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MEMORANDUM

Highland Park Bad Debt Expense
Impact on GLWA Water and Sewer Charges

December 12, 2023

To: Nicolette Bateson, Matt Lane

From: Bart Foster

You have asked for additional information regarding the amounts included in Water and Sewer Charges to GLWA's Member Partners related to addressing Highland Park's bad debt expense. I have addressed this topic in several prior documents over the past several years¹. The most pertinent summary was my memorandum dated February 21, 2022, which set forth how much charges to specific individual Member Partner charges had been impacted *in total* over the years. Recently there has been interest expressed in how such amounts accumulated in specific fiscal years. The intent of this memorandum is to provide that information.

The attached exhibits summarize the results of my analysis. While the information in the exhibits is fairly straightforward, it is important to understand some complexities on this matter, and the approach taken by my analysis to produce these summaries.

- With respect to Water Charges, the actual amount “charged” to individual Member Partners related to this matter is subject to a review of actual water purchased during any fiscal period. This is because 40% of the GLWA Water Charges are commodity charges applied to actual water purchased during the year.
- For at least a portion of the period in question Sewer Charges also had a commodity portion, and the same complexity existed. Starting with the FY 2015 Sewer Charges, all revenue requirements are recovered via fixed monthly charges. So the Highland Park bad debt amounts included Sewer Charges to individual Member Partners are more easily determined for periods starting with FY 2015.
- My analysis ignores these complexities and seeks to identify the amounts “included in prospective charges” for each of the fiscal years in during the period under review.
 - *It also allocates estimated bad debt expense amounts that have been experienced but have not been **directly** included in charges. These amounts effectively reduced resources available to meet revenue requirements, and in*

¹ Readers should refer to prior memorandum for additional background and perspective on this matter.

*effect have **indirectly** impacted charges to all Member Partners – either now or in the future.*

- The approach taken to address this matter via Water Charges has always allocated responsibility for Highland Park bad debt to all other Member Partners proportionally based on their allocated wholesale revenue requirements. As such the relative responsibility reflects all units of service, including contracted peak demands, etc. – and not just purchased volume.
- The approach taken to address this matter via Sewer Charges has evolved during this period. For a portion of the period responsibility for Highland Park bad debt to all other Member Partners was assigned based on total contributed volume, without consideration of “strength of flow” concepts or CSO responsibility. With the evolution to the Sewer SHARES process, responsibility in recent Sewer Charges have been proportionally assigned to Member Partners based on their relative SHARE in effect for each year.

With that background, a brief introduction to the attached exhibits.

Water

- Starting with the FY 2019 Water Charges, GLWA began including amounts charges to ALL Member Partners (including Detroit) by amounts equivalent to Highland Park’s allocated revenue requirement.
- The amounts **directly included** in charges from FY 2019 through FY 2022 are summarized in Table 1.
- A summary by County and the City of Detroit is included at the bottom of the table.

Sewer

- As noted in prior memoranda, the history regarding this matter as it relates to the Sewer Charges is more lengthy and complex. Due to historical agreements, the City of Detroit customers are not allocated any responsibility for bad debt expense associated with Suburban Wholesale Member Partners, including Highland Park.
- The amounts **directly included** in Sewer Charges to Suburban Wholesale Member Partners from FY 2008 through FY 2021 are summarized in Table 2.
- A summary by County is included at the bottom of the table. Note that for purposes of this analysis I’ve assumed that 60% of the OMID amounts are allocable to Macomb County and 40% to Oakland County.

I am prepared to discuss this matter at your convenience.

Highland Park Bad Debt Synopsis

Table 1 - Amounts Included in Charges to Water Member Partners

	(1)	(2)	(3)	(4)	(5)
	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>TOTAL</u>
	(a)	(a)	(a)	(a)	(b)
1 Allen Park	\$9,600	\$7,900	\$8,100	\$8,300	\$33,900
2 Almont Village	900	800	800	800	3,300
3 Ash Township	3,300	2,700	2,800	2,900	11,700
4 Belleville	1,200	1,000	1,000	1,100	4,300
5 Berlin Township	3,200	2,400	2,500	2,500	10,600
6 Brownstown Township	15,300	12,200	12,500	12,500	52,500
7 Bruce Township	800	1,000	1,000	1,100	3,900
8 Burtchville Township	1,300	1,100	1,100	1,200	4,700
9 Canton Township	42,400	34,400	35,200	35,400	147,400
10 Center Line	1,900	1,500	1,500	1,600	6,500
11 Chesterfield Township	16,900	14,000	14,300	14,700	59,900
12 Clinton Township	34,400	25,400	26,000	26,200	112,000
13 Commerce Township	15,700	12,000	12,300	12,300	52,300
14 Dearborn	52,000	35,500	36,300	35,300	159,100
15 Dearborn Heights	15,000	12,300	12,600	12,700	52,600
16 Eastpointe	6,200	5,100	5,200	5,400	21,900
17 Ecorse	6,200	5,000	5,100	5,200	21,500
18 Farmington	4,300	3,400	3,500	3,500	14,700
19 Farmington Hills	38,800	29,800	30,500	30,500	129,600
20 Ferndale	4,100	3,300	3,400	3,500	14,300
21 Flat Rock	5,400	4,700	4,800	4,600	19,500
22 Flint *	48,200	37,900	38,800	37,700	162,600
23 Fraser	5,000	4,100	4,200	4,200	17,500
24 Garden City	7,100	5,700	5,800	5,800	24,400
25 Gibraltar	2,100	1,100	1,100	1,100	5,400
26 Greenwood Township (DTE)	1,700	1,400	1,400	3,200	7,700
27 Grosse Ile Township	5,600	3,700	3,800	3,800	16,900
28 Grosse Pt. Park	6,100	5,000	5,100	4,700	20,900
29 Grosse Pt. Shores	2,600	2,200	2,300	2,300	9,400
30 Grosse Pt. Woods	6,300	4,700	4,800	4,400	20,200
31 Hamtramck	2,700	2,500	2,600	2,800	10,600
32 Harper Woods	3,700	2,800	2,900	2,800	12,200
33 Harrison Township	6,300	5,100	5,200	5,600	22,200
34 Hazel Park	2,900	2,400	2,500	2,500	10,300
35 Highland Park (c)	0	0	0	0	0
36 Huron Township	6,300	4,900	5,000	5,100	21,300
37 Imlay City	4,900	4,700	4,800	5,100	19,500
38 Imlay Township (Single User)	0	0	0	100	100
39 Inkster	8,000	4,000	4,100	4,300	20,400
40 Keego Harbor	1,300	1,000	1,000	1,000	4,300
41 Lapeer	6,100	5,200	5,300	5,300	21,900
42 Lenox Township	1,200	900	900	1,000	4,000
43 Lincoln Park	9,500	7,200	7,400	7,900	32,000
44 Livonia	59,400	38,700	39,600	39,800	177,500
45 Macomb Township	47,200	42,800	43,800	43,900	177,700
46 Madison Heights	8,600	6,500	6,700	6,400	28,200
47 Mayfield Township (KAMAX)	100	100	100	200	500
48 Melvindale	2,800	2,100	2,100	2,200	9,200
49 New Haven, Village of	1,600	1,300	1,300	1,500	5,700
50 NOCWA	99,700	74,200	75,900	76,600	326,400
51 Northville	3,200	2,900	3,000	2,700	11,800
52 Northville Township	23,900	19,000	19,400	19,600	81,900
53 Novi	38,700	30,300	31,000	31,200	131,200

Highland Park Bad Debt Synopsis

Table 1 - Amounts Included in Charges to **Water** Member Partners

	(1)	(2)	(3)	(4)	(5)
	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>TOTAL</u>
	(a)	(a)	(a)	(a)	(b)
54 Oak Park	5,700	4,600	4,700	4,800	19,800
55 Oakland GWK Drain District	300	200	200	300	1,000
56 Plymouth	4,400	3,600	3,700	3,700	15,400
57 Plymouth Township	18,900	15,200	15,600	15,300	65,000
58 Redford Township	13,100	10,700	10,900	11,000	45,700
59 River Rouge	2,900	2,200	2,300	2,400	9,800
60 Riverview	3,600	2,800	2,900	3,100	12,400
61 Rockwood	1,300	900	900	1,000	4,100
62 Romeo	1,100	800	800	900	3,600
63 Romulus	16,200	13,700	14,000	14,700	58,600
64 Roseville	10,800	8,800	9,000	9,300	37,900
65 Royal Oak Township	900	700	700	700	3,000
66 Shelby Township	58,900	47,500	48,600	49,300	204,300
67 SOCWA	99,000	77,500	79,300	79,700	335,500
68 South Rockwood	400	400	400	400	1,600
69 Southgate	9,500	7,400	7,600	7,600	32,100
70 St. Clair Shores	12,400	10,000	10,200	10,600	43,200
71 Sterling Heights	62,100	51,100	52,300	52,800	218,300
72 Sumpter Township	2,800	2,200	2,300	2,300	9,600
73 Sylvan Lake	1,000	800	800	800	3,400
74 Taylor	19,200	15,700	16,100	16,000	67,000
75 Trenton	9,100	5,400	5,500	5,800	25,800
76 Troy	57,200	46,000	47,100	47,400	197,700
77 Utica	2,300	1,900	1,900	2,000	8,100
78 Van Buren Township	13,800	11,300	11,600	12,000	48,700
79 Walled Lake	3,900	2,700	2,800	2,800	12,200
80 Warren	43,900	33,900	34,700	35,700	148,200
81 Washington Township	9,400	7,600	7,800	8,000	32,800
82 Wayne	12,200	10,000	10,200	11,100	43,500
83 West Bloomfield Township	44,700	35,100	35,900	36,100	151,800
84 Westland	26,100	20,600	21,100	21,500	89,300
85 Wixom	10,600	8,400	8,600	8,600	36,200
86 Woodhaven	6,900	5,700	5,800	5,800	24,200
87 Ypsilanti Comm Util Auth	43,500	35,100	35,900	35,900	150,400
88 Total Suburban Wholesale	<u>1,329,800</u>	<u>1,040,400</u>	<u>1,064,600</u>	<u>1,075,500</u>	<u>4,510,300</u>
89 Detroit	<u>201,200</u>	<u>144,800</u>	<u>148,100</u>	<u>148,100</u>	<u>642,200</u>
90 TOTAL	<u>\$1,531,000</u>	<u>\$1,185,200</u>	<u>\$1,212,700</u>	<u>\$1,223,600</u>	<u>\$5,152,500</u>
<u>Summary by County</u>					
Macomb	\$322,400	\$262,800	\$268,700	\$273,800	\$1,127,700
Oakland	437,400	338,900	346,900	348,700	1,471,900
Wayne (excl. Detroit)	456,400	346,900	355,100	357,700	1,516,100
Other	113,600	91,800	93,900	95,300	394,600
Detroit	201,200	144,800	148,100	148,100	642,200
Total	<u>\$1,531,000</u>	<u>\$1,185,200</u>	<u>\$1,212,700</u>	<u>\$1,223,600</u>	<u>\$5,152,500</u>

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

(b) Cumulative amounts included in charges from FY 2019 through FY 2022. No amounts were included in charges in FY 2023 and FY 2024.

(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 - Amounts Included in Charges to Suburban Wholesale Sewer Member Partners

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	<u>Thru FY 2012</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>TOTAL</u>
	<i>(a)</i>								<i>(a) (b)</i>
1 OMID	\$1,562,600	\$1,270,800	\$2,067,400	\$1,596,400	\$1,031,600	\$501,500	\$250,700	\$0	\$8,281,000
2 Rouge Valley	1,194,700	1,189,500	1,934,800	1,464,600	946,400	460,000	230,000	0	7,420,000
3 Oakland GWK	986,300	1,016,600	1,653,600	1,340,600	866,300	421,100	210,500	0	6,495,000
4 Evergreen Farmington	719,700	685,700	1,115,400	915,500	591,600	287,500	143,800	0	4,459,200
5 SE Macomb San Dist	518,500	542,700	882,800	721,200	466,100	226,500	113,300	0	3,471,100
6 Dearborn	399,200	435,000	707,600	579,800	374,400	182,000	91,000	0	2,769,000
7 Grosse Pointe Farms	49,600	58,900	95,900	77,400	50,000	24,300	12,200	0	368,300
8 Grosse Pointe Park	34,100	35,600	57,900	53,700	34,700	16,900	8,400	0	241,300
9 Melvindale	29,100	29,300	47,700	40,900	26,400	12,800	6,400	0	192,600
10 Farmington	23,000	23,800	38,700	32,000	20,700	10,100	5,000	0	153,300
11 Center Line	20,500	18,900	30,700	26,500	17,100	8,300	4,200	0	126,200
12 Allen Park	13,400	14,000	22,700	22,700	14,700	7,100	3,600	0	98,200
13 Highland Park (c)	111,800	118,400	192,500	156,900	100,700	48,900	24,500	0	753,700
14 Hamtramck	93,000	96,500	156,900	127,900	82,100	39,900	19,900	0	616,200
15 Grosse Pointe	21,800	22,800	37,100	30,300	19,400	9,400	4,700	0	145,500
16 Harper Woods	4,400	6,100	9,900	8,100	5,200	2,500	1,300	0	37,500
17 Redford Township	2,600	4,000	6,500	5,300	3,400	1,700	800	0	24,300
18 Wayne County #3	700	600	1,000	800	500	300	100	0	4,000
19 Total	\$5,785,000	\$5,569,200	\$9,059,100	\$7,200,600	\$4,651,300	\$2,260,800	\$1,130,400	\$0	\$35,656,400
<u>Summary by County</u>									
Macomb	\$1,476,600	\$1,324,100	\$2,153,900	\$1,705,500	\$1,102,200	\$535,700	\$267,900	\$0	\$8,565,900
Oakland	2,354,000	2,234,400	3,634,700	2,926,700	1,891,200	919,300	459,600	0	14,419,900
Wayne (excl. Detroit)	1,954,400	2,010,700	3,270,500	2,568,400	1,657,900	805,800	402,900	0	12,670,600
Other	NA	NA	NA	NA	NA	NA	NA	NA	NA
Detroit	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total	\$5,785,000	\$5,569,200	\$9,059,100	\$7,200,600	\$4,651,300	\$2,260,800	\$1,130,400	\$0	\$35,656,400

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

(b) Cumulative amounts included in charges from FY 2008 through FY 2022. No amounts were included in charges in FY 2022, FY 2023, and FY 2024.

(c) Yes, Highland Park is allocated responsibility for, and charged, an amount related to the Sewer bad debt they create - reflecting various legal agreements