



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

QUARTERLY REPORT January 2020

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OFFICERS	
Chairman:	H. Drinkwine
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Advisory Committee:	H. Drinkwine, P. O'Meara, G. Rassel, C. Wilson

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

January 2020

Board of Trustees
Southeastern Oakland County Water Authority

Subject: Quarterly Report - January 2020

Board Members:

Attached is a copy of the Southeastern Oakland County Water Authority's Quarterly Report covering the first six 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 second 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 6 months of 2019/20 was \$1,104,428, which was \$339,334 lower than budgeted. This was a decrease from the net income of \$1,568,199 for the first six months of 2018/19.

	Actual	Compared to Budget
Revenue	\$14,041,434	- \$864,792
Expenses	\$12,937,006	- \$525,458
Net Income (before depreciation)	\$ 1,104,428	- \$339,334

SOCWA's working capital was 17.2% as of December 31, 2019. This is higher than the 8.3% working capital goal approved by the Board but a decrease from the 23.0% working capital as of December 31, 2018 due to the money expended on capital projects during 2019.

The decrease in revenue was primarily due to lower (-6.4%) than planned water sales to both the member communities (-\$565,000) and to Bloomfield Hills and Bloomfield Twp. (-\$274,000). Revenue from rentals (-\$25,000) was below budget while interest revenue (+\$3,000) was greater than budget. Water sales volumes for the six-month period were 5.8% lower than the actual water sales for the same period in 2018/19 and were lower than the previous year in each month except for August. This was primarily due to the large amount of rain that we experienced for the first six months of 2019/20 which was 50% higher than was experienced during the same period of 2018/19.

The decrease in expenses was due largely to decreased cost for water purchased (-\$435,000) and lower than planned expenses for maintenance (-\$64,000), utilities (-\$19,000), supplies (-\$11,000), and non-labor Administrative & General (-\$8,000) which were partially offset by increased costs for labor (+\$34,000).

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).

Additional financial detail is attached.

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

	2017/18	2018/19	2019/20	Over or Under 2019/20
Total Sales (MCF)	737,417	728,542	686,246	-42,296
Water Sales	\$20.06	\$20.42	\$20.34	-0.08
Other Income	<u>0.10</u>	<u>0.12</u>	<u>0.12</u>	<u>0.00</u>
Total Income	\$20.16	\$20.54	\$20.46	-\$0.08
Water Purchased for Resale	16.32	16.84	17.33	+0.49
Operating Expenses	<u>1.27</u>	<u>1.55</u>	<u>1.52</u>	-0.03
Total Operating Expenses	\$17.59	\$18.39	\$18.85	+\$0.46
Available for Improvements	\$2.57	\$2.15	\$1.61	-\$0.54

COMPARATIVE STATEMENT

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

Revenues From the Sale of Water	- \$915,806	
Revenues From Other Sources	- <u>15,627</u>	
TOTAL REVENUES		- \$ 931,433
<u>Operating Expenses</u>		
Water Purchased for Resale	- \$374,560	
Other Operating Expenses	- 33,679	
TOTAL EXPENDITURES		- \$408,239
NET INCOME BEFORE DEPRECIATION		- \$523,194

The following is the record of SOCWA water sales for the period July 1 through December 31. The six-month record shows a decrease in water sales of 5.8% during the current fiscal year compared with the same period of the previous fiscal year. Water sales were lower than the previous year for five of the six months of the July 1 through December 31 period. For the six-month period, our water sales were 6.4 % lower than budgeted sales.

WATER CONSUMPTION – DAILY AVERAGE (MGD) JULY 1 THROUGH DECEMBER 31						
Month	2015	2016	2017	2018	2019	Over or Under 2018
July	34.59	45.77	40.71	43.59	36.08	-7.51
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	20.57	20.54	20.21	-0.33
December	20.66	21.42	20.85	20.30	20.12	-0.18
Average	28.86	31.10	29.99	29.62	27.90	-0.37
Variance	+5.6%	+7.8%	-3.6%	-1.2%	-5.8%	

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

PRECIPITATION – INCHES					
Month	2015	2016	2017	2018	2019
July	1.30	2.85	1.10	1.08	7.15
August	2.10	2.80	2.30	1.36	3.04
September	1.30	4.49	0.70	4.34	4.84
October	1.80	1.80	5.70	5.37	4.97
November	1.30	1.35	4.30	2.71	1.52
December	<u>1.50</u>	<u>1.70</u>	<u>1.50</u>	<u>1.60</u>	<u>2.60</u>
Total:	9.30	14.99	15.60	16.46	24.12

MAJOR PROJECTS

GLWA WATER RATES

GLWA will be announcing the rates for 2020/21 in late January. GLWA is budgeting water sales for 2020/21 that will be lower than the 2019/20 budget which will result in a cost increase from GLWA. GLWA is refinancing some of their outstanding bonds to take advantage of the current low interest rates which should help mitigate GLWA's cost increases. SOCWA water rate estimates will be provided to the SOCWA Board at their February 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 have been serving as one of seven 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.

GLWA Debt Refinancing

GLWA will be refinancing about \$1.1 billion of existing water and sewer bonds in early 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 savings will help to moderate the rate increase SOCWA will receive from GLWA for 2020/21.

Highland Park

Highland Park continues to owe GLWA approximately \$7.6 million in unpaid water bills and \$34 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.gewater.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 been working on updating its Articles of Incorporation, which were last updated in 1983. During the first half of this fiscal year, 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. The revised Articles will be effective in early January.

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 should be out to the contractors in March and we should have a contract in place by the end of April. 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 of the member communities could help to reduce the cost of performing this required work.

SOCWA WATER SALES

SOCWA water sales are continuing to decline during non-summer months. This has been a long-term trend that shows no signs of slowing down. This trend is being observed nationwide as residents continue to replace water consuming appliances and fixtures with more water efficient products. When this trend is combined with the wetter summers we have had for the past two years, the result has been a significant reduction in water sales. Water sales during the

first six months of the fiscal year have declined for three consecutive years and were 10% lower in 2019 than they were in 2016.

PENSION FUNDING

The Board continued to take additional steps to address the underfunded status of SOCWA's salaried pension plan by contributing additional funding to the plan. SOCWA has been contributing substantially above the actuarially required amounts to the salaried pension plan for seven years and the unfunded liability for that plan has been significantly reduced. The Union pension plan is fully funded. MERS will complete their actuarial studies to determine the funding status of the pension plans as of December 31, 2019 before June 2020.

ANNUAL AUDIT

The audit report for the 2018/19 fiscal year was completed by our auditors, Plante & Moran, and was reviewed at the November SOCWA Board meeting. The audit found the Authority to be in complete conformity with generally accepted accounting practices. The auditors concluded that the Authority's level of working capital decreased by \$3.1 million during the fiscal year due to the large capital expenditures for the Coolidge and 14 Mile Road main replacement projects. The working capital continues to be maintained above the goal level established by the Board. The net position of SOCWA increased by \$494,000 during the year.

Respectfully submitted,

Jeffrey A. McKeen, P.E.
General Manager

SOCWA
INCOME STATEMENT
07/01/19..12/31/19

	Period Actual	Period Budget	Variance
REVENUES			
SALE OF WATER MEMBERS	8,781,826.92	9,346,973.00	-565,146.08
SALE OF WATER OTHERS	5,176,393.80	5,450,255.00	-273,861.20
	13,958,220.72	14,797,228.00	-839,007.28
RENTALS	35,272.42	59,998.00	-24,725.58
WATER ANALYSIS & MISC	790.00	5,000.00	-4,210.00
GRANT REVENUE			
INTEREST ON INVESTMENTS	47,151.16	44,000.00	3,151.16
TOTAL REVENUES	14,041,434.30	14,906,226.00	-864,791.70
EXPENSES			
PURCHASE OF WATER FOR RESALE	6,590,986.35	6,875,000.00	-284,013.65
POWER, PUMPING & GROUNDS WEBSTER	306,112.21	291,293.96	14,818.25
POWER, PUMPING & GROUNDS	56,148.66	112,705.00	-56,556.34
COMPUTER OPERATIONS	42,098.72	42,354.00	-255.28
PURIFICATION	68,276.49	71,121.00	-2,844.51
METERS & MAINS	68,335.20	111,510.50	-43,175.30
ADMINISTRATION & GENERAL	503,561.61	506,480.00	-2,918.39
IN TRANSIT	5,301,487.00	5,452,000.00	-150,513.00
TOTAL EXPENSES	12,937,006.24	13,462,464.46	-525,458.22
NET INCOME BEFORE DEPRECIATION	1,104,428.06	1,443,761.54	-339,333.48
DEPRECIATION	294,644.00		
NET INCOME AFTER DEPRECIATION	809,784.06		

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
STATEMENT OF REVENUE AND EXPENDITURES COMPARED WITH TOTAL BUDGET
07/01/19..06/30/20

	ACTUAL - 6 MONTHS	BUDGET	REMAINING BUDGET	% Received or Expended
REVENUES				
SALE OF WATER MEMBERS	8,781,826.92	17,500,000.00	8,718,173.08	50%
SALE OF WATER OTHERS	5,176,393.80	9,292,400.00	4,116,006.20	56%
	13,958,220.72	26,792,400.00	12,834,179.28	52%
RENTALS	35,272.42	122,000.00	86,727.58	29%
WATER ANALYSIS & MISC	790.00	10,000.00	9,210.00	8%
GRANT REVENUE				
INTEREST ON INVESTMENTS	47,151.16	75,000.00	27,848.84	63%
TOTAL REVENUES	14,041,434.30	26,999,400.00	12,957,965.70	52%
EXPENSES				
PURCHASE OF WATER FOR RESALE	6,590,986.35	23,674,000.00	17,083,013.65	28%
POWER, PUMPING & GROUNDS WEBSTER	306,112.21	572,110.00	265,997.79	54%
POWER, PUMPING & GROUNDS	56,148.66	231,172.00	175,023.34	24%
COMPUTER OPERATIONS	42,098.72	84,800.00	42,701.28	50%
PURIFICATION	68,276.49	142,250.00	73,973.51	48%
METERS & MAINS	68,335.20	223,900.00	155,564.80	31%
ADMINISTRATION & GENERAL	503,561.61	850,700.00	347,138.39	59%
WATER IN TRANSIT	5,301,487.00	5,452,000.00	150,513.00	97%
TOTAL EXPENSES	12,937,006.24	31,230,932.00	18,293,925.76	41%
NET INCOME BEFORE DEPRECIATION	1,104,428.06	-4,231,532.00	-5,335,960.06	-26%
DEPRECIATION	294,644.00			
NET INCOME	809,784.06			

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
COMPARATIVE STATEMENT
07/01/19..12/31/19

	2019/2020	2018/2019	OVER / UNDER
REVENUES			
SALE OF WATER MEMBERS	8,781,826.92	9,434,240.00	-652,413.08
SALE OF WATER OTHERS	5,176,393.80	5,439,787.00	-263,393.20
	13,958,220.72	14,874,027.00	-915,806.28
RENTALS	35,272.42	34,519.60	752.82
WATER ANALYSIS & MISC	790.00	5,944.97	-5,154.97
INTEREST ON INVESTMENTS	47,151.16	48,356.88	-1,205.72
TOTAL REVENUES	14,041,434.30	14,962,848.45	-921,414.15
EXPENSES			
PURCHASE OF WATER FOR RESALE	6,590,986.35	6,862,354.00	-271,367.65
WATER IN TRANSIT	5,301,487.00	5,404,679.47	-103,192.47
OPERATING EXPENSES	1,044,532.89	1,127,616.53	-83,083.64
TOTAL EXPENSES	12,937,006.24	13,394,650.00	-457,643.76
CURRENT PERIOD INCOME	1,104,428.06	1,568,198.45	-463,770.39

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY

INCOME STATEMENT w/ Ave Per Cubic Ft.

07/01/19..12/31/19

USD

	ACTUAL REVENUES	2019/2020 Average Per 1,000 cubic feet	2018/2019 Average Per 1,000 cubic feet
SALE OF WATER	8,781,826.92	17.1264	16.6027
SALE OF WATER OTHERS	5,176,393.80	29.8382	28.6885
	13,958,220.72	20.3400	20.0900
RENTALS	35,272.42	0.0514	0.0418
WATER ANALYSIS-LAB & MISC	790.00	0.0012	0.0018
INTEREST ON INVESTMENTS	47,151.16	0.0687	0.0209
	83,213.58	0.1213	0.0645
TOTAL REVENUES	\$14,041,434.30	20.4612	20.1509
WATER PURCHASED FOR RESALE	6,590,986.35	9.6044	0.0000
POWER, PUMPING & GROUNDS WEBSTER	306,112.21	0.4461	0.2471
POWER , PUMPING & GROUNDS	56,148.66	0.0818	0.0633
COMPUTER OPERATIONS	42,098.72	0.0613	0.0340
PURIFICATION	68,276.49	0.0995	0.0305
METERS & MAINS	68,335.20	0.0996	0.0541
ADMINISTRATIVE & GENERAL	503,561.61	0.7338	0.5155
WATER IN TRANSIT	5,301,487.00	7.7253	14.3619
TOTAL EXPENSES	12,937,006.24	18.8518	15.3064
NET INCOME BEFORE DEPRECIATION	\$1,104,428.06	1.6094	4.8445
DEPRECIATION	294,644.00		
NET INCOME	\$809,784.06		

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY

TOTAL CHARGES

Period: 7/1/19-12/31/19

SOCWA

MUNICIPALITY	WATER CONSUMPTION CUBIC FEET	TOTAL WATER CHARGES
BERKLEY	24,412.06	\$421,913.90
BEVERLY HILLS	20,541.50	\$351,867.93
BINGHAM FARMS	6,101.30	\$103,850.05
BIRMINGHAM	64,140.35	\$1,093,966.15
CLAWSON	16,607.90	\$290,269.82
HUNTINGTON WOODS	12,506.05	\$213,831.35
LATHRUP VILLAGE	11,507.07	\$197,137.05
PLEASANT RIDGE	6,064.00	\$103,694.88
ROYAL OAK	122,462.37	\$2,098,896.16
SOUTHFIELD	219,717.90	\$3,759,168.02
DETROIT ZOO & RACKHAM	8,703.74	\$147,231.61
MEMBERS	<u>512,764.24</u>	<u>\$8,781,826.92</u>
NON MEMBERS		
BLOOMFIELD HILLS	34,599.20	\$1,031,160.22
BLOOMFIELD TOWNSHIP	138,882.83	\$4,145,233.58
	<u>173,482.03</u>	<u>\$5,176,393.80</u>
TOTAL	686,246.27	\$13,958,220.72

SOUTHEASTERN OAKLAND COUNTY RESOURCE RECOVERY
Construction in Progress

Period: 7/1/19-12/31/19

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