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TO: COUNCIL MEMBERS  
FROM: David Whitaker, Director  
Legislative Policy Division

DATE: March 21, 2019

RE: Updated Detroit Water and Sewerage Department FY 2020 Amended Budget Analysis

Attached is our updated analysis regarding the Detroit Water and Sewerage Department (DWSD) for the City's Fiscal Year 2020 Budget. The DWSD presented (Attachment III) a revised FY 2020 and 2021 budget to the Board of Water Commissioners (BOWC) on March 20, 2019. The BOWC approved the DWSD FY 2020 budget on March 20, 2019. This updated analysis includes the review of that budget.

Please be prepared to respond to the additional questions raised in our analysis during your scheduled hearing on **Monday, March 25, 2019 at 2:00 p.m.** We would then appreciate a written response to the questions included in this analysis and the questions in Attachment IV from our previous analysis at your earliest convenience subsequent to your scheduled hearing. Please forward a copy of your responses to the Council members and the City Clerk's Office.

Please contact us if you have any questions regarding our analysis.

Thank you for your cooperation in this matter.

**Attachments:**

- Attachment I Water Fund FY 2019 and FY 2020 Budgets
- Attachment II Sewer Fund FY 2019 and FY 2020 Budgets
- Attachment III Presentation DWSD FY 2020 Budget dated March 20, 2019
- Attachment IV LPD's March 14, 2020 Analysis of the DWSD FY 2020 Amended Budget

cc: Councilmembers  
Gary A. Brown, Director, DWSD  
Thomas Naughton, DWSD Chief Financial Officer  
Dave Massaron, Chief Financial Officer  
Auditor General's Office  
Tanya Stoudemire, Budget Director  
Stephanie Washington, Mayor's Office

**Detroit Water and Sewerage Department**  
**Updated Analysis by the Legislative Policy Division for the City's FY 2019-2020 Budget**

For Council's information, this report represents the Legislative Policy Division's (LPD) updated analysis regarding the Detroit Water and Sewerage Department's (DWSD) budget for Fiscal Years (FY) 2020 and 2021. The DWSD presented (Attachment III) a revised FY 2020 and 2021 budget to the Board of Water Commissioners (BOWC) on March 20, 2019. The BOWC approved the DWSD FY 2020 budget on March 20, 2019. This updated analysis includes the review of that budget. Attachment IV includes LPD's original analysis of the DWSD FY 2020 budget. The questions included in Attachment IV still need to be answered in addition to the questions raised in this analysis.

Attachment I details the comparison of the Water Fund Budgets for Fiscal Years 2019 and 2020. In addition we compare the FY 2020 DWSD Water Fund budget presented at the public hearing budget dated February 20, 2019 to the FY 2020 budget presented on March 20, 2019 to the BOWC.

Attachment II details the comparison of the Sewer Fund Budgets for Fiscal Years 2019 and 2020. In addition we compare the FY 2020 DWSD Sewer Fund budget presented at the public hearing budget dated February 20, 2019 to the FY 2020 budget presented on March 20, 2019 to the BOWC.

Attachment III Is the DWSD FY 2020 budget presentation to the BOWC on March 20, 2019.

Attachment IV is LPD's analysis of the DWSD FY 2020 Budget presented on February 20, 2019 at their public hearing on the budget.

The highlights of the DWSD Budget Presentation to the BOWC on March 20, 2019 are detailed below.

- Reduced the rate increases from 4% to 2% for both Water and Sewer
- Decreased sewer bad debt from 11% to 10%
- Applied turnover savings in some divisions
- Average drainage charge still 5.9% (\$22.58 FY 2020 v \$21.32 FY 2019)

**LPD respectfully requests that DWSD representatives provide responses to the following questions that primarily relate to the updated DWSD's FY 2020 proposed budget presented to the BOWC on March 20, 2019:**

**Issues and Questions**

1. The FY 2020 water rate increase decreased from 4% to 2% and resulted in a reduction of \$1.4 million from the February 2019 presentation. What is the reason for the reduction of the water rate increase from 4% to 2%?
2. Water operations expenses are reduced \$1.4 million from the February 2019 presentation. What is the reason for the decrease?
3. What are the turnover savings and where are they applied?
4. The sewer rate increase decreased from 4% to 2% and resulted in a reduction of \$8.8 million from the February 2019 presentation. What is the reason for the reduction of the sewer rate increase from 4% to 2%?
5. Sewer operations expenses are reduced \$1.7 million from the February 2019 presentation. Also, compliance, finance and customer service expenses are reduced. What is the reason for these decreases?
6. Why does the sewer wholesale charges decrease \$1.1 million, only by a half percent, when the rate increase decreases by 2%? Is DWSD cutting other areas such as bad debt expenses and applying turnover savings to ensure a lower rate/charge to customers?
7. What is the justification for the reduction of bad debt expenses by \$4.2 million from the previous presentation at the February Budget hearing? How valid is the bad debt expense amount if it can change so drastically?
8. Please detail any position changes resulting from this revised budget.
9. Currently, how do the water and sewer rates, with the inclusion of the drainage fee, charged by DWSD compare with other major cities throughout the U.S.? How the water and sewer rates, with the inclusion of the drainage fee, compare with other major cities throughout the country when using the proposed FY 2020 rates?

**LPD respectfully requests that DWSD representatives provide responses to the following questions that primarily relate to DWSD's FY 2020 proposed budget that were raised in LPD's March 14, 2019 budget analysis:**

**Issues and Questions**

1. Does the DWSD plan on coming to City Council for approval of the FY 2020 rates and FY 2020 and FY 2021 budgets?
2. When will the DWSD present the proposed capital plan and budget for FY 2020? Please explain the major proposed capital projects for FY 2020?
3. What are the major initiatives and focus for the DWSD FY 2020 Budget?
4. Please provide the most current FY 2020 and FY 2021 budgets in detail by appropriation and object for both the Water and Sewer Funds. Also, actual data from FY 2018 and FY 2019 by appropriation and object for comparison purposes would be appreciated. Please include the operating, capital, I&E and any other budget for both the Water and Sewer Funds. We would appreciate the draft DWSD budgets to be in the same detailed format as the City's budget for FY 2020-2023 submitted to City Council on March 7, 2019.
5. Why can't DWSD present the Water and Sewer Fund budgets in the same format as the City budget? Why can't the most current DWSD draft budget be submitted with the Mayor's City Budget to City Council as the "placeholder" budgets?
6. Please provide the budgeted position detail for both the Water and Sewer Funds for FY 2019, FY 2020 and FY 2021. Why does the City's "placeholder" budget show 618 total positions for water and sewer combined for both FY 2019 and FY 2020? The DWSD budget shows 611 positions for FY 2019 and 652 positions for FY 2020.
7. What contracted functions/positions are being transitioned to in-house staff?
8. What were the 16 vacant positions being deleted in customer service for FY 2020?
9. Where are the CFO and Directors' positions budgeted for FY 2020?
10. What pay increases are projected for DWSD employees in FY 2020?
11. How much of the annual \$50 million Lease revenue due to DWSD is being applied to pay debt service in the FY 2020 budget?
12. What is the purpose of increasing the DWSD Water and Sewer Fund operating expense budgets in FY 2020? What benefit will it provide?
13. Please explain in more detail the 25 additional positions to increase preventative maintenance, accelerate sewer restoration and support more sewer cleaning and MISS DIG program needs. Is there additional appropriations for FY 2020 for sewer cleaning vehicles and related equipment? Please provide the budgeted cost for the new positions, equipment, vehicles and any other cost associated with the sewer cleaning initiative for FY 2020. What are the MISS DIG program needs?

14. Why are drainage charges to residential customers increasing 5.9% for customers with .05 acres (FY 2019 - \$21.32 v FY 2020 - \$22.58) in FY 2020? Does DWSD expect any further challenges/appeals, such as to the Michigan Supreme Court, for the drainage charges?
15. Why are bad debt expenses so high for FY 2020 for both the Water and Sewer Funds? How can the collection rate be improving if the bad debt expense is increasing?
16. Why is the WRAP budget for both the Water and Sewer Funds declining for FY 2020? What was the total WRAP/assistance to Detroit customers for FY 2018 and FY 2019 (to date) for the Water and Sewer Funds?
17. Why are the Sewer commodity sales revenues up in FY 2020? Please describe commodity sales and service charges revenues.
18. How many new residential accounts were added in calendar year 2018? How many residential accounts were deleted in calendar year 2018?
19. How many water shut-offs were there in calendar year 2018?
20. What are the plans to fund the homeowner water service line replacement under the State mandated "Lead & Copper Rule"? Will bonds have to be issued? Are the water service lines being currently replaced? If so how many have been done? What was the cost? What was the source of revenue to pay the cost of replacing the water service lines?
21. Section 10 of the 2018 MOU "Term Sheet" requires DWSD to develop a quarterly budget to actual report for revenues and expenses for Operations and Maintenance, Improvements and Extensions, and Construction Bond activities. If this has been developed, please provide a copy of the most recent report.
22. What is the amount for City of Detroit provided services to DWSD such as the OCFO and Central Staff Services in the DWSD FY 2020 amended budget?
23. What is the FY 2020 revenue budget for fire hydrant maintenance that will be billed to the Detroit Fire Department? What are firelines?
24. What is the total number of vacant positions for DWSD as of January 31, 2019? Please provide a year-to-date budgeted versus actual FTE report for both Water and Sewer.
25. How does DWSD's liquidity look for the Sewer Fund at January 31, 2019? What is the amount owed to GLWA as of January 31, 2019 for loans to DWSD?

**ATTACHMENT I**  
**DWSD Water Fund**

|                                | Adopted Budget        | Feb 20, 2019<br>Proposed Budget | Mar 20, 2019<br>Proposed Budget | Difference<br>from | Difference<br>From FEB |
|--------------------------------|-----------------------|---------------------------------|---------------------------------|--------------------|------------------------|
|                                | FY 2019               | FY 2020                         | FY 2020                         | FY 2019            | FY 2020                |
| Commodity Sales                | \$ 69,393,000         | 73,548,200                      | 72,133,400                      | 2,740,400          | (1,414,800)            |
| Service Charges                | 24,766,000            | 26,025,900                      | 25,534,700                      | 768,700            | (491,200)              |
| Firelines                      | 3,031,000             | 3,062,900                       | 3,124,200                       | 93,200             | 61,300                 |
| Other Fees                     | 2,890,000             | 1,593,300                       | 1,593,300                       | (1,296,700)        | -                      |
| Penalties                      | 1,510,000             | 1,165,500                       | 1,165,500                       | (344,500)          | -                      |
| <b>Total Retail Revenue</b>    | <b>101,590,000</b>    | <b>105,395,800</b>              | <b>103,551,100</b>              | <b>1,961,100</b>   | <b>(1,844,700)</b>     |
| Shared Service Revenue         | 1,677,400             | 2,020,000                       | 2,020,000                       | 342,600            | -                      |
| Other Revenue                  | 2,200,000             | 2,200,000                       | 2,200,000                       | -                  | -                      |
| <b>Total Revenue</b>           | <b>\$ 105,467,400</b> | <b>109,615,800</b>              | <b>107,771,100</b>              | <b>2,303,700</b>   | <b>(1,844,700)</b>     |
| Administration                 | \$ 3,563,900          | 2,949,800                       | 2,949,800                       | (614,100)          | -                      |
| Operations                     | 19,161,100            | 22,466,100                      | 21,086,700                      | 1,925,600          | (1,379,400)            |
| Compliance                     | 7,152,500             | 5,829,200                       | 5,514,000                       | (1,638,500)        | (315,200)              |
| Finance                        | 4,844,000             | 5,300,100                       | 5,189,400                       | 345,400            | (110,700)              |
| Customer Service               | 2,439,700             | 2,129,400                       | 1,942,500                       | (497,200)          | (186,900)              |
| Stormwater Management          |                       | -                               |                                 | -                  |                        |
| <b>Net Direct Expenses</b>     | <b>37,161,200</b>     | <b>38,674,600</b>               | <b>36,682,400</b>               | <b>(478,800)</b>   | <b>(1,992,200)</b>     |
| Wholesale Charges              | 20,324,800            | 21,536,700                      | 21,295,500                      | 970,700            | (241,200)              |
| Obligation to GLWA             | 33,438,800            | 33,438,800                      | 33,438,800                      | -                  | -                      |
| Operating Pension              | 4,272,000             | 4,272,000                       | 4,272,000                       | -                  | -                      |
| Non-operating Pension          | 3,809,200             | 3,809,200                       | 3,809,200                       | -                  | -                      |
| Bad Debt Expense               | 6,095,400             | 7,377,700                       | 7,248,600                       | 1,153,200          | (129,100)              |
| Series B&C Notes               | 618,200               | 618,200                         | 618,200                         | -                  | -                      |
| WRAP Contribution              | 480,300               | 289,900                         | 282,500                         | (197,800)          | (7,400)                |
| <b>Total Indirect Expenses</b> | <b>69,038,700</b>     | <b>71,342,500</b>               | <b>70,964,800</b>               | <b>1,926,100</b>   | <b>(377,700)</b>       |
| Revenue Financed Capital       | (732,500)             | (401,300)                       | 123,900                         | 856,400            | 525,200                |
| <b>Total Expenses Water</b>    | <b>\$ 105,467,400</b> | <b>109,615,800</b>              | <b>107,771,100</b>              | <b>2,303,700</b>   | <b>(1,844,700)</b>     |

**ATTACHMENT II  
DWSD Sewer Fund**

|                                | Adopted Budget<br>FY 2019 | Feb 20, 2019<br>Proposed Budget<br>FY 2020 | Mar 20, 2019<br>Proposed Budget<br>FY 2020 | Difference<br>from<br>FY 2019 | Difference<br>From FEB<br>FY 2020 |
|--------------------------------|---------------------------|--|--|-------------------------------|-----------------------------------|
| Commodity Sales                | \$ 136,714,000            | 155,917,700                                | 147,153,500                                | 10,439,500                    | (8,764,200)                       |
| Service Charges                | 13,184,000                | 13,855,600                                 | 13,601,000                                 | 417,000                       | (254,600)                         |
| Firelines                      | -                         | -  | -  | -                             | -                                 |
| Drainage Fees                  | 152,874,000               | 154,464,700                                | 154,464,700                                | 1,590,700                     | -                                 |
| Other Fees                     | -                         | -  | -  | -                             | -                                 |
| Penalties                      | 4,965,000                 | 4,419,700                                  | 4,419,700                                  | (545,300)                     | -                                 |
| <b>Total Retail Revenue</b>    | <b>307,737,000</b>        | <b>328,657,700</b>                         | <b>319,638,900</b>                         | <b>11,901,900</b>             | <b>(9,018,800)</b>                |
| Budget Stabilization Reserve   | 6,527,200                 |  |  | (6,527,200)                   | -                                 |
| Shared Service Revenue         |                           | 3,030,000                                  | 3,030,000                                  | 3,030,000                     | -                                 |
| Other Revenue                  | 500,000                   | 500,000                                    | 500,000                                    | -                             | -                                 |
| <b>Total Revenue</b>           | <b>\$ 314,764,200</b>     | <b>332,187,700</b>                         | <b>323,168,900</b>                         | <b>8,404,700</b>              | <b>(9,018,800)</b>                |
| Administration                 | \$ 7,871,400              | 6,882,200                                  | 6,882,200                                  | (989,200)                     | -                                 |
| Operations                     | 26,467,600                | 33,964,300                                 | 32,264,700                                 | 5,797,100                     | (1,699,600)                       |
| Compliance                     | 15,884,300                | 13,601,800                                 | 12,866,500                                 | (3,017,800)                   | (735,300)                         |
| Finance                        | 11,303,200                | 12,367,200                                 | 12,108,900                                 | 805,700                       | (258,300)                         |
| Customer Service               | 5,691,800                 | 4,968,600                                  | 4,532,500                                  | (1,159,300)                   | (436,100)                         |
| Stormwater Management          | 3,419,400                 | 3,718,700                                  | 3,718,700                                  | 299,300                       | -                                 |
| <b>Net Direct Expenses</b>     | <b>70,637,700</b>         | <b>75,502,800</b>                          | <b>72,373,500</b>                          | <b>1,735,800</b>              | <b>(3,129,300)</b>                |
| Wholesale Charges              | 183,009,100               | 186,902,700                                | 185,817,100                                | 2,808,000                     | (1,085,600)                       |
| Obligation to GLWA             | 26,271,500                | 26,271,500                                 | 26,271,500                                 | -                             | -                                 |
| Operating Pension              | 2,856,000                 | 2,856,000                                  | 2,856,000                                  | -                             | -                                 |
| Non-operating Pension          | 2,546,200                 | 2,546,200                                  | 2,546,200                                  | -                             | -                                 |
| Bad Debt Expense               | 27,696,000                | 36,152,300                                 | 31,963,900                                 | 4,267,900                     | (4,188,400)                       |
| Series B&C Notes               | 520,200                   | 520,300                                    | 520,300                                    | 100                           | -                                 |
| WRAP Contribution              | 1,154,300                 | 502,900                                    | 484,200                                    | (670,100)                     | (18,700)                          |
| <b>Total Indirect Expenses</b> | <b>244,053,300</b>        | <b>255,751,900</b>                         | <b>250,459,200</b>                         | <b>6,405,900</b>              | <b>(5,292,700)</b>                |
| Revenue Financed Capital       |                           | 933,000                                    | 336,200                                    | 336,200                       | (596,800)                         |
| <b>Total Expenses Sewer</b>    | <b>\$ 314,691,000</b>     | <b>332,187,700</b>                         | <b>323,168,900</b>                         | <b>8,477,900</b>              | <b>(9,018,800)</b>                |





ATTACHMENT III



**DWSD BUDGET**  
**FISCAL YEAR 2020**

March 20, 2019



## Updates to the Budget

- Reduced the rate increases from 4% to 2% for both Water and Sewer
- Decreased Sewer Bad Debt from 11% to 10%
- GLWA finalized the wholesale charges
- Applied turnover savings in some divisions
- Eliminated litigation reserve
- Reduced Finance contractual services by \$408K

# Proposed Changes to FY 2020 Budget



## CHANGE IN NET REVENUES

|                                  |                            |
|----------------------------------|----------------------------|
| Water Retail Rate Reduction      | \$ 1,844,700               |
| Less: Water Bad Debt Expense     | (129,100)                  |
| Sewer Retail Rate Reduction      | 9,018,800                  |
| Less: Sewer Bad Debt Expense     | (4,188,400)                |
| <b>Net Reduction in Revenues</b> | <b><u>\$ 6,546,000</u></b> |

## CHANGE IN RETAIL REQUIREMENTS

|   |                            |
|---|----------------------------|
| Salary and Benefits Turnover Savings        | \$ 3,550,000               |
| Litigation Reserve                          | 1,000,000                  |
| Finance Consulting Contract                 | 408,000                    |
| Wholesale Charges                           | 1,326,800                  |
| WRAP Adjustment                             | 26,100                     |
| Revenue Financed Capital                    | 235,100                    |
| <b>Net Reduction in Revenue Requirement</b> | <b><u>\$ 6,546,000</u></b> |

# Retail Residential Customer



## Average Monthly Bill

FY 2019

FY 2020

|          |         |
|----------|---------|
| Drainage | Water   |
| \$21.32  | \$19.66 |

|          |         |
|----------|---------|
| Drainage | Water   |
| \$22.58  | \$20.05 |

|         |
|---------|
| Sewer   |
| \$33.70 |

|         |
|---------|
| Sewer   |
| \$34.38 |

**\$74.68**

**\$77.01**



# FY 2020 and FY 2021 Revenues

**Water Operating Fund**  
For the Year Ending June 30,

|  | 2020 | 2021 |
|--|------|------|
|--|------|------|

**Sewer Operating Fund**  
For the Year Ending June 30,

|  | 2020 | 2021 |
|--|------|------|
|--|------|------|

| <b>ESTIMATED REVENUES</b>       |                       |                       |                       |                       |
|---------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Net Retail Revenue</b>       |                       |                       |                       |                       |
| Usage Charges                   | \$ 72,133,400         | \$ 74,494,800         | \$ 147,153,500        | \$ 151,572,900        |
| Service Charges                 | 25,534,700            | 26,362,600            | 13,601,000            | 14,039,000            |
| Firelines                       | 3,124,200             | 3,224,500             | N/A                   | N/A                   |
| Drainage Fees                   | N/A                   | N/A                   | 154,464,700           | 177,364,400           |
| Other Fees                      | 1,593,300             | 1,593,300             | -                     | -                     |
| Penalties                       | 1,165,500             | 1,165,500             | 4,419,700             | 4,419,700             |
| <b>Total Retail Revenue</b>     | <b>103,551,100</b>    | <b>106,840,700</b>    | <b>319,638,900</b>    | <b>347,396,000</b>    |
| Shared Service Revenue          | 2,020,000             | 2,020,000             | 3,030,000             | 3,030,000             |
| Other Revenue                   | 2,200,000             | 2,200,000             | 500,000               | 500,000               |
| <b>Total Estimated Revenues</b> | <b>\$ 107,771,100</b> | <b>\$ 111,060,700</b> | <b>\$ 323,168,900</b> | <b>\$ 350,926,000</b> |



# FY 2020 and FY 2021 Expenses

| ESTIMATED NET REVENUE REQUIREMENT | Water Operating Fund         |                | Sewer Operating Fund |                |
|-----------------------------------|------------------------------|----------------|----------------------|----------------|
|                                   | For the Year Ending June 30, |                |                      |                |
|                                   | 2020                         | 2021           | 2020                 | 2021           |
| <b>Net Direct Expenses</b>        |                              |                |                      |                |
| Administration                    | \$ 2,949,800                 | \$ 3,032,500   | \$ 6,882,200         | \$ 7,077,200   |
| Operations                        | 21,086,700                   | 21,709,700     | 32,264,700           | 33,218,400     |
| Compliance                        | 5,514,000                    | 5,652,700      | 12,866,500           | 13,189,900     |
| Finance                           | 5,189,400                    | 5,345,400      | 12,108,900           | 12,470,900     |
| Customer Service                  | 1,942,500                    | 2,000,800      | 4,532,500            | 4,668,500      |
| Stormwater Management             | -                            | -              | 3,718,700            | 3,830,200      |
| Net Operating Expenses            | 36,682,400                   | 37,741,100     | 72,373,500           | 74,455,100     |
| <b>Indirect Expenses</b>          |                              |                |                      |                |
| Bad Debt Expense                  | 7,248,600                    | 7,478,800      | 31,963,900           | 34,739,600     |
| Wholesale Charges                 | 21,295,500                   | 22,731,800     | 185,817,100          | 192,905,200    |
| Obligation to GLWA                | 33,438,800                   | 33,438,800     | 26,271,500           | 26,271,500     |
| Operating Pension                 | 4,272,000                    | 4,272,000      | 2,856,000            | 2,856,000      |
| Non-Operation Pension             | 3,809,200                    | 3,809,200      | 2,546,200            | 2,546,200      |
| Series B and C Notes              | 618,200                      | 618,200        | 520,300              | 520,300        |
| Budget Stabilization              | -                            | -              | -                    | -              |
| WRAP Contribution                 | 282,500                      | 290,700        | 484,200              | 573,700        |
| Indirect Expenses                 | 70,964,800                   | 72,639,500     | 250,459,200          | 260,412,500    |
| Revenue Financed Capital          | 123,900                      | 680,100        | 336,200              | 16,058,400     |
| Estimated Net Revenue Requirement | \$ 107,771,100               | \$ 111,060,700 | \$ 323,168,900       | \$ 350,926,000 |

# Thank You



[facebook.com/DWSSDDetroit](https://www.facebook.com/DWSSDDetroit)



[@DetroitWaterDep](https://twitter.com/DetroitWaterDep)



[@detroitwatersewerage](https://www.instagram.com/detroitwatersewerage)





# ATTACHMENT IV


David Whitaker, Esq.  
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**TO:** Gary Brown, Director  
Detroit Water & Sewerage Department

**FROM:** David Whitaker, Director  
Legislative Policy Division 

**DATE:** March 14, 2019

**RE:** Detroit Water and Sewerage Department FY 2020 Amended Budget Analysis

Attached is our analysis regarding the Detroit Water and Sewerage Department for the City's Fiscal Year 2020 Budget.

Please be prepared to respond to the questions raised in our analysis during your scheduled hearing on **Monday, March 25, 2019 at 2:00 p.m.** We would then appreciate a written response to the questions at your earliest convenience subsequent to your scheduled hearing. Please forward a copy of your responses to the Council members and the City Clerk's Office.

Please contact us if you have any questions regarding our analysis.

Thank you for your cooperation in this matter.

**Attachments:**

Attachment I Water Fund FY 2019 and FY 2020 Budgets  
Attachment II Sewer Fund FY 2019 and FY 2020 Budgets  
Attachment III Comparison DWSD Budget per Public Hearing to City's "Placeholder" Budget  
Attachment IV Presentation - Public Hearing on FY 2020 Budget, dated February 20, 2019  
Attachment V Presentation - Eliminating Lead Water Service Lines in Detroit and Michigan's Revised Lead & Copper Rule.  
Attachment VI LPD Financial Questions  
Attachment VII DWSD Preliminary Rate Review FY 2020, dated March 6, 2019

cc: Councilmembers  
Gary A. Brown, Director, DWSD  
Thomas Naughton, DWSD Chief Financial Officer  
Dave Massaron, Chief Financial Officer  
Auditor General's Office  
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**Detroit Water and Sewerage Department**  
**Analysis by the Legislative Policy Division for the City's FY 2019-2020 Budget**

For Council's information, this report represents the Legislative Policy Division's (LPD) analysis regarding the Detroit Water and Sewerage Department's (DWSD) budget for Fiscal Years (FY) 2020 and 2021.

The DWSD FY 2020 and 2021 budgets we reviewed were presented on February 20, 2019 at a public hearing (See Attachment IV). These budgets are not the same as the "placeholder" FY 2020-2023 budget presented by the Mayor on March 7, 2019 (See Attachment III). The DWSD budgets we reviewed are the most current we have and are subject to change. They are just the operating budgets (Water Fund 5720 and Sewer Fund 5820) and don't include the Capital and Improvement & Extension (I&E) fund budgets. They are not in the same format as the placeholder budget, as the revenue and expense categories are different and not comparable. The FY 2020 Water and Sewer Fund operating budgets we reviewed totaled \$110.0 million and \$331.3 million, respectively. The City's "placeholder:" FY 2020 DWSD Water and Sewer operating budgets totaled \$199.3 million and \$413.6 million, respectively.

FY 2020 is the fourth full fiscal year after the bifurcation of DWSD and GLWA (Great Lakes Water Authority). It was difficult to analyze and compare the budget data. The documents received from DWSD lacked the detail we normally see during the budget review process such as appropriation numbers and account detail. As a result, we could not fully and properly analyze the DWSD's Water and Sewer Funds' FY 2020 budgets.

As known by City council there is a conflict over governance of the DWSD rates and budget. The DWSD claims the Board of Water Commissioners have sole authority over rate setting and approval of the budget. Consequently, they will not present the DWSD budget to City Council for approval. The City Council's position, per the City Charter, is that it has authority over DWSD's rate setting and budget approval. As of the date of this report, the Board of Water Commissioner's (BOWC) has not approved the DWSD FY 2020-2023 budgets. When the BOWC approves the FY 2020 and 2021 DWSD budgets they will in effect be an amendment to the City's adopted budgets.

**It is LPD's opinion that in accordance with the State of Michigan's Uniform Budgeting and Accounting Act and Detroit City Council v Stecher<sup>1</sup>, the DWSD's BOWC approved amended FY 2020-2023 budgets require City Council approval.**

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<sup>1</sup> *Detroit City Council v Stecher*, 430 Mich 74, 421 NW2d 544 (1988)  
§ 17 of the Uniform Budgeting and Accounting Act (UBAA), MCL 141.421 et seq., deals with midyear amendments required to ensure a balanced budget.

The DWSD has faced a series of class action lawsuits challenging its drainage charges which went into effect in October 2016. On November 6, 2018, the Michigan Court of Appeals upheld DWSD's drainage charge.<sup>2</sup>

Attachment I details the comparison of the Water Fund Budgets for Fiscal Years 2019 and 2020. The Retail Sales revenues are budgeted at \$105.4 million for FY 2020, an increase of \$3.8 million or 3.7% from the \$101.2 million for FY 2019. Other fees revenue decreased \$1.3 million in FY 2020 to \$1.6 million from the \$2.9 million in FY 2019. Shared service revenue increased \$342,600 in FY 2020 over the prior year. The net direct expenses were up \$1.5 million for FY 2020. The operations expenses increased \$3.3 million or 17.2% to \$22.5 million for FY 2020 compared to \$19.2 million for FY 2019. Wholesale charges from GLWA increased \$1.2 million or 5.9% to \$21.5 million for FY 2020 compared to the \$20.3 million for FY 2019. Bad debt expense was \$7.4 million for FY 2020, an increase of \$1.3 million or 21.3% more than the \$6.1 million for FY 2019. The WRAP (Water Residential Assistance Program) contribution is 39.6% or \$190,400 less than the prior year total of \$480,300. The total Water Fund expenses are \$110.0 million for FY 2020, an increase of \$3.8 million or 3.6% higher than the \$106.2 million in FY 2019.

Attachment II details the comparison of the Sewer Fund Budgets for Fiscal Years 2019 and 2020. Sewer retail sales revenue increased \$21.0 million or 6.8% to \$328.7 million from the prior year budget of \$307.7 million. This was primarily due to the \$19.2 million or 14% increase in commodity sales (e.g., sewer charges). Drainage fees were up \$1.6 million to \$154.5 million in FY 2020 from the \$152.9 million for FY 2019. There was no budget in FY 2020 for the budget stabilization reserve, which was \$6.5 million in FY 2019. The budget stabilization adjustment is non-recurring and was set per the MOU with GLWA. Total budgeted revenue in FY 2020 is \$331.3 million or \$16.5 million more than the \$314.8 million for FY 2019. Administration expenses are \$6.9 million for FY 2020 or \$1.0 million less than the \$7.9 million for FY 2019. Operations expenses increased by \$7.5 million or 28.3% to \$34.0 million for FY 2020 compared to the \$26.5 million for FY 2019 mainly due to the addition of 45 positions. Finance expenses were \$12.4 million or \$1.1 million more than the prior year. Customer service expenses decreased by

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141.437 General appropriations act, amendment, reports, recommendations Sec 17.

(1) Except as otherwise provided in section 19, a deviation from the original general appropriations act shall not be made without amending the general appropriations act. Subject to section 16(2), the legislative body of the local unit shall amend the general appropriations act as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined. An amendment shall indicate each intended alteration in the purpose of each appropriation item affected by the amendment. The legislative body may require that the chief administrative officer or fiscal officer provide it with periodic reports on the financial condition of the local unit.

(2) If, during a fiscal year, it appears to the chief administrative officer or to the legislative body that the actual and probable revenues from taxes and other sources in a fund are less than the estimated revenues, including an available surplus upon which appropriations from the fund were based and the proceeds from bonds or other obligations issued under the fiscal stabilization act, 1981 PA 80, MCL 141.1001 to 141.1011, or the balance of the principal of these bonds or other obligations, the chief administrative officer or fiscal officer shall present to the legislative body recommendations which, if adopted, would prevent expenditures from exceeding available revenues for that current fiscal year. The recommendations shall include proposals for reducing appropriations from the fund for budgetary centers in a manner that would cause the total of appropriations to not be greater than the total of revised estimated revenues of the fund, or proposals for measures necessary to provide revenues sufficient to meet expenditures of the fund, or both. The recommendations shall recognize the requirements of state law and the provisions of collective bargaining agreements.

History: Add. 1978, Act 621, Iff. Apr. 1, 1980, Am. 1981, Act 77, Imd. Eff. June 30, 1981; Am. 1995, Act 41, Imd. Eff. May 22, 1995; Am. 2000, Act 493, Imd. Eff. Jan. 11, 2001.

<sup>2</sup> LPD Report, "Court of Appeals Upholds DWSD Drainage Charge", dated January 10, 2019. Binns, et al v City of Detroit, No. 337609, and Detroit Alliance Against the Rain Tax, et al v City of Detroit, No 339176.

\$723,200 or 12.7% for FY 2020 from the \$5.7 million in FY 2019. Wholesale charges from GLWA increased 2.1% or \$3.9 million to \$186.9 million for FY 2020 compared to \$183.0 million for FY 2019. Bad debt expense increased 30.7% or \$8.5 million to \$36.2 million for FY 2020 from the \$27.7 million for FY 2019. The WRAP contribution is \$502,900 for FY 2020 or 56.4% (\$651,400) less than the \$1.2 million for FY 2019.

Attachment IV – DWSD Public Hearing on Budget – Fiscal Year 2020, dated February 20, 2019 is the DWSD’s presentation on its FY 2020 and 2021 budget made on February 20, 2019 at its public hearing. The data in the presentation is our source for the FY 2020 budget data analyzed in this report. The highlights of this presentation are listed below:

- These are preliminary operating and maintenance budget recommendations for FY 2020 and FY 2021
- DWSD is experiencing positive volume variances and increases in number of accounts and meters in FY 2019 and the trend is expected to continue into FY 2020.
- The Water Fund has assumed rate increases of 4% with an effective retail revenue increase of 3.7% for FY 2020.
- The expected collection rate is 93% for FY 2020.
- The effective retail rate for the Sewer Fund is 6.8% for FY 2020.
- There is a significant decrease in billable impervious acreage. The expected collection rate for drainage is 87% for FY 2020.
- The expected collection rate for sewer charges is 91% for FY 2020.
- The MOU has eliminated significant uncertainties with respect to debt obligations and other funding requirements.
- Restructuring of the department is accelerating with opportunities to in-source certain functions currently contracted out.
- DWSD is becoming less dependent on GLWA for network and systems.
- An aggressive capital program has been launched.
- Exposure to certain financial risks will continue (Lead service lines, GLWA transmission lines, GLWA direct water service, etc...).
- DWSD operations staff positions increased by 45 in FY 2020. These include: (1) 6 positions for fleet services; (2) 25 positions to increase preventative maintenance, accelerate sewer restoration and support more sewer cleaning and MISS DIG program needs; and (3) 14 positions for meter operations to reduce non-revenue water loss.
- DWSD compliance positions increased by 7 in FY 2020. These include: (1) deleting one General Counsel position as part of an organizational development; (2) adding 2 safety office positions to establish independent safety function to coordinate safety programs; and (3) adding 6 technology positions to transition IT in-house.
- DWSD Finance positions increased by 5 positions in FY 2020. These include: (1) one CFO; (2) one position for billing and collections; (3) 2 positions for procurement; and (4) one position for budget.
- DWSD customer service decreased by 21 positions in FY 2020. The reductions include: (1) 3 positions transferred to meter operations; (2) one position transferred to stormwater management; (3) one position transferred to CEO; and (4) 16 vacant positions eliminated.

- DWSD Stormwater management increased 4 positions in FY 2020. These include 2 customer service specialists and 2 green infrastructure engineers. The responsibilities include NPDES permit compliance, green infrastructure project management and customer care for drainage related requests.
- Wholesale charges are based on GLWA preliminary worksheets.
- Budget stabilization reduction is non-recurring (MOU adjustment).
- The following table details the proposed DWSD (Water and Sewer combined) position changes from the FY 2019 budget to the FY 2020 budget.

| Division         | Budgeted Positions |         |            |
|------------------|--------------------|---------|------------|
|                  | FY 2019            | FY 2020 | Difference |
| Administration   | 46                 | 47      | 1          |
| Operations       | 335                | 380     | 45         |
| Compliance       | 38                 | 45      | 7          |
| Finance          | 62                 | 67      | 5          |
| Customer Service | 117                | 96      | (21)       |
| Stormwater       | 13                 | 17      | 4          |
|                  | 611                | 652     | 41         |

- The City's DWSD "placeholder" budget shows 618 total positions for FY 2019 and FY 2020.

Attachment V – Eliminating Lead Water Service Lines in Detroit and Michigan’s Revised Lead & Copper Rule, is a presentation made by DWSD. This rule could possibly cost the DWSD over \$500 million over the next 20 years, siphoning much needed funding for other infrastructure needs and cause water rates to skyrocket. Highlights of this presentation include the following:

- In June 2018, the Governor Snyder’s administration enacted amendments to “Supplying Water to Public” regulations motivated by the Flint Crisis.
- The City must replace all private lead lines at the water supplier’s expense within 20 years (extensions are possible).
- It will cost Detroiters over \$500 million over 20 years (\$5,000 per line X 125,000 lines). The statewide cost is projected to be \$2.5 billion.
- This is an unfunded mandate from the State and the State will not contribute any funding for it.
- This will divert DWSD funds from other critical infrastructure projects.
- The cost will be passed on to ratepayers, causing water rates to skyrocket.
- DWSD is responsible for water service lines from the water main to the property line; homeowners own the pipes and are responsible for the water service line from the property line to the house.
- DWSD will need the homeowner landlord permission to access the water service line on private property.
- DWSD has joined in a lawsuit with GLWA, Oakland County and Livonia against the State on this new “Lead & Copper Rule”. The legal action was filed on December 11, 2018.

The lawsuit seeks to: (1) declare the rules substantively invalid; and (2) obtain a stay of the deadlines.

- The DWSD claims the new “Lead & Copper Rule violates several provisions of the Michigan Constitution: (1) No lending of public credit to a private person (Mich. Const. Art.IX,CS18); (2) State must cover cost of new obligations imposed on local governments (Headlee Amendment - Mich. Const. Art.IX CS29); (3) No use of public dollars to work on private property (Mich. Const. Art.IX,CS30); and (4) Municipalities may not impose tax without voter approval (Mich. Const. Art.IX,CS31). In addition, the new Rule violates Bolt v Lansing, where rates must be based on the cost of service rendered to the customer who benefits.
- Limited contractor capacity will drive up the costs to replace the lead water lines.
- The safest and most economical way is to replace the water main and private water service line at the same time as part of DWSD’s regular asset management program and not by an arbitrary deadline under the “Lead and Copper Rule”.

Attachment VI are LPD financial questions. LPD is preparing a report on DWSD GLWA financial issues which will include the responses to our questions in Attachment VI. The responses to the questions will help us to produce the report. The report is expected to be issued by July 31, 2019. The report will also include LPD’s issues and concerns with the FY 2020 DWSD budget.

Attachment VII is DWSD’s presentation to the BOWC Finance Committee on March 6, 2019. It is titled “DWSD Preliminary Rate Review FY 2020”. The highlights of the presentation are as follows:

- Assuming a 4% increase in water rates to Detroit customers for FY 2020 from FY 2019.
- Assuming a 4% increase in sewer (excluding drainage) rates to Detroit customers for FY 2020 from FY 2019.
- Drainage charge increases from \$598 per acre in FY 2019 to \$602 per acre. For a customer with .05 acres the monthly drainage charge increases 5.9% for FY 2020 (\$21.32 in FY 2019 to \$22.58 in FY 2020).

DWSD’s Detroit customers have seen water and sewer rate increases over the last 20 years. Detroit residents have a greater level of poverty than the suburban residents served by GLWA, which limits their ability to pay for water and sewer services. The unfunded mandates like the “Lead & Copper Rule”, will further drive up rates. Sewer and drainage rates for Detroit customers already exceed those charged to residents of the suburbs because of the unfair allocation of costs to City residents. Detroit customers, especially those in poverty, need relief from high water, sewer and drainage rates. The GLWA needs to take into consideration the ability to pay when setting water and sewer rates. The State and Federal Government need to consider the ability to pay when passing laws and requirements, which are unfunded mandates, such as the Clean Water Act and the Lead & Copper Rule.

**LPD respectfully requests that DWSD representatives provide responses to the following questions that primarily relate to DWSD's FY 2020 proposed budget:**

**Issues and Questions**

1. Does the DWSD plan on coming to City Council for approval of the FY 2020 rates and FY 2020 and FY 2021 budgets?
2. When will the GLWA wholesale charges be finalized? Will the FY 2020 budget be amended for the final charges?
3. What is the expected date for the BOWC approval of the DWSD FY 2020 Budget?
4. When will the DWSD present the proposed capital plan and budget for FY 2020? Please explain the major proposed capital projects for FY 2020?
5. What are the major initiatives and focus for the DWSD FY 2020 Budget?
6. Please provide the most current draft FY 2020 and FY 2021 budgets in detail by appropriation and object for both the Water and Sewer Funds. Also, actual data from FY 2018 and FY 2019 by appropriation and object for comparison purposes would be appreciated. Please include the operating, capital, I&E and any other budget for both the Water and Sewer Funds. We would appreciate the draft DWSD budgets to be in the same detailed format as the City's budget for FY 2020-2023 submitted to City Council on March 7, 2019.
7. Why can't DWSD present the Water and Sewer Fund budgets in the same format as the City budget? Why can't the most current DWSD draft budget be submitted with the Mayor's City Budget to City Council as the "placeholder" budgets?
8. Please provide the budgeted position detail for both the Water and Sewer Funds for FY 2019, FY 2020 and FY 2021. Why does the City's "placeholder" budget show 618 total positions for water and sewer combined for both FY 2019 and FY 2020? The DWSD budget shows 611 positions for FY 2019 and 652 positions for FY 2020.
9. What contracted functions positions are being transitioned to in-house staff?
10. What were the 16 vacant positions being deleted in customer service for FY 2020?
11. Where are the CFO and Directors' positions budgeted for FY 2020?
12. What pay increases are projected for DWSD employees in FY 2020?
13. How much of the annual \$50 million Lease revenue due to DWSD is being applied to pay debt service in the FY 2020 budget?
14. What is the purpose of increasing the DWSD Water and Sewer Fund operating expense budgets in FY 2020? What benefit will it provide?

15. Please explain in more detail the 25 additional positions to increase preventative maintenance, accelerate sewer restoration and support more sewer cleaning and MISS DIG program needs. Is there additional appropriations for FY 2020 for sewer cleaning vehicles and related equipment? Please provide the budgeted cost for the new positions, equipment, vehicles and any other cost associated with the sewer cleaning initiative for FY 2020. What are the MISS DIG program needs?
16. Why are drainage charges to residential customers increasing 5.9% for customers with .05 acres (FY 2019 - \$21.32 v FY 2020 - \$22.58) in FY 2020? Does DWSD expect any further challenges appeals, such as to the Michigan Supreme Court, for the drainage charges?
17. Why are bad debt expenses so high for FY 2020 for both the Water and Sewer Funds? How can the collection rate be improving if the bad debt expense is increasing?
18. Why is the WRAP budget for both the Water and Sewer Funds declining for FY 2020? What was the total WRAP assistance to Detroit customers for FY 2018 and FY 2019 (to date) for the Water and Sewer Funds?
19. Why are the Sewer commodity sales revenues up in FY 2020? Please describe commodity sales and service charges revenues.
20. How many new residential accounts were added in calendar year 2018? How many residential accounts were deleted in calendar year 2018?
21. How many water shut-offs were there in calendar year 2018?
22. What are the plans to fund the homeowner water service line replacement under the State mandated "Lead & Copper Rule"? Will bonds have to be issued? Are the water service lines being currently replaced? If so how many have been done? What was the cost? What was the source of revenue to pay the cost of replacing the water service lines?
23. Section 10 of the 2018 MOU "Term Sheet" requires DWSD to develop a quarterly budget to actual report for revenues and expenses for Operations and Maintenance, Improvements and Extensions, and Construction Bond activities. If this has been developed, please provide a copy of the most recent report.
24. What is the amount for City of Detroit provided services to DWSD such as the OCFO and Central Staff Services in the DWSD FY 2020 amended budget?
25. What is the FY 2020 revenue budget for fire hydrant maintenance that will be billed to the Detroit Fire Department? What are firelines?
26. What is the total number of vacant positions for DWSD as of January 31, 2019? Please provide a year-to-date budgeted versus actual FTE report for both Water and Sewer.
27. How does DWSD's liquidity look for the Sewer Fund at January 31, 2019? What is the amount owed to GLWA as of January 31, 2019 for loans to DWSD?



**ATTACHMENT I****DWSD Water Fund**

|                                | <b>Adopted Budget</b> | <b>Proposed Budget</b> |                   |
|--------------------------------|-----------------------|------------------------|-------------------|
|                                | <b>FY 2019</b>        | <b>FY 2020</b>         | <b>Difference</b> |
| Commodity Sales                | \$ 69,393,000         | 73,548,200             | 4,155,200         |
| Service Charges                | 24,766,000            | 26,025,900             | 1,259,900         |
| Firelines                      | 3,031,000             | 3,062,900              | 31,900            |
| Other Fees                     | 2,890,000             | 1,593,300              | (1,296,700)       |
| Penalties                      | 1,510,000             | 1,165,500              | (344,500)         |
| <b>Total Retail Revenue</b>    | <b>101,590,000</b>    | <b>105,395,800</b>     | <b>3,805,800</b>  |
| Revenue Financed Capital       | 732,500               | 401,300                | (331,200)         |
| Shared Service Revenue         | 1,677,400             | 2,020,000              | 342,600           |
| Other Revenue                  | 2,200,000             | 2,200,000              | -                 |
| <b>Total Revenue</b>           | <b>\$ 106,199,900</b> | <b>110,017,100</b>     | <b>3,817,200</b>  |
| Administration                 | \$ 3,563,900          | 2,949,800              | (614,100)         |
| Operations                     | 19,161,100            | 22,466,100             | 3,305,000         |
| Compliance                     | 7,152,500             | 5,829,200              | (1,323,300)       |
| Finance                        | 4,844,000             | 5,300,100              | 456,100           |
| Customer Service               | 2,439,700             | 2,129,400              | (310,300)         |
| Stormwater Management          | -                     | -                      | -                 |
| <b>Net Direct Expenses</b>     | <b>37,161,200</b>     | <b>38,674,600</b>      | <b>1,513,400</b>  |
| Wholesale Charges              | 20,324,800            | 21,536,700             | 1,211,900         |
| Obligation to GLWA             | 33,438,800            | 33,438,800             | -                 |
| Operating Pension              | 4,272,000             | 4,272,000              | -                 |
| Non-operating Pension          | 3,809,200             | 3,809,200              | -                 |
| Bad Debt Expense               | 6,095,400             | 7,377,700              | 1,282,300         |
| Series B&C Notes               | 618,200               | 618,200                | -                 |
| WRAP Contribution              | 480,300               | 289,900                | (190,400)         |
| <b>Total Indirect Expenses</b> | <b>69,038,700</b>     | <b>71,342,500</b>      | <b>2,303,800</b>  |
| <b>Total Expenses Water</b>    | <b>\$ 106,199,900</b> | <b>110,017,100</b>     | <b>3,817,200</b>  |

**ATTACHMENT II  
DWSD Sewer Fund**

|                                | <b>Adopted Budget<br/>FY 2019</b> | <b>Proposed Budget<br/>FY 2020</b> | <b>Difference</b> |
|--------------------------------|-----------------------------------|------------------------------------|-------------------|
| Commodity Sales                | \$ 136,714,000                    | 155,917,700                        | 19,203,700        |
| Service Charges                | 13,184,000                        | 13,855,600                         | 671,600           |
| Firelines                      | -                                 | -                                  | -                 |
| Drainage Fees                  | 152,874,000                       | 154,464,700                        | 1,590,700         |
| Other Fees                     | -                                 | -                                  | -                 |
| Penalties                      | 4,965,000                         | 4,419,700                          | (545,300)         |
| <b>Total Retail Revenue</b>    | <b>307,737,000</b>                | <b>328,657,700</b>                 | <b>20,920,700</b> |
| Revenue Financed Capital       |                                   | (933,000)                          | (933,000)         |
| Budget Stabilization Reserve   | 6,527,200                         |                                    | (6,527,200)       |
| Shared Service Revenue         |                                   | 3,030,000                          | 3,030,000         |
| Other Revenue                  | 500,000                           | 500,000                            | -                 |
| <b>Total Revenue</b>           | <b>\$ 314,764,200</b>             | <b>331,254,700</b>                 | <b>16,490,500</b> |
| Administration                 | \$ 7,871,400                      | 6,882,200                          | (989,200)         |
| Operations                     | 26,467,600                        | 33,964,300                         | 7,496,700         |
| Compliance                     | 15,884,300                        | 13,601,800                         | (2,282,500)       |
| Finance                        | 11,303,200                        | 12,367,200                         | 1,064,000         |
| Customer Service               | 5,691,800                         | 4,968,600                          | (723,200)         |
| Stormwater Management          | 3,419,400                         | 3,718,700                          | 299,300           |
| <b>Net Direct Expenses</b>     | <b>70,637,700</b>                 | <b>75,502,800</b>                  | <b>4,865,100</b>  |
| Wholesale Charges              | 183,009,100                       | 186,902,700                        | 3,893,600         |
| Obligation to GLWA             | 26,271,500                        | 26,271,500                         | -                 |
| Operating Pension              | 2,856,000                         | 2,856,000                          | -                 |
| Non-operating Pension          | 2,546,200                         | 2,546,200                          | -                 |
| Bad Debt Expense               | 27,696,000                        | 36,152,300                         | 8,456,300         |
| Series B&C Notes               | 520,200                           | 520,300                            | 100               |
| WRAP Contribution              | 1,154,300                         | 502,900                            | (651,400)         |
| <b>Total Indirect Expenses</b> | <b>244,053,300</b>                | <b>255,751,900</b>                 | <b>11,698,600</b> |
| <b>Total Expenses Sewer</b>    | <b>\$ 314,691,000</b>             | <b>331,254,700</b>                 | <b>16,563,700</b> |

**ATTACHMENT III**

**Water**

|                    | Per Budgets in the Legal Budget (Placeholder Budgets) |                |                    |             |             |             |
|--------------------|---|----------------|--------------------|-------------|-------------|-------------|
|                    | FY 2018   | FY 2019        | FY 2020            | FY 2021     | FY 2022     | FY 2023     |
|                    | Actual  | Adopted Budget | Recommended Budget | Forecast    | Forecast    | Forecast    |
| Total Revenues     | 176,139,277   | 136,329,900    | 199,260,700        | 164,205,900 | 164,205,900 | 164,205,900 |
| Total Expenditures | 141,121,417   | 136,329,900    | 199,260,700        | 164,205,900 | 164,205,900 | 164,205,900 |
| Net Tax Cost       | (35,017,860)  | -              | -                  | -           | -           | -           |

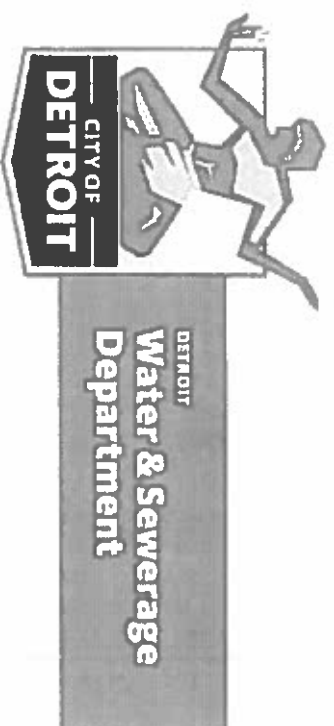
|                    | Per Public Hearing on Budget on February 20, 2019 |                  |                |                   |
|--------------------|---|------------------|----------------|-------------------|
|                    | Budget FY 2019                                    | Forecast FY 2019 | Budget FY 2020 | Estimated FY 2021 |
| <b>Revenues:</b>   |   |                  |                |                   |
| Commodity Sales    | 69,393,000  | 70,715,000       | 73,548,200     | 76,495,900        |
| Service Charges    | 24,766,000  | 24,968,000       | 26,025,900     | 27,129,900        |
| Firelines          | 3,031,000   | 3,057,000        | 3,062,900      | 3,069,300         |
| Other Fees         | 2,890,000   | 1,866,000        | 1,593,300      | 1,593,300         |
| Penalties          | 1,510,000   | 1,098,000        | 1,165,500      | 1,165,500         |
| Total Retail Rev   | 101,590,000                                       | 101,704,000      | 105,395,800    | 109,453,900       |
| Less: Bad Debt Exp | (6,095,000)                                       | (7,119,000)      | (7,377,700)    | (7,661,800)       |
| Net Retail Rev     | 95,495,000  | 94,585,000       | 98,018,100     | 101,792,100       |
| Other Revenue      | 2,200,000   | 2,200,000        | 2,200,000      | 2,200,000         |
| Total Revenue      | 97,695,000  | 96,785,000       | 100,218,100    | 103,992,100       |
| Add Bad Debt Exp   | 6,095,000   | 7,119,000        | 7,377,700      | 7,661,800         |
|                    | 103,790,000                                       | 103,904,000      | 107,595,800    | 111,653,900       |

**Sewerage**

|                    | Per Budgets in the Legal Budget (Placeholder Budgets) |                |                    |             |             |             |
|--------------------|---|----------------|--------------------|-------------|-------------|-------------|
|                    | FY 2018   | FY 2019        | FY 2020            | FY 2021     | FY 2022     | FY 2023     |
|                    | Actual  | Adopted Budget | Recommended Budget | Forecast    | Forecast    | Forecast    |
| Total Revenues     | 379,972,240   | 306,896,200    | 375,553,100        | 375,253,100 | 375,253,100 | 375,253,100 |
| Bonds              |   |                | 38,019,000         |             |             |             |
| Total Expenditures | 305,986,860   | 306,896,200    | 413,572,100        | 375,253,100 | 375,253,100 | 375,253,100 |
| Net Tax Cost       | (73,985,380)  | -              | -                  | -           | -           | -           |

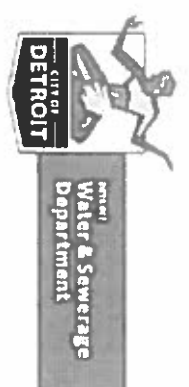
|                    | Per Public Hearing on Budget on February 20, 2019 |                  |                |                   |
|--------------------|---|------------------|----------------|-------------------|
|                    | Budget FY 2019                                    | Forecast FY 2019 | Budget FY 2020 | Estimated FY 2021 |
| <b>Revenues:</b>   |   |                  |                |                   |
| Commodity Sales    | 136,714,000                                       | 149,930,000      | 155,917,700    | 162,151,200       |
| Service Charges    | 13,184,000  | 13,292,000       | 13,855,600     | 14,443,100        |
| Drainage Fees      | 152,874,000                                       | 142,233,000      | 154,464,700    | 177,364,400       |
| Penalties          | 4,965,000   | 4,276,000        | 4,419,700      | 4,419,700         |
| Total Retail Rev   | 307,737,000                                       | 309,731,000      | 328,657,700    | 358,378,400       |
| Less: Bad Debt Exp | (27,696,000)                                      | (34,070,000)     | (36,152,300)   | (39,421,600)      |
| Net Retail Rev     | 280,041,000                                       | 275,661,000      | 292,505,400    | 318,956,800       |
| Other Revenue      | 500,000   | 500,000          | 500,000        | 500,000           |
| Total Revenue      | 280,541,000                                       | 276,161,000      | 293,005,400    | 319,456,800       |
| Add Bonds          | -   | -                | 38,019,000     |                   |
| Add Bad Debt Exp   | 27,696,000  | 34,070,000       | 36,152,300     | 39,421,600        |
|                    | 308,237,000                                       | 310,231,000      | 367,176,700    | 358,878,400       |

ATTACHMENT IV



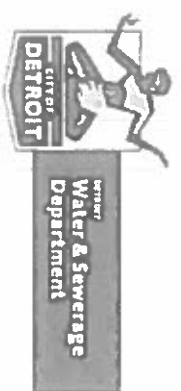
**PUBLIC HEARING ON BUDGET  
FISCAL YEAR 2020**

**February 20, 2019**



# Agenda

- Current Budget Environment
- FY 2020 Revenue Forecasts and Preliminary Budget Recommendations
- Operations and Maintenance Preliminary Budgets
  - Direct (Departmental) Budgets
  - Indirect (Non-Departmental) Budget



## FY 2020 Budget Environment

- Experiencing positive volume (Mcf) variances and increases in numbers of accounts and meters in FY 2019. Trends are expected to continue into FY 2020.
- MOU has eliminated significant uncertainties with respect to debt obligations and other funding requirements.
- Restructuring of the department is accelerating. Several opportunities exist to in-source certain functions currently contracted out.
- Technology has an aggressive agenda planned. DWSD is becoming less dependent on GLWA for network and systems.
- All operating units are developing and formalizing processes and procedures. Opportunities to improve compliance and create efficiencies have been identified.
- An aggressive capital program has been launched.
- Exposure to certain financial risks will continue (Lead service lines, GLWA transmission lines, GLWA direct water service, etc..)

# Water Revenue Summary



|                                  | Budget<br>FY 2019    | Forecast<br>FY 2019  | Budget<br>FY 2020     | % Change<br>v. Budget |
|----------------------------------|----------------------|----------------------|-----------------------|-----------------------|
| <b><u>Operating Revenues</u></b> |                      |                      |                       |                       |
| Commodity Sales                  | \$ 69,393,000        | \$ 70,715,000        | \$ 73,548,200         | 6.0%                  |
| Service Charges                  | 24,766,000           | 24,968,000           | 26,025,900            | 5.1%                  |
| Firelines                        | 3,031,000            | 3,057,000            | 3,062,900             | 1.1%                  |
| Other Fees                       | 2,890,000            | 1,866,000            | 1,593,300             | -44.9%                |
| Penalties                        | 1,510,000            | 1,098,000            | 1,165,500             | -22.8%                |
| Total Retail Revenue             | 101,590,000          | 101,704,000          | 105,395,800           | 3.7%                  |
| Less: Bad Debt Expense           | (6,095,000)          | (7,119,000)          | (7,377,700)           | 21.0%                 |
| Net Retail Revenue               | 95,495,000           | 94,585,000           | 98,018,100            | 2.6%                  |
| Other Revenue                    | 2,200,000            | 2,200,000            | 2,200,000             | 0.0%                  |
| <b>Total Revenue</b>             | <b>\$ 97,695,000</b> | <b>\$ 96,785,000</b> | <b>\$ 100,218,100</b> | <b>2.6%</b>           |

- Assumed rate increases of 4% (excluding Firelines)
- Effective Retail Revenue Increase of 3.7%
- Expected Collection Rate of 93% (down from 94%)

# Sewer Revenue Summary



|                                  | Budget<br>FY 2019     | Forecast<br>FY 2019   | Budget<br>FY 2020     | % Change<br>v. Budget |
|----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b><u>Operating Revenues</u></b> |                       |                       |                       |                       |
| Commodity Sales                  | \$ 136,714,000        | \$ 149,930,000        | \$ 155,917,700        | 14.0%                 |
| Service Charges                  | 13,184,000            | 13,292,000            | 13,855,600            | 5.1%                  |
| Drainage Fees                    | 152,874,000           | 142,233,000           | 154,464,700           | 1.0%                  |
| Penalties                        | 4,965,000             | 4,276,000             | 4,419,700             | -11.0%                |
| Total Retail Revenue             | 307,737,000           | 309,731,000           | 328,657,700           | 6.8%                  |
| Less: Bad Debt Expense           | (27,696,000)          | (34,070,000)          | (36,152,300)          | 30.5%                 |
| Net Retail Revenue               | 280,041,000           | 275,661,000           | 292,505,400           | 4.5%                  |
| Other Revenue                    | 500,000               | 500,000               | 500,000               | 0.0%                  |
| <b>Total Revenue</b>             | <b>\$ 280,541,000</b> | <b>\$ 276,161,000</b> | <b>\$ 293,005,400</b> | <b>4.4%</b>           |

- Effective Retail Revenue Increase of 6.8% largely due to strong FY 2019 volumes
- Significant decrease in billable Impervious acreage
- FY 2020 collection rate reduced from 91% to 89%
- Expected Collection Rate for Drainage fees is 87%

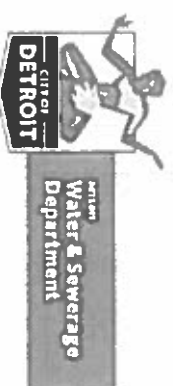




# **OPERATIONS & MAINTENANCE BUDGET**

## **FISCAL YEAR 2020**

# Operation and Maintenance – Direct Expenses



|                                     | Budget<br>2019               | Budget<br>2020               | Increase<br>(Decrease)     | Percent<br>Change  |
|-------------------------------------|------------------------------|------------------------------|----------------------------|--------------------|
| <b>Summary by Fund</b>              |                              |                              |                            |                    |
| Water Fund                          | \$ 37,161,200                | \$ 38,674,600                | \$ 1,513,400               | 4.1%               |
| Sewer Fund                          | <u>70,637,700</u>            | <u>75,502,800</u>            | <u>4,865,100</u>           | <u>6.9%</u>        |
| <b>Total O&amp;M Appropriations</b> | <b><u>\$ 107,798,900</u></b> | <b><u>\$ 114,177,400</u></b> | <b><u>\$ 6,378,500</u></b> | <b><u>5.9%</u></b> |

|                                      | Budget<br>2019               | Budget<br>2020               | Increase<br>(Decrease)     | Percent<br>Change  |
|--------------------------------------|------------------------------|------------------------------|----------------------------|--------------------|
| <b>Summary by Appropriation Unit</b> |                              |                              |                            |                    |
| BOWC and Administration              | \$ 11,435,300                | \$ 9,832,000                 | \$ (1,603,300)             | -14.0%             |
| Operations                           | 45,628,700                   | 56,430,400                   | 10,802,300                 | 23.7%              |
| Compliance                           | 23,036,800                   | 19,431,000                   | (3,605,800)                | -15.7%             |
| Finance                              | 16,147,200                   | 17,667,300                   | 1,520,100                  | 9.4%               |
| Customer Service                     | 8,131,500                    | 7,098,000                    | (1,033,500)                | -12.7%             |
| Stormwater Management Group          | <u>3,419,400</u>             | <u>3,718,700</u>             | <u>299,300</u>             | <u>8.8%</u>        |
| <b>Total O&amp;M Appropriations</b>  | <b><u>\$ 107,798,900</u></b> | <b><u>\$ 114,177,400</u></b> | <b><u>\$ 6,379,100</u></b> | <b><u>5.9%</u></b> |

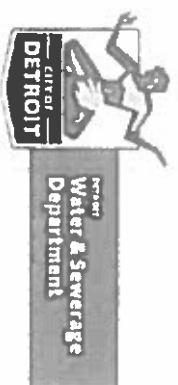
# Appropriation - Administration



|                                     | FY 2019<br>Budget    | FY 2020<br>Recommended |
|-------------------------------------|----------------------|------------------------|
| <b>Administration</b>               |                      |                        |
| Salaries/Wages                      | \$ 3,005,000         | \$ 3,307,000           |
| Employee Benefits (Fringes)         | 1,307,000            | 1,351,000              |
| Professional & Contractual Services | 3,300,000            | 3,166,000              |
| Shared Services Expense             | 425,000              | 575,000                |
| Supplies & Other                    | 3,398,000            | 1,433,000              |
| <b>Total Appropriation</b>          | <b>\$ 11,435,000</b> | <b>\$ 9,832,000</b>    |
| <b>Total FTE</b>                    | <b>46</b>            | <b>47</b>              |

- Includes: CEO, Public Affairs, Security and BOWC
- Transferred 1 FTE from Customer Service (PAA)
- Moved City Indirect Cost Allocation to CFO cost Center (\$2.1M)

# Appropriation - Operations



|                                     | FY 2019<br>Budget    | FY 2020<br>Recommended |
|-------------------------------------|----------------------|------------------------|
| <b>Operations</b>                   |                      |                        |
| Salaries/Wages                      | \$ 17,357,000        | \$ 21,358,000          |
| Employee Benefits (Fringes)         | 7,437,000            | 8,642,000              |
| Professional & Contractual Services | 8,600,000            | 12,291,000             |
| Shared Services Expense             | 1,000,000            | 800,000                |
| Supplies & Other                    | 8,204,000            | 8,720,000              |
| Utilities                           | 3,031,000            | 4,619,000              |
| <b>Total Appropriation</b>          | <b>\$ 45,629,000</b> | <b>\$ 56,430,000</b>   |
| <b>Total FTE</b>                    | <b>335</b>           | <b>380</b>             |

- Includes: Field Engineering, Field Services, Fleet, Facilities, and Meter Operations
- Increase of 45 FTEs
- 6 FTEs for Fleet Services. Establish an afternoon shift to increase availability and productivity
- 25 FTEs to increase preventative maintenance, bolster lead-line replacement, accelerate sewer restoration, support for more sewer cleaning, and MISS DIG program needs
- 14 FTEs for Meter Operations to reduce non-revenue water loss

# Appropriation - Compliance



|                                     | FY 2019<br>Budget    | FY 2020<br>Recommended |
|-------------------------------------|----------------------|------------------------|
| <b>Compliance</b>                   |                      |                        |
| Salaries/Wages                      | \$ 2,582,000         | \$ 3,481,000           |
| Employee Benefits (Fringes)         | 1,141,000            | 1,439,000              |
| Professional & Contractual Services | 3,476,000            | 3,593,000              |
| Shared Services Expense             | 7,380,000            | 2,970,000              |
| Supplies & Other                    | 3,458,000            | 6,949,000              |
| Claims and Judgements               | 5,000,000            | 1,000,000              |
| <b>Total Appropriation</b>          | <b>\$ 23,037,000</b> | <b>\$ 19,431,000</b>   |
| <b>Total FTE</b>                    | <b>38</b>            | <b>45</b>              |

- Includes: General Counsel, Organizational Development, and Information Technology
- Increase of 7 FTEs
  - General Counsel (-1 FTE)
  - Safety Office (2 FTE)
  - Technology (6 FTE)
- Establish independent safety function to coordinate safety programs
- Reduction in IT Shared Services as IT transitions those services in-house

# Appropriation - Finance



|                                     | FY 2019<br>Budget    | FY 2020<br>Recommended |
|-------------------------------------|----------------------|------------------------|
| Finance                             |                      |                        |
| Salaries/Wages                      | \$ 4,335,000         | \$ 4,988,000           |
| Employee Benefits (Fringes)         | 1,887,000            | 2,066,000              |
| Professional & Contractual Services | 9,051,000            | 7,533,000              |
| Shared Services Expense             | -                    | 40,000                 |
| Supplies & Other                    | 875,000              | 3,041,000              |
| <b>Total Appropriation</b>          | <b>\$ 16,147,000</b> | <b>\$ 17,667,000</b>   |
| <b>Total FTE</b>                    | <b>62</b>            | <b>67</b>              |

- Includes: CFO, Controller, Procurement, Treasury, Public Finance, Budget and Billing and Collections
- Increase of 5 FTEs
- Added 1 FTE for CFO
- 1 FTEs to help support Billing & Collections
- 2 FTE to the Procurement Team
- 1 FTE for Budget

# Appropriation- Customer Service



|                                     | FY 2019<br>Budget   | FY 2020<br>Recommended |
|-------------------------------------|---------------------|------------------------|
| Customer Service                    |                     |                        |
| Salaries/Wages                      | \$ 4,739,000        | \$ 4,424,000           |
| Employee Benefits (Fringes)         | 2,062,000           | 1,813,000              |
| Professional & Contractual Services | 1,075,000           | 601,000                |
| Supplies & Other                    | 255,000             | 260,000                |
| <b>Total Appropriation</b>          | <b>\$ 8,132,000</b> | <b>\$ 7,098,000</b>    |
| <b>Total FTE</b>                    | <b>117</b>          | <b>96</b>              |

- Includes: Customer Service
- Decrease of 21 FTEs
  - 3 transferred to Meter Operations
  - 1 transferred to Stormwater Management
  - 1 transferred to CEO
  - 16 vacant positions eliminated
- Reduce consulting contracts based on current spend



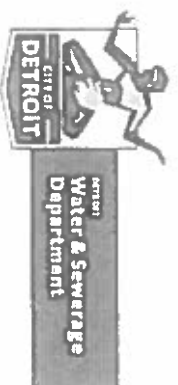
# Appropriation - Stormwater Management

|                                     | FY 2019<br>Budget   | FY 2020<br>Recommended |
|-------------------------------------|---------------------|------------------------|
| <b>Stormwater Management Group</b>  |                     |                        |
| Salaries/Wages                      | \$ 841,000          | \$ 1,084,000           |
| Employee Benefits (Fringes)         | 366,000             | 446,000                |
| Professional & Contractual Services | 1,730,000           | 1,697,000              |
| Supplies & Other                    | 82,000              | 84,000                 |
| Utilities                           | 400,000             | 408,000                |
| <b>Total Cost Center</b>            | <b>\$ 3,419,000</b> | <b>\$ 3,719,000</b>    |
| <b>Total FTE</b>                    | <b>13</b>           | <b>17</b>              |

- Includes: Stormwater Management Group
- Increase of 4 FTEs
  - Customer Service Specialists (2 FTE)
  - Green Infrastructure Engineers (2 FTE)
- Responsibilities include NPDES permit compliance, green infrastructure project management and customer care for drainage related requests



# Indirect Expenses Budget



|                         | Budget<br>2019       | Budget<br>2020       | Increase<br>(Decrease) | Percent<br>Change |
|-------------------------|----------------------|----------------------|------------------------|-------------------|
| <b>Water Fund</b>       |                      |                      |                        |                   |
| Wholesale Charges       | \$ 20,324,800        | \$ 21,536,700        | \$ 1,211,900           | 6.0%              |
| Obligation to GLWA      | 33,438,800           | 33,438,800           | -                      | 0.0%              |
| Operating Pension       | 4,272,000            | 4,272,000            | -                      | 0.0%              |
| Non-Operating Pension   | 3,809,200            | 3,809,200            | -                      | 0.0%              |
| Series B & C Notes      | 618,200              | 618,200              | -                      | 0.0%              |
| WRAP Contribution       | 480,300              | 289,900              | (190,400)              | -39.6%            |
| <b>Total Water Fund</b> | <b>\$ 62,943,300</b> | <b>\$ 63,964,800</b> | <b>\$ 1,021,500</b>    | <b>1.6%</b>       |

|                         | Budget<br>2019        | Budget<br>2020        | Increase<br>(Decrease) | Percent<br>Change |
|-------------------------|-----------------------|-----------------------|------------------------|-------------------|
| <b>Sewer Fund</b>       |                       |                       |                        |                   |
| Wholesale Charges       | \$ 183,009,100        | \$ 186,902,700        | \$ 3,893,600           | 2.1%              |
| Obligation to GLWA      | 26,271,500            | 26,271,500            | -                      | 0.0%              |
| Operating Pension       | 2,856,000             | 2,856,000             | -                      | 0.0%              |
| Non-Operating Pension   | 2,546,200             | 2,546,200             | -                      | 0.0%              |
| Series B & C Notes      | 520,200               | 520,300               | 100                    | 0.0%              |
| Budget Stabilization    | (6,527,200)           | -                     | 6,527,200              | -100.0%           |
| WRAP Contribution       | 1,154,300             | 502,900               | (651,400)              | -56.4%            |
| <b>Total Sewer Fund</b> | <b>\$ 209,830,100</b> | <b>\$ 219,599,600</b> | <b>\$ 9,769,500</b>    | <b>4.7%</b>       |

- Wholesale charges are based on GLWA preliminary worksheets.
- Budget Stabilization reduction is non-recurring (MOU adjustment).



# FY 2020 and FY 2021 Revenues

| ESTIMATED REVENUES              | Water Operating Fund         |                       | Sewer Operating Fund         |                       |
|---------------------------------|------------------------------|-----------------------|------------------------------|-----------------------|
|                                 | For the Year Ending June 30, |                       | For the Year Ending June 30, |                       |
|                                 | 2020                         | 2021                  | 2020                         | 2021                  |
| <b>Net Retail Revenue</b>       |                              |                       |                              |                       |
| Usage Charges                   | \$ 73,548,200                | \$ 76,495,900         | \$ 155,917,700               | \$ 162,151,200        |
| Service Charges                 | 26,025,900                   | 27,129,900            | 13,855,600                   | 14,443,100            |
| Firelines                       | 3,062,900                    | 3,069,300             | N/A                          | N/A                   |
| Drainage Fees                   | N/A                          | N/A                   | 154,464,700                  | 177,364,400           |
| Other Fees                      | 1,593,300                    | 1,593,300             | -                            | -                     |
| Penalties                       | 1,165,500                    | 1,165,500             | 4,419,700                    | 4,419,700             |
| <b>Total Retail Revenue</b>     | <b>105,395,800</b>           | <b>109,453,900</b>    | <b>328,657,700</b>           | <b>358,378,400</b>    |
| Less: Bad Debt Expense          | (7,377,700)                  | (7,661,800)           | (36,152,300)                 | (39,421,600)          |
| <b>Net Retail Revenue</b>       | <b>98,018,100</b>            | <b>101,792,100</b>    | <b>292,505,400</b>           | <b>318,956,800</b>    |
| Other Revenue                   | 2,200,000                    | 2,200,000             | 500,000                      | 500,000               |
| <b>Total Estimated Revenues</b> | <b>\$ 100,218,100</b>        | <b>\$ 103,992,100</b> | <b>\$ 293,005,400</b>        | <b>\$ 319,456,800</b> |

# FY 2020 and FY 2021 Expenses



|  | Water Operating Fund         |                       | Sewer Operating Fund         |                       |
|--|------------------------------|-----------------------|------------------------------|-----------------------|
|  | For the Year Ending June 30, |                       | For the Year Ending June 30, |                       |
|  | 2020                         | 2021                  | 2020                         | 2021                  |
| <b>ESTIMATED NET REVENUE REQUIREMENT</b> |                              |                       |                              |                       |
| <b>Net Direct Expenses</b>               |                              |                       |                              |                       |
| Administration                           | \$ 2,949,800                 | \$ 3,032,700          | \$ 6,882,200                 | \$ 7,077,000          |
| Operations                               | 22,466,100                   | 23,130,300            | 33,964,300                   | 34,969,100            |
| Compliance                               | 5,829,200                    | 5,968,300             | 13,601,800                   | 13,926,300            |
| Finance                                  | 5,300,100                    | 5,459,400             | 12,367,200                   | 12,737,000            |
| Customer Service                         | 2,129,400                    | 2,193,300             | 4,968,600                    | 5,117,600             |
| Stormwater Management                    | -                            | -                     | 3,718,700                    | 3,830,200             |
| Less: Shared Service Reimbursement       | 38,674,600                   | 39,784,000            | 75,502,800                   | 77,657,200            |
| Net Operating Expenses                   | (2,020,000)                  | (2,020,000)           | (3,030,000)                  | (3,030,000)           |
| Indirect Expenses                        | 36,654,600                   | 37,764,000            | 72,472,800                   | 74,627,200            |
| Revenue Financed Capital                 | 63,964,800                   | 65,371,000            | 219,599,600                  | 226,405,500           |
| Estimated Net Revenue Requirement        | (401,300)                    | 857,100               | 933,000                      | 18,424,100            |
|  | \$ <u>100,218,100</u>        | \$ <u>103,992,100</u> | \$ <u>293,005,400</u>        | \$ <u>319,456,800</u> |

# Thank You



[facebook.com/DWSSDDetroit](https://www.facebook.com/DWSSDDetroit)



[@DetroitWaterDep](https://twitter.com/DetroitWaterDep)

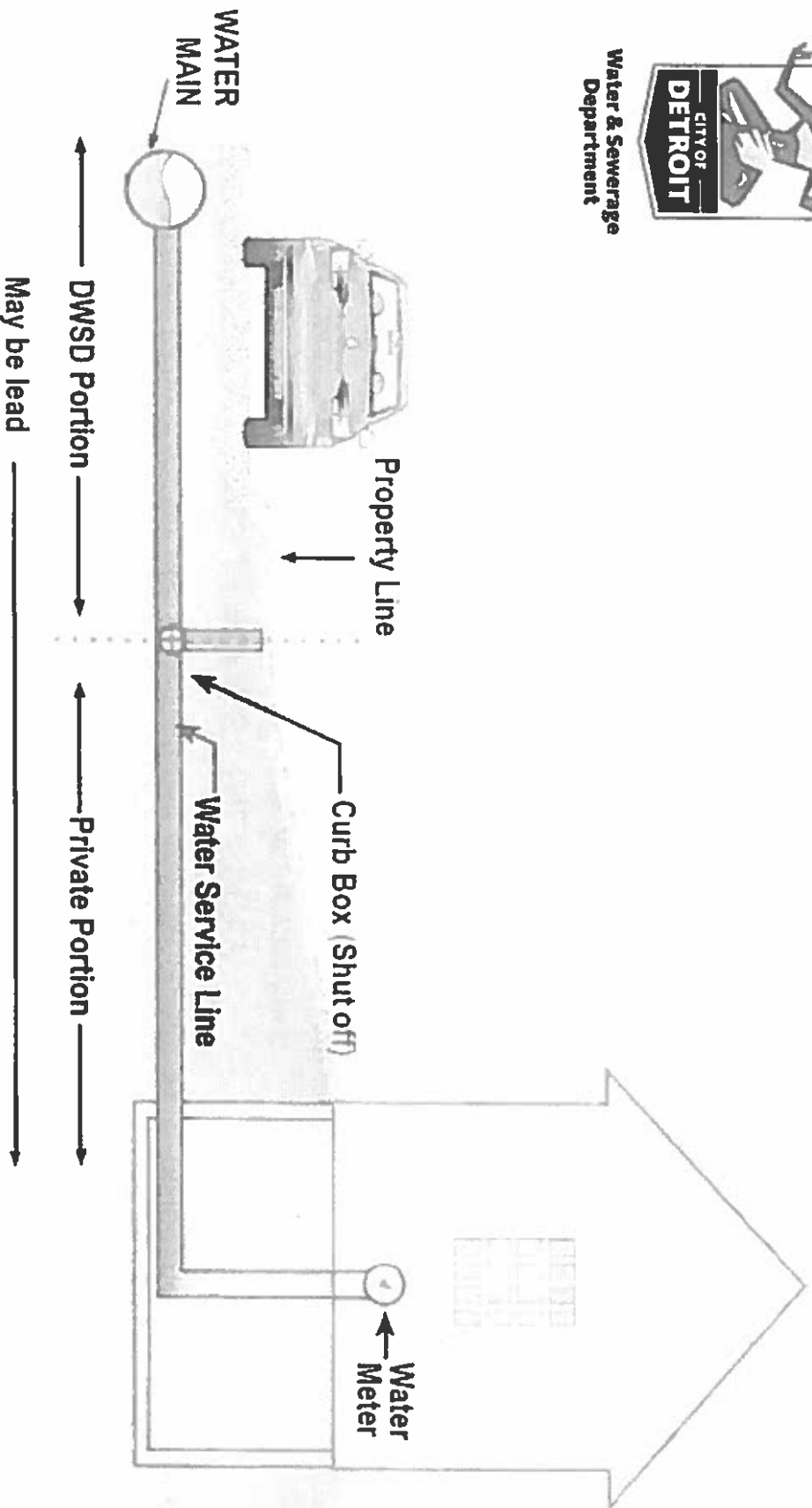


[@detroitwatersewerage](https://www.instagram.com/detroitwatersewerage)



Water & Sewerage  
Department

## ATTACHMENT V



**Eliminating Lead Water Service Lines in Detroit  
and Michigan's Revised Lead & Copper Rule**

# Current Conditions in Detroit



## EVERY CONVERSATION AND DECISION BEGINS WITH AFFORDABILITY

- Pre-bifurcation collection rate 77%
- Double digit water/sewer rate increases for 20 years
- Customers at and below poverty level, check out and don't pay
- Implemented the most aggressive, comprehensive, and robust assistance program in America
- Collection rate today 93%; for every 1% increase, DWSD collects \$4.5 million; helps affordability

## WHY DID DWSD JOIN A LAWSUIT AGAINST THE STATE?

- We do not want to stop or slow the removal of lead service lines
- We want to slow implementation of Rule to allow input into a revised policy that will have a positive public impact

## WHAT IS OUR DESIRED OUTCOME IN FILING THE LAWSUIT?

- A Lead and Copper Rule that provides more effective public health protection, while optimizing cost and benefits to the public!
- A funding source that does not make water unaffordable for 50% of Detroit customers
- A legal mechanism to take control of private (customer's) side of the line while work is being done

## WHAT SEPARATES DETROIT AND OTHER URBAN AREAS FROM SUBURBAN PARTNERS?

- The level of poverty within our customer base
- Ability to pay for the private side of the service line
- Two Detroits

# New “Lead & Copper Rule” Key Issues

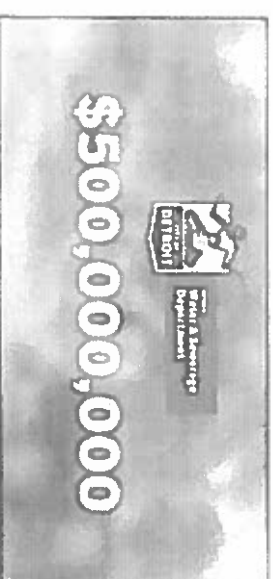


## BACKGROUND

- In June 2018, Governor Rick Snyder’s Administration enacted amendments to “Supplying Water to Public” regulations
- Motivated by crisis in Flint
- Exceeds existing EPA rules

## FINANCIAL ISSUES

- Must replace all private lead lines at water supplier’s expense within 20 years (extensions possible)
- Will cost Detroiters **\$500 MILLION** over 20 years (\$5K/line x 125,000 lines); **\$2.5 BILLION** statewide
- How to pay for it?
  - No new dollars from State of Michigan (unfunded mandate)
  - Take money away from other critical infrastructure projects
  - Pass cost on to ratepayers, causing rates to skyrocket



## PROPERTY RIGHT ISSUES

- DWSD responsible for water service lines from the water main to the property line; homeowners own pipes from property line to house
- Need homeowner/landlord permission to access private property

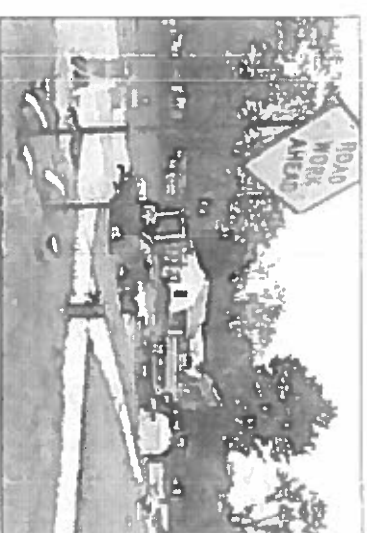
# New “Lead & Copper Rule”



## Key Issues (cont'd)

### LEGAL ISSUES

- Violates several provisions of Michigan Constitution
  - No lending of public credit to private person – Mich. Const. Art. IX §18
  - State must cover cost of new obligations imposed on local governments – Mich. Const. Art. IX, §29 (Headlee Amendment)
  - No use of public dollars to work on private property – Mich. Const. Art. IX §30
  - Municipalities may not impose tax without voter approval – Mich. Const. Art. IX §31 (Headlee Amendment)
- Violates *Bolt v Lansing* – rates must be based on cost of service rendered to customer who benefits



### PRACTICAL ISSUES

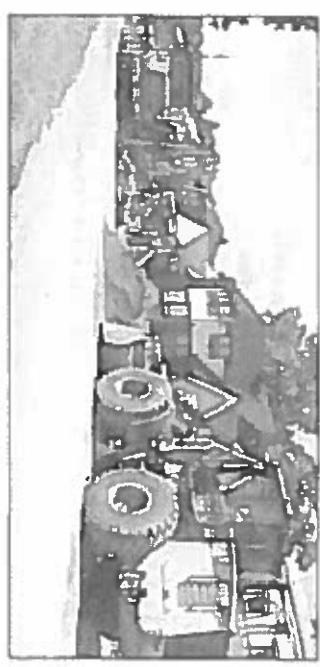
- Contractor capacity will drive price up prices (\$1B Bridge, \$1B Train Station, \$1B Hudson's Bldg, FCA Expansion, DWSD/GLWA projects)
- Safest and most economical way is to replace water main and private service pipe at same time as part of regular asset management program – not an arbitrary deadline under Rule





# **DWSD violates MI Constitution if we comply with Rule; violates Rule if we do not comply**

- Legal Action filed December 11, 2018
- Coalition of GLWA, Oakland County, DWSD and Livonia
- Relief Sought:
  - Declare rules substantively invalid
  - Stay of deadlines
- Attorney General/MDEQ filed Motion to Dismiss; other parties may file an amicus brief
- Additional legal action may be filed re: violation of Headlee Amendment
- We have reached out to Governor Gretchen Whitmer's Administration, MDEQ and Attorney General's office for meetings to discuss resolution and next steps



**DWSD's efforts to remove lead  
service lines will continue**



# Potential Options to Keep Rates Affordable

- Appropriations in State Budget for lead line replacement
  - If you want us to go faster, we need money
  - Forgivable loans
  - Revolving fund
  - Grants
- New, statewide fees or levies earmarked for lead line replacement
- Federal/State funding for water payment assistance; similar to LI-HEAP
- Legislation that allows ratemaking methodologies to include protection of public health and welfare as part of the “cost of service” to assure all customers have access to water
- Return Earned Income Tax Credit to 20% (rate cut to 6% in 2011)

# Thank You



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Phone: 313-224-4701



[facebook.com/DWSSDDetroit](https://www.facebook.com/DWSSDDetroit)

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[@detroitwatersewerage](https://www.instagram.com/detroitwatersewerage)

For more information visit:  
[www.detroitmi.gov/dwsd](http://www.detroitmi.gov/dwsd)



**ATTACHMENT VI**  
**LPD Questions for Financial Analysis of DWSD**

The 2018 MOU and the WSSA provides that beginning June 1, 2018, DWSD shall transmit to GLWA within 45 days:

- a. Quarterly Budget to Actual Report for Revenues and Expenses for O&M, I&E, and Construction Bond activities.

**Question # 1.** Please provide the Quarterly Budget to Actual Reports that was submitted to GLWA for the period July 1 – September 30, 2018, (due on November 15, 2018 to GLWA) and the period October 1 – December 31, 2018 (due on February 15, 2019 to GLWA). Also, please include any comments submitted along with the actual reports. Also, please provide the budget for DWSD for the entire fiscal year ending June 30, 2019, and any projected actuals.

- b. Quarterly cash flow forecast for the subsequent two-year time period for O&M, I&E, and Construction Bond activities.

**Question # 2.** Please provide the two quarterly cash flow forecasts submitted.

- c. Quarterly reconciliation of the Cash Held by GLWA, as recorded by DWSD, with the Cash Held for the Benefit of DWSD, as provided by GLWA.

**Question # 3.** Please provide the two quarterly reconciliations submitted.

- d. Monthly cash receipts presented on a year-over -year basis with variance analysis.

**Question # 4.** Please provide the monthly cash receipts reports submitted, along with variance analysis.

- e. Monthly accounts receivable roll-forward by system, which provides beginning balance, revenues, expenses, write-offs, other adjustments, and reconciling items.

**Question # 5.** Please provide the monthly accounts receivable roll-forwards submitted.

- f. Daily cash receipt reconciliation.

**Question # 6.** Please provide the daily cash receipts reconciliations submitted.

- g. Any other reports as requested by the Reconciliation Committee.

**Question # 7.** Please provide copies of any other reports submitted.

**Question # 8.** The MOU also stated that DWSD and GLWA shall jointly develop standard operating procedures. Could you provide copies of all of the financial related SOPs?

**Question # 9.** The WSSA states that by February 1 of each year the City shall develop and provide the Authority with a copy of its current CIP for the Detroit Local Facilities. Please provide a copy of what was submitted on February 1, 2019 for the next Fiscal Year (2020) and the five years following.

A review of the June 30, 2018 CAFR for GLWA and the June 30, 2018 CAFR for the City of Detroit – Water Fund:

Please reference the attached pages labeled “City CAFR” and “GLWA CAFR” for questions 10 – 22.

**On The City of Detroit’s June 30, 2018 CAFR – Statement of Net Position**

**Water Fund - Receivable - Amounts that DWSD is owed from GLWA**

On page 27 of the City’s CAFR, under the Water Fund column, it shows DWSD is due \$21,596,509 in the Current assets section, and \$464,081,185 in the Noncurrent assets section, for a total of \$485,677,694. This is the amount that DWSD shows as a receivable due from GLWA in the Water Fund.

**On GLWA’s CAFR June 30, 2018 CAFR – Statement of Net Position**

**Water Fund - Liabilities - Amounts that GLWA owes DWSD**

On page 29 of the GLWA CAFR, Statement of Net Position, in the column labeled Water Fund, there is Leases Payable under Current liabilities of \$4,814,476 and Long-term leases payable of \$421,488,871 for a total of \$426,303,347. This is the amount that GLWA is showing that GLWA owes DWSD in the Water Fund.

**Question # 10.** There is a difference of \$59,374,347. Please provide an explanation why the two amounts do not agree. Obligation payable of \$167,794 plus \$17,097,709 may be part of this.

**On The City of Detroit’s June 30, 2018 CAFR – Statement of Net Position**

**Water Fund - Liabilities - Amounts that DWSD owes GLWA**

On page 28 of the City’s CAFR, under the Water Fund column, it shows DWSD owing \$13,560,087 to GLWA under Current Liabilities – Contractual obligations payable, and under Noncurrent liabilities it shows \$503,579,521 for Bonds and notes payable – Net, for a total of \$517,139,608. In the Notes, on page 75, the Total obligations – Net of \$517,139,608 is also shown. This is the amount that DWSD owes GLWA in the Water Fund.

**On GLWA’s June 30, 2018 CAFR - Statement of Net Position**

**Water Fund - Receivables - Amounts that GLWA is owed from DWSD**

On page 28 of the GLWA CAFR, Statement of Net Position, in the column labeled Water Fund, there is a Contractual obligation receivable – current portion of \$13,560,086 and a Contractual obligation receivable of \$477,039,443, for a total of \$490,599,529. This is the amount that GLWA is owed from GLWA in the Water Fund.

**Question # 11.** There is a difference of \$26,540,079. Please provide an explanation why the two amounts do not agree.

A review of the June 30, 2018 CAFR for GLWA and the June 30, 2018 CAFR for the City of Detroit – Sewage Disposal Fund:

**On The City of Detroit’s June 30, 2018 CAFR – Statement of Net Position**

**Sewage Disposal Fund - Receivable - Amounts that DWSD is owed from GLWA**

On page 27 of the City’s CAFR, under the Sewage Disposal Fund column, it shows DWSD is due \$21,779,001 in the Current assets section, and \$584,770,555 in the Noncurrent assets section, for a total of \$606,549,556. This is the amount that DWSD shows as a receivable from GLWA in the Sewage Disposal Fund.

**On GLWA's CAFR June 30, 2018 CAFR – Statement of Net Position  
Sewage Disposal Fund - Liabilities - Amounts that GLWA owes DWSD**

On page 29 of the GLWA CAFR, Statement of Net Position, in the column labeled Sewage Disposal Fund, there is Leases Payable under Current liabilities of \$5,884,359 and Long-term leases payable of \$515,153,064 for a total of \$521,037,423. This is the amount that GLWA is showing that GLWA owes DWSD in the Sewage Disposal Fund.

**Question # 12.** There is a difference of \$85,512,133. Please provide an explanation why the two amounts do not agree. Obligation payable of \$377,419 plus \$38,458,178 may be part of the difference.

**On The City of Detroit's June 30, 2018 CAFR – Statement of Net Position  
Sewage Disposal Fund - Liabilities - Amounts that DWSD owes GLWA**

On page 28 of the City's CAFR, under the Sewage Disposal Fund column, it shows DWSD owes GLWA \$11,253,800 in the Current liabilities section - Contractual obligations payable, and \$379,807,960 in the Noncurrent liabilities section – Bonds and notes payable - Net, for a total of \$391,061,760. On page 76 of the City's CAFR, it shows \$346,828,300 next to Contractual revenue obligation to GLWA, and \$44,233,461 next to General obligation – Financial recovery bonds, for a total of \$391,061,761. This is the amount that DWSD shows as owing GLWA in the Sewage Disposal Fund.

**On GLWA's CAFR June 30, 2018 CAFR – Statement of Net Position  
Sewage Disposal Fund - Receivables - Amounts that GLWA shows as Receivable from DWSD**

On page 28 of the GLWA CAFR, Statement of Net Position, in the column labeled Sewage Disposal Fund, there is Current asset - Contractual obligation receivable, of \$11,253,800 and a Noncurrent asset – Contractual obligation receivable of \$335,574,500 for a total of \$346,828,300. This is the amount that GLWA is showing that DWSD owes GLWA in the Sewage Disposal Fund.

**Question # 13.** There is a difference of \$44,233,460. This amount appears to be the same amount as the General obligation – Financial recovery bonds mentioned above (from page 76 Of the City's CAFR). Please provide an explanation as to where in the GLWA's CAFR is this figure shown as a receivable.

**In GLWA's CAFR, on page 49, there is: Note 5. DUE FROM OTHER GOVERNMENTS**

Shown is \$18,48,427 as a Budgetary shortfall advance under the Sewage Disposal Fund, and there is Accrued interest on obligation receivable under Water Fund of \$30,678.

**Question # 14.** Please explain what the Budgetary shortfall advance is, and what caused it. Where is this shown on the City's CAFR as a liability to GLWA?

**Question # 15.** What is the rationale for the Accrued interest receivable under the Water Fund, and why is there a zero amount under the Sewage Disposal Fund?

**In GLWA's CAFR, on page 49, there is: Note 6. Loan Receivable – DWSD**

A receivable was set up for \$29,300,000 (\$9,367,355 Current asset – Loan receivable – DWSD and \$19,932,645 Noncurrent asset – Loan receivable – DWSD).

**Question # 16.** Where is this reflected on DWSD's CAFR as a liability to GLWA? Is this part of the \$53,639,106 shown as Due to Great Lakes Water Authority on page 28 of the City's CAFR? Please explain what makes up this \$53,639,106.

**In GLWA's CAFR, on page 75, there is: Note 20. SUBSEQUENT EVENTS**

**Reconciliation Committee and DWSD Budget Shortfall**

In the first paragraph the following is stated:

On June 27, 2018, the Board of Directors for the Authority and the Board of Water Commissioners for the DWSD approved a Memorandum of Understanding (MOU). The Leases and the Water and Sewer Services Agreement ("WSSA") between the City and GLWA and the MBO, govern the relationship between DWSD and GLWA, which began on January 1, 2016 (the "Effective Date"). The purpose of the MOU is to (a) provide clarification of specific sections of the Leases, WSSA and MBO; (b) make adjustments contemplated by the Leases and the WSSA; and (c) address the liquidation of specific liabilities. Most financial provisions of the MOU were recorded by GLWA in the June 30, 2017 year-end financial statements based on an executed term sheet that preceded the final MOU in April 2018. Because DWSD's financial statements were already issued, the financial impact of the MOU will be reflected in the DWSD financial statements for the year ending June 30, 2018.

**Question # 17.** What is meant by the last sentence in the above paragraph "Because DWSD's financial statements were already issued, the financial impact of the MOU will be reflected in the DWSD financial statements for the year ending June 30, 2018"? Or should this have been June 30, 2019?

**Also in GLWA's CAFR, on pages 75 and 76, there is: Note 20. SUBSEQUENT EVENTS**

**Reconciliation Committee and DWSD Budget Shortfall**

In the second and the third paragraphs it states:

Item 9 of the executed MOU outlines requirements for the Reconciliation Committee—originally defined by the WSSA—to meet quarterly to "expand the level of communication between the two entities related to financial, operational, legal, capital planning, and other matters and opportunities for improved management and coordination of both entities and foster a positive partnership in the water services sector." Item 12 further describes a specific function of the Reconciliation Committee to address any "cumulative negative variance of more than two percent (2%) of the total budget for either Local System."

As of June 30, 2018, GLWA reports a net positive water fund balance for the DWSD balance of required trust receipts and disbursements under the MBO. GLWA reports a negative balance of \$47,768,427 for the DWSD sewer fund which exceeds the two percent variance threshold. The budget shortfall not cured by the end of the fiscal year following the year in which they arise shall be repaid in full, in installments over a period not to exceed three fiscal years. A surcharge based on the three-year U.S treasury note rate plus 150 basis points. The negative balance of \$27,514,000 from the prior year is recorded as a loan receivable (note 6). The Reconciliation Committee has met and discussed this variance as required. As of November 7, 2018, DWSD (as operator of the Local System) has discussed options to cure this shortfall with its Board of Water Commissioners and at a Reconciliation Committee meeting on October 19, 2018. A written agreement is presently under discussion to document the plan to cure.

**Question # 18.** How was the negative balance of \$47,768,427 arrived at? Did this occur in the year ended June 30, 2017 or 2018? What caused this negative balance? Please provide details of this figure. Does this mean that DWSD has until the end of the next Fiscal Year, June 30, 2019, to cure this? Is this related to the \$52,688,727 charged as Materials, Supplies & Other Expenses at June 30, 2017?

**Question # 19:** Is it true that the negative balance of \$27,514,000 is from the prior year (Fiscal Year ended June 30, 2017)? How does this relate to the \$29,300,000? If DWSD does nothing in fiscal year 2019, how much will be shown as a receivable on GLWA's CAFR at June 30, 2019?

**Question # 20:** Please provide copies of all of the minutes of the Reconciliation Committee.

**Question # 21:** The majority of customers had the new drainage charges added to their water & sewage disposal bills in the beginning of the current fiscal year. They have been in effect for approximately 6 – 7 months. How much has been billed and collected for these drainage charges? Are these higher fees being paid on time? How much is budgeted in the current year for drainage charges? How much is budgeted in the next fiscal year? What is the current status for religious organizations as far as drainage charges? On page 29 of the City’s CAFR, Statement of Revenue, Expenses, and Changes in Fund Net Position, under Nonoperating Revenue (Expenses), there is a line added to the June 30, 2018 CAFR. The line is labeled Interest revenue on lease with the Great Lakes Water Authority, and has \$16,887,599 under Water Fund, and \$20,639,995 under Sewage Disposal Fund.

**Question # 22:** Please explain why this line was added for the first time in June 30, 2018, and what this line represents.

The next questions relate to the 2020 Budget presentation made by DWSD staff on Wednesday, February 20, 2019 at the BOWC meeting. There was a 16-page handout provided.

Questions 23 – 39 refer to the attachment labeled

**Question # 23:** On pages 4 - 5, and pages 7 – 14, the budget figures for FY 2019 do not agree with the similar figures presented in June 2018 for the same fiscal year. Why are the figures different? Please see the two (2) pages attached labeled “As of June 4, 2018”.

**Salaries/Wages:**

**Question # 24:** On page 8, Under Appropriation – Administration, salaries/wages are increasing 10%, with 1 FTE transfer from Customer Service. Why such a high increase from \$3,005,000 to \$3,307,000?

**Question # 25:** On page 9, Under Appropriation – Operations, salaries/wages are increasing from \$17,357,000 to \$21,358,000, or \$4,001,000. This is a 23.1% increase, and an average of \$88,911 per the increase of 45 FTEs. Why such a high increase?

**Question # 26:** On page 10, Under Appropriation – Compliance, salaries/wages are increasing from \$2,582,000 to \$3,481,000, or \$899,000. This is a 34.8% increase, and an average of \$128,428 for the increase of 7 FTEs. Why such a high increase?

**Question # 27:** On page 11, Under Appropriation – Finance, salaries/wages are increasing from \$4,335,000 to \$4,988,000, or \$653,000. This is a 15.1% increase, and an average of \$130,600 for the increase of 5 FTEs. Why such a high increase?

**Question # 28:** On page 12, Under Appropriation – Customer Service, salaries/wages are decreasing from \$4,739,000 to \$4,424,000, or \$315,000. This is a 6.6% decrease, and an average of only \$15,000 for the decrease of 21FTEs. Why such a low average decrease?

**Question # 29:** On page 13, Under Appropriation – Stormwater Management, salaries/wages are increasing from \$841,000 to \$1,084,000, or \$243,000. This is a 28.9% increase, and an average of \$60,750 for the increase of 4FTEs. Why such a high increase?

**Question # 30:** On page 4, there is a comment stating that the expected collection rate will be 93%, down from 94%. Mr. Brown stated during the BOWC meeting that DWSD has increased the collection rate from 77% to 92% since early 2016. Did the fact that approximately 100,000 households were disconnected help the percentage collected? If so, by how much?



**Question # 31:** On page 5, there is a comment stating that there is a significant decrease in billable impervious acreage. Mr. Naughton said that there was a decrease of 400 acres. Could you provide more detail on this?

**Question # 32:** Also, on page 5, there is a comment stating that the collection rate for drainage fees is 87%. Is this a reflection of the faith-based organizations being hit with significant increases? Please explain the low percentage, compared to other collection rates.

**Question # 33:** On page 14, WRAP contributions are projected to decrease 39.6% for Water and 56.4% for Sewer. Please explain why the significant decreases are projected?

**Question # 34:** Also, on page 14, Budget Stabilization under Sewer Fund is projected to be zero, from \$6,527,200. Why is this being reduced to zero?

**Question # 35:** Also, on page 14, under both funds, there is a line item, Obligation to GLWA. \$33,438,800 under Water Fund, and \$26,271,500 under Sewer Fund. Reference question # 14, \$18,48,427 as a Budgetary shortfall advance under the Sewage Disposal Fund. Please also see Question # 16, showing \$53,6396,16 as a current liability that DWSD owes GLWA at June 30, 2018. How were these amounts reflected in the FY 2019 forecasts?

**Question # 36:** On page 15, under Sewer Operating Fund, Drainage Fees are shown to be increasing 14.8%, going from \$154,464,700 in 2020 to \$177,364,400 in 2021. Is this significant increase due to faith-based organizations being gradually increased for drainage fees? Please explain.

**Question # 37:** There is no mention of any capital revenues or expenses in the budget presentation, other than on page 3 with the comment "An aggressive capital program has been launched". Shouldn't capital be presented and discussed with the operations budget? Where are interest payments shown in the budget?

**Question # 38:** Refer back to question # 22. On page 29 of the City's CAFR, Statement of Revenue, Expenses, and Changes in Fund Net Position, under Nonoperating Revenue (Expenses), there is a line added to the June 30, 2018 CAFR. The line is labeled Interest revenue on lease with the Great Lakes Water Authority, and has \$16,887,599 under Water Fund, and \$20,639,995 under Sewage Disposal Fund. If this was valid at June 30, 2018, will it still be valid in the next two years. Please explain.

**Question # 39:** On page 16, there is a line item Revenue Financed Capital. Please explain what this line represents.

**Question # 40:** Firelines has recently appeared as a revenue line item. What do these represent? Kim Garland thought this was DWSD billing the City of Detroit for water for firefighters. If so, is the City actually paying?

**Question # 41:** In the June 30, 2016 CAFR, there was a line item in the Restricted Net Position labeled "Water Affordability". On page 8, it was mentioned to be \$.6 million, and on page 19 it was shown as \$104,368. This was a Restricted line item. We could not see a further mention of this in the CAFR, and we assumed this would be in the Water Fund. What happened to it in 2017 and 2018?

**Question # 42:** There is a recent article, <https://www.bridgemi.com/detroit-journalism-cooperative/detroit-billing-residents-rain-its-going-well-you-d-think>

where it is stated that MDOT, Wayne County, the City, and the Detroit Land Bank don't pay the drainage charge. DWSD staff previously said that they do. Do they? If so, how much do they get billed monthly, and have they actually paid?

**Question # 43:** A DWSD representative previously stated that GLWA would not increase their wholesale rate for 2020 charged to DWSD. We've seen a Preliminary 2020 budget to the BOWC Finance Committee (attached) showing 4% increases for water and sewage disposal for City residents. Is this true? When do you expect the BOWC to approve the 2020 budget for DWSD? DWSD has a discussion on March 25, 2019 at a City Council meeting about DWSD's budget. Will this be discussed?

**Question # 44:** In the report sent to DWSD's finance committee on March 6, 2019, on page 2 (attached) there is a line labeled Billable Impervious Acreage showing 28,000 for each month.  $28,000 \text{ times } 12 \text{ months} = 336,000$ ,  $336,000 \text{ times } \$598 = \$200,928,000$ . Is this figure the total drainage fees to be billed for FY 2019 shown as target? The accrual for 6 months is annualized to be 333,072.  $333,072 \text{ times } \$598 = \$199,177$ . Of this amount, what percentage is estimated to be collected?

**Question # 45:** We previously talked about the City's auditors showing a large Unrestricted Net Position for both the Water Fund and the Sewage Disposal Fund. These amounts are the result of showing the net present value of the \$50 million per year receivable, over 40 years. Are these amounts truly Unrestricted, or are they "restricted" for debt service, capital and infrastructure repair and replacement needs?

ATTACHMENT VII



**PRESENTATION TO BOWC FINANCE COMMITTEE**

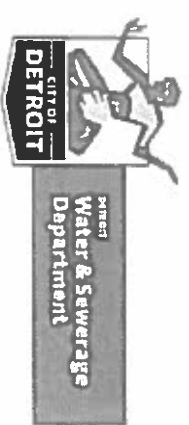
**DWSD PRELIMINARY RATE REVIEW**  
**FISCAL YEAR 2020**

March 6, 2019



# **WATER RATES**

## **FISCAL YEAR 2020**



## Water Rates

- Assuming a 4% increase from FY 2019 to FY 2020
- Water Volume Rate (per Mcf)
  - FY 2019- \$24.71
  - FY 2020- \$25.70
- Meter Charges
  - A typical Residential Customer
    - 5/8" Meter
    - Rate Increases from \$7.30 to \$7.59



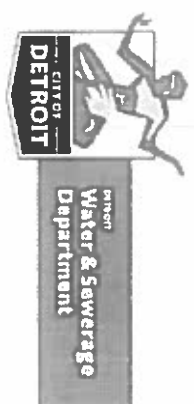
# **SEWER RATES**

## **FISCAL YEAR 2020**



## Sewer Rates

- Assuming a 4% increase from FY 2019 to FY 2020 (excluding Drainage)
- Detroit Disposal Rate (per Mcf)
  - FY 2019- \$54.84
  - FY 2020- \$57.03
- Sewerage Service Charge (per bill)
  - Increases from \$6.28 to \$6.53
- Drainage Charge (per Acre)
  - Pre-determined Rate Schedule
  - Increases from \$598 to \$602



## Putting Things into Perspective

- Average Residential Customer
  - Currently Being Billed
    - Water- 0.5 Mcf, \$12.36 + SC \$7.30
    - Sewer- 0.5 Mcf, \$27.42 + SC \$6.28
    - Drainage- 0.05 Acres, \$21.32
    - Total Bill- \$74.68
- Based on FY 2020 Recommendations
  - Water- 0.5 Mcf, \$12.85 + SC \$7.59
  - Sewer- 0.5 Mcf, \$28.52 + SC \$6.53
  - Drainage- 0.05 Acres, \$22.58
  - Total Bill- \$78.07





# **APPENDIX**

## **RECOMMENDED RATE STRUCTURE**

### **FISCAL YEAR 2020**

# Rate Card- FY 2019 v. FY 2020



## WATER RATES

| Meter Size                   | 2019      |           | 2020    |         |
|------------------------------|-----------|-----------|---------|---------|
|                              | Detroit   | Detroit   | Detroit | Detroit |
| Water Volume Rate (per Mcf*) | \$ 24.71  | \$ 25.70  |         |         |
| Meter Changes (per month)    |           |           |         |         |
| 5/8"                         | 7.30      | 7.59      |         |         |
| 3/4"                         | 10.95     | 11.39     |         |         |
| 1"                           | 18.24     | 18.07     |         |         |
| 1.5"                         | 36.50     | 37.96     |         |         |
| 2"                           | 58.40     | 60.73     |         |         |
| 3"                           | 116.80    | 121.47    |         |         |
| 4"                           | 182.50    | 189.80    |         |         |
| 6"                           | 364.98    | 379.58    |         |         |
| 8"                           | 583.97    | 607.33    |         |         |
| 10"                          | 839.47    | 873.05    |         |         |
| 12"                          | 1,131.45  | 1,176.71  |         |         |
| 14"                          | 1,569.43  | 1,632.21  |         |         |
| 16"                          | 2,080.43  | 2,163.64  |         |         |
| 18"                          | 2,467.31  | 2,566.00  |         |         |
| 20"                          | 3,014.78  | 3,135.37  |         |         |
| 24"                          | 4,379.84  | 4,555.03  |         |         |
| 30"                          | 6,569.74  | 6,832.53  |         |         |
| 36"                          | 8,759.64  | 9,110.02  |         |         |
| 48"                          | 13,139.50 | 13,665.08 |         |         |
| 60"                          | 17,519.32 | 18,220.09 |         |         |

## SEWERAGE RATES

| Meter Size   | 2019      |           | 2020    |         |
|--|-----------|-----------|---------|---------|
|  | Detroit   | Detroit   | Detroit | Detroit |
| Drainage Charges Residential (per month)           |           |           |         |         |
| Per Impervious Acreage                             | \$ 54.84  | \$ 57.03  |         |         |
| Industrial Waste Control Meter Charges (per month) | \$ 6.28   | \$ 6.53   |         |         |
| Drainage Charges Residential (per month)           |           |           |         |         |
| Per Impervious Acreage                             | \$ 599.00 | \$ 602.00 |         |         |
| Industrial Waste Control Meter Charges (per month) |           |           |         |         |
| 5/8"   | 3.59      | 3.63      |         |         |
| 3/4"   | 5.39      | 5.44      |         |         |
| 1"   | 8.98      | 9.07      |         |         |
| 1.5"   | 19.75     | 19.95     |         |         |
| 2"   | 28.72     | 29.01     |         |         |
| 3"   | 52.06     | 52.58     |         |         |
| 4"   | 71.80     | 72.52     |         |         |
| 6"   | 107.70    | 108.78    |         |         |
| 8"   | 179.50    | 181.30    |         |         |
| 10"  | 251.30    | 253.81    |         |         |
| 12"  | 287.20    | 290.07    |         |         |
| 14"  | 359.00    | 362.59    |         |         |
| 16"  | 430.80    | 435.11    |         |         |
| 18"  | 502.60    | 507.63    |         |         |
| 20"  | 574.40    | 580.14    |         |         |
| 24"  | 646.20    | 652.66    |         |         |
| 30"  | 718.00    | 725.18    |         |         |
| 36"  | 789.80    | 797.70    |         |         |
| 48"  | 861.60    | 870.22    |         |         |

Private Fireline Charges (per month)

| Fireline Size | 2019   | 2020   |
|---------------|--------|--------|
| 4" or smaller | 87.68  | 87.68  |
| 6"            | 182.66 | 182.66 |
| 8"            | 263.03 | 263.03 |
| 10"           | 423.77 | 423.77 |
| 12"           | 628.35 | 628.35 |

Mcf - 1000 Cubic Feet  
 Industrial Waste Control Meter Charges are preliminary until approved by GLWA Board



# Water and Sewer Fees

| Service Type  | Fees Schedule 2020                                 | Service Type  | Fees Schedule 2020 |
|---|--|---|--------------------|
| Returned Check NSF  | \$ 40.00   | Sewer Inspections (all types, per day):   | \$ 650.00          |
| Illegal Turn-On:  |  | Permit valid for one year from issue date   |                    |
| • 1st Offense   | \$ 250.00  | Water Tap, Hydrant Inspection (all pipes sizes, per day):   | \$ 650.00          |
| • 2nd Offense   | \$ 500.00  | Permit valid for one year from issue date   |                    |
| • On the second offence, unless full payment of all fees is made or a Payment Plan Agreement is initiated, the service line will be disconnected and an additional fee will be assessed |  | Demolitions:  |                    |
| Stop Box Replacement  | \$ 660.00  | • Demolition water line disconnection   | \$ 700.00          |
| Water Turn On/Off (Maintenance & Repair, Commercial Operations and Meter Operations)  | \$ 40.00   | • Hydrant water use for residential demolition  | \$ 510.00          |
| Note: Meter Operations only charges for non-commercial customers.   |  | • Hydrant water use for commercial demolition   | \$ 1,920.00        |
| Missed Appointment (any type)   | \$ 40.00   | Illegal Dig-Ups and Sewer Taps:   |                    |
| Real Estate Closing Fee (non-AMR accounts only)   | \$ 40.00   | • 1st Offense   | \$ 1,000.00        |
| Water Service Line Reconnection - Copper Line   | \$ 660.00  | Illegal dig-ups non-refundable and the contractor's name will be placed on a list   |                    |
| Reconnect fee for a lead service requires a replacement of the line, which is the customer's responsibility and cost.   |  | • 2nd Offense   | \$ 3,000.00        |
| Meter Operations:   |  | Violators will be suspended from DWSD for one-year period, and pay a reinstatement fee before their name can be removed from list             |                    |
| • Damaged meter equipment   | Meter sizes 5/8" \$ 165.00                         | • 3rd Offense   | \$ 5,000.00        |
|   | Meter sizes 1.5" - 2" \$ 675.00                    | Be placed on a non-compliance list and must pay all above fees plus place a retainer to be held against any further violations for five years |                    |
|   | Meter sizes 3" - 12" \$ 2,435.00                   | Sewer Penalty (from previous ending balance)  | 5%                 |
| • Damaged AMR equipment (MIU)   | \$ 180.00  |   |                    |
| Uncovered meter   | Refer to meter uncovered depreciation charge table |   |                    |
| Tampered/Cut Cable (AMR):   |  |   |                    |
| • 1st Offense   | \$ 50.00   |   |                    |
| • 2nd Offense   | \$ 100.00  |   |                    |
| • 3rd Offense   | \$ 150.00  |   |                    |
| Water Penalty (from previous ending balance)  | 5%   |   |                    |

# Thank You



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