



* Berkley * Beverly Hills * Bingham Farms * Birmingham
 * Clawson * Huntington Woods * Lathrup Village * Pleasant Ridge
 * Royal Oak * Southfield * Southfield Township

QUARTERLY REPORT APRIL 2020

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Advisory Committee:	H. Drinkwine, Schueller, Jones, Wilson

J. A. McKeen	General Manager
R. Jackovich	Operations Manager

April 2020

Board of Trustees
Southeastern Oakland County Water Authority

Subject: Quarterly Report – April 2020

Board Members:

Attached is a copy of the Southeastern Oakland County Water Authority's Quarterly Report covering the first nine months operation of the fiscal year 2019/20. The report contains a financial statement of the Authority's operation and an outline of projects in progress or completed during the quarter. The report also contains statistical information and other information of general interest to the members of this Authority.

FINANCIAL STATEMENT

The total net operating income before depreciation for the first 9 months of 2019/20 was \$335,463 which was \$350,565 less than planned net income and \$851,950 less than the net income for the first 9 months of 2018/19.

	Actual	Compared to Budget
Revenue	\$ 19,096,129	- \$ 1,020,112
Expenses	\$ 18,760,667	- \$ 669,546
Net Income (before depreciation)	\$ 335,463	- \$ 350,565

The decrease in revenue was completely due to lower than planned water sales (-\$1,028,000). The decrease in expenses was primarily due to lower than planned water purchases (-\$511,000) and maintenance (-\$105,000), utilities (-\$26,000), supplies (-\$25,000) and other expenses (-\$15,000) which were partially offset by increased labor costs (+\$7,000).

Water sales volumes for the first 9 months of the current fiscal year are summarized in the table below. The total water sales volumes for the fiscal year to date are 6.0% below budget and are 6.3% lower than the sales for the same period in 2018/19.

Capital expenditures for the first six months of the fiscal year totaled \$483,046 and were for the replacement of the 16" water main in 14 Mile between Greenfield and east of Coolidge (\$375,000), the final payments for the rehabilitation of the 16" water main in Coolidge from 13 Mile to 14 Mile (\$66,000), the replacement of the computer servers at our Webster offices (\$34,000), and the expenses for the replacement of a water meter (\$8,000).

As of March 27, 2020, our working capital was 14.7% based on unrestricted assets. This is higher than the working capital policy level of 8.3% which was established by the Board and lower than the 19.7% working capital as of March 29, 2019 due to the funds expended for the major main replacement projects completed in late 2019.

The following is the Authority's record of expenditures based on the average cost per 1,000 cu. ft. of water.

	2017/18	2018/19	2019/20	Over or Under 2018/19
Water Purchased for Resale	\$17.34	\$17.88	18.55	+ 0.67
Operating Expenses	1.31	1.50	1.60	+ 0.10
Fixed Charges	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	- 0.00
	\$18.65	\$19.38	\$20.15	+ 0.77

Additional financial detail is attached.

COMPARATIVE STATEMENT

The following is a comparison of the first 9 months operation of the current fiscal year with the same period of the previous fiscal year.

Revenues From the Sale of Water	-\$1,287,717	
Revenues From Other Sources	+ <u>23,963</u>	
TOTAL REVENUES		-\$1,263,754
<u>Operating Expenses</u>		
Water Purchased for Resale	-\$421,479	
Other Operating Expenses	- <u>1,541</u>	
TOTAL EXPENDITURES		-<u>\$423,020</u>
NET INCOME BEFORE DEPRECIATION		-\$840,735

The decrease in revenue for the sale of water was due to the July 1, 2019 SOCWA rate decrease and significantly lower water sales. The decrease in expenses is due to lower water purchases for the same reasons. Operating expenditures were basically unchanged.

The following is the record of SOCWA water sales for the period July 1, 2019 to March 31, 2020. The nine-month record shows a decrease in water sales of 6.3% during the current fiscal year compared with the same period of the previous fiscal year. Wet weather last summer and fall served to reduce our water sales for lawn sprinkling. The wet weather has continued throughout the first nine months of the fiscal year with total precipitation being 55% larger than the same period of last fiscal year.

WATER CONSUMPTION – DAILY AVERAGE (MGD)						
JULY 1 THROUGH MARCH 31						
Month	15/16	16/17	17/18	18/19	19/20	Over or Under 18/19
July	34.59	45.77	40.71	43.59	36.06	- 7.53
August	37.06	41.54	38.40	38.31	38.35	+ 0.04
September	33.86	32.96	33.87	31.95	30.00	- 1.95
October	25.69	23.82	25.37	22.80	22.48	-0.32
November	21.19	20.80	20.50	20.54	20.21	- 0.33
December	20.66	21.42	20.85	20.30	20.12	- 0.55
January	21.57	21.26	22.44	21.31	20.23	- 0.18
February	21.33	20.75	21.42	22.39	20.31	- 2.08
March	20.90	20.73	21.34	21.45	19.83	- 1.62
Million Gals./Day	26.34	27.65	27.27	27.02	25.33	- 1.69
Variance	+2.3%	+5.0%	-1.1%	-1.0%	-6.3%	

The following is the precipitation record, as recorded at the Webster Station:

PRECIPITATION – INCHES					
Month	15/16	16/17	17/18	18/19	19/20
July	1.30	2.85	1.10	2.76	7.15
August	2.10	2.80	2.30	2.74	3.04
September	1.30	4.49	0.70	3.10	4.84
October	1.80	1.80	5.70	2.51	4.97
November	1.30	1.35	4.30	2.56	1.52
December	1.50	1.70	1.50	2.06	2.60
January	0.90	2.30	1.43	1.52	4.21
February	0.70	2.00	3.25	2.03	1.21
March	2.50	2.80	2.01	1.96	3.41
Total:	13.40	22.09	22.29	21.24	32.95

MAJOR PROJECTS

CORONAVIRUS REPOSENSE UPDATE

SOCWA operations have continued in a fairly normal fashion during the coronavirus outbreak. Water supply operations have been normal with GLWA continuing normal supply from all 5 water treatment plants. We have not been able to obtain access to a few of our typical water sampling locations that are used for our weekly water testing, but we have obtained some new sampling locations. We continue to take more than the required number of weekly water samples.

The SOCWA office remains open with the office staff working a staggered home/office schedule to minimize the number of people in the office while we continue to operate normally. All office employees can work remotely from home. We are continuing to staff the SOCWA Control Room 24 hours per day. We have instituted enhanced cleaning and sanitizing procedures. We have also implemented Oakland County's daily screening protocol for all our employees as they are all providing essential services.

SOCWA staff, especially Bob Jackovich, Colette Farris, Anne Farris and Todd Rickerd, have done a great job in handling the many issues that have arisen in the last several weeks. While operations have been normal, it has been a lot of work to keep them that way! All their contributions are greatly appreciated.

The April SOCWA Board meeting was held using the Zoom remote meeting tool. We will be continuing to follow the recommendations provided by the Governor and Oakland County.

SOCWA WATER SALES

SOCWA water sales for the first nine months were 6.0% below budget and 6.3% lower than water sales for the first nine months of 2018/19. Water sales have declined even further as of mid-March due to widespread business closures due to the coronavirus outbreak. Lower water sales will have an adverse effect on SOCWA's financial performance for the current fiscal year.

GLWA WATER RATES

In mid-March, the GLWA Board approved a proposed rate increase of 3% for SOCWA and all GLWA water customers for 2020/21. This was the second consecutive year for which the GLWA Board has approved rates in mid-March, which is significantly earlier than in previous years. The primary reasons for the rate increase are a decrease in GLWA water sales, which has also been observed by SOCWA, an increase in operations and maintenance expenses and a decrease in anticipated interest income due to lower interest rates. GLWA did include significant savings in the new rates that should result from a pending bond refinancing transaction, see discussion below. At the beginning of 2020, SOCWA had recommended that the member communities prepare their budgets with a 3.5% SOCWA rate increase. The final SOCWA rates for 2020/21 will be set at the June Board meeting.

GLWA ISSUES

GLWA Customer Outreach

GLWA has adopted the same Customer Outreach Program that DWSD has used for many years. SOCWA staff is continuing to participate in the GLWA Customer Outreach Process. I was re-elected as one of nine elected customer co-chairs of the One Water Partnership that guides this process. Significant progress has been made in improving the level of communication and understanding between GLWA and its customers through this process, which will be a continuing effort. SOCWA continues to be a strong proponent of GLWA's customer partnering process. The Customer Outreach Program continues to be very important in continuing the excellent relationship between GLWA and its customers.

GLWA Board of Directors

Mr. Abe Munfakh, the GLWA Director representing Wayne County was elected Board Chair for 2020. Mr. Munfakh replaces Mr. Brian Baker, the Macomb County representative, who was Board Chair for 2019. Unfortunately, Mr. Munfakh died suddenly in mid-March. Dr. Beverly Walker-Griffea, the Board representative appointed by the Governor to represent the communities outside of Wayne, Oakland and Macomb counties, and GLWA's current Vice-Chair, is acting as Chair until the GLWA Board is able to meet to select a new Chair. Wayne County has not yet named a new Board representative.

GLWA Debt Refinancing

GLWA will be refinancing about \$1.1 billion of existing water and sewer bonds in 2020 in order to take advantage of the current record low interest rates. Depending on interest rates, this refinancing could result in annual savings of approximately \$5 million for the GLWA water system and \$7 million for the GLWA sewer system. These interest savings were included in GLWA's rates for 2020/21 despite the fact that the refinancing had not been completed at the time the rates were approved.

Highland Park

Highland Park continues to owe GLWA approximately \$8 million in unpaid water bills and \$35 million in unpaid sewer bills. Highland Park continues to make partial payments to GLWA, but these payments are not large enough to keep the total balance owed from continuing to grow. GLWA is continuing to pursue collection of the unpaid amounts.

GLWA Website

The GLWA website, www.glwater.org, is a great source of information regarding GLWA. The agendas and minutes for all Board and Board Committee meetings are posted along with procurement information about all projects being performed by GLWA.

SOCWA ARTICLES OF INCORPORATION

SOCWA has completed the revision of its Articles of Incorporation, which were last updated in 1983. The revised Articles were approved by the SOCWA Board and by the governing bodies of each of the member communities and were published in the Daily Tribune in late 2019. The revised Articles became effective in early January 2020.

WATER SERVICE REPLACEMENT RFP

SOCWA is using the services of HRC to develop a request for proposals (RFP) to develop a contract for the replacement of lead water services that could be used by the member communities. The RFP was sent out to a number of contractors on April 1 and we should have a contract in place by the end of May. The member communities with lead water services will need to be replacing 5% to 7% of those services each year under the new State of Michigan lead and copper rules. Having a contractor available for all the member communities could help to reduce the cost of performing this required work.

AWARD FOR COOLIDGE WATER MAIN REHABILITATION PROJECT

SOCWA received the 2020 Merit Award from the American Council of Engineering Companies for our Coolidge water main rehabilitation project. This project rehabilitated a one-mile section of 16" cast iron water main in Coolidge between 13 Mile and 14 Mile by installing a 16" polyethylene plastic liner pipe inside the existing pipe. This construction method required only a few excavations which minimized the traffic disruption on Coolidge. This is the first time that this technology has been used in large diameter water mains in Michigan.

OTHER POST EMPLOYMENT BENEFIT (OPEB) FUNDING

SOCWA completed actuarial analyses of the funding level for our two OPEB plans using a tool provided by Milliman. Using the Milliman tool resulted in significant savings compared with hiring an actuarial firm to perform the analyses. The analyses determined that our two OPEB plans are overfunded with the salaried plan being 134% funded and the union plan being 125% funded. We have begun using the assets of the salaried plan to pay for a portion of our retiree health insurance costs. The budget for 2020/21 will be using the assets of both plans to pay a portion of our retiree health care costs.

LEAD AND COPPER SAMPLING REQUIREMENTS

Birmingham and Royal Oak have begun the EGLE mandated lead and copper testing that resulted from the lead levels found during their 2019 lead and copper testing. The remaining SOCWA member communities will be required to conduct another round of lead and copper testing before September 30, 2020.

Respectfully submitted,

Jeffrey A. McKeen, P.E.
General Manager

SOCWA
INCOME STATEMENT
07/01/19..03/31/20

	Period Actual	Period Budget	Variance
REVENUES			
SALE OF WATER MEMBERS	12,300,968.42	13,043,130.00	-742,161.58
SALE OF WATER OTHERS	6,627,474.00	6,913,383.00	-285,909.00
	18,928,442.42	19,956,513.00	-1,028,070.58
RENTALS	94,961.26	90,728.00	4,233.26
WATER ANALYSIS & MISC	5,829.15	7,000.00	-1,170.85
INTEREST ON INVESTMENTS	66,896.66	62,000.00	4,896.66
TOTAL REVENUES	19,096,129.49	20,116,241.00	-1,020,111.51
EXPENSES			
PURCHASE OF WATER FOR RESALE	11,966,820.31	12,327,000.00	-360,179.69
POWER, PUMPING & GROUNDS WEBSTER	426,686.30	444,989.00	-18,302.70
POWER, PUMPING & GROUNDS	82,306.93	168,862.00	-86,555.07
COMPUTER OPERATIONS	61,547.62	63,585.00	-2,037.38
PURIFICATION	91,320.77	123,435.00	-32,114.23
METERS & MAINS	131,356.83	168,912.00	-37,555.17
ADMINISTRATION & GENERAL	699,140.90	681,430.00	17,710.90
IN TRANSIT	5,301,487.00	5,452,000.00	-150,513.00
TOTAL EXPENSES	18,760,666.66	19,430,213.00	-669,546.34
NET INCOME BEFORE DEPRECIATION	335,462.83	686,028.00	-350,565.17
DEPRECIATION	441,966.00		
NET INCOME AFTER DEPRECIATION	-106,503.17		

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
STATEMENT OF REVENUE AND EXPENDITURES COMPARED WITH TOTAL BUDGET
07/01/19..03/31/20

	ACTUAL - 9 MONTHS	BUDGET	REMAINING BUDGET	% Received or Expended
REVENUES				
SALE OF WATER MEMBERS	12,300,968.42	17,500,000.00	5,199,031.58	70%
SALE OF WATER OTHERS	6,627,474.00	9,292,400.00	2,664,926.00	71%
	18,928,442.42	26,792,400.00	7,863,957.58	71%
RENTALS	94,961.26	122,000.00	27,038.74	78%
WATER ANALYSIS & MISC	5,829.15	10,000.00	4,170.85	58%
INTEREST ON INVESTMENTS	65,549.41	75,000.00	9,450.59	87%
TOTAL REVENUES	19,094,782.24	26,999,400.00	7,904,617.76	71%
EXPENSES				
PURCHASE OF WATER FOR RESALE	11,966,820.31	23,674,000.00	11,707,179.69	51%
POWER, PUMPING & GROUNDS WEBSTER	426,686.30	572,110.00	145,423.70	75%
POWER, PUMPING & GROUNDS	82,306.93	231,172.00	148,865.07	36%
COMPUTER OPERATIONS	61,547.62	84,800.00	23,252.38	73%
PURIFICATION	91,320.77	142,250.00	50,929.23	64%
METERS & MAINS	131,356.83	223,900.00	92,543.17	59%
ADMINISTRATION & GENERAL	699,140.90	850,700.00	151,559.10	82%
WATER IN TRANSIT	5,301,487.00	5,452,000.00	150,513.00	97%
TOTAL EXPENSES	18,760,666.66	31,230,932.00	12,470,265.34	60%
NET INCOME BEFORE DEPRECIATION	334,115.58	-4,231,532.00	-4,565,647.58	-8%
DEPRECIATION	441,966.00			
NET INCOME	-107,850.42			

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
COMPARATIVE STATEMENT
07/01/19..03/31/20

	2019/2020	2018/2019	OVER / UNDER
REVENUES			
SALE OF WATER MEMBERS	12,300,968.42	13,202,129.56	-901,161.14
SALE OF WATER OTHERS	6,627,474.00	7,014,030.25	-386,556.25
	18,928,442.42	20,216,159.81	-1,287,717.39
RENTALS	94,961.26	64,274.54	30,686.72
WATER ANALYSIS & MISC	5,829.15	6,266.01	-436.86
INTEREST ON INVESTMENTS	66,896.66	73,184.00	-6,287.34
TOTAL REVENUES	19,096,129.49	20,359,884.36	-1,263,754.87
EXPENSES			
PURCHASE OF WATER FOR RESALE	11,966,820.31	12,270,190.69	-303,370.38
WATER IN TRANSIT	5,301,487.00	5,419,595.00	-118,108.00
OPERATING EXPENSES	1,492,359.35	1,493,900.74	-1,541.39
TOTAL EXPENSES	18,760,666.66	19,183,686.43	-423,019.77
CURRENT PERIOD INCOME	335,462.83	1,176,197.93	-840,735.10

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY

INCOME STATEMENT w/ Ave Per Cubic Ft.

07/01/19..03/31/20

	ACTUAL REVENUES	2019/2020 Average Per 1,000 cubic feet	2018/2019 Average Per 1,000 cubic feet
SALE OF WATER	12,300,968.42	17.2606	16.6027
SALE OF WATER OTHERS	6,627,474.00	30.3517	28.6885
	18,928,442.42	20.3309	20.0900
RENTALS	94,961.26	0.1020	0.0418
WATER ANALYSIS-LAB & MISC	5,829.15	0.0063	0.0018
INTEREST ON INVESTMENTS	66,896.66	0.0719	0.0209
	167,687.07	0.1801	0.0645
TOTAL REVENUES	\$19,096,129.49	20.5110	20.1509
WATER PURCHASED FOR RESALE	11,966,820.31	12.8535	0.0000
POWER, PUMPING & GROUNDS WEBSTER	426,686.30	0.4583	0.2471
POWER , PUMPING & GROUNDS	82,306.93	0.0884	0.0633
COMPUTER OPERATIONS	61,547.62	0.0661	0.0340
PURIFICATION	91,320.77	0.0981	0.0305
METERS & MAINS	131,356.83	0.1411	0.0541
ADMINISTRATIVE & GENERAL	699,140.90	0.7509	0.5155
WATER IN TRANSIT	5,301,487.00	5.6943	14.3619
TOTAL EXPENSES	18,760,666.66	20.1507	15.3064
NET INCOME BEFORE DEPRECIATION	\$335,462.83	0.3603	4.8445
DEPRECIATION	441,966.00		
NET INCOME	-\$106,503.17		

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY

TOTAL CHARGES

Period: 7/1/19-03/31/20

MUNICIPALITY	WATER CONSUMPTION CUBIC FEET	TOTAL WATER CHARGES
BERKLEY	35,298.76	\$612,526.94
BEVERLY HILLS	27,259.00	\$473,010.78
BINGHAM FARMS	7,679.50	\$133,069.89
BIRMINGHAM	85,294.18	\$1,472,619.22
CLAWSON	23,100.12	\$407,467.82
HUNTINGTON WOODS	16,676.16	\$288,628.42
LATHRUP VILLAGE	16,674.03	\$286,660.57
PLEASANT RIDGE	7,883.60	\$136,847.11
ROYAL OAK	174,336.28	\$3,004,055.89
SOUTHFIELD	307,514.73	\$5,298,554.06
DETROIT ZOO & RACKHAM	10,944.79	\$188,298.70
MEMBERS	<u>712,661.15</u>	<u>\$12,301,739.40</u>
NON MEMBERS		
BLOOMFIELD HILLS	41,508.61	\$1,264,542.96
BLOOMFIELD TOWNSHIP	176,847.09	\$5,362,931.05
	<u>218,355.70</u>	<u>\$6,627,474.01</u>
TOTAL	931,016.85	\$18,929,213.41

SOUTH OAKLAND COUNTY WATER AUTHORITY
Construction in Progress

Period: 7/1/19-03/31/20

FIXED ASSET EXPENDITURES

14 MILE MAIN	375,263.68
COOLIDGE MAIN	65,701.09
METER REPLACEMENT	7,635.36
NEW SERVER	34,446.36
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	483,046.49