



**PRESENTATION TO THE FINANCE COMMITTEE OF THE BOWC**

# **FINANCIAL IMPACT OF COVID-19**

**May 6, 2020**

# State of Emergency



- March 9: Water Restart Plan (Governor Whitmer & Mayor Duggan)
- March 10: State of Emergency Declared (Governor Whitmer)
- March 11: Worldwide Pandemic Declared (World Health Organization)
- March 13: National Emergency Declared (President Trump)
- March 23: Nonessential Activities Suspended in Michigan (Governor Whitmer)
- March 28: Michigan Disaster Declared (President Trump)
- March 28: Water Service Restoration Ordered for Occupied Residences (Governor Whitmer)

# Within weeks, Detroit and Michigan were facing record unemployment



## Average Weekly Unemployment Claims in Michigan (3/20 – 4/20)

Last Year	(2019):	5,000
Recent Recession	(2009):	28,000
Covid-19	(2020):	235,000

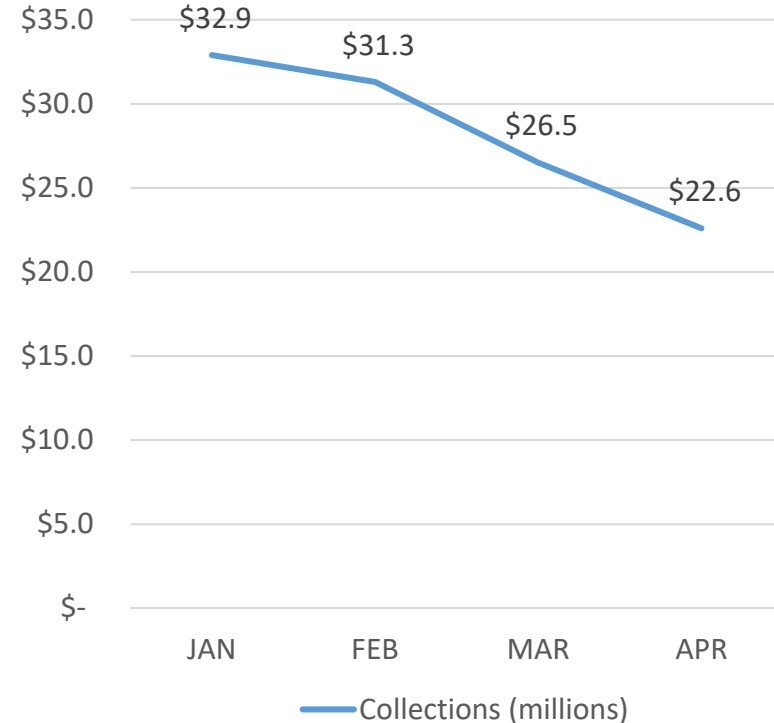
(Sources, U.S. Dept of Labor @ <https://oui.doleta.gov/unemploy/wkclaims/report.asp>, and State of Michigan @ [https://www.michigan.gov/leo/0,5863,7-336-78421\\_97241\\_90031-527111--,00.html](https://www.michigan.gov/leo/0,5863,7-336-78421_97241_90031-527111--,00.html))

# Within days, DWSD retail collections began to fall



- DWSD Rates and Budgets assume average monthly collections of \$31 million to meet all financial obligations
- Actual billed retail revenues for FY 2020 have been trending 1.5% below budget year-to-date
- Early collection shortfalls were offset by credit transfers of O&M budget savings in December and February (\$7.1 million)
- April 2020 collections are estimated to drop \$10 million from January levels and \$9 million below budget requirement (\$31.3 million)

### DWSD Retail Collections January - April



# DWSD retail cash collections have dropped 31% since January



Customer Class	Retail Collections (\$ millions)				% Decline
	Jan Actual	Feb Actual	Mar Actual	April Forecast	
RESIDENTIAL	\$ 14.2	\$ 15.0	\$ 11.8	\$ 12.9	9.5%
COMMERCIAL	8.5	8.2	6.9	4.9	42.4%
INDUSTRIAL	4.4	3.6	3.6	2.7	39.3%
TAX EXEMPT	0.5	0.5	0.4	0.3	33.5%
GOVERNMENT	2.4	1.4	1.9	0.3	89.2%
DRAINAGE	2.8	2.7	1.9	1.5	46.0%
<b>Total Collections</b>	<b>\$ 32.9</b>	<b>\$ 31.3</b>	<b>\$ 26.5</b>	<b>\$ 22.6</b>	<b>31.4%</b>

## In addition, DWSD began to incur new costs in responding to the pandemic



- Covid-19 Restart Program – Water service restorations
- Personal Protective Equipment
- Emergency plumbing repairs
- Facility cleaning
- Employee symptom scanning
- Remote office technologies
- Communications with public

# DWSD controls less than 27% of the budget (Direct Expense = \$104.5 million)



NET RETAIL REVENUE		
<b>RETAIL REVENUES</b>		
Commodity sales	\$ 394,896,500	101.7%
Industrial Waste	1,700,000	0.4%
Service charges	25,534,700	6.6%
Penalties and fees	2,758,800	0.7%
Miscellaneous revenue	2,700,000	0.7%
<b>Total Retail Revenue</b>	<b>427,590,000</b>	<b>110.1%</b>
LESS: Bad Debt Expense	(39,212,500)	-10.1%
<b>NET RETAIL REVENUES</b>	<b>\$ 388,377,500</b>	<b>100.0%</b>

NET REVENUE REQUIREMENT		
<b>DIRECT EXPENSE</b>		
Salaries and Wages	\$ 35,997,700	9.3%
Employee Benefits	14,706,900	3.8%
Contractual Services	28,452,900	7.3%
Operating Supplies	12,823,000	3.3%
Operating Services	17,535,500	4.5%
Less: Shared Service Revenue	(5,050,000)	-1.3%
<b>Total Direct Expense</b>	<b>104,466,000</b>	<b>26.9%</b>
<b>INDIRECT EXPENSE</b>		
DWSD Wholesale Charges	209,579,300	54.0%
DWSD Debt Service	59,710,300	15.4%
Net Legacy Costs	14,621,900	3.8%
<b>Total Indirect Expense</b>	<b>283,911,500</b>	<b>73.1%</b>
<b>NET REVENUE REQUIREMENT</b>	<b>\$ 388,377,500</b>	<b>100.0%</b>

DWSD's average monthly budget for **Direct Expenses** is only **\$ 8.7 million**

# Management began to identify potential opportunities for cost savings...



- Workforce Savings Plan will reduce personnel costs by \$900,000 per month (including payroll tax savings)
  - 212 Employees furloughed
  - 124 Employees on Work Share
  - Highly compensated essential employees take 5% pay cut
- Certain O&M contractual services were suspended
- Supplies and other operating expenses were reduced
- Nonessential I&E Contracts have been deferred
- GLWA delayed FY 2021 rate increases to October 1, 2020
- Considering permanent closures of Customer Service Centers
- **NOTE: Bond-funded construction projects can continue as planned**



# And sought commitments for Grant funding and other cost reimbursement



- Wayne Metro has committed \$3 million CARES Act assistance by June 30
- Michigan Department of Environment, Great Lakes, and Energy (EGLE) – Grant for water Turn-ons (\$500,000)
- The Kresge Foundation – Matching Grant for Water Turn-Ons (\$125,000)
- CARES Act allocation for the City of Detroit (\$TBD)
- Federal Emergency Management Administration (\$TBD)

# Federal Emergency Management Agency



## ***FEMA Reimbursement***

- Certain costs may be eligible under the *Federal Disaster Reimbursement Program*
- Reimburses up to 75% of specific direct expenses related to a disaster
- Reimbursable Expense Guidance is unclear due to the rarity of a medical emergency. The program typically reimburses for Natural Disasters such as tornados or floods
- Audit of Documentation is stringent is possibly 3-5 years later

# The resulting Cash Flow Savings Plan will save \$3-4 million per month



COVID-19 CASH FLOW SAVINGS PLAN				
Line	Cash Flow Savings Plan	APRIL	MAY	JUNE
Federal and State Assistance:				
1	CARES Act Funding	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
2	FEMA Reimbursement	TBD	TBD	TBD
Work Force Savings:				
3	Furlough	-	689,700	689,700
4	Work Share	-	145,200	145,200
5	O&M Contractual Service Savings	1,297,600	1,212,500	503,100
6	O&M Supplies and Other Operating Savings	1,186,000	1,064,900	817,800
7	Service Center Closures	TBD	TBD	TBD
<b>Total Monthly Savings</b>		<b>\$ 3,483,600</b>	<b>\$ 4,112,300</b>	<b>\$ 3,155,800</b>

# DWSD is participating in the City's Work Force Savings Plan



Work Force Savings Plan					
	Furlough (90% Savings)		Work Share (20% Savings)		
	FTEs	Base Payroll	FTEs	Base Payroll	
Administration	-	\$ -	3	\$ 214,641	
Compliance	2	103,696	15	902,765	
Technology	-	-	13	951,303	
Customer Service	19	850,815	8	420,894	
Operations	183	7,767,317	52	3,814,568	
Finance	8	474,815	33	2,406,451	
<b>Totals</b>	<b>212</b>	<b>\$ 9,196,643</b>	<b>124</b>	<b>\$ 8,710,622</b>	
<b>Savings per Month</b>		<b>\$ 689,700</b>		<b>\$ 145,200</b>	

**Affected employees will continue to participate in benefit plans.**

# O&M nonessential contract spending will be reduced through the end of the year



O&M Contractual Services					
	Average Monthly Budget	YTD Average Monthly Spending	April Forecast	May Forecast	June Forecast
Administration	\$ 142,800	\$ 79,400	\$ 46,100	\$ 66,100	\$ 66,100
Compliance	300,900	92,500	90,000	90,000	268,100
Technology	119,600	100,400	95,600	95,600	259,300
Customer Service	48,400	-	-	-	-
Operations	1,165,700	632,400	650,600	565,700	856,300
Finance	572,500	242,400	170,000	320,000	397,000
<b>Totals</b>	<b>\$ 2,349,900</b>	<b>\$ 1,147,100</b>	<b>\$ 1,052,300</b>	<b>\$ 1,137,400</b>	<b>\$ 1,846,800</b>
<b>Monthly Budget Savings</b>		<b>\$ 1,202,800</b>	<b>\$ 1,297,600</b>	<b>\$ 1,212,500</b>	<b>\$ 503,100</b>

# Spending for supplies and other operating expenses will also be reduced



O&M Supplies and Other					
	Average Monthly Budget	YTD Average Monthly Spending	April Forecast	May Forecast	June Forecast
Operating Supplies	\$ 94,100	\$ 189,000	\$ 64,000	\$ 77,200	\$ 90,400
Other Operating	1,954,700	1,122,200	862,700	982,200	1,211,100
Training, Tuition and Travel	77,300	21,900	1,000	1,800	6,800
Claims and Settlements	-	13,300	12,400	-	-
Capital Expense	-	400	-	-	-
<b>Totals</b>	<b>\$ 2,126,100</b>	<b>\$ 1,346,800</b>	<b>\$ 940,100</b>	<b>\$ 1,061,200</b>	<b>\$ 1,308,300</b>
<b>Monthly Budget Savings</b>		<b>\$ 779,300</b>	<b>\$ 1,186,000</b>	<b>\$ 1,064,900</b>	<b>\$ 817,800</b>

# The Cash @ GLWA deficit is expected to approximate \$19 million by June 30



	ACTUALS				FORECAST		
	Six Months	Month	Month	Month	Month	Month	Month
	Ended Dec-19	Ended Jan-20	Ended Feb-20	Ended Mar-20	Ended Apr-20	Ended May-20	Ended Jun-20

(Amounts in 1,000's)

## Deposits

Retail Receipts	\$ 186,507	\$ 32,589	\$ 30,965	\$ 26,262	\$ 22,575	\$ 22,575	\$ 22,575
<b>Wayne Metro CARES Allocation</b>	-	-	-	-	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>
Trust Interest	35	4	4	5	5	5	5
DWSD Lease Deposit (Debt Service)	4,290	715	715	715	715	715	715
<b>Transfer Budget Savings (incl. Covid-19)</b>	<b>2,600</b>	-	<b>4,500</b>	-	<b>2,484</b>	<b>3,112</b>	<b>2,156</b>
<b>Total Deposits</b>	<b>193,432</b>	<b>33,308</b>	<b>36,184</b>	<b>26,982</b>	<b>25,779</b>	<b>26,407</b>	<b>25,451</b>

## Transfers from Trust

GLWA Wholesale	(103,551)	(17,259)	(17,259)	(17,259)	(17,259)	(17,259)	(17,259)
DWSD IWC	(712)	(116)	(124)	(124)	(124)	(124)	(124)
DWSD O&M	(51,003)	(7,667)	(7,667)	(7,667)	(7,667)	(7,667)	(7,667)
DWSD Debt Service	(34,380)	(5,730)	(5,730)	(5,730)	(5,730)	(5,730)	(5,730)
DWSD Pension O & M	(3,564)	(594)	(594)	(594)	(594)	(594)	(594)
DWSD Non-Operating Pension	(3,747)	(625)	(625)	(625)	(625)	(625)	(625)
DWSD WRAP	(383)	(64)	(64)	(64)	(64)	(64)	(64)
<b>Total Transfers</b>	<b>(197,342)</b>	<b>(32,054)</b>	<b>(32,062)</b>	<b>(32,062)</b>	<b>(32,062)</b>	<b>(32,062)</b>	<b>(32,062)</b>

## Increase (Decrease) in Trust

Balance at Beginning of Period	2,796	(1,113)	140	4,262	(817)	(7,101)	(12,755)
<b>Balance at End of Period</b>	<b>\$ (1,113)</b>	<b>\$ 140</b>	<b>\$ 4,262</b>	<b>\$ (817)</b>	<b>\$ (7,101)</b>	<b>\$ (12,755)</b>	<b>\$ (19,367)</b>

# Improvement & Extension cash balances may be used to mitigate the deficit



IMPROVEMENT & EXTENSIONS CASH FLOWS				
	April Forecast	May Forecast	June Forecast	
GLWA Lease Deposits	\$ 3,451,700	\$ 3,451,700	\$ 3,451,700	
GLWA Note Repayment	(1,570,200)	(1,570,200)	(1,570,200)	
Forecast Project Spending:				
O&M-Water	(5,000)	(5,000)	(5,000)	
O&M-Sewer	-	-	-	
I&E-Water	(934,300)	(1,738,000)	(1,790,100)	
I&E-Sewer	(1,047,800)	(1,422,400)	(1,276,100)	
Total I&E Spending	<u>(3,557,300)</u>	<u>(4,735,600)</u>	<u>(4,641,400)</u>	
<b>Net Increase (Decrease) in I&amp;E Cash</b>	<b><u>\$ (105,600)</u></b>	<b><u>\$ (1,283,900)</u></b>	<b><u>\$ (1,189,700)</u></b>	



# The Water CIP remains intact



DETROIT  
Water & Sewerage  
Department

## Capital Improvement Plan - Water Improvements and Extensions (I&E)

Detroit Water and Sewerage Department

DRAFT 03/11/2020

	Fiscal Year Ending June 30,					
	Estimated	Forecast				
	2020	2021	2022	2023	2024	2025
GLWA Lease Receipts	\$ 22,500,000	\$ 22,500,000	\$ 22,500,000	\$ 22,500,000	\$ 22,500,000	\$ 22,500,000
Less: Post-Bifurcation Debt Service						
Existing Bond and DWRf Debt Service	(3,421,800)	(3,929,900)	(4,147,900)	(4,140,900)	(4,141,200)	(4,148,400)
Future Revenue Bond Debt Service	(754,400)	(4,526,300)	(6,347,200)	(6,347,200)	(6,347,200)	(6,347,200)
Future DWRf Bond Debt Service	-	(403,700)	(2,731,200)	(2,731,200)	(2,731,200)	(2,731,200)
Net Lease Deposits to I&E Fund	18,323,800	13,640,100	9,273,700	9,280,700	9,280,400	9,273,200
Planned Revenue Bond Proceeds	100,000,000	-	-	-	-	-
Planned DWRf Loan Proceeds	-	57,500,000	-	-	-	-
Water Revenue Financed Capital	446,600	149,600	608,100	1,487,700	8,844,400	9,241,900
<b>Net Deposits to I&amp;E and Construction Funds</b>	<b>118,770,400</b>	<b>71,289,700</b>	<b>9,881,800</b>	<b>10,768,400</b>	<b>18,124,800</b>	<b>18,515,100</b>
<b>Bond and DWRf Construction Projects</b>						
Construction Program Management	7,002,000	6,461,200	4,544,900	1,750,000	1,000,000	750,000
Water Mains	33,111,000	46,599,200	28,249,000	21,000,000	13,000,000	15,000,000
<b>Other I&amp;E Projects</b>						
Repair and Maintenance Projects	12,069,000	10,443,000	11,000,000	11,800,000	11,800,000	7,720,000
Meters and Fire Hydrant Replacement	2,000,000	8,530,000	8,701,000	1,000,000	1,000,000	1,000,000
Fleet and Equipment Acquisition	257,000	3,568,600	2,000,000	2,000,000	2,000,000	2,000,000
Facility Improvement Allowance	1,704,000	6,236,000	2,000,000	1,000,000	1,000,000	1,000,000
Information Technology Projects	1,251,500	4,244,000	1,787,500	1,617,500	750,000	750,000
Total Planned Construction and I&E Spending	57,394,500	86,082,000	58,282,400	40,167,500	30,550,000	28,220,000
Net Change in Available Cash	61,375,900	(14,792,300)	(48,400,600)	(29,399,100)	(12,425,200)	(9,704,900)
Available Cash, Beginning of Year	67,500,000	128,875,900	114,083,600	65,683,000	36,283,900	23,858,700
<b>Available Cash, End of Year</b>	<b>\$ 128,875,900</b>	<b>\$ 114,083,600</b>	<b>\$ 65,683,000</b>	<b>\$ 36,283,900</b>	<b>\$ 23,858,700</b>	<b>\$ 14,153,800</b>

# As does the Sewer CIP



DETROIT  
Water & Sewerage  
Department

## Capital Improvement Plan - Sewer Improvements and Extensions (I&E)

Detroit Water and Sewerage Department

DRAFT 03/11/2020

	Fiscal Year Ending June 30,					
	Estimated	Forecast				
	2020	2021	2022	2023	2024	2025
GLWA Lease Receipts	\$ 27,500,000	\$ 27,500,000	\$ 27,500,000	\$ 27,500,000	\$ 27,500,000	\$ 27,500,000
Less: Post-Bifurcation Debt Service						
Existing Bond and SRF Debt Service	(4,988,000)	(5,357,700)	(5,353,900)	(5,346,300)	(5,351,400)	(5,341,000)
Future Revenue Bond Debt Service	-	-	-	-	-	-
Future DWRf Bond Debt Service	-	(80,000)	(457,200)	(890,000)	(1,188,900)	(1,188,900)
GLWA Note Repayment	(18,841,700)	(18,841,700)	(8,441,500)	-	-	-
Net Lease Deposits to I&E Fund	3,670,300	3,220,600	13,247,400	21,263,700	20,959,700	20,970,100
Revenue Bond Proceeds	-	-	-	-	-	-
SRF Loan Proceeds	-	8,000,000	10,000,000	8,628,000	-	-
Sewer Revenue Financed Capital	-	2,290,900	10,934,100	7,422,400	8,146,200	10,193,300
<b>Net Deposits to I&amp;E and Construction Funds</b>	<b>3,670,300</b>	<b>13,511,500</b>	<b>34,181,500</b>	<b>37,314,100</b>	<b>29,105,900</b>	<b>31,163,400</b>
<b>Bond and DWRf Construction Projects</b>						
Construction Program Management	8,997,000	4,140,000	2,795,000	2,000,000	2,000,000	2,000,000
Sewer Line Replacement	24,294,000	26,503,000	24,256,000	18,450,000	11,950,000	12,000,000
<b>Other I&amp;E Projects</b>						
Repair and Maintenance Projects	1,539,000	2,741,000	1,200,000	1,200,000	1,000,000	1,000,000
Green Infrastructure	4,195,000	12,480,000	11,568,000	10,483,000	8,785,000	9,995,000
Fleet and Equipment Acquisition	257,000	3,569,000	2,000,000	2,000,000	2,000,000	2,000,000
Facility Improvement Allowance	3,408,000	6,236,000	2,000,000	2,000,000	2,000,000	2,000,000
Information Technology Projects	2,503,000	4,244,000	1,787,500	1,617,500	1,500,000	1,500,000
Total Planned Construction and I&E Spending	45,193,000	59,913,000	45,606,500	37,750,500	29,235,000	30,495,000
Net Change in Available Cash	(41,522,700)	(46,401,500)	(11,425,000)	(436,400)	(129,100)	668,400
Available Cash, Beginning of Year	122,200,000	80,677,300	34,275,800	22,850,800	22,414,400	22,285,300
<b>Available Cash, End of Year</b>	<b>\$ 80,677,300</b>	<b>\$ 34,275,800</b>	<b>\$ 22,850,800</b>	<b>\$ 22,414,400</b>	<b>\$ 22,285,300</b>	<b>\$ 22,953,700</b>

# Thank You



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