

TFG
THE FOSTER GROUP

THE FOSTER GROUP, LLC
12719 WENONGA LANE
LEAWOOD, KS 66209

BART FOSTER, PRESIDENT
CELL: (913) 530-6240
BFOSTER@FOSTERGROUPLLC.COM

MEMORANDUM

Highland Park Bad Debt Recovery Credit

June 20, 2023

To: Randal Brown, Nicolette Bateson

From: Bart Foster

You have asked for recommendations regarding potential application of a specific recent payment GLWA has received from Highland Park. It is my understanding that GLWA has received an initial payment of \$1 million to be applied for potential settlement of past due amounts. It is my further understanding that GLWA intends to apply this \$1 million as credits to individual Member Partner Water and Sewer bills early in FY 2024, effectively to refund a portion of the amounts included in past charges for Highland Park bad debt expense. The question at hand is how to assign the relative credits to the individual customers.

Last year, I documented the results of my analysis of amounts that had been directly included in Water and Sewer Charges to GLWA's first tier Member Partners. That documentation was subsequently utilized to inform all Member Partners of such amounts. I believe the framework established by that analysis provides the appropriate mechanism for crediting customers for this initial recovery, and for any subsequent amounts that GLWA opts to return to Member Partners.

Over many of the past several years GLWA has directly included amounts totaling approximately \$41 million in wholesale sewer and water charges designed to address Highland Park's bad debt expense. Such amounts are summarized in the first column below.

	<u>Amounts</u> <u>Included in</u> <u>Charges</u>	<u>Relative</u> <u>Allocation</u>	<u>Initial</u> <u>Recovery</u> <u>Credit</u>
Total	\$40,808,900		\$1,000,000
Allocable to Sewer	\$35,656,400	87.4%	\$874,000
Allocable to Water	\$5,152,500	12.6%	\$126,000

The Water figures reflect amounts included in charges from FY 2019 through FY 2022. The Sewer figures reflect amounts dating back to FY 2008, which continued intermittently through

FY 2022¹. The documentation from last year indicated how much of these totals had been included in Water and Sewer Charges to each Member Partner community. I recommend that GLWA establish individual Member Partner credits that are equal to their “share” of amounts paid in (based on the originally approved service charge schedules). By this approach, \$874,000 of the initial \$1 million recovery credit will be applied to Sewer Member Partner communities and the remaining \$126,000 will be applied to Water Member Partner communities.

Each customer community’s individual share of the initial credit is set forth in the accompanying exhibits.

I am prepared to discuss this matter at your convenience.

¹ The originally approved FY 2023 Water and Sewer Charges contained additional amounts. These amounts were subsequently removed from the final FY 2023 Water and Sewer Charges by the GLWA Board.

Highland Park Bad Debt Synopsis
Allocation of Initial Recovery Credit to **Water and Sewer** Member Partners

	(1)	(2)	(3)
	Cumulative Amount in Charges thru FY 2022 <i>(a)</i>	Relative Share of Highland Park Bad <u>Debt</u>	Initial Recovery <u>Credit</u>
<u>Water Charges</u>			
Macomb	\$1,127,700	21.9%	\$27,400
Oakland	1,471,900	28.6%	36,100
Wayne <i>(excl. Detroit)</i>	1,516,100	29.4%	36,900
Other	394,600	7.7%	9,700
Detroit	642,200	12.5%	15,900
Total	\$5,152,500	100.0%	\$126,000
<u>Sewer Charges</u>			
Macomb <i>(b)</i>	\$8,565,900	24.0%	\$209,900
Oakland <i>(c)</i>	14,419,900	40.4%	353,500
Wayne <i>(excl. Detroit)</i>	12,670,600	35.5%	310,600
Other	NA	NA	NA
Detroit	NA	NA	NA
Total	\$35,656,400	100.0%	\$874,000
<u>Combined Water and Sewer Charges</u>			
Macomb <i>(b)</i>	\$9,693,600	23.8%	\$237,300
Oakland <i>(c)</i>	15,891,800	38.9%	389,600
Wayne <i>(excl. Detroit)</i>	14,186,700	34.8%	347,500
Other	394,600	1.0%	9,700
Detroit	642,200	1.6%	15,900
Total	\$40,808,900	100.0%	\$1,000,000
Industrial Waste Control *			0
			\$1,000,000

* Highland Park IWC Bad Debt was not directly included in charges to any customer

(a) Reflects different historical time frames for Water and Sewer Charges.

(b) Includes 60% of Sewer amounts for the Oakland Macomb Interceptor Drain District

(c) Includes 40% of Sewer amounts for the Oakland Macomb Interceptor Drain District

Highland Park Bad Debt Synopsis

Table 1 - Allocation of Initial Recovery Credit to **Water** Member Partners

	(1)	(2)	(3)
	Cumulative Amount in Charges FY 2019 thru <u>FY 2022</u> <i>(a)</i>	Relative Share of Highland Park Bad <u>Debt</u> <i>(b)</i>	Initial Recovery <u>Credit</u> <i>(b)</i>
1 Allen Park	\$33,900	0.66%	\$800
2 Almont Village	3,300	0.06%	100
3 Ash Township	11,700	0.23%	300
4 Belleville	4,300	0.08%	100
5 Berlin Township	10,600	0.21%	300
6 Brownstown Township	52,500	1.02%	1,300
7 Bruce Township	3,900	0.08%	100
8 Burtchville Township	4,700	0.09%	100
9 Canton Township	147,400	2.86%	3,600
10 Center Line	6,500	0.13%	200
11 Chesterfield Township	59,900	1.16%	1,500
12 Clinton Township	112,000	2.17%	2,700
13 Commerce Township	52,300	1.02%	1,300
14 Dearborn	159,100	3.09%	3,900
15 Dearborn Heights	52,600	1.02%	1,300
16 Eastpointe	21,900	0.43%	500
17 Ecorse	21,500	0.42%	500
18 Farmington	14,700	0.29%	400
19 Farmington Hills	129,600	2.52%	3,200
20 Ferndale	14,300	0.28%	300
21 Flat Rock	19,500	0.38%	500
22 Flint *	162,600	3.16%	4,000
23 Fraser	17,500	0.34%	400
24 Garden City	24,400	0.47%	600
25 Gibraltar	5,400	0.10%	100
26 Greenwood Township (DTE)	7,700	0.15%	200
27 Grosse Ile Township	16,900	0.33%	400
28 Grosse Pt. Park	20,900	0.41%	500
29 Grosse Pt. Shores	9,400	0.18%	200
30 Grosse Pt. Woods	20,200	0.39%	500
31 Hamtramck	10,600	0.21%	300
32 Harper Woods	12,200	0.24%	300
33 Harrison Township	22,200	0.43%	500
34 Hazel Park	10,300	0.20%	300
35 Highland Park (c)	0	0.00%	0
36 Huron Township	21,300	0.41%	500
37 Imlay City	19,500	0.38%	500
38 Imlay Township (Single User)	100	0.00%	0
39 Inkster	20,400	0.40%	500
40 Keego Harbor	4,300	0.08%	100
41 Lapeer	21,900	0.43%	500
42 Lenox Township	4,000	0.08%	100
43 Lincoln Park	32,000	0.62%	800
44 Livonia	177,500	3.44%	4,300
45 Macomb Township	177,700	3.45%	4,300
46 Madison Heights	28,200	0.55%	700
47 Mayfield Township (KAMAX)	500	0.01%	0
48 Melvindale	9,200	0.18%	200
49 New Haven, Village of	5,700	0.11%	100
50 NOCWA	326,400	6.33%	8,000
51 Northville	11,800	0.23%	300
52 Northville Township	81,900	1.59%	2,000
53 Novi	131,200	2.55%	3,200

Highland Park Bad Debt Synopsis

Table 1 - Allocation of Initial Recovery Credit to Water Member Partners

	(1)	(2)	(3)
	Cumulative Amount in Charges FY 2019 thru <u>FY 2022</u> <i>(a)</i>	Relative Share of Highland Park Bad <u>Debt</u>	Initial Recovery <u>Credit</u> <i>(b)</i>
54 Oak Park	19,800	0.38%	500
55 Oakland GWK Drain District	1,000	0.02%	0
56 Plymouth	15,400	0.30%	400
57 Plymouth Township	65,000	1.26%	1,600
58 Redford Township	45,700	0.89%	1,100
59 River Rouge	9,800	0.19%	200
60 Riverview	12,400	0.24%	300
61 Rockwood	4,100	0.08%	100
62 Romeo	3,600	0.07%	100
63 Romulus	58,600	1.14%	1,400
64 Roseville	37,900	0.74%	900
65 Royal Oak Township	3,000	0.06%	100
66 Shelby Township	204,300	3.97%	5,000
67 SOCWA	335,500	6.51%	8,200
68 South Rockwood	1,600	0.03%	0
69 Southgate	32,100	0.62%	800
70 St. Clair Shores	43,200	0.84%	1,100
71 Sterling Heights	218,300	4.24%	5,300
72 Sumpter Township	9,600	0.19%	200
73 Sylvan Lake	3,400	0.07%	100
74 Taylor	67,000	1.30%	1,600
75 Trenton	25,800	0.50%	600
76 Troy	197,700	3.84%	4,800
77 Utica	8,100	0.16%	200
78 Van Buren Township	48,700	0.95%	1,200
79 Walled Lake	12,200	0.24%	300
80 Warren	148,200	2.88%	3,600
81 Washington Township	32,800	0.64%	800
82 Wayne	43,500	0.84%	1,100
83 West Bloomfield Township	151,800	2.95%	3,700
84 Westland	89,300	1.73%	2,200
85 Wixom	36,200	0.70%	900
86 Woodhaven	24,200	0.47%	600
87 Ypsilanti Comm Util Auth	150,400	2.92%	3,700
88 Total Suburban Wholesale	4,510,300	87.54%	110,100
89 Detroit	642,200	12.46%	15,900
90 TOTAL	\$5,152,500	100.00%	\$126,000
<u>Summary by County</u>			
Macomb	\$1,127,700	21.89%	\$27,400
Oakland	1,471,900	28.57%	36,100
Wayne (excl. Detroit)	1,516,100	29.42%	36,900
Other	394,600	7.66%	9,700
Detroit	642,200	12.46%	15,900
Total	\$5,152,500	100.00%	\$126,000

(a) Based on amounts allocated in approved charges. Does not reflect impacts of variances in actual purchased volumes.

(b) Allocation of initial \$1 million combined Water / Sewer recovery payment.

(c) Highland Park is NOT allocated responsibility for, NOR charged, an amount related to the Water debt they create - as they have never made a payment.



Highland Park Bad Debt Synopsis

Table 2 - Allocation of Initial Recovery Credit to Sewer Member Partners

	(1)	(2)	(3)	
	Cumulative Amount in Charges FY 2008 thru <u>FY 2022</u> <i>(a)</i>	Relative Share of Highland Park Bad <u>Debt</u> <i>(b)</i>	Initial Recovery <u>Credit</u> <i>(b)</i>	
1	OMID	\$8,281,000	23.22%	\$202,900
2	Rouge Valley	7,420,000	20.81%	181,900
3	Oakland GWK	6,495,000	18.22%	159,200
4	Evergreen Farmington	4,459,200	12.51%	109,300
5	SE Macomb San Dist	3,471,100	9.73%	85,100
6	Dearborn	2,769,000	7.77%	67,900
7	Grosse Pointe Farms	368,300	1.03%	9,000
8	Grosse Pointe Park	241,300	0.68%	5,900
9	Melvindale	192,600	0.54%	4,700
10	Farmington	153,300	0.43%	3,800
11	Center Line	126,200	0.35%	3,100
12	Allen Park	98,200	0.28%	2,400
13	Highland Park <i>(c)</i>	753,700	2.11%	18,500
14	Hamtramck	616,200	1.73%	15,100
15	Grosse Pointe	145,500	0.41%	3,600
16	Harper Woods	37,500	0.11%	900
17	Redford Township	24,300	0.07%	600
18	Wayne County #3	4,000	0.01%	100
19	Total	\$35,656,400	100.00%	\$874,000
<u>Summary by County</u>				
	Macomb	\$8,565,900	24.02%	\$209,900
	Oakland	14,419,900	40.44%	353,500
	Wayne <i>(excl. Detroit)</i>	12,670,600	35.54%	310,600
	Other	NA	NA	NA
	Detroit	NA	NA	NA
	Total	\$35,656,400	100.00%	\$874,000

(a) Based on amounts allocated in approved charges. Does not reflect impacts of variances in actual contributed wastewater volumes.

(b) Allocation of initial \$1 million combined Water / Sewer recovery payment.

(c) Yes, Highland Park is allocated responsibility for, and charged, an amount related to the Sewer bad debt they create - reflecting the partial payments they have made.