



Financial Review

June 2023

Board of Water Commissioners
Finance Committee

October 4, 2023

June 2023 Highlights



Year-End Audit Status

- Plante & Moran, DWSD's external auditor, has started the field work for the FY 2023 Financial Statements audit.
- Currently waiting on certain Employee Benefits entries from the City to complete the final close of books.
- Expect the audit to be completed by December 2023.
- Information in this presentation is preliminary and subject to change pending final closing of books for the year-end and completion of the audit.

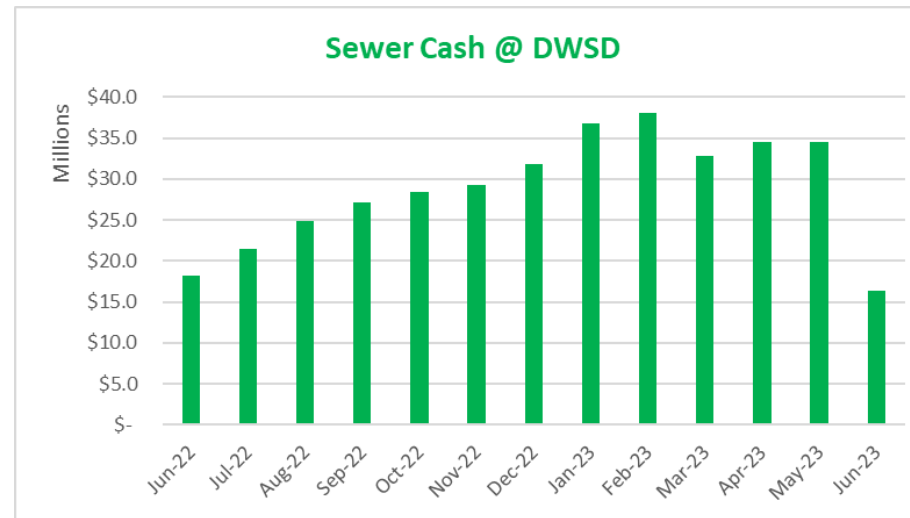
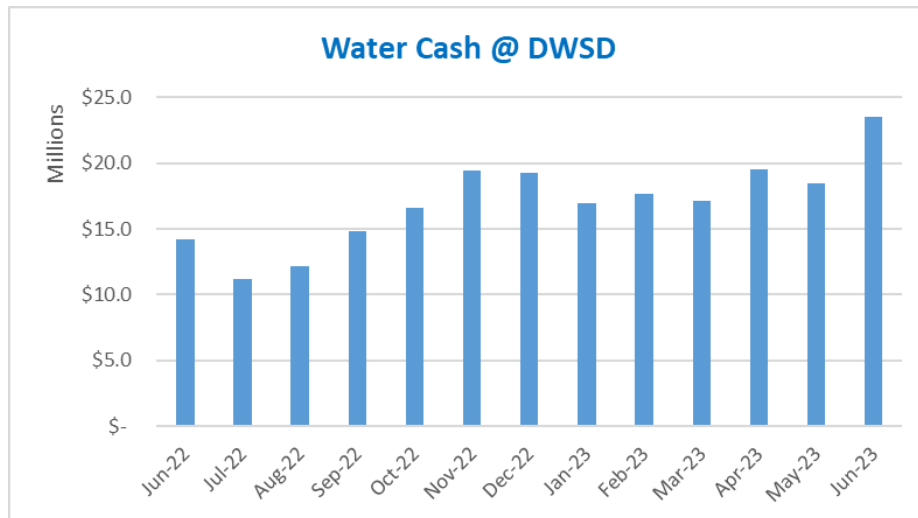
4th Quarter and Year-End Budget vs Actual Revenue and Expense Variance Analysis

- Since the June revenue and expense numbers are preliminary (pending posting of certain closing entries), the Budget vs Actual report for revenues and expenses for the 4th quarter and year ended June 30, 2023 will be presented after all the closing entries are posted.

Cash and Investments - Water and Sewer Operating Funds



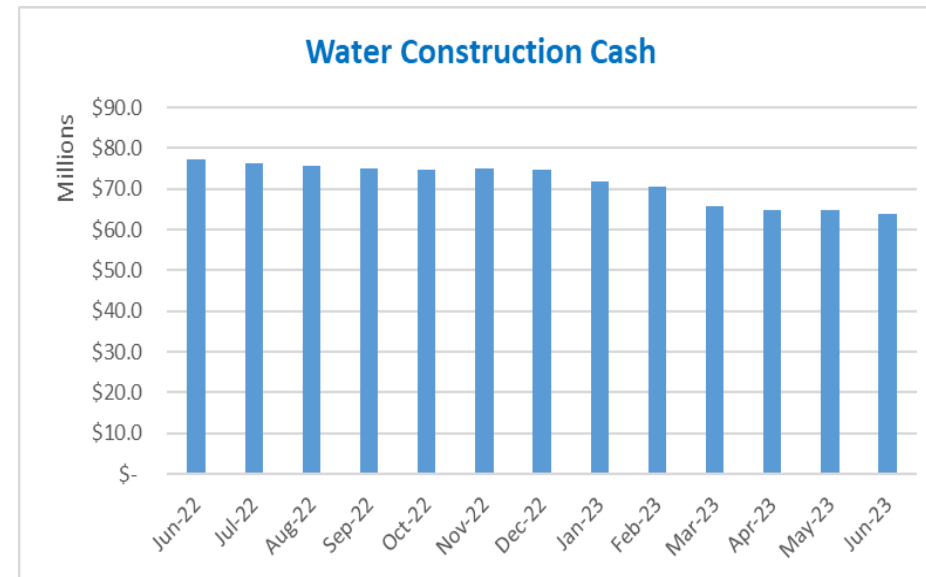
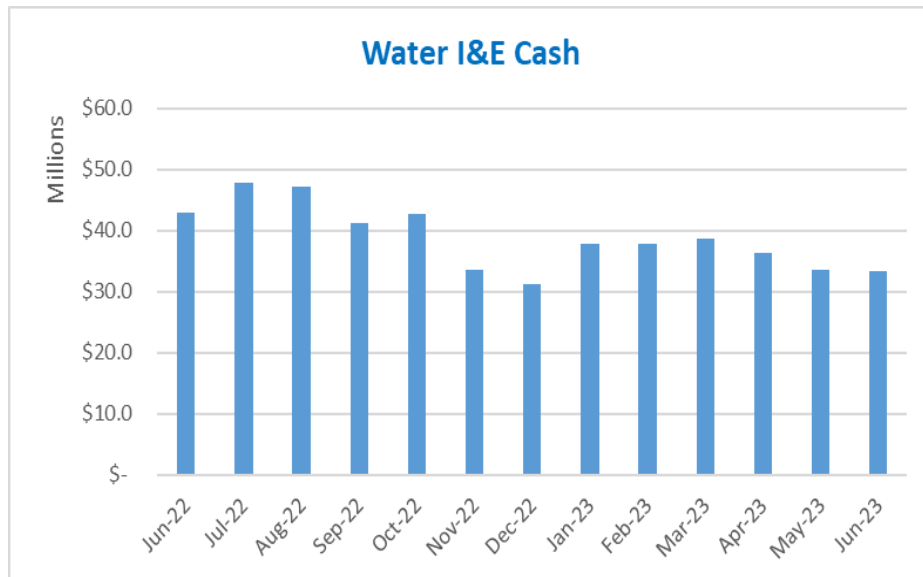
- DWSD continues to maintain adequate cash reserves to support its Operating and Capital Programs.
- On a Systemwide basis, Cash and Investments in the Operating, Improvement & Extension (I&E) and Construction Funds amounted to \$220.0 million (\$120.7 million in the Water Fund and \$99.3 million in the Sewer Fund). This is a decrease of \$8.4 million from the previous month.
- **Water Operating Cash** amounted to \$23.5 million, an increase of \$5 million from the previous month. The increase is primarily due to settlement of certain interfund balances prior to year end.
- **Sewer Operating Cash** amounted to \$16.4 million, a decrease of \$18.1 from the previous month. The decrease is also primarily due to settlement of certain interfund balances prior to year end.



Cash and Investments – Water I&E/Construction Funds



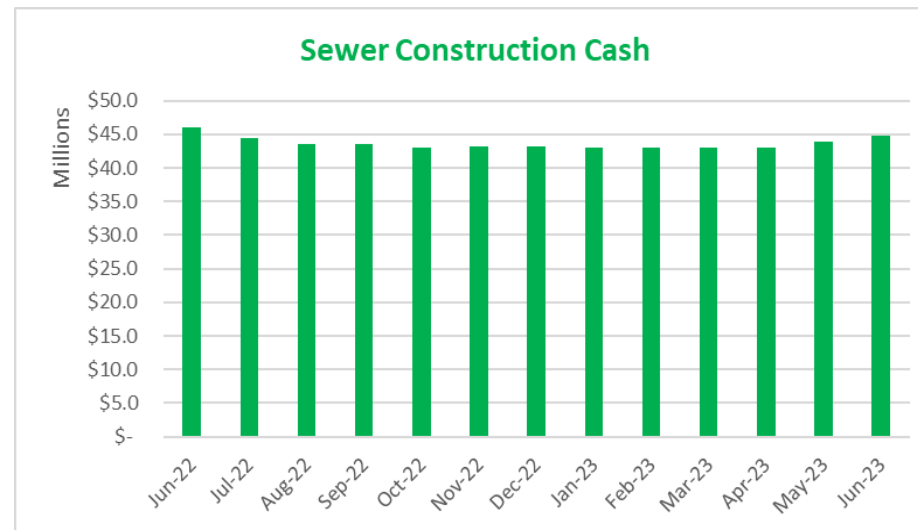
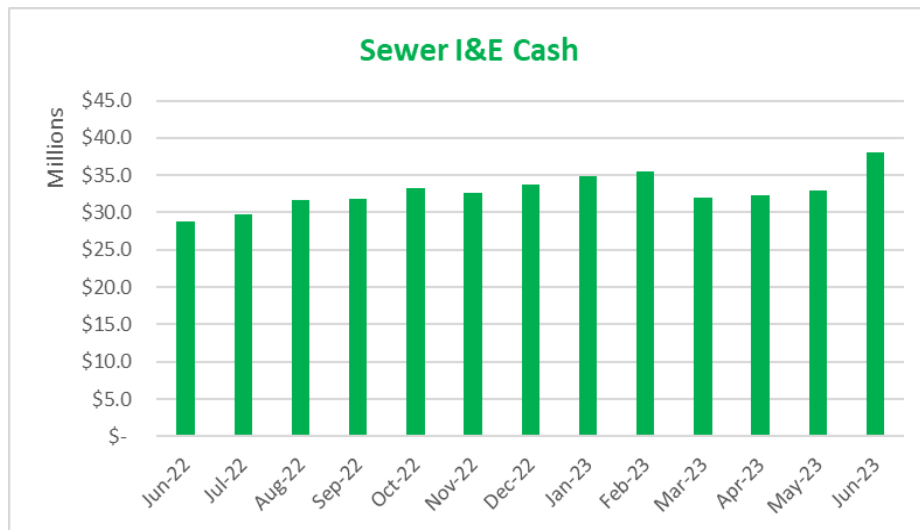
- DWSD continues to spend down I&E and Construction cash in support of its Capital Improvement Program.
- **Water I&E Cash** amounted to \$33.4 million, a decrease of \$0.2 million from the previous month.
- **Water Construction Cash** amounted to \$63.8 million, a decrease of \$1.1 million from the previous month.
- DWSD spent \$13.9 million of Water construction funds over the last twelve months.



Cash and Investments – Sewer I&E/Construction Funds



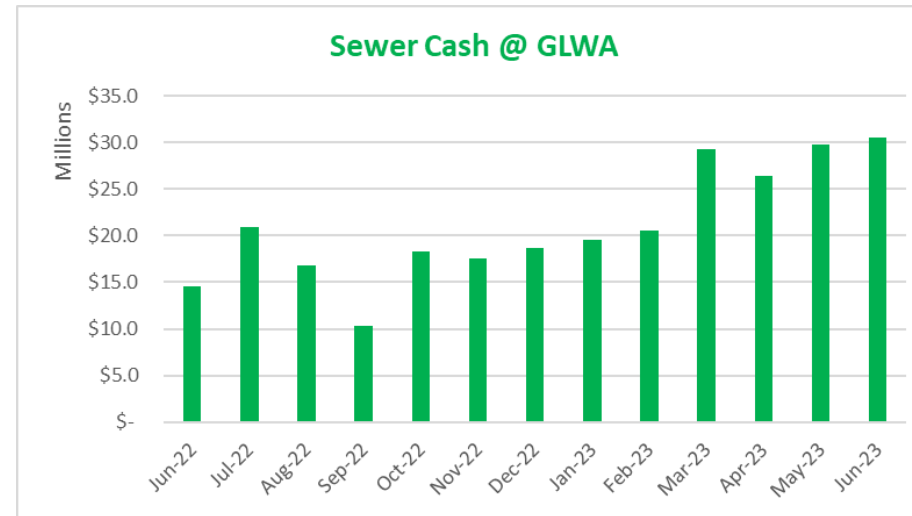
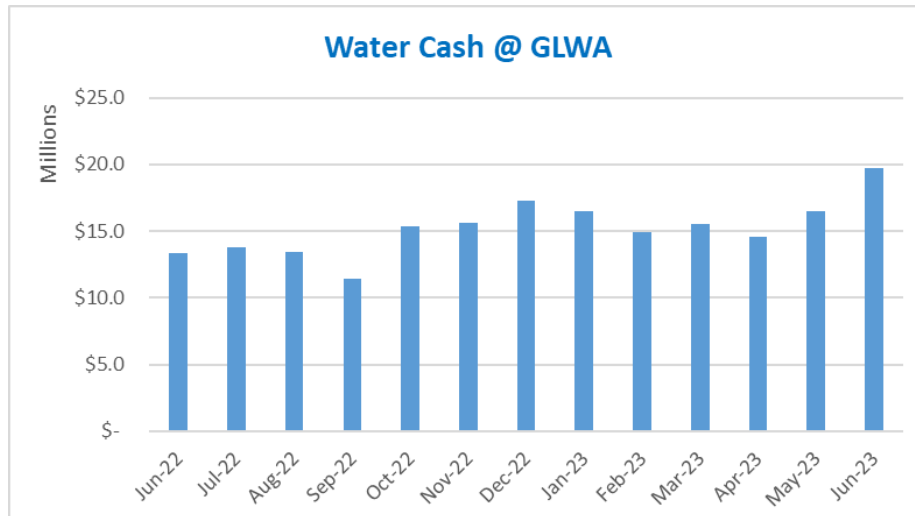
- **Sewer I&E Cash** amounted to \$38.1 million, an increase of \$5.2 million from the previous month. This increase is primarily due to settlement of interfund balances. Includes the settlement of a prior debt from the Sewer Operating Fund.
- **Sewer Construction Cash** amounted to \$44.7 million, an increase of \$800K from the previous month.
- DWSD spent \$1.3 million of Sewer construction funds over the last twelve months.



Cash and Investments – Cash Held in Trust



- **Water Cash @ GLWA** amounted to \$19.7 million, an increase of \$3.2 million from the previous month.
- Retail Water receipts of \$13 million in June exceeded May collection by \$1.0 million and also exceeded target collection amount of \$10.2 million for the month by \$2.8 million.
- **Sewer Cash @ GLWA** amounted to \$30.5 million, an increase of \$0.8 million from the previous month.
- Retail Sewer receipts of \$22.3 million in June fell short of May collection by \$4.3 million and also fell short of target collection amount of \$23.3 million for the month by \$1.0 million.



Quarterly Summary Cash @ DWSD by Fund



(Amounts in thousands)

	<u>9/30/2022</u>		<u>12/31/2022</u>		<u>3/31/2023</u>		<u>6/30/2023</u>	
Water Funds								
Operating	\$ 14,836	6.4%	\$ 19,250	8.2%	\$ 17,130	7.5%	\$ 23,522	10.7%
Improvement & Extension	41,114	17.6%	31,228	13.4%	38,752	16.9%	33,368	15.2%
Construction	74,991	32.1%	74,555	31.9%	65,805	28.7%	63,826	29.0%
	<u>130,942</u>	<u>56.1%</u>	<u>125,033</u>	<u>53.5%</u>	<u>121,686</u>	<u>53.0%</u>	<u>120,715</u>	<u>54.9%</u>
Sewer Funds								
Operating	27,162	11.6%	31,896	13.6%	32,775	14.3%	16,410	7.5%
Improvement & Extension	31,793	13.6%	33,748	14.4%	31,984	13.9%	38,134	17.3%
Construction	43,551	18.7%	43,240	18.5%	43,084	18.8%	44,748	20.3%
	<u>102,506</u>	<u>43.9%</u>	<u>108,884</u>	<u>46.5%</u>	<u>107,843</u>	<u>47.0%</u>	<u>99,293</u>	<u>45.1%</u>
Total Cash and Investments	<u><u>\$ 233,448</u></u>	<u><u>100.0%</u></u>	<u><u>\$ 233,917</u></u>	<u><u>100.0%</u></u>	<u><u>\$ 229,529</u></u>	<u><u>100.0%</u></u>	<u><u>\$ 220,008</u></u>	<u><u>100.0%</u></u>

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

Quarterly Summary Cash @ DWSD by Financial Institution*

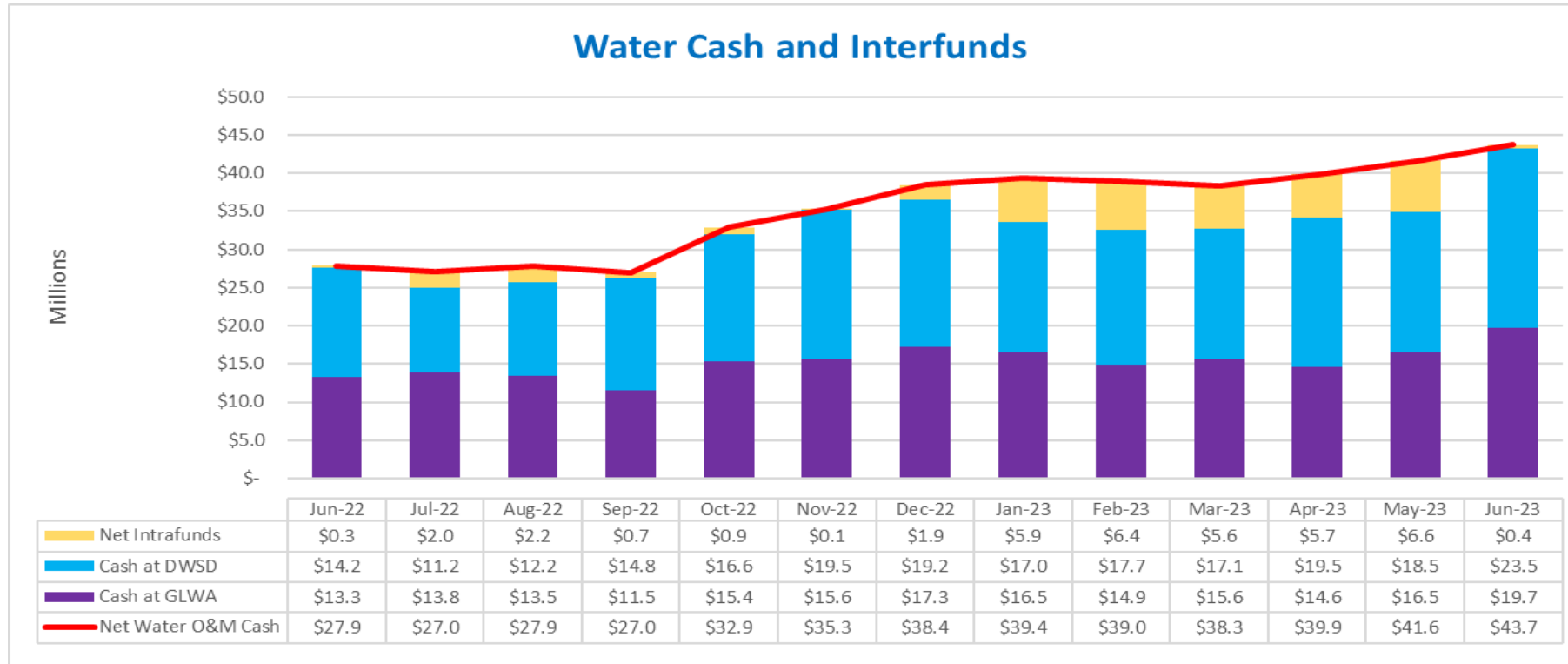


(Amounts in thousands)

	6/30/2022		12/31/2022		3/31/2023		6/30/2023	
SUMMARY BY INSTITUTION								
US Bank	\$ 8,339	3.6%	\$ 7,624	3.3%	\$ 5,888	2.5%	\$ 2,847	1.3%
JP Morgan Chase	1,716	0.7%	1,785	0.8%	1,828	0.8%	1,859	0.9%
First Independence	22,702	9.8%	32,964	14.1%	49,392	20.7%	30,645	14.1%
Comerica	19,916	8.6%	31,625	13.5%	27,488	11.5%	20,904	9.6%
GovMIC	178,186	77.2%	160,409	68.4%	154,027	64.5%	161,317	74.1%
Total Cash and Investments	\$ 230,858	100.0%	\$ 234,407	100.0%	\$ 238,622	100.0%	\$ 217,571	100.0%
Water Funds								
Operating	\$ 14,222	6.2%	\$ 20,149	8.6%	\$ 20,775	8.7%	\$ 23,530	10.8%
Improvement & Extension	45,113	19.5%	31,209	13.3%	43,323	18.2%	33,222	15.3%
Construction Series 2020A	77,764	33.7%	74,463	31.8%	67,226	28.2%	62,085	28.5%
	137,098	59.4%	125,821	53.7%	131,324	55.0%	118,837	54.6%
Sewer Funds								
Operating	18,603	8.1%	31,637	13.5%	31,956	13.4%	16,403	7.5%
Improvement & Extension	29,070	12.6%	33,700	14.4%	31,754	13.3%	38,034	17.5%
Construction Pre-Bifurcation	13	0.0%	9	0.0%	9	0.0%	9	0.0%
Construction Series 2013	46,074	20.0%	43,240	18.4%	43,579	18.3%	44,288	20.4%
	93,760	40.6%	108,587	46.3%	107,298	45.0%	98,734	45.4%
Total Cash and Investments	\$ 230,858	100.0%	\$ 234,407	100.0%	\$ 238,622	100.0%	\$ 217,571	100.0%

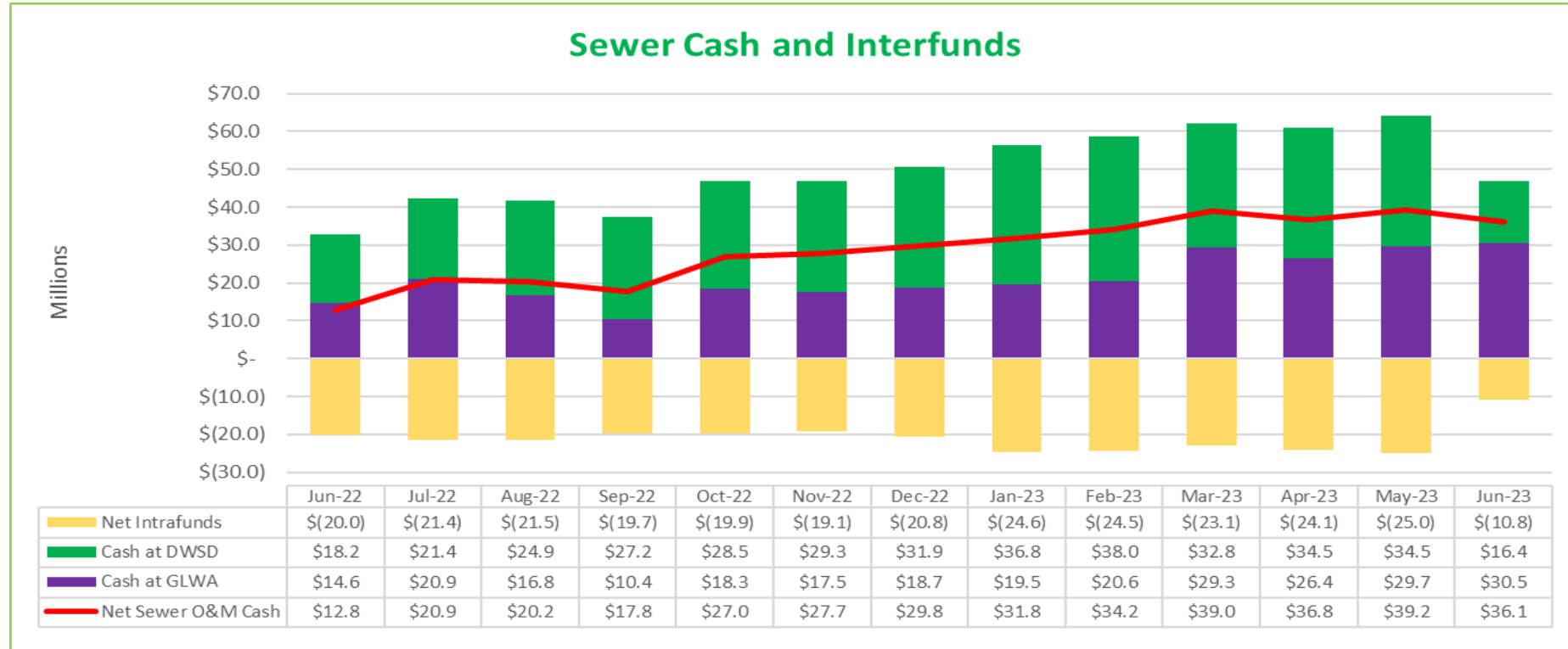
*Amounts reflect bank balances and may differ from financial statements.

Net Water Operating Cash (presented quarterly)



- The *Net Water Operating Cash* including Interfund balances have increased throughout Fiscal 2023, reflecting positive trends and results.
- June's *Net Water Operating Cash and Interfund* balances amounted to \$43.7 million, representing an increase of \$15.8 million over the past twelve months.

Net Sewer Operating Cash (presented quarterly)



- *Net Sewer Operating Cash* has steadily improved since accruing a \$50 million shortfall in the first two years following bifurcation.
- June's *Net Sewer Operating Cash and Interfund* balances amounted to \$36.1 million, representing an increase of \$23.3 million over the past twelve months.

Comparative Accounts Receivable

- Total June sales amounted to \$39.4 million, an increase of \$3.1 million over the previous month.
- Total receivables for active accounts amounted to \$282.2 million, a decrease of \$2.4 million over the previous month.
- Days in AR for active residential accounts stood at 337 days as of June, a decline of 44 days compared to May (still higher than 281 days as of June 2022).

Sales Class	June 30, 2022			May 31, 2023			June 30, 2023		
	Sales	Receivables	Days in AR	Sales	Receivables	Days in AR	Sales	Receivables	Days in AR
Residential	\$ 17,389,839	\$ 162,666,809	281	\$ 15,063,144	\$ 191,392,316	381	\$ 16,389,405	\$ 184,238,856	337
Commercial	9,107,898	30,495,851	100	7,768,419	29,223,633	113	8,680,539	30,067,998	104
Industrial	5,198,283	14,879,472	86	5,225,714	14,011,025	80	5,826,062	14,750,688	76
Tax Exempt	669,630	3,166,661	142	715,860	3,115,916	131	719,079	3,203,878	134
Government	2,628,550	21,786,979	249	3,864,542	17,573,623	136	4,151,613	19,485,989	141
Drainage Only	4,027,746	32,295,477	241	3,634,651	29,306,499	242	3,676,001	30,403,390	248
Total Active Accounts	\$ 39,021,947	265,291,250	204	\$ 36,272,330	284,623,012	235	\$ 39,442,699	282,150,798	215
Inactive Accounts Receivable		35,054,997			43,898,916			44,872,426	
Total Accounts Receivable		300,346,247			328,521,928			327,023,225	
FY 2023 End of Year Writeoff								(38,606,800)	
Allowance for Doubtful Accounts		(233,062,456)			(277,746,190)			(233,336,192)	
Net Accounts Receivable		\$ 67,283,791			\$ 50,775,738			\$ 55,080,233	

Quarterly Accounts Receivable Aging

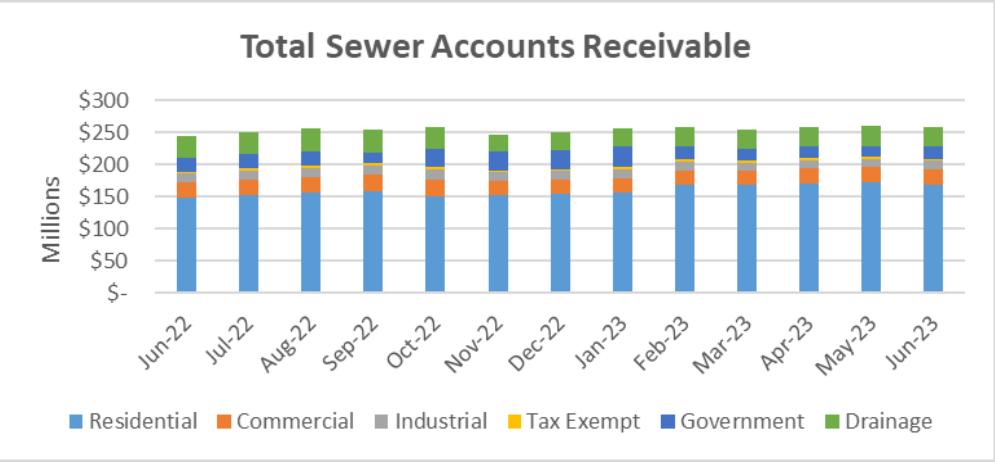
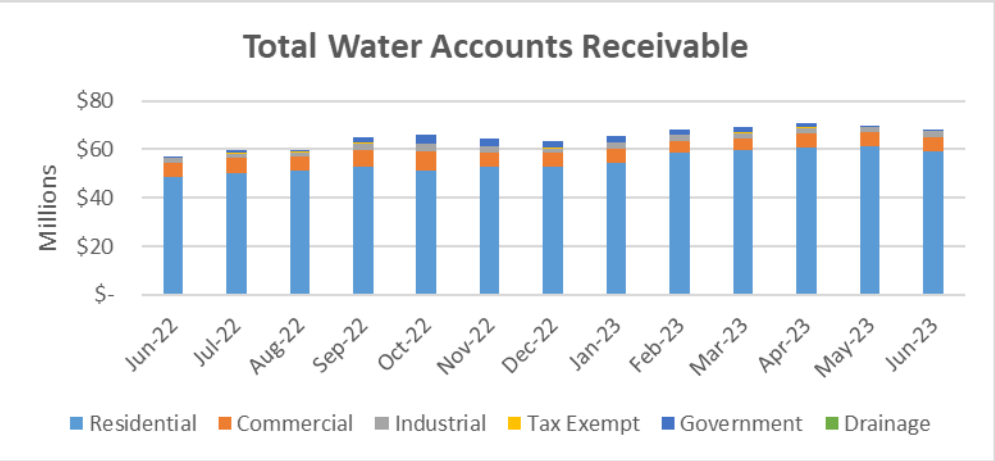


June 30, 2023

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	\$ 14,719,761	\$ 12,822,534	\$ 9,350,887	\$ 18,836,398	\$ 13,833,985	\$ 13,344,727	\$ 101,330,563	\$ 184,238,856
Commercial	7,309,533	2,307,316	1,882,997	3,857,094	2,807,814	2,426,641	9,476,602	30,067,998
Industrial	5,047,870	998,525	688,286	1,573,608	1,174,023	752,911	4,515,465	14,750,688
Tax Exempt	528,290	211,978	433,183	381,239	280,650	240,979	1,127,560	3,203,878
Government	4,492,726	217,539	848,063	1,145,552	755,812	1,186,238	10,840,060	19,485,989
Drainage	2,277,315	1,354,131	1,259,776	3,384,992	2,617,364	2,632,933	16,876,877	30,403,390
Subtotal - Active Accounts	34,375,495	17,912,023	14,463,192	29,178,882	21,469,649	20,584,430	144,167,127	282,150,798
Inactive	(23,261)	37,490	116,036	722,969	651,454	1,154,261	42,213,477	44,872,426
Total	\$ 34,352,234	\$ 17,949,513	\$ 14,579,228	\$ 29,901,851	\$ 22,121,103	\$ 21,738,691	\$ 186,380,604	\$ 327,023,225
% of Total A/R	10.5%	5.5%	4.5%	9.1%	6.8%	6.6%	57.0%	100.0%

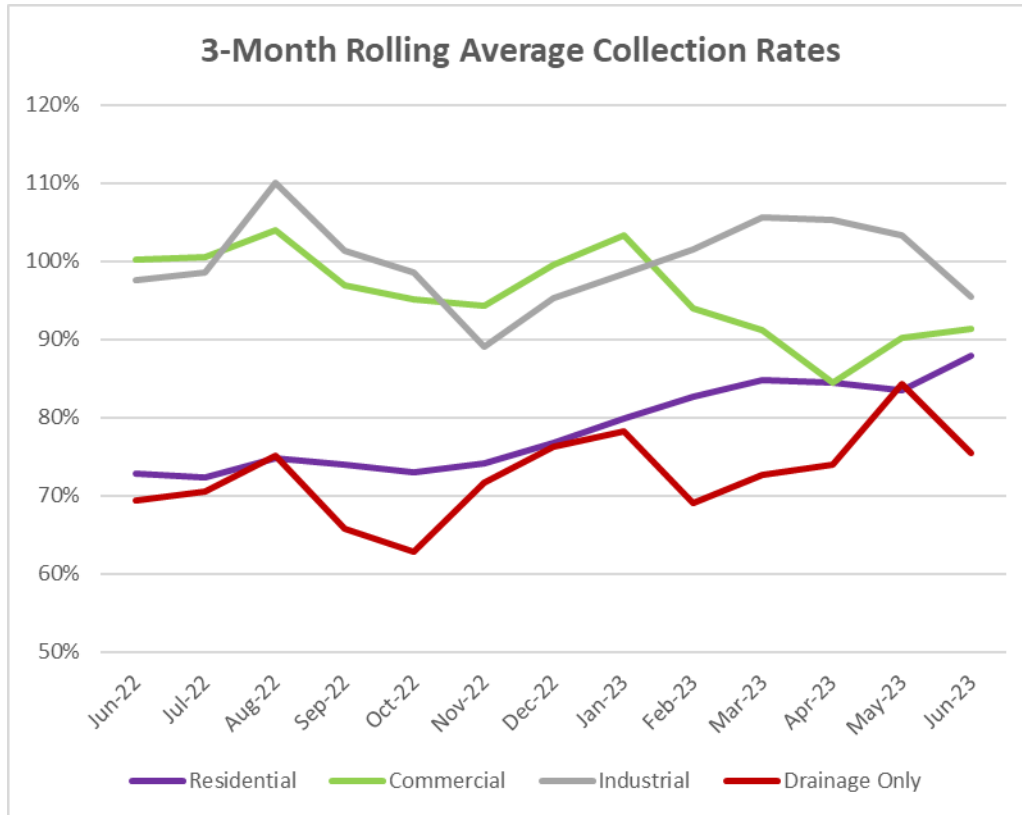
- Uncollected accounts receivable are generally carried for five years until the statutory lien expires.
- Over a half (51%) of the **Total Active receivables** balance is over one year past due. Additionally, \$42.2 million (94%) of **Inactive** accounts are older than one year. 95% of the inactive receivables belong to residential class.
- Government receivables show \$10.8 million over a year old, \$6.6 million of which are Detroit Land Bank Accounts.

Accounts Receivable Trends



- Total *Water Accounts Receivable* have increased by \$11.0 million (16.3%) over the past 12 months.
- *Residential Water Accounts Receivable* increased \$10.5 million (17.7%) over the past 12 months. *Nonresidential* account balances have decreased approximately \$531,000 over the same period.
- Total *Sewer Accounts Receivable* have increased \$15.7 million (6.0%) over the past 12 months.
- *Residential Sewer Accounts Receivable* increased \$20.0 million (11.9%) over the past 12 months. *Nonresidential* account balances have decreased by \$4.3 million over the same period.

Collection Rates

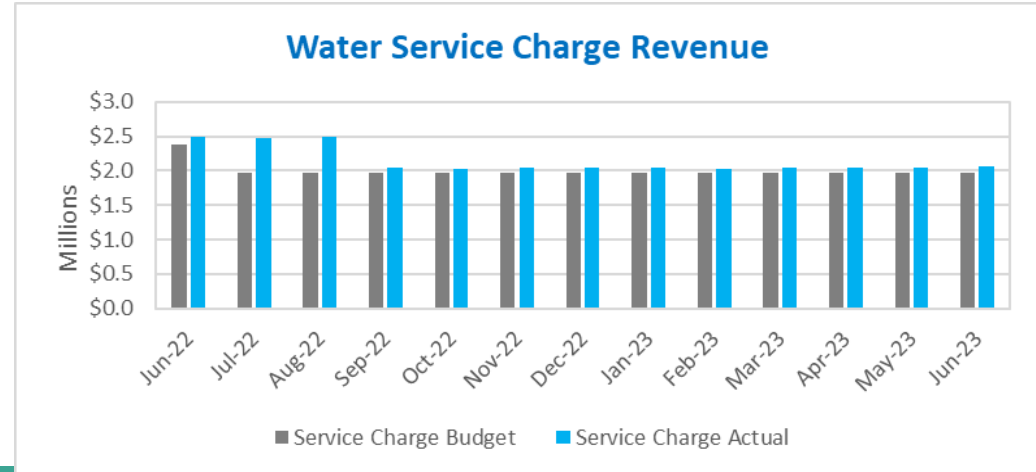
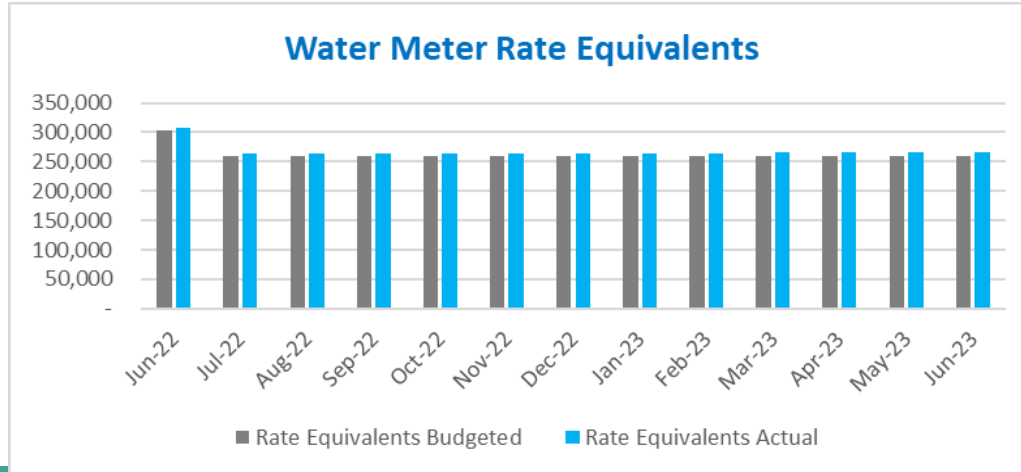
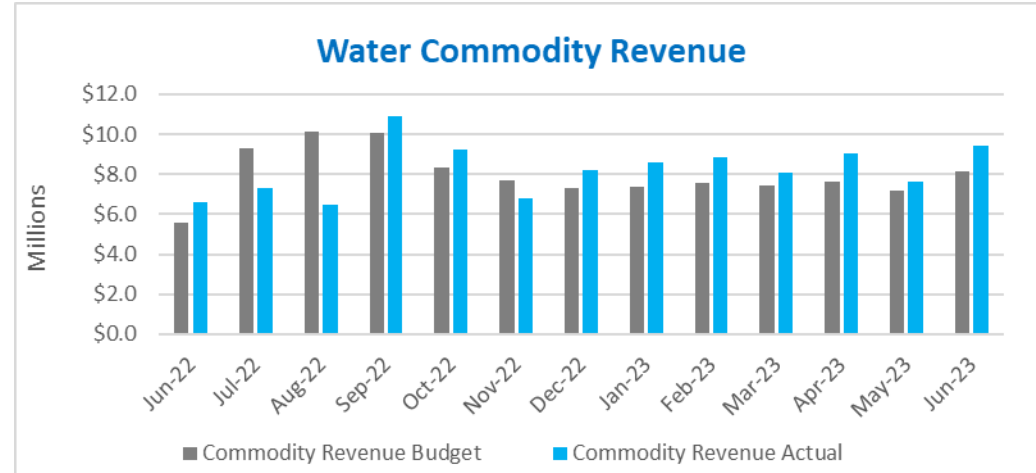
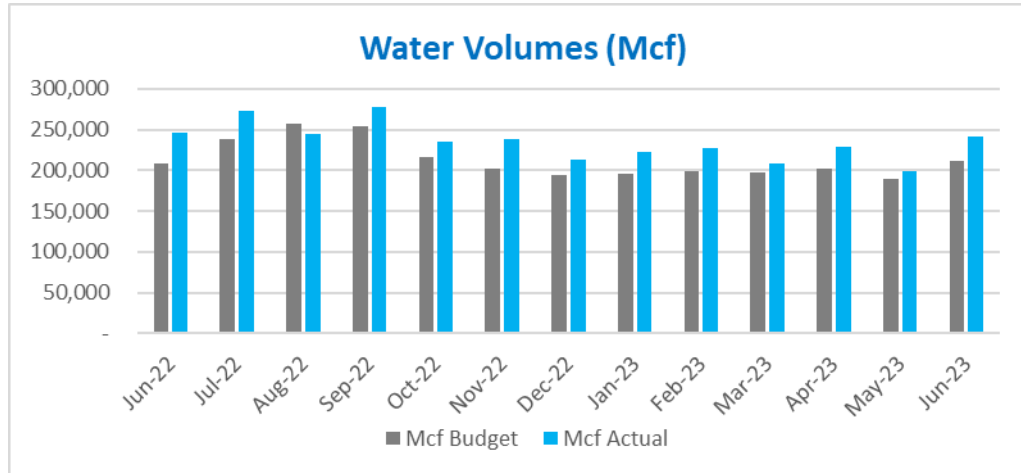


- **Residential** collections rates have shown steady improvement over several months due to (1) the recent receipt of governmental assistance payments, and (2) the customer response to the re-start of service interruptions.
- **Commercial and Industrial** collection rates have returned to normal levels in June and combined average 93% due to strong internal collection efforts.
- The fall in the commercial collection rate during the first 4 months of the calendar year could be attributed to funds remaining in the unallocated space pending determination of appropriate accounts to post wire remittances.
- **Drainage Only** collections dropped by 9% in June, mostly a timing issue as seen in Aug/Sept and in Jan/Feb. Drainage only accounts trend closer to 73% collection rate due to limited options for collections.

Water Commodity/Service Charge Metrics and Revenues



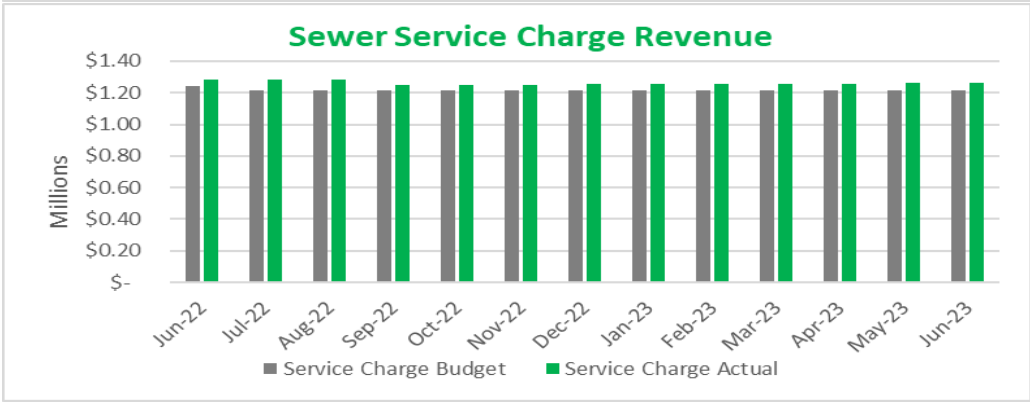
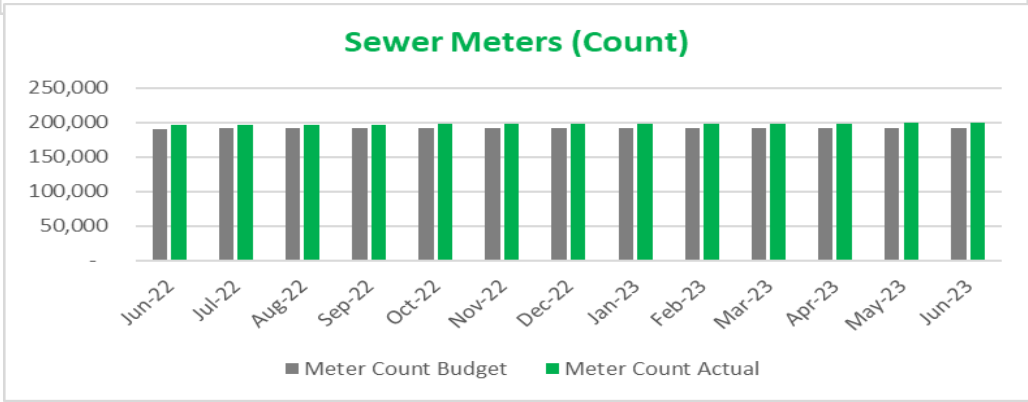
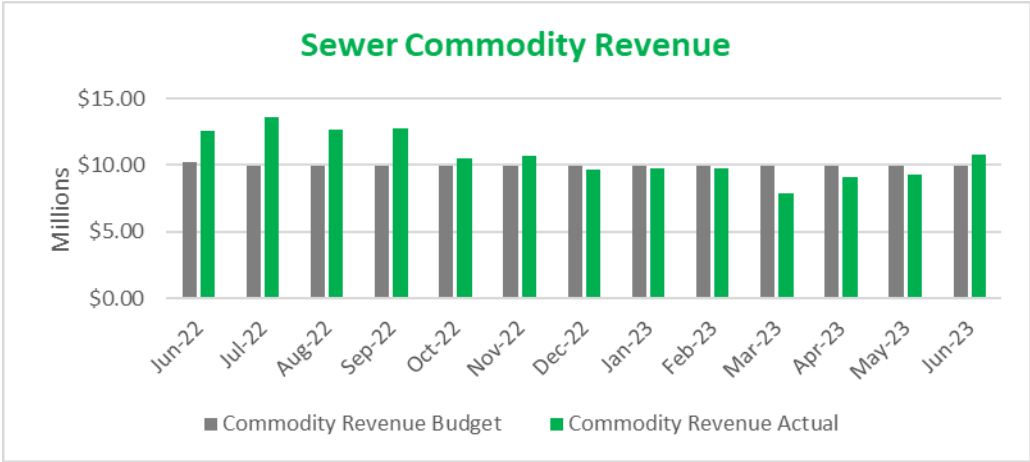
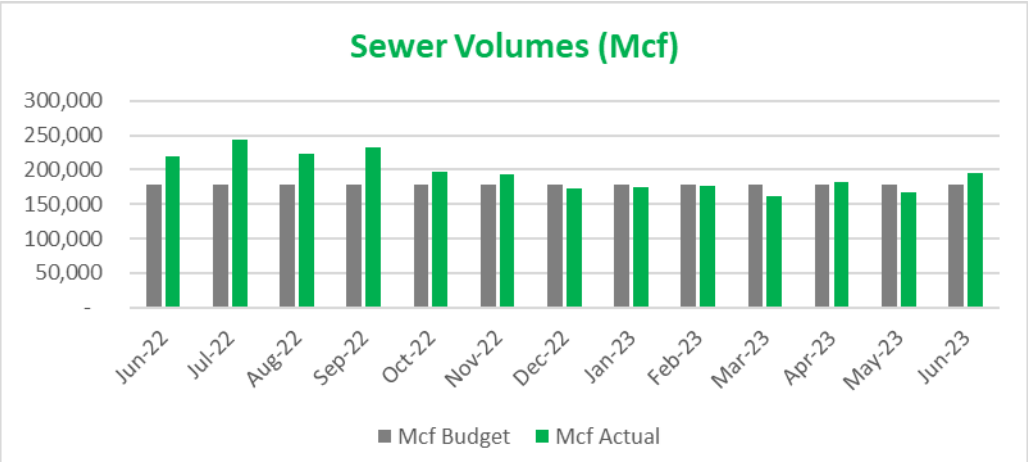
- Year-to-date **Water Volumes** trended at 9.8% over budget for FY 2023. Year-to-date **Water Commodity Revenues** were \$7.4 million or 7.5% over budget.
- Year-to-date **Water Meter Equivalents** remained slightly ahead (2.4%) of budgeted levels for FY 2023. Year-to-date **Water Service Charge Revenues** were \$1.5 million or 6.5% above budget.



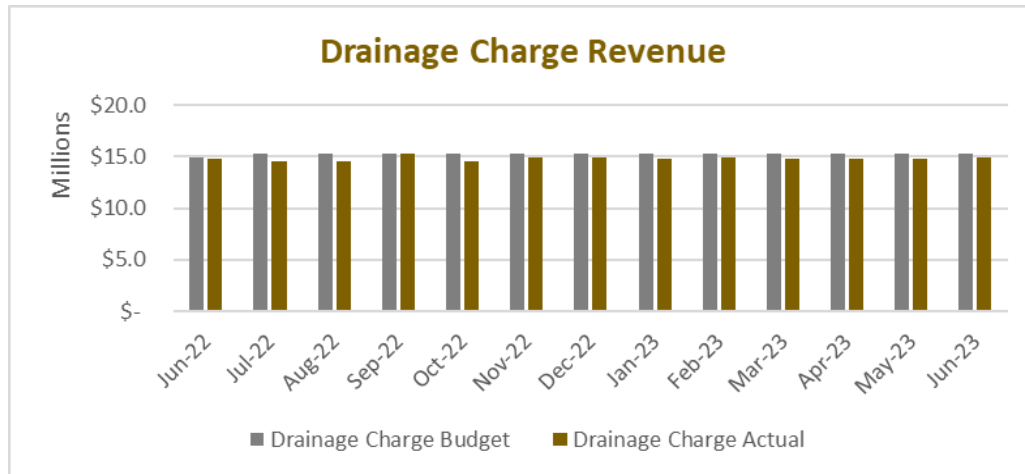
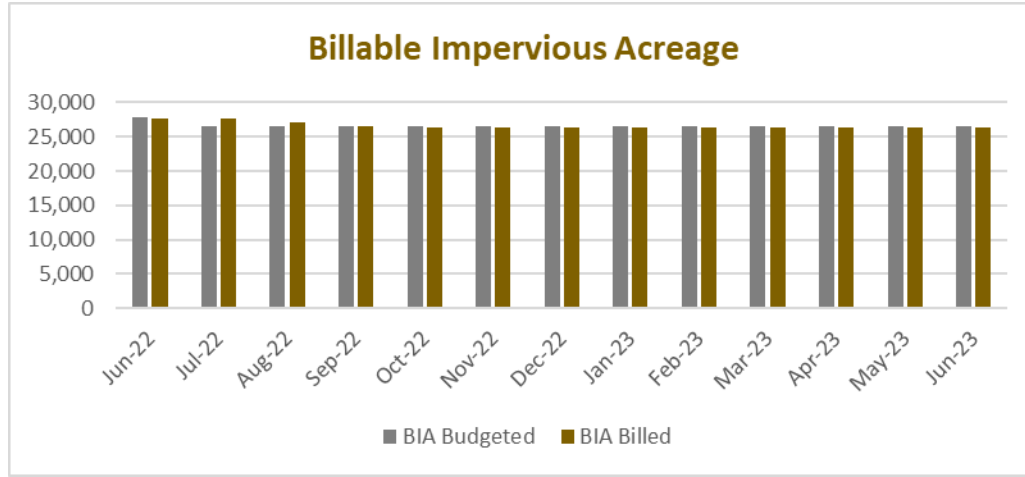
Sewer Commodity/Service Charge Metrics and Revenues



- Year-to-date **Sewer Volumes** trended over budget by 168 Mcf for fiscal year 2023 . Year-to-date **Sewer Revenues** exceeded budgeted revenues by \$8.2 million (6.9%). The positive variance was driven by delays in implementing volume caps on residential bills.
- **Sewer Meter Counts** have exceeded budgeted levels in each month of Fiscal 2023. Year to date counts are trending 3% ahead of budget estimates and Year-to-date **Sewer Service Charge Revenues** exceeded budget by \$531K (3.6%) consistent with positive variances on total meter counts.



Drainage Metrics and Revenues



- Fiscal year 2023 *Billed Impervious Acreage* has exceeded budget estimates by 0.2%. Trends in recent months, however, have been slightly negative.
- Drainage Charge Revenue* fell short of budget estimates by \$5.0 million (2.8%). Monthly Highway Drainage credits were \$170,000 more than budget throughout the year as Wayne County Roads was billed at pre-MDOT Settlement rates. Additionally, Green credits exceeded budgets by approximately \$95,000 per month.



THANK YOU!

Detroit Water & Sewerage Department

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

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