,851,540	245	3,971,960	32,153,181	243
Total Active Accounts	\$ 33,060,825	185,934,549	169	\$ 36,334,597	215,698,107	178	\$ 35,619,338	258,838,407	218
Inactive Accounts Receivable		27,911,704			32,356,774			34,806,881	
Total Accounts Receivable		213,846,253			248,054,881			293,645,288	
Allowance for Doubtful Accounts		(142,881,820)			(202,171,655)			(249,328,430)	
Net Accounts Receivable		\$ 70,964,433			\$ 45,883,226			\$ 44,316,858	

THANK YOU!

Detroit Water & Sewerage Department

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