



# **PROPOSED DWSD BUDGET**

**FY 2019**

February 7, 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



## Updates to Budget

- Rate increases are now 4% for both Water and Sewer.
- Firelines have no increase.
- Drainage charges are transitioned for residential and “faith based” customers.
- Wholesale charges increased based on preliminary GLWA calculations.

## Sources and Uses of Funds

### Water Operating Fund

	Restated Budget 2018	Estimated Requirements 2019	Increase (Decrease)	% Change
<b><u>Estimated Revenues</u></b>				
Gross Retail Sales	\$ 99,994,000	\$ 101,569,300	\$ 1,575,300	1.6%
Less: Bad Debt Expense	(10,789,000)	(11,040,000)	(251,000)	2.3%
Net Retail Sales	89,205,000	90,529,300	1,324,300	1.5%
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%
<b>Total Estimated Water Revenue</b>	<b>\$ 140,181,000</b>	<b>\$ 138,406,300</b>	<b>\$ (1,774,700)</b>	<b>-1.3%</b>
<b><u>Revenue Requirement</u></b>				
<b><u>Operating Requirement</u></b>				
O&M Controllable Expense	\$ 42,569,000	\$ 41,535,700	\$ (1,033,300)	-2.4%
WRAP Requirement	1,028,000	406,300	(621,700)	-60.5%
Wholesale Charges	35,831,000	41,026,100	5,195,100	14.5%
Total Operating	79,428,000	82,968,100	3,540,100	4.5%
<b><u>Non-Operating Requirements</u></b>				
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	13,271,800	(8,174,200)	-38.1%
Total Non-Operating	60,753,000	55,438,200	(5,314,800)	-8.7%
<b>Total Revenue Requirement</b>	<b>\$ 140,181,000</b>	<b>\$ 138,406,300</b>	<b>\$ (1,774,700)</b>	<b>-1.3%</b>

## Sources and Uses of Funds

### Sewer Operating Fund

	Restated Budget 2018	Estimated Requirements 2019	Increase (Decrease)	% Change
<b><u>Estimated Revenues</u></b>				
Gross Retail Sales	\$ 279,161,000	\$ 318,498,200	\$ 39,337,200	14.1%
Less: Bad Debt Expense	(22,269,000)	(46,327,000)	(24,058,000)	108.0%
Net Retail Sales	256,892,000	272,171,200	15,279,200	5.9%
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%
<b>Total Estimated Sewer Revenue</b>	<b>\$ 299,447,000</b>	<b>\$ 312,503,200</b>	<b>\$ 13,056,200</b>	<b>4.4%</b>
<b><u>Revenue Requirement</u></b>				
<b><u>Operating Requirement</u></b>				
O&M Controllable Expense	\$ 67,797,000	\$ 71,861,500	\$ 4,064,500	6.0%
WRAP Requirement	1,998,000	1,274,000	(724,000)	-36.2%
Wholesale Charges	184,485,000	188,524,000	4,039,000	2.2%
Total Operating	254,280,000	261,659,500	7,379,500	2.9%
<b><u>Non-Operating Requirements</u></b>				
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	19,967,100	3,375,100	20.3%
Total Non-Operating	45,167,000	50,843,700	5,676,700	12.6%
<b>Total Revenue Requirement</b>	<b>\$ 299,447,000</b>	<b>\$ 312,503,200</b>	<b>\$ 13,056,200</b>	<b>4.4%</b>



# Water Revenue Summary



Water Retail Sales				
	Estimated 2018	Estimated 2019	Increase (Decrease)	% Change
<b>Service Charges</b>				
Mcf Charges	\$ 68,260,800	\$ 69,393,900	\$ 1,133,100	1.7%
Service Charges	23,813,100	24,765,600	952,500	4.0%
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%
<b>Totals</b>	<b>\$ 99,352,600</b>	<b>\$ 101,569,300</b>	<b>\$ 2,216,700</b>	<b>2.2%</b>
<b>Customer Class</b>				
Industrial	\$ 13,906,500	\$ 14,235,000	\$ 328,500	2.4%
Commercial	24,758,200	25,228,200	470,000	1.9%
Residential	49,657,800	50,796,600	1,138,800	2.3%
City of Detroit	6,660,700	6,781,100	120,400	1.8%
Wayne State	891,100	907,800	16,700	1.9%
Tax Exempt	2,846,500	2,972,400	125,900	4.4%
Faith-Based	631,600	648,100	16,500	2.6%
Highway Drainage				
<b>Totals</b>	<b>\$ 99,352,400</b>	<b>\$ 101,569,200</b>	<b>\$ 2,216,800</b>	<b>2.2%</b>

- Assumes 4% Water rate increase.
- Results in Retail Sales Increase of 2.2%.
- Expected Collection Rate of 90%.

# Sewer Revenue Summary



Sewer Retail Sales				
	Estimated 2018	Estimated 2019	Increase (Decrease)	% Change
<b>Service Charges</b>				
Mcf Charges	\$ 134,136,400	\$ 136,711,800	\$ 2,575,400	1.9%
Service Charges	12,680,300	13,187,500	507,200	4.0%
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%
<b>Totals</b>	<b>\$ 280,876,400</b>	<b>\$ 318,498,200</b>	<b>\$ 37,621,800</b>	<b>13.4%</b>
<b>Customer Class</b>				
Industrial	\$ 44,154,700	\$ 44,948,800	\$ 794,100	1.8%
Commercial	84,394,500	82,265,300	(2,129,200)	-2.5%
Residential	121,389,200	153,586,800	32,197,600	26.5%
City of Detroit	13,021,400	12,920,000	(101,400)	-0.8%
Wayne State	2,291,600	2,295,300	3,700	0.2%
Tax Exempt	9,997,000	15,506,700	5,509,700	55.1%
Faith-Based	2,541,800	2,839,600	297,800	11.7%
Highway Drainage	3,086,300	4,135,800	1,049,500	34.0%
<b>Totals</b>	<b>\$ 280,876,500</b>	<b>\$ 318,498,300</b>	<b>\$ 37,621,800</b>	<b>13.4%</b>

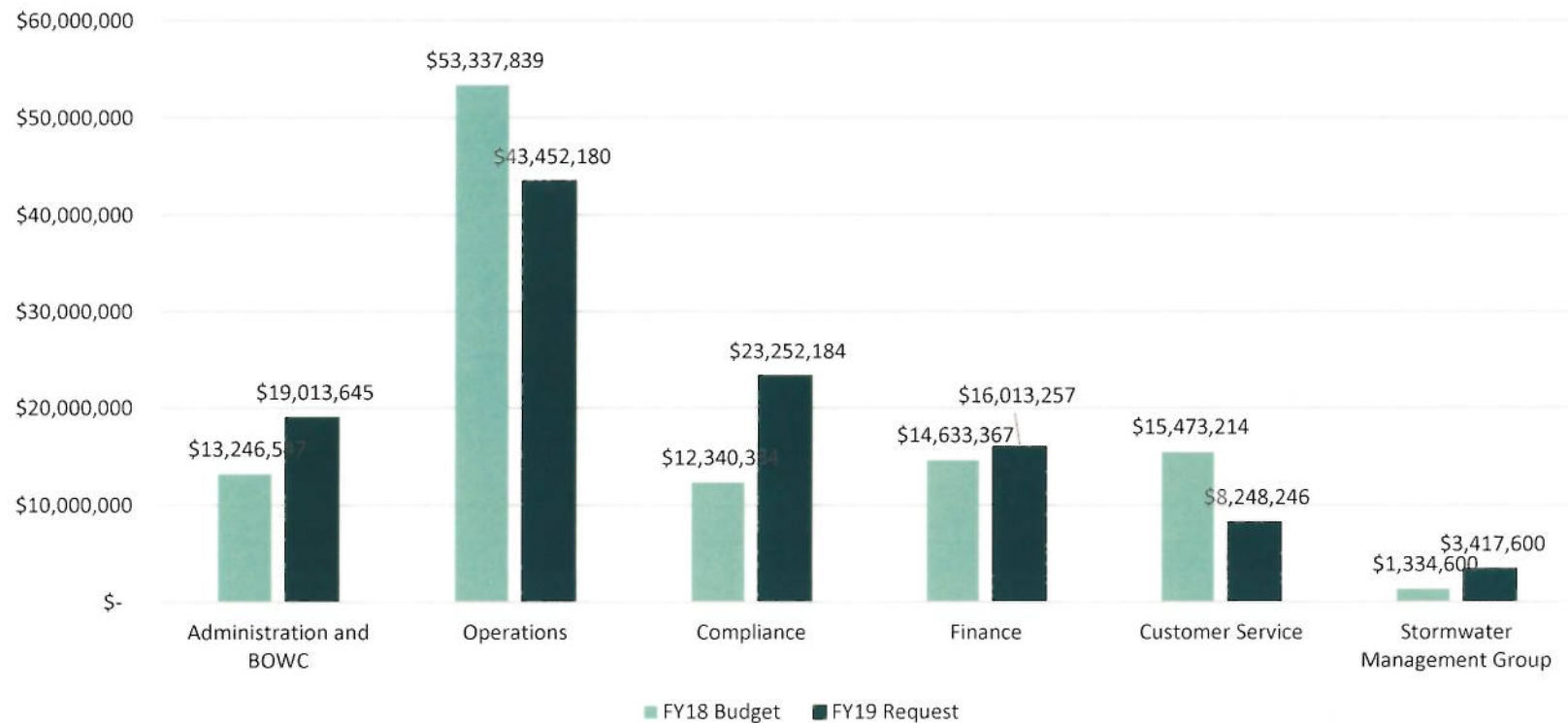
- Assumes 4% Rate increase.
- Rollout of Drainage Rates for residential and faith-based classes.
- Results in Retail Sales increase of 13.4%.
- Expected Collection Rate of 88% for Sewer related charges and 83% for Drainage related charges.

# Operation and Maintenance – Controllable By Appropriation

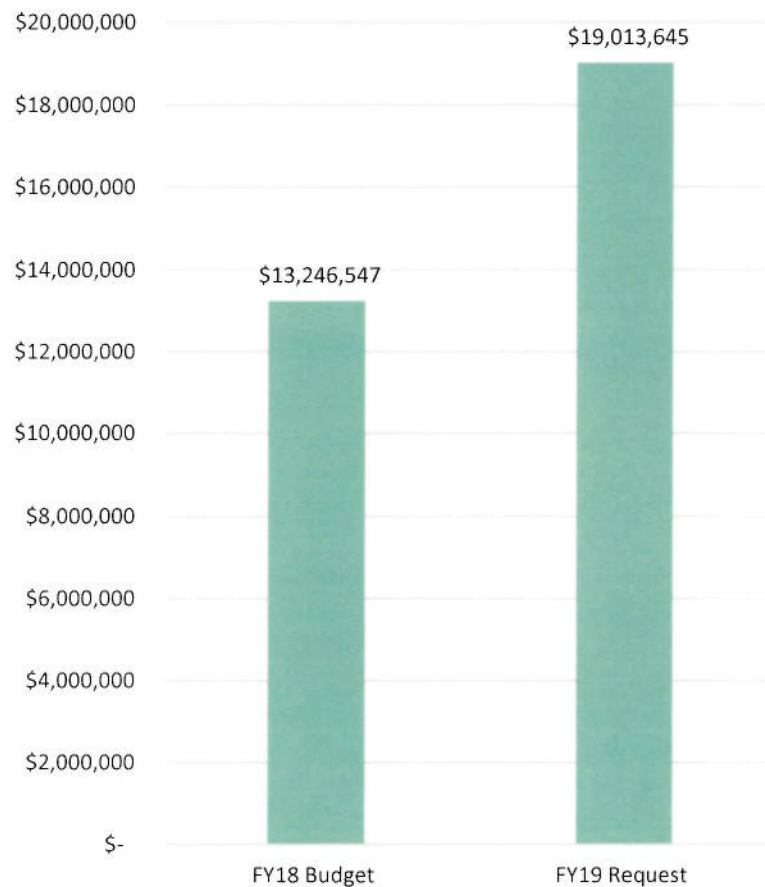
Operation & Maintenance Controllable Expense				
	Budget 2018	Budget 2019	Increase (Decrease)	Percent Change
<b>Summary by Fund</b>				
Water Fund	\$ 42,569,300	\$ 41,535,800	\$ (1,033,500)	-2.4%
Sewer Fund	67,796,500	71,861,500	4,065,000	6.0%
<b>Total O&amp;M Appropriations</b>	<b>\$ 110,365,800</b>	<b>\$ 113,397,300</b>	<b>\$ 3,031,500</b>	<b>2.7%</b>
<b>Summary by Appropriation Unit</b>				
BOWC and Administration	13,246,500	19,013,600	5,767,100	43.5%
Operations	53,337,800	43,452,200	(9,885,600)	-18.5%
Compliance	12,340,300	23,252,200	10,911,900	88.4%
Finance	10,254,800	16,013,300	5,758,500	56.2%
Customer Service	15,473,200	8,248,200	(7,225,000)	-46.7%
Stormwater Drainage	1,334,600	3,417,700	2,083,100	156.1%
GLWA Shared Services	4,378,600	-	(4,378,600)	-100.0%
<b>Total O&amp;M Appropriations</b>	<b>\$ 110,365,900</b>	<b>\$ 113,397,200</b>	<b>\$ 3,031,300</b>	<b>2.7%</b>



# FY18 Comparison FY19 by Appropriation

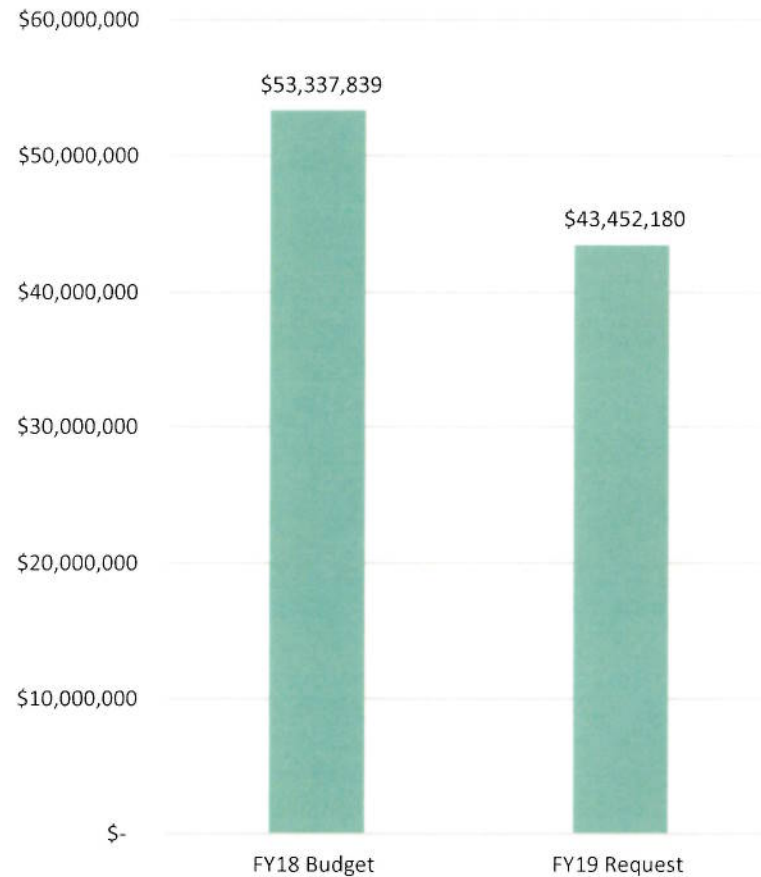


## Administration and BOWC



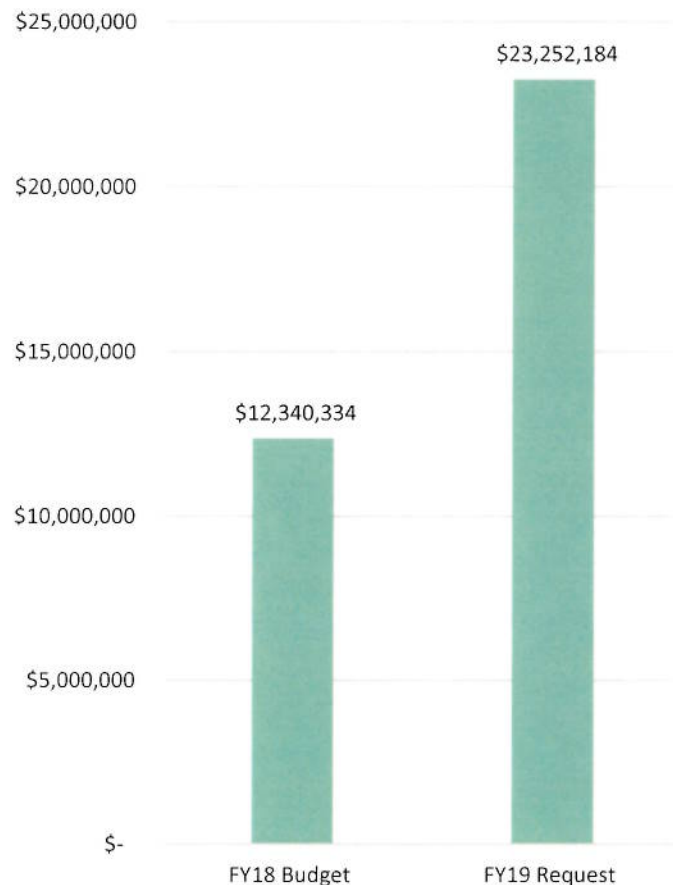
- Includes CEO, Security, and Public Affairs and new BOWC Cost Center
- Includes Compliance Management contract (\$875k)
- Transferred COO into Appropriation
- Allocated Shared Services (\$425k)
- Public Relations contract (\$875k)

# 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 Services contracts (\$2.6 M)
- New contingency for damage and other claims (\$5 M)



# Finance



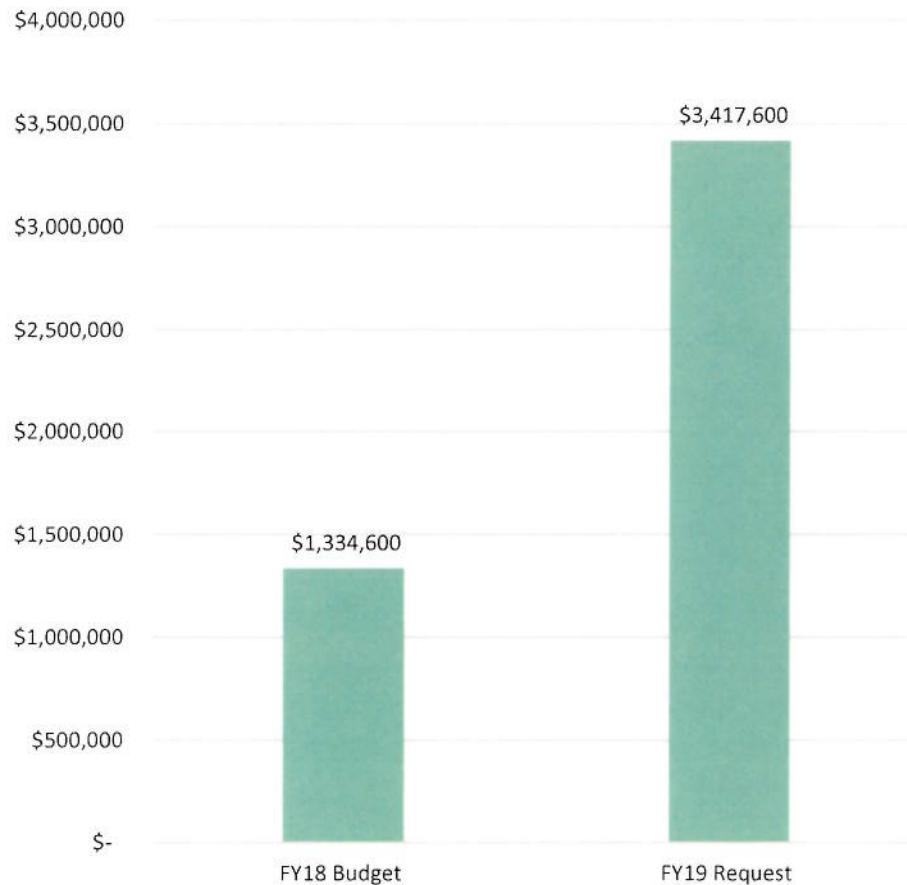
- Billing and Collections cost center moved from Customer Service. (\$5.3 M)
- Increase in toilet replacement program (\$1M)

# Customer Service



- Fleet, Facilities and Meter Operations 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)

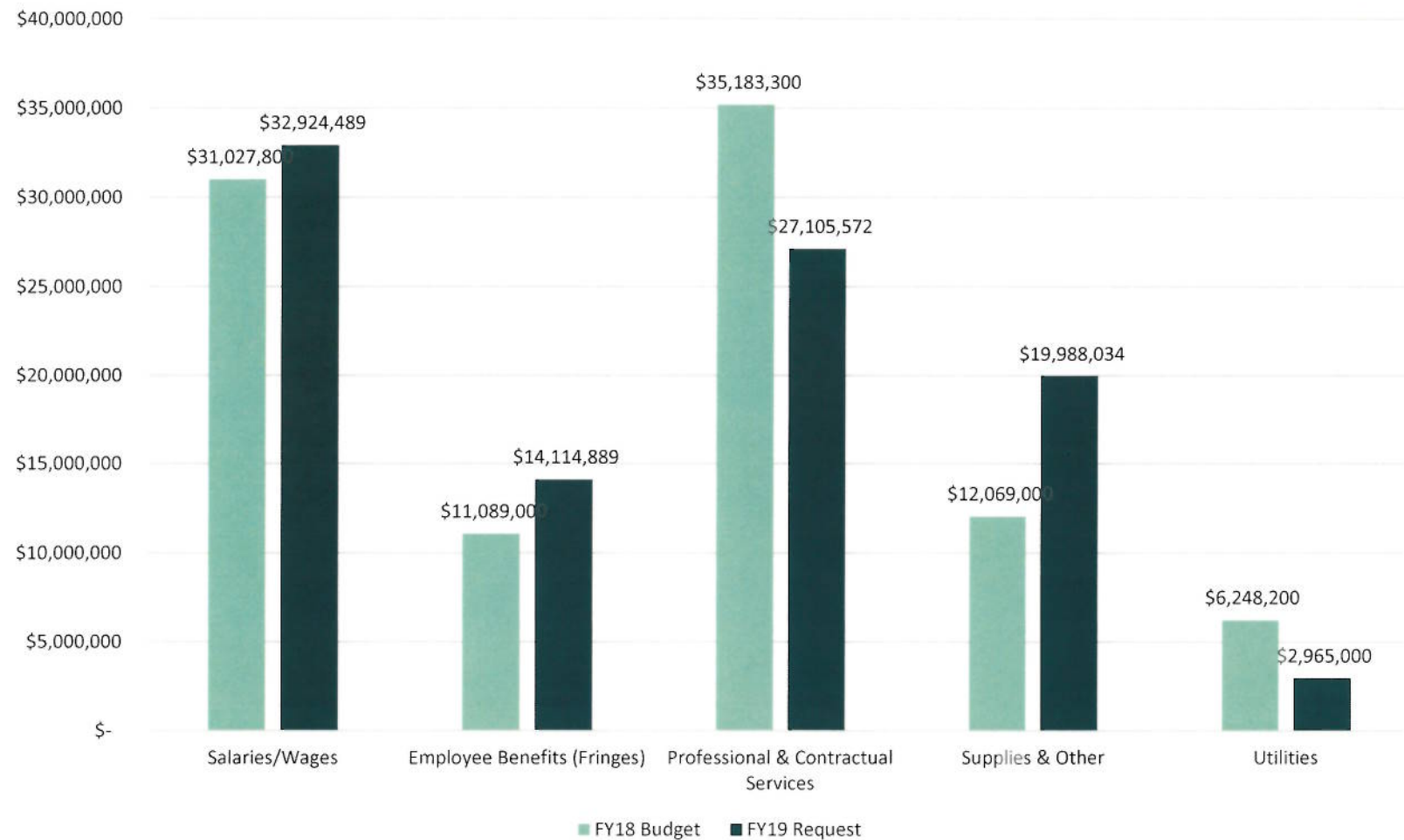
# Operation and Maintenance – Controllable By Object



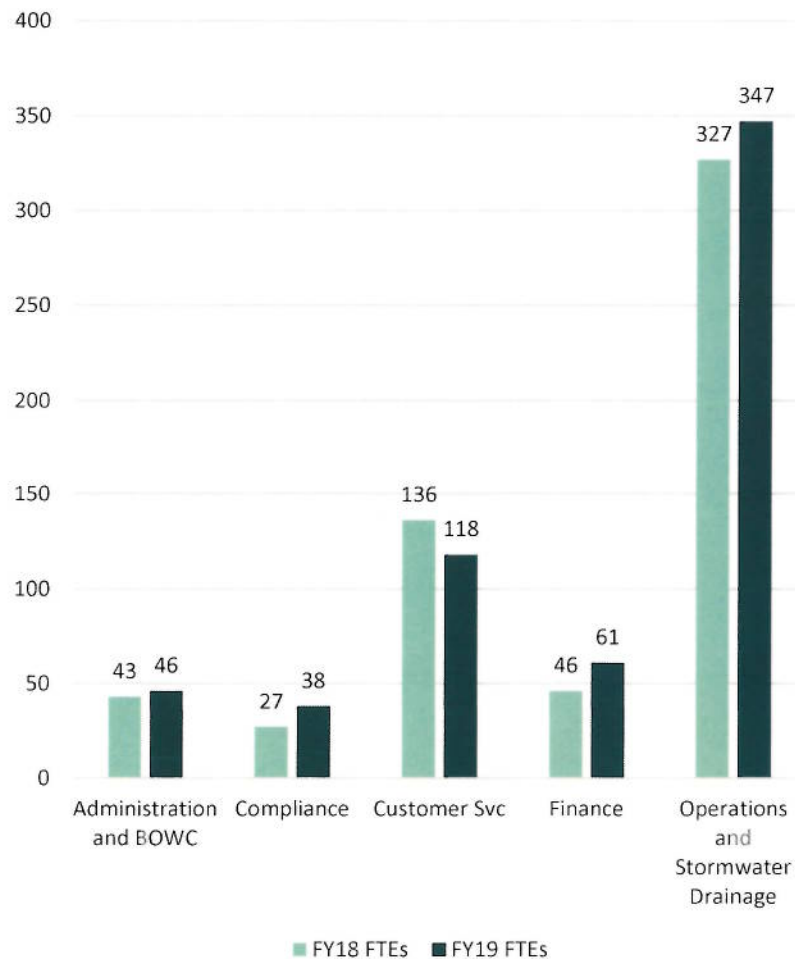
Operation & Maintenance Controllable Expense				
	Budget 2018	Budget 2019	Increase (Decrease)	Percent Change
<b>Summary by Fund</b>				
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Sewer Fund	67,796,500	71,861,500	4,065,000	6.0%
<b>Total O&amp;M Appropriations</b>	<b>\$ 110,365,800</b>	<b>\$ 113,397,300</b>	<b>\$ 3,031,500</b>	<b>2.7%</b>
<b>Summary by Expense Object</b>				
Salaries/Wages	\$ 31,027,700	\$ 32,924,500	\$ 1,896,800	6.1%
Employee Benefits (Fringes)	11,088,900	14,114,900	3,026,000	27.3%
Pension Reimbursement - Operating	7,200,000	7,494,200	294,200	4.1%
Professional & Contractual Services	35,183,200	27,105,600	(8,077,600)	-23.0%
Shared Services Expense	7,548,800	8,805,000	1,256,200	16.6%
Supplies & Other	12,069,100	19,988,000	7,918,900	65.6%
Utilities	6,248,200	2,965,000	(3,283,200)	-52.5%
<b>Total O&amp;M Appropriations</b>	<b>\$ 110,365,900</b>	<b>\$ 113,397,200</b>	<b>\$ 3,031,300</b>	<b>2.7%</b>



# FY 18 Comparison FY 19 by Expense

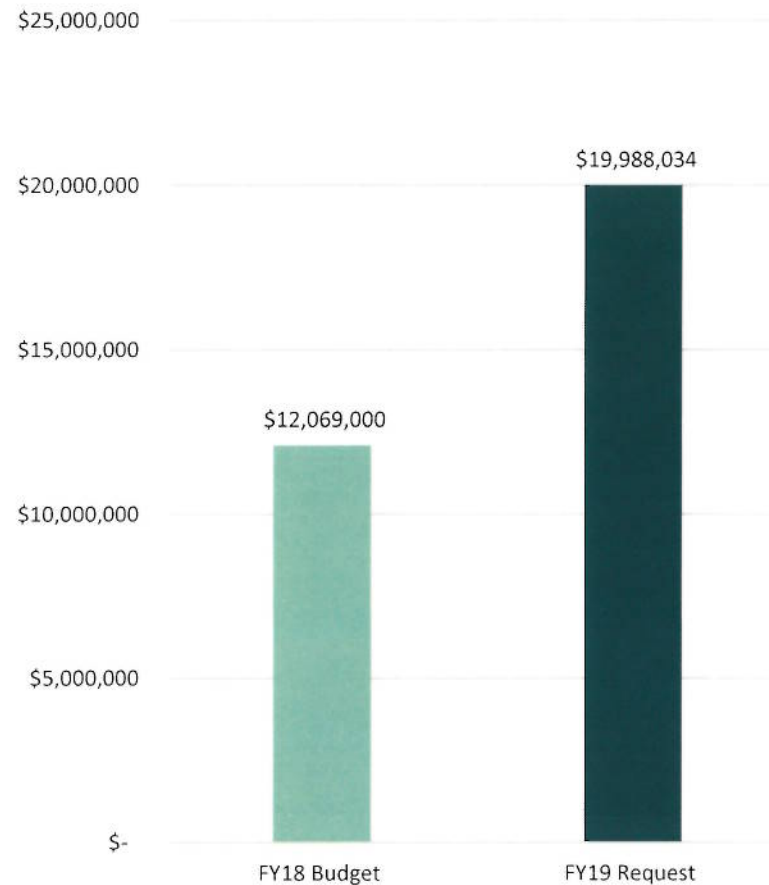


# Staff Requirements



- FY 18 Restated for Organizational Changes (apples to apples)
- FTEs increased from 579 to 610 (31 additional FTEs)
- 13 new FTEs are allocated to the Stormwater Management Group

## Supplies and Other Expenses



- New Contingency for damage and other claims (\$5 M)
- Supplies for Water and Sewer Repairs (\$3 M)
- Supplies for the repair and maintenance for facilities and fleet (\$700k)

## 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 4% for both Water and Sewer.
- GLWA Wholesale charges not finalized.



# Thank You



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