



DWSD BUDGET RECOMMENDATION

FY 2019

January 17, 2018

Vision and Strategic Priorities

- **Vision**

- We are nationally recognized for our operations, service, green stormwater infrastructure, and contributions to making Detroit a great place to live and work.

- **Strategic Priorities**

- Put health and safety first
- Strengthen our assets
- Enhance the customer experience
- Keep rates fair and affordable
- Make Detroit green

About the Department

- Responsible for retail water distribution throughout the City of Detroit, serving more than 230,000 accounts.
- Responsible for sewer and stormwater drainage services within the City of Detroit.
- Responsible for maintenance and operations of more than 2,700 miles of water pipes and nearly 3,000 miles of sewer lines.

Bifurcation and New DWSD

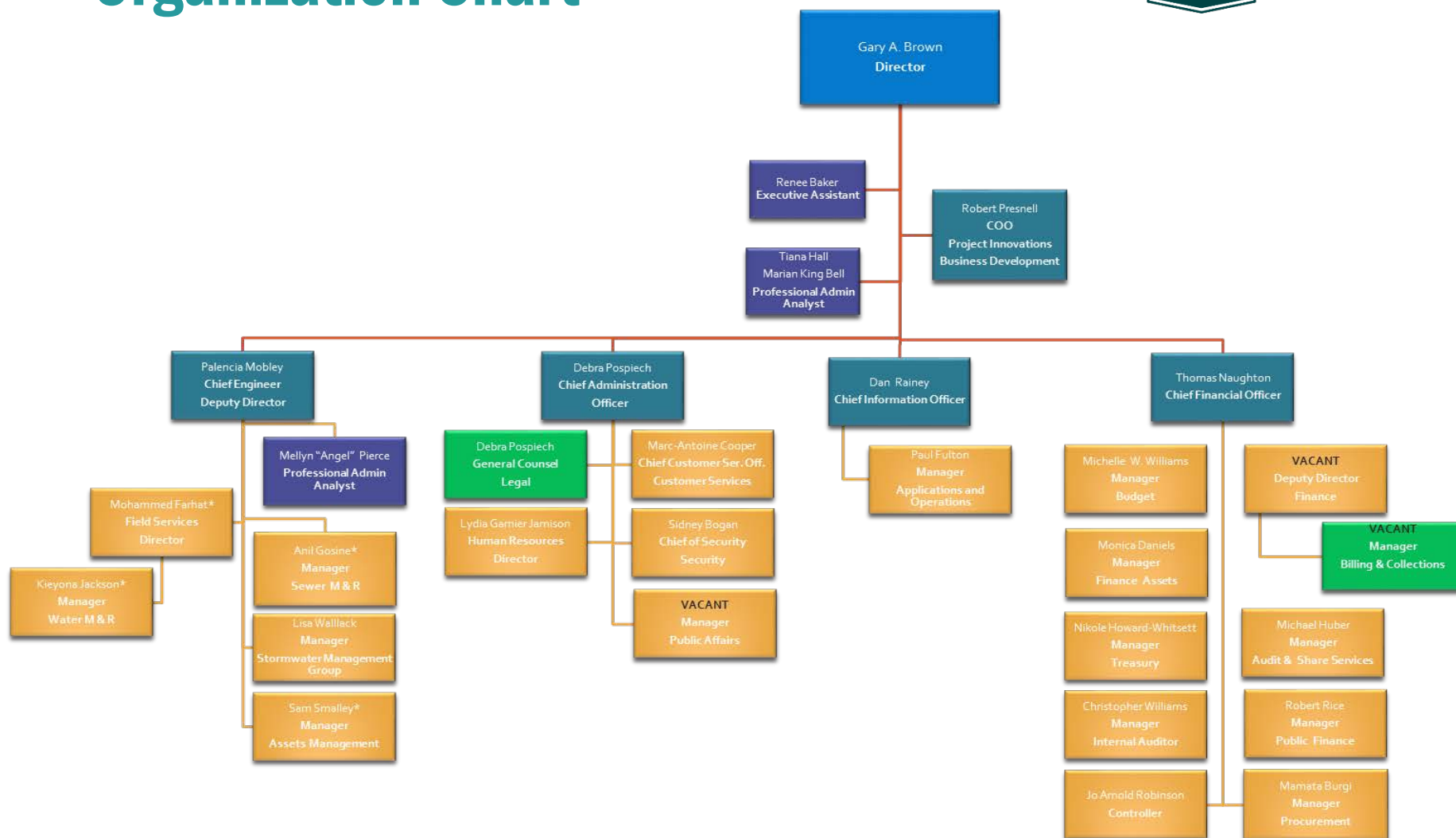
- DWSD split into two entities on January 1, 2016.
 - Great Lakes Water Authority (GLWA)
 - Detroit Water and Sewerage Department (DWSD-Retail)
- New DWSD is responsible for only Detroit Water and Sewer Service within the City of Detroit.
- GLWA is responsible for operation of the Water and Wastewater Plants and the suburban service.

Legal Guiding Documents

- **Court Orders** – Federal judge’s orders allowing DWSD to have some independence from the City. The orders allow DWSD to have its own Finance, Legal, Human Resources, and IT.
- **Service Agreements** – These agreements with GLWA govern service to GLWA for water and sewer services. The agreements also assign all revenue to GLWA and appoint DWSD as GLWA’s collections agent.
- **Lease** – Capital Lease Agreement with GLWA provides for the leasing of the water and sewer treatment plants and other regional assets. Lease payments amount to \$50 million annually.
- **Master Bond Ordinance** – GLWA’s agreement with its bond holders that places all monies in trust for the repayment of the bonds.



Organization Chart



Sources and Uses of Funds

Water Operating Fund

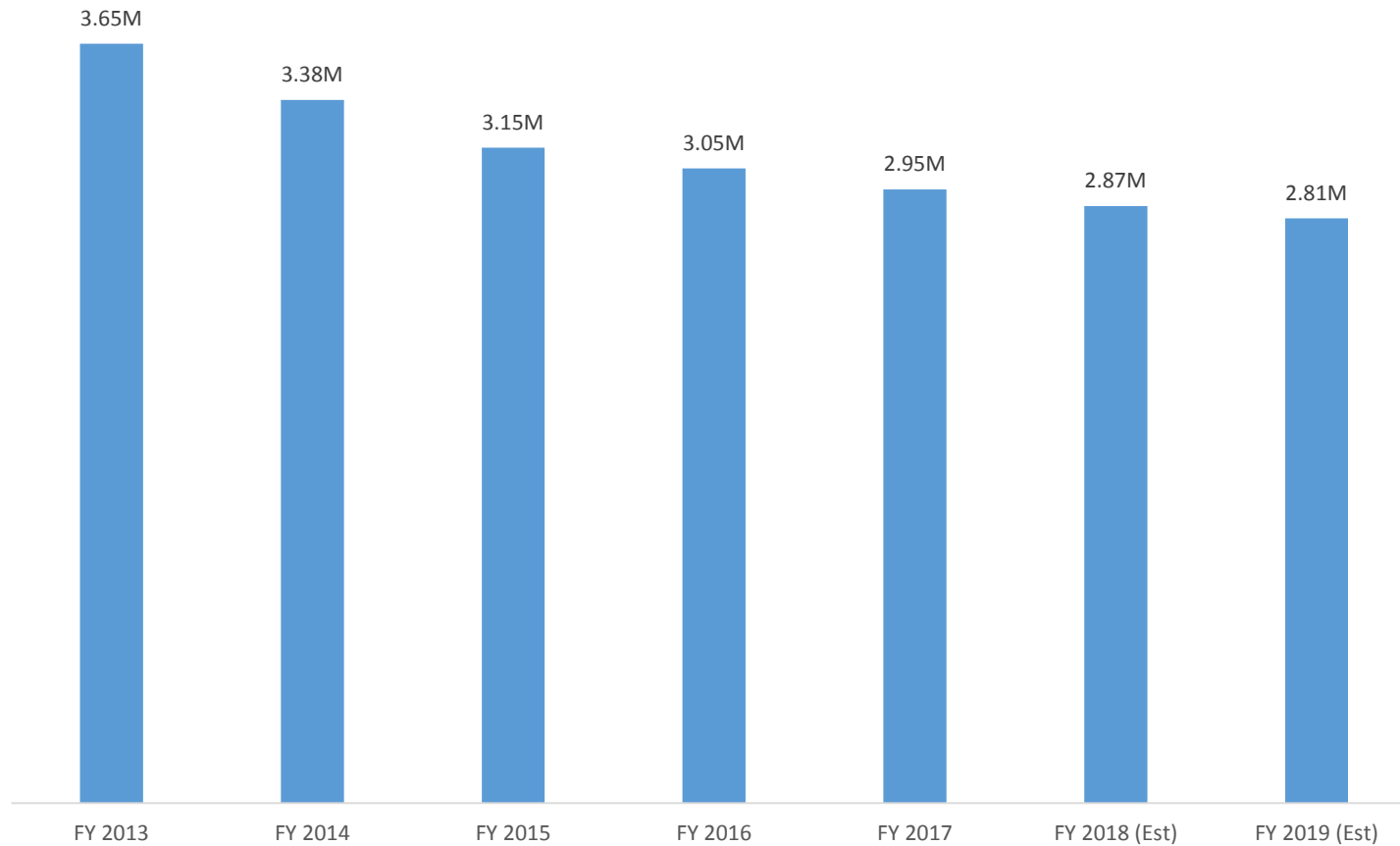
	Restated Budget 2018	Estimated Requirements 2019	Increase (Decrease)	% Change
<u>Estimated Revenues</u>				
Gross Retail Sales	\$ 99,994,000	\$ 103,380,100	\$ 3,386,100	3.4%
Less: Bad Debt Expense	(10,789,000)	(11,040,000)	(251,000)	2.3%
Net Retail Sales	89,205,000	92,340,100	3,135,100	3.5%
Capital Lease Receipts	22,500,000	22,500,000	-	0.0%
Ownership Equity Credit	20,700,000	20,700,000	-	0.0%
Shared Service Revenue	3,026,000	1,677,000	(1,349,000)	-44.6%
Other Revenue	4,750,000	3,000,000	(1,750,000)	-36.8%
Total Estimated Water Revenue	\$ 140,181,000	\$ 140,217,100	\$ 36,100	0.0%
<u>Revenue Requirement</u>				
<u>Operating Requirement</u>				
O&M Controllable Expense	\$ 42,569,000	\$ 39,871,600	\$ (2,697,400)	-6.3%
WRAP Requirement	1,028,000	413,500	(614,500)	-59.8%
Wholesale Charges	35,831,000	38,561,600	2,730,600	7.6%
Total Operating	79,428,000	78,846,700	(581,300)	-0.7%
<u>Non-Operating Requirements</u>				
Obligation to GLWA	34,314,000	34,443,000	129,000	0.4%
Non-Operating Pension	4,422,000	4,427,400	5,400	0.1%
Extraordinary Repair & Replacement	52,000	-	(52,000)	-100.0%
Budget Stabilization	(2,081,000)	-	2,081,000	-100.0%
DWSD Debt Service	2,600,000	3,296,000	696,000	26.8%
Transfer to I&E	21,446,000	19,204,000	(2,242,000)	-10.5%
Total Non-Operating	60,753,000	61,370,400	617,400	1.0%
Total Revenue Requirement	\$ 140,181,000	\$ 140,217,100	\$ 36,100	0.0%

Sources and Uses of Funds

Sewer Operating Fund

	Restated Budget 2018	Estimated Requirements 2019	Increase (Decrease)	% Change
<u>Estimated Revenues</u>				
Gross Retail Sales	\$ 279,161,000	\$ 315,615,500	\$ 36,454,500	13.1%
Less: Bad Debt Expense	(22,269,000)	(46,327,000)	(24,058,000)	108.0%
Net Retail Sales	256,892,000	269,288,500	12,396,500	4.8%
Capital Lease Receipts	27,500,000	27,500,000	-	0.0%
Ownership Equity Credit	5,516,000	5,516,000	-	0.0%
Shared Service Revenue	4,539,000	2,516,000	(2,023,000)	-44.6%
Other Revenue	5,000,000	4,800,000	(200,000)	-4.0%
Total Estimated Sewer Revenue	\$ 299,447,000	\$ 309,620,500	\$ 10,173,500	3.4%
<u>Revenue Requirement</u>				
<u>Operating Requirement</u>				
O&M Controllable Expense	\$ 67,797,000	\$ 67,217,400	\$ (579,600)	-0.9%
WRAP Requirement	1,998,000	1,262,500	(735,500)	-36.8%
Wholesale Charges	184,485,000	182,764,000	(1,721,000)	-0.9%
Total Operating	254,280,000	251,243,900	(3,036,100)	-1.2%
<u>Non-Operating Requirements</u>				
Obligation to GLWA	27,393,000	26,784,000	(609,000)	-2.2%
Non-Operating Pension	3,067,000	3,066,800	(200)	0.0%
Extraordinary Repair & Replacement	414,000	364,700	(49,300)	-11.9%
Budget Stabilization	(2,299,000)	661,100	2,960,100	-128.8%
DWSD Debt Service	-	-	-	N/A
Transfer to I&E	16,592,000	27,500,000	10,908,000	65.7%
Total Non-Operating	45,167,000	58,376,600	13,209,600	29.2%
Total Revenue Requirement	\$ 299,447,000	\$ 309,620,500	\$ 10,173,500	3.4%

Historical Water Usage (Mcf)

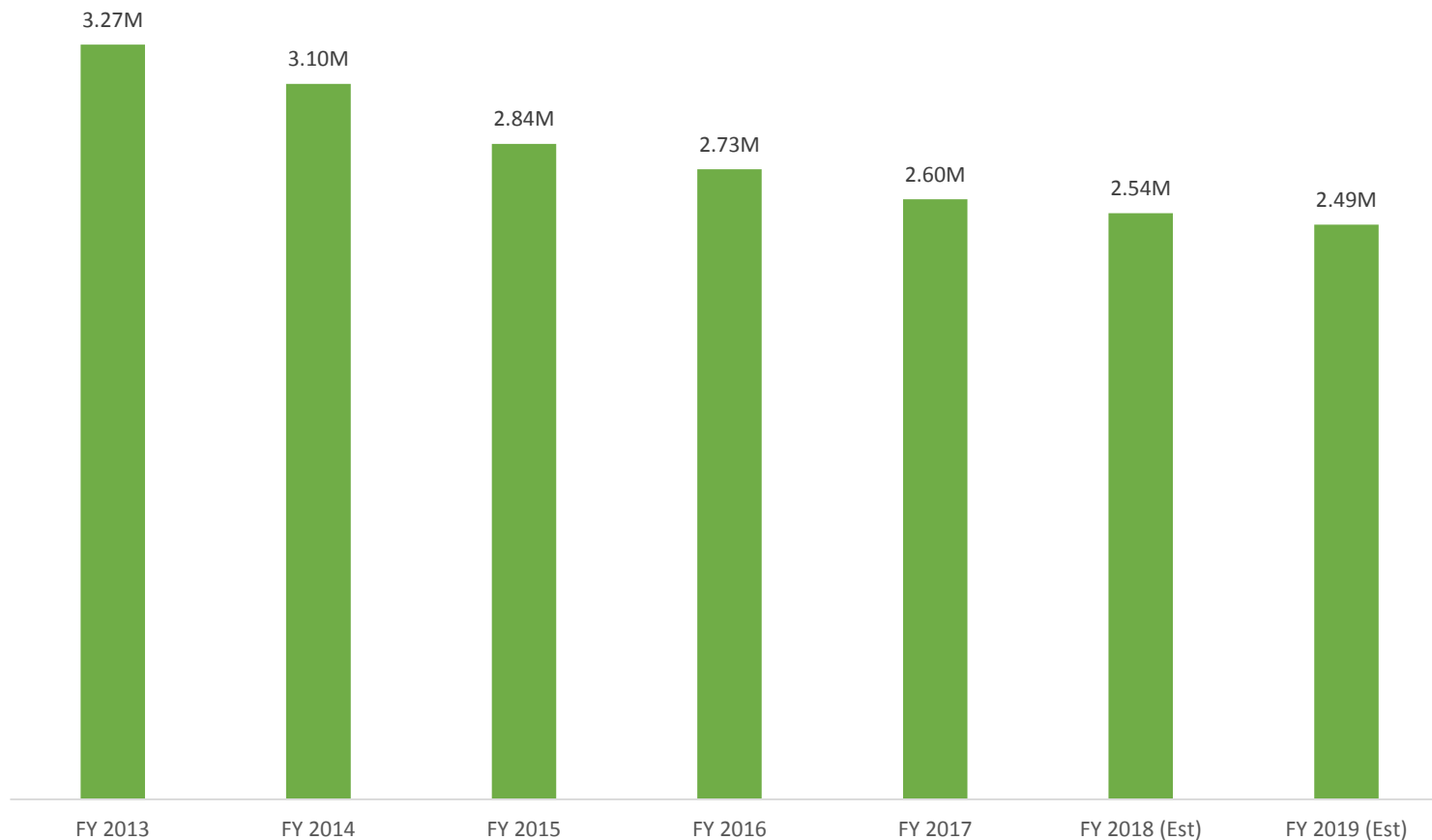


Water Revenue Summary

Water Retail Sales					
	Estimated 2018	Estimated 2019	Increase (Decrease)	% Change	
Service Charges					
Mcf Charges	\$ 68,260,800	\$ 70,728,400	\$ 2,467,600	3.6%	
Service Charges	23,813,100	25,241,900	1,428,800	6.0%	
Fireline Charges	3,031,200	3,031,200	-	0.0%	
Other Retail Charges	2,889,800	2,868,200	(21,600)	-0.7%	
Penalties	1,357,700	1,510,400	152,700	11.2%	
Totals	\$ 99,352,600	\$ 103,380,100	\$ 4,027,500	4.1%	
Customer Class					
Industrial	\$ 13,906,500	\$ 14,497,600	\$ 591,100	4.3%	
Commercial	24,758,200	25,659,400	901,200	3.6%	
Residential	49,657,800	51,705,000	2,047,200	4.1%	
City of Detroit	6,660,700	6,908,900	248,200	3.7%	
Wayne State	891,100	923,800	32,700	3.7%	
Tax Exempt	2,846,500	3,025,500	179,000	6.3%	
Faith-Based	631,600	659,800	28,200	4.5%	
Highway Drainage					
Totals	\$ 99,352,400	\$ 103,380,000	\$ 4,027,600	4.1%	

- Assumes 6% Water rate increase.
- Results in Retail Sales Increase of 4.1%.
- Expected Collection Rate of 90%.

Historical Sewer Usage (Mcf)



Sewer Revenue Summary

Sewer Retail Sales

	Estimated 2018	Estimated 2019	Increase (Decrease)	% Change
Service Charges				
Mcf Charges	\$ 134,136,400	\$ 134,082,700	\$ (53,700)	0.0%
Service Charges	12,680,300	12,933,900	253,600	2.0%
Drainage Charges	129,205,600	163,634,300	34,428,700	26.6%
Other Retail Charges				
Penalties	4,854,100	4,964,600	110,500	2.3%
Totals	\$ 280,876,400	\$ 315,615,500	\$ 34,739,100	12.4%
Customer Class				
Industrial	\$ 44,154,700	\$ 44,543,900	\$ 389,200	0.9%
Commercial	84,394,500	81,491,000	(2,903,500)	-3.4%
Residential	121,389,200	152,083,900	30,694,700	25.3%
City of Detroit	13,021,400	12,850,600	(170,800)	-1.3%
Wayne State	2,291,600	2,265,600	(26,000)	-1.1%
Tax Exempt	9,997,000	15,419,700	5,422,700	54.2%
Faith-Based	2,541,800	2,825,100	283,300	11.1%
Highway Drainage	3,086,300	4,135,800	1,049,500	34.0%
Totals	\$ 280,876,500	\$ 315,615,600	\$ 34,739,100	12.4%

- Assumes 2% Rate increase.
- Rollout of Drainage Rates for residential and faith-based classes.
- Results in Retail Sales increase of 12.4%.
- Expected Collection Rate of 88% for Sewer related charges and 83% for Drainage related charges.



Revenue Requirement

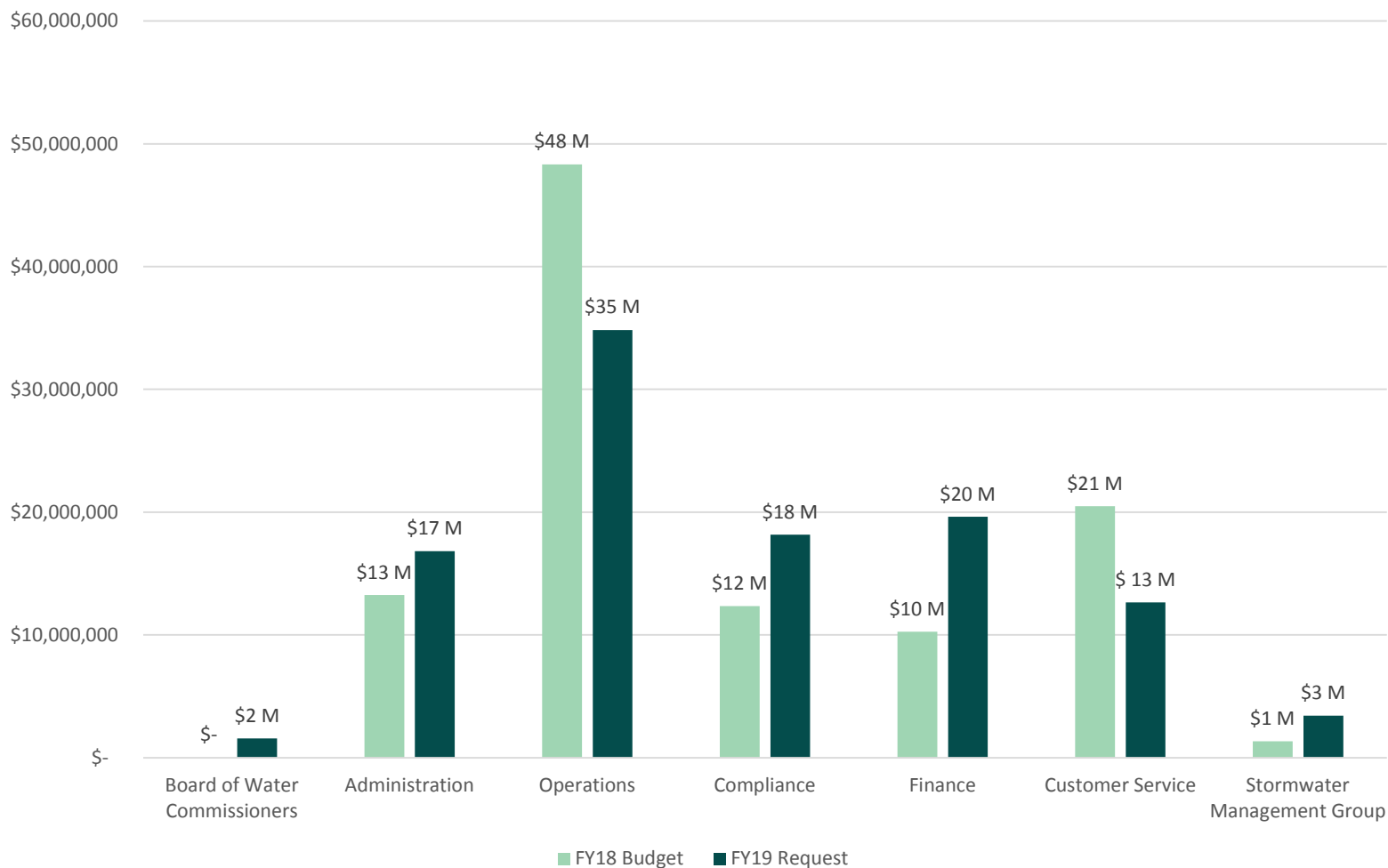
Revenue Requirement				
	Budget 2018	Budget 2019	Increase (Decrease)	Percent Change
Water Fund				
O&M Controllable Expense	\$ 42,569,300	\$ 39,871,600	\$ (2,697,700)	-6.3%
Water Retail Assistance Program	1,028,100	413,500	(614,600)	-59.8%
Wholesale Charges	35,830,600	38,561,600	2,731,000	7.6%
Non-Operating Expense	60,753,000	61,370,400	617,400	1.0%
Total Revenue Requirement	\$ 140,181,000	\$ 140,217,100	\$ 36,100	0.0%
Sewer Fund				
O&M Controllable Expense	\$ 67,796,500	\$ 67,217,900	\$ (578,600)	-0.9%
Water Retail Assistance Program	1,998,300	1,262,500	(735,800)	-36.8%
Wholesale Charges	184,485,200	182,763,500	(1,721,700)	-0.9%
Non-Operating Expense	45,167,000	58,376,600	13,209,600	29.2%
Total Revenue Requirement	\$ 299,447,000	\$ 309,620,500	\$ 10,173,500	3.4%

Operation and Maintenance – Controllable By Appropriation

Operation & Maintenance Controllable Expense				
	Budget 2018	Budget 2019	Increase (Decrease)	Percent Change
Summary by Fund				
Water Fund	\$ 42,569,300	\$ 39,871,600	\$ (2,697,700)	-6.3%
Sewer Fund	67,796,500	67,217,500	(579,000)	-0.9%
Total O&M Appropriations	\$ 110,365,800	\$ 107,089,100	\$ (3,276,700)	-3.0%
Summary by Appropriation Unit				
Board of Water Commissioners	\$ -	\$ 1,567,800	\$ 1,567,800	N/A
Administration	13,246,500	16,829,700	3,583,200	27.1%
Operations	48,317,400	34,840,300	(13,477,100)	-27.9%
Compliance	12,340,300	18,172,100	5,831,800	47.3%
Finance	10,254,800	19,614,800	9,360,000	91.3%
Customer Service	20,493,700	12,646,700	(7,847,000)	-38.3%
Stormwater Drainage	1,334,600	3,417,700	2,083,100	156.1%
GLWA Shared Services	4,378,600	-	(4,378,600)	-100.0%
Total O&M Appropriations	\$ 110,365,900	\$ 107,089,100	\$ (3,276,800)	-3.0%



FY18 Comparison FY19 by Appropriation



Board of Water Commissioners



- New Cost Center for FY 2019
- Includes 2 Staff Positions
- Includes Compliance Management contract (\$875k)

Administration



- Includes CEO, Security, and Public Affairs
- Transferred COO into Appropriation
- Allocated Shared Services (\$425)
- Public Relations contract (\$875k)

Operations



- New Appropriation for Stormwater Management Group
- Allocated Shared Services (\$1 M)
- Reduction in Utility Costs (\$2.3M)

Compliance



- Includes Legal, Technology, and Organizational Development
- Allocated IT Shared Services (\$7.4 M)
- Reduction in Legal Service contracts (\$2.6 M)

Finance



- Billing and Collections cost center moved from Customer Service. (\$5.3 M)
- New Contingency for damage and other claims (\$4 M)
- Increase in toilet replacement program (\$1M)

Customer Service



- Fleet and Facilities transferred to Operations
- Billing and Collections section transferred to Finance (\$5.3 M)

Stormwater Management



- New Appropriation for FY19
- 13 New Staff Positions
- 3 Staff Transferred from Operations
- Engineering Design, Tech Services and Consulting Contracts (\$1.7 M)

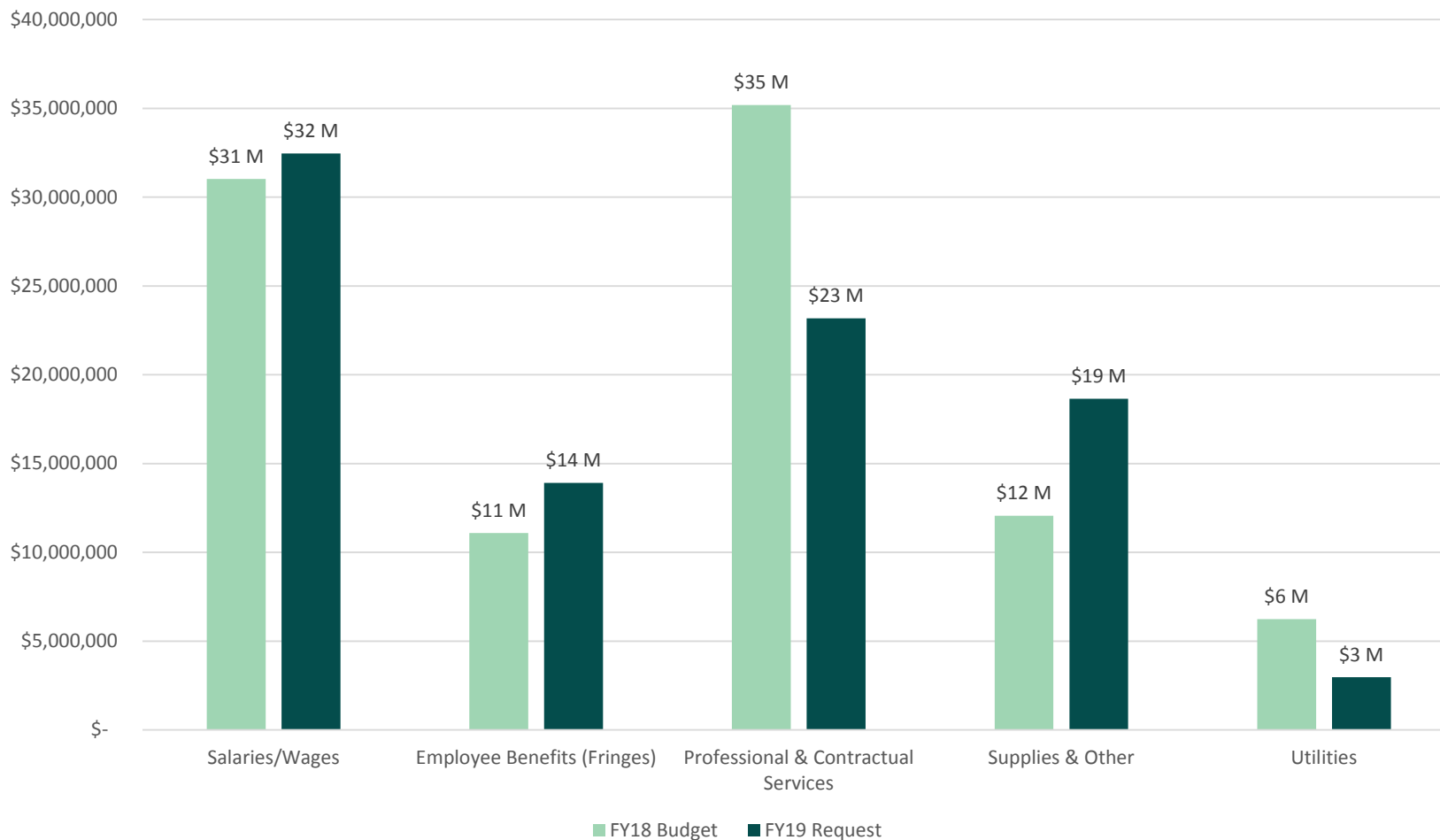


Operation and Maintenance – Controllable By Object

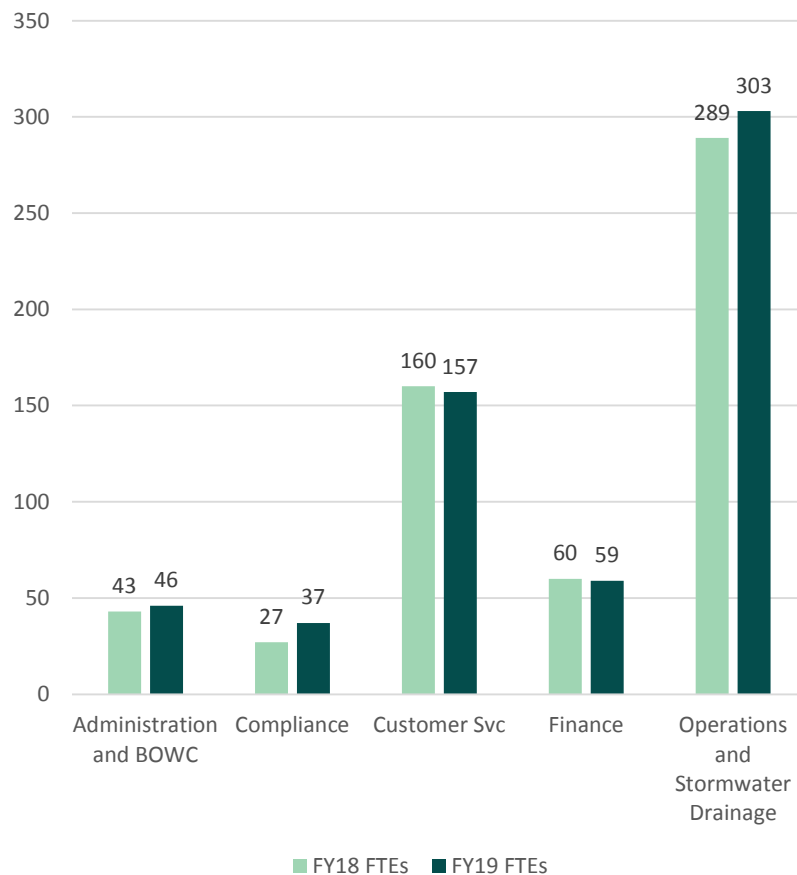
Operation & Maintenance Controllable Expense				
	Budget 2018	Budget 2019	Increase (Decrease)	Percent Change
Summary by Fund				
Water Fund	\$ 42,569,300	\$ 39,871,600	\$ (2,697,700)	-6.3%
Sewer Fund	67,796,500	67,217,500	(579,000)	-0.9%
Total O&M Appropriations	\$ 110,365,800	\$ 107,089,100	\$ (3,276,700)	-3.0%
Summary by Expense Object				
Salaries/Wages	\$ 31,027,700	\$ 32,456,300	\$ 1,428,600	4.6%
Employee Benefits (Fringes)	11,088,900	13,911,100	2,822,200	25.5%
Pension Reimbursement - Operating	7,200,000	7,128,000	(72,000)	-1.0%
Professional & Contractual Services	35,183,200	23,175,600	(12,007,600)	-34.1%
Shared Services Expense	7,548,800	8,805,000	1,256,200	16.6%
Supplies & Other	12,069,100	18,648,100	6,579,000	54.5%
Utilities	6,248,200	2,964,800	(3,283,400)	-52.5%
Total O&M Appropriations	\$ 110,365,900	\$ 107,088,900	\$ (3,277,000)	-3.0%



FY 18 Comparison FY 19 by Expense



Staff Requirements

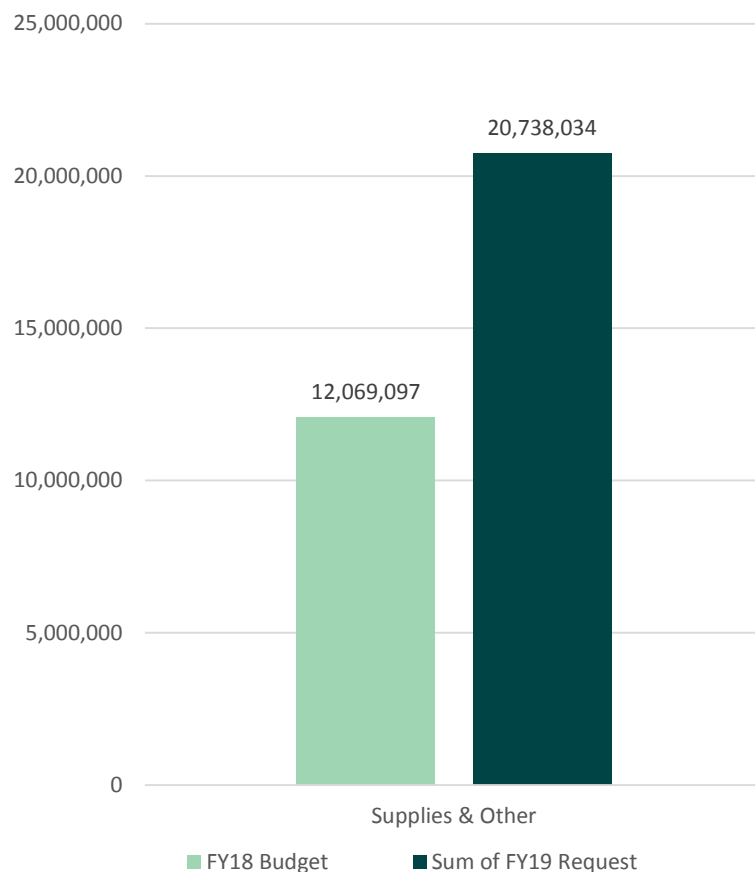


- FY 18 Restated for Organizational Changes (apples to apples)
- FTEs increased from 579 to 602 (23 additional FTEs)
- 13 new FTEs are allocated to the Stormwater Management Group

Employee Benefits (Fringes)

- FY18 Fringe Rate – 36.14%
- FY19 Fringe Rate – 43.53%
- Rate Increase – 7.39%
- Total Impact - \$2.8 M Increase

Supplies and Other Expenses



- New Contingency for damage and other claims (\$4 M)
- Supplies for Water and Sewer Repairs (\$3 M)
- Supplies for the repair and maintenance for facilities and fleet (\$700k)



Wholesale Charges

GLWA Wholesale Charges				
	Budget 2018	Budget 2019	Increase (Decrease)	Percent Change
Summary by Appropriation Unit				
GLWA Wholesale Charge	220,315,800	221,325,100	1,009,300	0.5%
Total O&M Appropriations	\$ 220,315,800	\$ 221,325,100	\$ 1,009,300	0.5%
Water Wholesale Charges	35,830,600	38,561,600	2,731,000	7.6%
Sewer Wholesale Charges	184,485,200	182,763,500	(1,721,700)	-0.9%
Total Expense Object Codes	\$ 220,315,800	\$ 221,325,100	\$ 1,009,300	0.5%



Water Wholesale Charge

GLWA Wholesale Water Charge Water Operating Fund				
(Assumed 2% Y/Y Increase)	Fiscal Year 2017-2018			Preliminary 2019
	GLWA Cost	DWSD % Share	DWSD Allocation	DWSD Allocation
Water				
Common-to-All	\$ 320,937,100	11.389%	\$ 36,551,900	\$ 37,282,900
System Adjustment (2.0%)	(6,333,200)	11.389%	(721,300)	(721,300)
	\$ 314,603,900	11.389%	35,830,600	36,561,600
Estimated Units of Service Adjustment			-	2,000,000
Net Wholesale Water Requirement			\$ 35,830,600	\$ 38,561,600



Sewer Wholesale Charge

GLWA Wholesale Sewer Charge Sewer Operating Fund				
(Assumed 2% Y/Y Increase)	Fiscal Year 2017-2018			Preliminary 2019
	GLWA Cost	DWSD % Share	DWSD Allocation	DWSD Allocation
Sewer				
Common-to-All	\$ 381,629,300	36.942%	\$ 140,980,000	\$ 143,799,600
Suburban Only	7,950,500	0.000%	-	-
OMID Specific	7,582,900	0.000%	-	-
CSO Facilities	46,024,000	83.000%	38,199,900	38,963,900
Industrial Specific	9,556,000	0.000%	-	-
	<u>\$ 452,742,700</u>	<u>39.577%</u>	179,179,900	182,763,500
Deferred Share Adjustment			5,305,300	-
Net Wholesale Sewer Requirement			<u>\$ 184,485,200</u>	<u>\$ 182,763,500</u>



Non-Operating Expenses

Non-Operating Expenses				
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Summary

- Stormwater Management Group up and operational.
- Compliance Management, Public Relations, and Toilet Replacement initiatives funded.
- Impervious Acreage Billing extended to all customer classes.
- Decline in usage (Mcf) seems to be leveling.
- Tentative rate increases of 6% and 2% for Water and Sewer, respectively.
- GLWA Wholesale charges not finalized.



Thank You



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