



FINANCE COMMITTEE

SUPPLEMENTAL INFORMATION

October 3, 2018

Audit Status

- Significant improvements from prior year
 - Previous identified weaknesses mitigated
 - Audit work being completed by internal staff instead of consultants
- Prepared by client schedules(PBCs) 85% complete
 - Open items primarily are due to external sources
 - City of Detroit
- Auditors on site performing testing
- On target for December 31st completion

Series 2018A Sewer System Bonds

- GLWA closed on a \$413 million bond issue today which included \$331 million of refunding outstanding GLWA debt and \$81.6 million par amount of new bonds for DWSD local sewer system improvements.
- GLWA Senior Lien bond ratings improved to AA-/A2/A.
- Approximately 38% of GLWA refunding savings (totaling \$85 million) will accrue to the benefit of DWSD.
- New money bonds (most are 5% coupons) sold at a premium of approximately \$9.9 million and True Interest Cost (TIC) of 4.03%.
- Pricing spreads ranged from 16 to 51 bps above MMD ('AAA' Bond Scale).
- Level debt service of \$5.4 million will be amortized over 30 years. Initial funding of annual debt service will come from GLWA lease revenue.

Cash Held at GLWA

- Bifurcation agreements established DWSD as GLWA's agent for Detroit local system billings and collections effective January 1, 2016.
- All retail collections are now deposited to GLWA trust accounts at US Bank. Under the terms of the agreements and GLWA's master bond ordinance, GLWA disburses the funds as follows:
 - Monthly transfers to DWSD for **Direct Expenses** including BOWC-approved operating budgets and operating pensions.
 - **Indirect Expenses** paid by GLWA on behalf of DWSD for wholesale charges, bond debt service, non-operating pension funding requirements, and other master bond ordinance requirements (Budget Stabilization, ER&R, WRAP, etc...).
- Retail collections were required to be allocated between pre-bifurcation receivables (GLWA) and post-bifurcation receivables (DWSD) through June 30, 2017.
- Per the terms of the MOU, GLWA transferred its interests in all outstanding pre-bifurcation receivables as of June 30, 2017. All subsequent collections were credited to DWSD.



Water Fund: Results of Operations – Bifurcation to Date

| | FY 2016 (Six Months) | | | FY 2017 | | | FY 2018 | | |
|---|-------------------------|-----------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Budget | Accrual | Cash | Budget | Accrual | Cash | Budget | Accrual | Cash |
| WATER OPERATING FUND | | | | | | | | | |
| RETAIL REVENUE | | | | | | | | | |
| Retail Sales | \$ 47.3 | \$ 50.5 | \$ 26.2 | \$100.2 | \$110.2 | \$ 96.4 | \$100.0 | \$107.9 | \$101.1 |
| Miscellaneous Revenue | 2.4 | | | 4.9 | | | 4.8 | | |
| Bad Debt Expense | - | (4.0) | | (12.3) | (8.3) | | (10.8) | (10.8) | |
| Application of Lease to Debt Service | - | - | 1.2 | - | - | - | - | - | 1.9 |
| Total Retail | 49.7 | 46.5 | 27.4 | 92.8 | 101.9 | 96.4 | 94.0 | 97.1 | 103.0 |
| NON-RETAIL REVENUE | | | | | | | | | |
| Shared Service Revenue | - | - | - | 1.8 | 3.7 | - | 3.0 | 2.1 | - |
| Non-Operating Revenue | - | 0.2 | 0.0 | - | 0.0 | 0.1 | - | 1.2 | 0.1 |
| Non-Retail Revenue | - | 0.2 | 0.0 | 1.8 | 3.7 | 0.1 | 3.0 | 3.3 | 0.1 |
| TOTAL REVENUE | \$ 49.7 | \$ 46.8 | \$ 27.4 | \$ 94.6 | \$105.6 | \$ 96.5 | \$ 97.0 | \$100.4 | \$103.1 |
| DWSD DIRECT EXPENSE | | | | | | | | | |
| O&M Expense | \$ 22.4 | \$ 22.4 | \$ 22.4 | \$ 32.9 | \$ 33.6 | \$ 33.6 | \$ 35.1 | \$ 35.1 | \$ 35.1 |
| O&M Shared Services Expense | - | - | - | 3.5 | - | - | 3.2 | - | - |
| O&M Pension | 2.1 | 2.1 | 2.1 | 4.3 | 4.3 | 4.3 | 4.3 | 4.3 | 4.3 |
| Total Direct Expense | 24.6 | 24.6 | 24.6 | 40.7 | 37.9 | 37.9 | 42.6 | 39.3 | 39.3 |
| DWSD INDIRECT EXPENSE | | | | | | | | | |
| O&M Wholesale | 7.6 | 6.8 | 6.8 | 5.4 | 15.5 | 15.5 | 8.5 | 15.1 | 15.1 |
| O&M WRAP | 0.2 | 0.2 | 0.2 | 0.6 | 0.4 | 0.4 | 1.0 | 0.4 | 0.4 |
| Debt Service | 14.1 | 14.1 | 14.1 | 44.8 | 34.5 | 34.5 | 46.2 | 35.4 | 35.4 |
| Pension - Accelerated | 2.1 | 2.1 | 2.1 | 0.7 | 4.4 | 4.4 | 0.7 | 4.6 | 4.6 |
| Budget Stabilization | 1.2 | 1.2 | 1.2 | 2.4 | 0.4 | 0.4 | (2.1) | - | - |
| ER&R | - | - | - | - | - | - | 0.1 | - | - |
| Total Indirect Expense | 25.1 | 24.4 | 24.4 | 53.8 | 55.2 | 55.2 | 54.4 | 55.6 | 55.6 |
| TOTAL EXPENSE | 49.7 | 49.0 | 49.0 | 94.6 | 93.1 | 93.1 | 97.0 | 94.9 | 94.9 |
| Net Revenue Over (Under) Expense | \$ - | \$ (2.2) | \$ (21.6) | \$ 0.0 | \$ 12.6 | \$ 3.4 | \$ - | \$ 5.5 | \$ 8.1 |



Water Fund: Operating Budget to Cash Variances

| | Bifurcation to Date | | | Budget to Accrual | Accrual to Cash | Budget to Cash |
|---|---------------------|----------------|------------------|-------------------|------------------|------------------|
| | Budget | Accrual | Cash | Variance | Variance | Variance |
| WATER OPERATING FUND | | | | | | |
| RETAIL REVENUE | | | | | | |
| Retail Sales | \$247.5 | \$268.6 | \$223.7 | | | |
| Miscellaneous Revenue | 12.0 | - | - | | | |
| Bad Debt Expense | (23.1) | (23.1) | - | | | |
| Application of Lease to Debt Service | - | - | 3.0 | | | |
| Total Retail | 236.5 | 245.6 | 226.7 | 9.1 | (18.9) | (9.7) |
| NON-RETAIL REVENUE | | | | | | |
| Shared Service Revenue | 4.8 | 5.7 | - | | | |
| Non-Operating Revenue | - | 1.5 | 0.2 | | | |
| Non-Retail Revenue | 4.8 | 7.2 | 0.2 | 2.5 | (7.1) | (4.6) |
| TOTAL REVENUE | \$241.2 | \$252.8 | \$226.9 | \$ 11.6 | \$ (25.9) | \$ (14.3) |
| DWSD DIRECT EXPENSE | | | | | | |
| O&M Expense | \$ 90.4 | \$ 91.1 | \$ 91.1 | | | |
| O&M Shared Services Expense | 6.7 | - | - | | | |
| O&M Pension | 10.7 | 10.7 | 10.7 | | | |
| Total Direct Expense | 107.9 | 101.8 | 101.8 | (6.1) | - | (6.1) |
| DWSD INDIRECT EXPENSE | | | | | | |
| O&M Wholesale | 21.5 | 37.5 | 37.5 | | | |
| O&M WRAP | 1.8 | 1.1 | 1.1 | | | |
| Debt Service | 105.0 | 84.0 | 84.0 | | | |
| Pension - Accelerated | 3.5 | 11.1 | 11.1 | | | |
| Budget Stabilization | 1.5 | 1.5 | 1.5 | | | |
| ER&R | 0.1 | - | - | | | |
| Total Indirect Expense | 133.4 | 135.2 | 135.2 | 1.8 | - | 1.8 |
| TOTAL EXPENSE | 241.2 | 237.0 | 237.0 | (4.3) | - | (4.3) |
| Net Revenue Over (Under) Expense | \$ 0.0 | \$ 15.9 | \$ (10.1) | \$ 15.9 | \$ (25.9) | \$ (10.1) |



Sewer Fund: Results of Operations – Bifurcation to Date

| | FY 2016 (Six Months) | | | FY 2017 | | | FY 2018 | | |
|---|-------------------------|-----------------|------------------|----------------|------------------|------------------|----------------|------------------|------------------|
| | Budget | Accrual | Cash | Budget | Accrual | Cash | Budget | Accrual | Cash |
| SEWER OPERATING FUND | | | | | | | | | |
| RETAIL REVENUE | | | | | | | | | |
| Retail Sales | \$120.1 | \$134.4 | \$ 64.1 | \$284.2 | \$270.4 | \$230.9 | \$279.2 | \$277.0 | \$239.3 |
| Miscellaneous Revenue | 2.5 | | | 5.2 | | | 5.0 | | |
| Bad Debt Expense | - | (11.5) | | (29.0) | (27.5) | | (22.3) | (22.3) | |
| Application of Lease to Debt Service | - | - | 10.0 | - | - | - | - | - | 9.2 |
| Total Retail | 122.6 | 123.0 | 74.1 | 260.4 | 243.0 | 230.9 | 261.9 | 254.7 | 248.4 |
| NON-RETAIL REVENUE | | | | | | | | | |
| Shared Service Revenue | - | - | - | 2.6 | 5.3 | - | 4.5 | 3.1 | - |
| Non-Operating Revenue | - | 0.0 | 0.0 | - | 0.0 | 0.0 | - | 0.0 | 0.1 |
| Non-Retail Revenue | - | 0.0 | 0.0 | 2.6 | 5.4 | 0.0 | 4.5 | 3.1 | 0.1 |
| TOTAL REVENUE | \$122.6 | \$123.0 | \$ 74.1 | \$263.0 | \$248.3 | \$230.9 | \$266.4 | \$257.8 | \$248.5 |
| DIRECT EXPENSE | | | | | | | | | |
| O&M Expense | \$ 16.9 | \$ 16.9 | \$ 16.9 | \$ 43.2 | \$ 41.5 | \$ 41.5 | \$ 60.5 | \$ 60.5 | \$ 60.5 |
| O&M Shared Services Expense | - | - | - | 5.3 | - | - | 4.4 | - | - |
| O&M Pension | 1.4 | 1.4 | 1.4 | 2.9 | 2.9 | 2.9 | 2.9 | 2.8 | 2.8 |
| Total Direct Expense | 18.4 | 18.4 | 18.4 | 51.4 | 44.4 | 44.4 | 67.8 | 63.4 | 63.4 |
| INDIRECT EXPENSE | | | | | | | | | |
| O&M Wholesale | 87.3 | 95.8 | 95.8 | 78.8 | 187.3 | 187.3 | 79.7 | 179.0 | 179.0 |
| O&M WRAP | 0.2 | 0.2 | 0.2 | 1.3 | 0.4 | 0.4 | 2.0 | 0.4 | 0.4 |
| Debt Service | 12.5 | 12.5 | 12.5 | 121.8 | 21.4 | 21.4 | 114.7 | 26.8 | 26.8 |
| Pension - Accelerated | 1.5 | 1.5 | 1.5 | 7.2 | 3.1 | 3.1 | 4.1 | 3.2 | 3.2 |
| Budget Stabilization | 2.8 | 2.8 | 2.8 | 2.5 | 2.7 | 2.7 | (2.3) | - | - |
| ER&R | - | - | - | - | - | - | 0.4 | - | - |
| Total Indirect Expense | 104.2 | 112.8 | 112.8 | 211.7 | 214.7 | 214.7 | 198.6 | 209.3 | 209.3 |
| TOTAL EXPENSE | 122.6 | 131.1 | 131.1 | 263.0 | 259.1 | 259.1 | 266.4 | 272.7 | 272.7 |
| Net Revenue Over (Under) Expense | \$ - | \$ (8.1) | \$ (57.0) | \$ - | \$ (10.8) | \$ (28.2) | \$ 0.0 | \$ (14.8) | \$ (24.1) |



Sewer Fund: Operating Budget to Cash Variances

| | Inception to Date | | | Budget to Accrual | Accrual to Cash | Budget to Cash |
|---|-------------------|------------------|-------------------|-------------------|------------------|-------------------|
| | Budget | Accrual | Cash | Variance | Variance | Variance |
| SEWER OPERATING FUND | | | | | | |
| RETAIL REVENUE | | | | | | |
| Retail Sales | \$683.5 | \$681.9 | \$ 534.2 | | | |
| Miscellaneous Revenue | 12.7 | - | - | | | |
| Bad Debt Expense | (51.3) | (61.2) | - | | | |
| Application of Lease to Debt Service | - | - | 19.2 | | | |
| Total Retail | 644.9 | 620.7 | 553.4 | (24.2) | (67.3) | (91.5) |
| NON-RETAIL REVENUE | | | | | | |
| Shared Service Revenue | 7.2 | 8.4 | - | | | |
| Non-Operating Revenue | - | 0.1 | 0.1 | | | |
| Non-Retail Revenue | 7.2 | 8.5 | 0.1 | 1.3 | (8.4) | (7.1) |
| TOTAL REVENUE | \$652.1 | \$629.2 | \$ 553.5 | \$ (22.9) | \$ (75.6) | \$ (98.6) |
| DIRECT EXPENSE | | | | | | |
| O&M Expense | \$120.6 | \$119.0 | \$ 119.0 | | | |
| O&M Shared Services Expense | 9.7 | - | - | | | |
| O&M Pension | 7.2 | 7.1 | 7.1 | | | |
| Total Direct Expense | 137.5 | 126.1 | 126.1 | (11.4) | - | (11.4) |
| INDIRECT EXPENSE | | | | | | |
| O&M Wholesale | 245.9 | 462.1 | 462.1 | | | |
| O&M WRAP | 3.5 | 0.9 | 0.9 | | | |
| Debt Service | 249.0 | 60.6 | 60.6 | | | |
| Pension - Accelerated | 12.7 | 7.7 | 7.7 | | | |
| Budget Stabilization | 3.0 | 5.5 | 5.5 | | | |
| ER&R | 0.4 | - | - | | | |
| Total Indirect Expense | 514.5 | 536.8 | 536.8 | 22.2 | - | 22.2 |
| TOTAL EXPENSE | 652.1 | 662.9 | 662.9 | 10.8 | - | 10.8 |
| Net Revenue Over (Under) Expense | \$ - | \$ (33.8) | \$ (109.4) | \$ (33.8) | \$ (75.6) | \$ (109.4) |

Cash Held at GLWA – June 30, 2018

Summary Cash @ GLWA

| | Water Fund | Sewer Fund | Combined |
|----------------------------|---------------|------------------|------------------|
| Net Change in Cash | \$ (10.1) | \$ (109.4) | (119.5) |
| MOU Adjustments: | | | |
| Operating Cash Advance | 17.8 | 60.7 | 78.4 |
| Stabilization and Lookback | 0.7 | 4.1 | 4.8 |
| Settlement of Claims | - | (9.0) | (9.0) |
| Cash @ GLWA | \$ 8.4 | \$ (53.6) | \$ (45.3) |